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COMMITTEE REPORT

May 6, 2009

**H. 3272**

Introduced by Reps. Cooper, Merrill, Erickson, Herbkersman, Chalk, Duncan, Long, Sottile, Daning, Lowe, Bowen, Harrison, Horne, A.D. Young, Limehouse, R.L. Brown, Clemmons, Edge and Wylie

S. Printed 5/6/09--S.

Read the first time April 23, 2009.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (H. 3272) to amend Section 12‑37‑3140, as amended, Code of Laws of South Carolina, 1976, relating to determining the fair market value of real property for purposes, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking the bill in its entirety and inserting:

/ A BILL

TO AMEND THE 1976 CODE BY ADDING SECTION 12‑37‑3135 TO EXEMPT AN AMOUNT OF FAIR MARKET OF A PARCEL OF REAL PROPERTY AND IMPROVEMENTS THEREON AS DETERMINED BY THE APPRAISAL RESULTING FROM AN ASSESSABLE TRANSFER OF INTEREST SUFFICIENT TO LIMIT THE INCREASE IN THE FAIR MARKET VALUE OF THE PARCEL TO FIFTEEN PERCENT OF ITS VALUE ON THE ASSESSOR’S BOOKS, TO PROVIDE THAT FAIR MARKET VALUE AS REDUCED BY THIS EXEMPTION IS THE VALUE TO WHICH THE CONSTITUTIONAL CAP ON INCREASES TO FIFTEEN PERCENT OVER FIVE YEARS APPLIES, TO PROVIDE THAT THIS EXEMPTION CONTINUES UNTIL THE PROPERTY UNDERGOES A SUBSEQUENT ASSESSABLE TRANSFER OF INTEREST AND PROVIDE THAT THIS EXEMPTION DOES NOT APPLY TO PREVIOUSLY UNTAXED ADDITIONS OR IMPROVEMENTS; AND TO AMEND SECTION 12‑37‑3140, AS AMENDED, RELATING TO VALUATION OF REAL PROPERTY FOR PURPOSES OF THE SOUTH CAROLINA REAL PROPERTY VALUATION REFORM ACT, TO MAKE A CONFORMING AMENDMENT, TO REQUIRE THE PROPERTY TAX ASSESSOR TO APPLY THE EXEMPTION ALLOWED BY THIS EXEMPTION TO FAIR MARKET VALUE DETERMINED AT THE TIME OF ASSESSABLE TRANSFERS OF INTEREST OCCURRING IN 2009 BEFORE THE EFFECTIVE DATE OF THIS ACT, AND TO PROVIDE THAT NO REFUND IS ALLOWED BASED ON THOSE ADJUSTED VALUES.

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

SECTION 1. Article 25, Chapter 37, Title 12 of the 1976 Code is amended by adding:

“Section 12‑37‑3135. (A) When a parcel of real property and improvements thereon currently subject to property tax undergoes an assessable transfer of interest, there is allowed an exemption of an amount of fair market value of that parcel sufficient to limit to fifteen percent the increase in fair market value as determined in the appraisal at the time of the assessable transfer of interest over the fair market value of the parcel as previously carried on the books of the property tax assessor. The fair market value to which the cap on increases in fair market value imposed pursuant to Section 12‑37‑3140(B) applies is the fair market value as it may be reduced by the exemption allowed by this section. The exemption allowed by this section applies at the time value as determined by an assessable transfer of interest applies.

(B) The exemption allowed by this section continues to apply until the parcel next undergoes an assessable transfer of interest. However, the parcel remains subject to the implementation of a periodic countywide appraisal and equalization program.

(C) The exemption allowed by this section does not apply to the fair market value of additions or improvements made to the parcel not previously subject to property tax.

