**A** **BILL**

TO AMEND SECTION 59‑20‑20, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE INDEX OF TAXPAYING ABILITY, TO ALLOW ERRORS MADE IN DETERMINING THE INDEX TO BE CORRECTED IN THE PERIOD AFTER FEBRUARY FIRST UNTIL MAY FIRST.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 59‑20‑20(3) of the 1976 Code is amended to read:

“(3) ‘Index of taxpaying ability’ means an index of a local district’s relative fiscal capacity in relation to that of all other districts of the State based on the full market value of all taxable property of the district assessed on the basis of property classification assessment ratios set forth in Article 3, Chapter 43 of Title 12 for the second completed taxable year preceding the fiscal year in which the index is used and these assessments must be the audited assessments by school district contained in the annual report submitted yearly to the Comptroller General’s office. The county auditor shall provide fiscal year‑end audited assessments of real and personal property to the Property Division of the Department of Revenue for each of the school districts of the county for the second completed taxable year preceding the fiscal year in which the index is used not later than October first of each year. The index must be used to calculate each district’s share of the revenue to be raised locally for the foundation program. The index must include an imputed value for the property tax base implicitly generating impact aid revenue. The property tax base must be imputed at two‑thirds the average ratio of all true value assessed property value statewide to prior year local revenue statewide in the foundation program, the resulting product multiplied times the average impact aid receipts during the prior three years. If impact aid receipts during the federal fiscal year are less than the average receipts for the prior three years, then state aid to the impact aid districts must be adjusted in the final payment for the state fiscal year. If the State Department of Education determines from fiscal simulations that the school finance system does not meet requirements of Section 5(D) of P. L. 81‑874, the Department of Revenue shall exclude an imputed value of impact aid receipts from the index of taxpaying ability.

The index must be determined annually by the Department of Revenue from sales ratio data based on the most recent studies made which correspond with the base year assessments used to compute the current index pursuant to Section 12‑43‑250 for assessed property within a school district. The base year is the second completed taxable year preceding the fiscal year in which the index is used. The Department of Revenue shall provide a preliminary index by December first of each year end and a final index by February first of each year to the State Department of Education and to the auditor of each county who shall provide the index to any governmental entity responsible for approving or levying of millages for school purposes. Changes and corrections may be made to the index before February first ~~but no change is allowed after that date~~. From February first until May first, changes or corrections may only be made to the index to correct errors which the Department of Revenue committed in determining the index. No changes are allowed after May first. When the assessment of property is under appeal and the appeal extends beyond the year in which the assessment made pursuant to Section 12‑43‑305 is applied, the Department of Revenue shall adjust the index of taxpaying ability in the year in which the appeal is resolved by the amount of any difference between the assessments. Any school district is entitled to a hearing before the Department of Revenue to review its designated index of taxpaying ability within thirty days of filing a request for the hearing. The data gathered by the Department of Revenue for the purpose of determining an annual index must be preserved as public records in the offices of the Department of Revenue for four years. The raw information gathered from the various county officers reflecting the representative sales within the school districts, the consideration, and the reported market value or assessed value for each sale are a part of the public records so preserved. The Department of Revenue shall file a statement stating the methodology employed in making the annual determination of the index and refer to all sources of factual information used in making the determination. All work sheets, computer printouts, and the actual calculation must be included as the public records to be preserved by the Department of Revenue. In determining sales to assessment ratio, the Department of Revenue shall use only reported consideration on sales for which deeds have been placed on public record. Where sufficient sales data is not available, the Department of Revenue shall make appraisals in lieu of sales in order to determine the index. The appraisals, including all working papers, must be included as the public records to be preserved by the Department of Revenue. With respect to school districts within counties where abstracts of duplicates reflecting the assessed value have been filed pursuant to Section 12‑39‑290, the same having been adopted by the auditors under Article 3, Chapter 43 of Title 12, the index must be on the basis of the value of the property as stated in the abstracts as adjusted by sales ratio studies up to full assessments based on full fair market value.

The index of taxpaying ability for a particular current year shall not include the assessed value of property in a school district which is classified under Section 12‑43‑220(a) and Section 12‑43‑220(e), which is at least fifteen percent of the total assessed value of real property in the school district, which on February first of the year has been in bankruptcy status for a minimum of thirty consecutive months, and on which no local school property taxes have been collected for at least two consecutive fiscal years. It is the responsibility of the county auditor to report such exclusions from the index to the Department of Revenue and to immediately notify the Department of Revenue of any change in the bankruptcy status of such real property or any collection of school property taxes from such real property.

For purposes of disbursing EFA funding and for purposes of the index of taxpaying ability, the value of a fee in lieu of taxes shall be computed by the Department of Revenue by basing the computation on the net fee received and retained by the school district. The value thus computed shall not be inflated by any portion of the fee shared with or used by any other local taxing authority. Provided, however, any revenue received by a taxing entity as a result of this section must be considered taxable property for purposes of bonded indebtedness pursuant to Sections 14 and 15 of Article X of the Constitution of this State, and for purposes of computing the ‘index of taxpaying ability’ pursuant to item (3) of this section.”

SECTION 2. This act takes effect upon approval by the Governor.

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