(D) Unless authorized by a further or subsequent enactment, the provisions of this section shall no longer be effective after property tax year 2014. ”

SECTION 2. Section 12‑37‑3140(A)(1)(b) of the 1976 Code, as last amended by Act 57 of 2007, is further amended to read:

“(b) subject to any exemption allowed pursuant to Section 12‑37‑3135, December thirty‑first of the year in which an assessable transfer of interest has occurred;”

SECTION 3. This act takes effect upon approval by the Governor and applies for property tax years beginning after December 31, 2008. Property tax assessors shall conform the values of parcels of real property which underwent an assessable transfer of interest in 2009 before the effective date of this act, to the fair market value of these parcels as that value may have been adjusted to reflect the provisions of Section 12‑37‑3135 of the 1976 Code, as added by this act. No refund is allowed on account of values adjusted as provided in this section. /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This bill, as amended by the House of Representatives is not expected to impact state revenues. This bill, as amended would change the incidence of local property taxes by reducing the property taxes collected from real property that undergoes an assessable transfer of interest by $44 million in a typical year. To the extent allowed by the millage caps, this amount would be shifted among the other classes of property.

**Explanation**

*Bill as amended by the House April 2, 2009*

Under current law, when real property is sold and an assessable transfer of interest occurs, the property increases in value on the tax rolls to the selling price instead of whatever previous value was on the property. In most instances, this results in an increase in value for property tax purposes. This bill would delay the increase in value attributable to the sale from being added to the tax rolls until the property tax year of implementation of the next countywide assessment program. This would postpone the property going on the tax rolls at the increased selling price for up to four years, depending on when the sale occurs in the quadrennial reassessment cycle of the county. In a typical year, we project properties being sold and placed on the tax rolls at their selling price will increase property tax collections Statewide by an estimated $52 million. However, the counties would reap part of this increase during their next general reassessment. We estimate that with the 15% cap, the counties would have gotten an increase of $8 million from these properties due to reassessment. In total, this bill would change the incidence of local property taxes by reducing the property taxes collected from real property that undergoes an assessable transfer of interest by $44 million in a typical year. To the extent allowed by the millage caps, this amount would be shifted among the other classes of property.

*Bill as amended by Ways and Means March 31, 2009*

This amendment changes how point of sale valuations are handled when an assessable transfer of interest occurs. In most instances, this amendment does not allow the value of property previously taxed to increase when an assessable transfer of interest occurs by exempting the amount of increase in value attributable to the sale. In a typical year, we project exempting the increase in value of properties being sold and keeping these properties on the tax rolls at the value before the sale will reduce property tax collections Statewide by an estimated $52 million. To the extent allowed by the millage caps, this amount would be shifted among the other classes of property.

*Bill as introduced*

Under current law, when real property is sold and an assessable transfer of interest occurs, the property increases in value on the tax rolls to the selling price instead of whatever previous value was on the property. In most instances, this results in an increase in value for property tax purposes. This bill would delay the increase in value attributable to the sale from being added to the tax rolls until the property tax year of implementation of the next countywide assessment program. This would postpone the property going on the tax rolls at the increased selling price for up to four years, depending on when the sale occurs in the quadrennial reassessment cycle of the county. In a typical year, we project properties being sold and placed on the tax rolls at their selling price will increase property tax collections Statewide by an estimated $52 million. However, the counties would reap part of this increase during their next general reassessment. We estimate that with the 15% cap, the counties would have gotten an increase of $8 million from these properties due to reassessment. In total, this bill would change the incidence of local property taxes by reducing the property taxes collected from real property that undergoes an assessable transfer of interest by $44 million in a typical year. To the extent allowed by the millage caps, this amount would be shifted among the other classes of property.

*Approved By:*

William C. Gillespie

Board of Economic Advisors

1/ This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

**A** **BILL**

TO AMEND SECTION 12‑37‑3140, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO DETERMINING THE FAIR MARKET VALUE OF REAL PROPERTY FOR PURPOSES OF THE SOUTH CAROLINA REAL PROPERTY VALUATION REFORM ACT, SO AS TO POSTPONE THE IMPLEMENTATION OF THE TRANSFER VALUE OF A PARCEL OF REAL PROPERTY UNIMPROVED SINCE THE LAST COUNTYWIDE REASSESSMENT PROGRAM UNTIL THE TIME OF IMPLEMENTATION OF THE NEXT COUNTYWIDE REASSESSMENT PROGRAM AND TO REQUIRE THE FIFTEEN PERCENT LIMIT ON INCREASES IN VALUE TO BE CALCULATED SEPARATELY ON LAND AND IMPROVEMENTS; TO AMEND SECTION 12‑37‑3150, AS AMENDED, RELATING TO THE TIME AN ASSESSABLE TRANSFER OF INTEREST OCCURS, SO AS TO REVISE THE PENALTY FOR FAILURE TO PROVIDE NOTICE OR FAILURE TO PROVIDE ACCURATE NOTICE TO THE ASSESSING AUTHORITY OF BUSINESS ENTITY TRANSFERS; TO AMEND SECTION 12‑43‑220, AS AMENDED, RELATING TO THE CLASSIFICATION AND VALUATION OF PROPERTY FOR PURPOSES OF THE PROPERTY TAX, SO AS TO PROVIDE RESIDENTIAL REAL PROPERTY HELD IN TRUST DOES NOT QUALIFY AS A LEGAL RESIDENCE UNLESS A NAMED INDIVIDUAL BENEFICIARY UNDER THE TRUST OCCUPIES THE RESIDENCE AS THAT NAMED BENEFICIARY’S LEGAL RESIDENCE AND THAT INDIVIDUAL BENEFICIARY’S NAME APPEARS ON THE DEED TO THE RESIDENCE AND REQUIRE SOCIAL SECURITY NUMBERS OF APPLICANTS FOR THE LEGAL RESIDENCE ASSESSMENT RATIO; AND TO AMEND SECTION 40‑60‑35, RELATING TO CONTINUING EDUCATION REQUIREMENTS FOR ASSESSORS, SO AS TO REVISE THE REQUIREMENT.

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

SECTION 1. Section 12‑37‑3140 of the 1976 Code, as last amended by Act 57 of 2007, is further amended to read:

“Section 12‑37‑3140. (A)(1) For property tax years beginning after 2006, the fair market value of real property is its fair market value applicable for the later of:

(a) the base year, as defined in subsection (C) of this section;

(b) subject to the provisions of item (3) of this subsection, December thirty‑first of the year in which an assessable transfer of interest has occurred;

(c) as determined on appeal; or

(d) as it may be adjusted as determined in a countywide reassessment program conducted pursuant to Section 12‑43‑217, but limited to increases in such value as provided in subsection (B) of this section.

(2) To the fair market value of real property as determined at the time provided in item (1) of this subsection, there must be added the fair market value of subsequent improvements and additions to the property.

(3) If a parcel of real property which has had no further improvement since the most recent countywide reassessment program was implemented undergoes an assessable transfer of interest, the implementation of the transfer value as determined pursuant to item (1)(b) of this subsection is postponed until the property tax year of implementation of the next countywide assessment program and that transfer value is the value to which the limit on increases in fair market value provided pursuant to subsection (B) of this section applies.

(B) Any increase in the fair market value of real property attributable to the periodic countywide appraisal and equalization program implemented pursuant to Section 12‑43‑217 or as implemented pursuant to subsection (A)(3) of this section is limited to fifteen percent within a five‑year period to the otherwise applicable fair market value. This limit must be calculated separately on land and improvements. However, this limit does not apply to the fair market value of additions or improvements to real property in the year those additions or improvements are first subject to property tax, nor ~~do they~~ does the limit apply to the fair market value of real property when an assessable transfer of interest occurred in the year that the transfer value is first subject to tax.

(C) For purposes of determining a ‘base year’ fair market value pursuant to this section, the fair market value of real property is its appraised value applicable for property tax year 2007.

(D) Real property valued by the unit valuation concept is excluded from the limits provided pursuant to subsection (B) of this section.

(E) Value attributable to additions and improvements, and changes in value resulting from assessable transfers of interest occurring in a property tax year are first subject to property tax in the following tax year except as provided pursuant to subsection (A)(3) of this section and Section 12‑37‑670(B).”

SECTION 2. This act takes effect upon approval by the Governor and applies for property tax years beginning after 2008.

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