**A** **BILL**

TO AMEND SECTION 12‑37‑220, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO PROPERTY TAX EXEMPTIONS, SO AS TO EXEMPT SEVEN AND ONE‑HALF PERCENT OF THE FAIR MARKET VALUE OF ALL REAL AND PERSONAL PROPERTY OWNED BY OR LEASED TO MANUFACTURERS AND USED BY THE MANUFACTURER IN THE CONDUCT OF THE BUSINESS, AND TO GRADUALLY INCREASE THE EXEMPTION TO FORTY‑TWO AND 75/100 PERCENT; TO AMEND SECTION 6‑1‑320, AS AMENDED, RELATING TO MILLAGE CAPS, SO AS TO ALLOW AN INCREASE ABOVE THE CAP FOR MILLS ALLOWED BUT NOT PREVIOUSLY IMPOSED, FOR THE THREE PROPERTY TAX YEARS PRECEDING THE YEAR TO WHICH THE CURRENT LIMIT APPLIES; BY ADDING SECTION 12‑36‑2121 SO AS TO DECREASE CERTAIN SALES TAX EXEMPTIONS TO NINETY‑EIGHT PERCENT OF THE GROSS PROCEEDS OF SALES, AND TO GRADUALLY DECREASE THE EXEMPTION AMOUNT TO NINETY PERCENT OF THE GROSS PROCEEDS OF SALES; AND BY ADDING SECTION 11‑11‑158 SO AS TO CREATE THE MANUFACTURING PROPERTY TAX RELIEF FUND AND TO PROVIDE THE PROCESS BY WHICH THE FUND IS FUNDED AND THE PROCESS BY WHICH THE FUNDS ARE DISBURSED TO LOCAL GOVERNMENTS.

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

SECTION 1. Section 12‑37‑220(B) of the 1976 Code, as last amended by Act 279 of 2010, is further amended by adding an appropriately numbered item at the end to read:

“( )(a) Effective for property tax year 2012, seven and one‑half percent of the fair market value of all real and personal property owned by or leased to manufacturers and used by the manufacturer in the conduct of the business.

(b) Effective for property tax year 2013, fifteen percent of the fair market value of all real and personal property owned by or leased to manufacturers and used by the manufacturer in the conduct of the business.

(c) Effective for property tax year 2014, twenty‑two and one‑half percent of the fair market value of all real and personal property owned by or leased to manufacturers and used by the manufacturer in the conduct of the business.

(d) Effective for property tax year 2015, thirty percent of the fair market value of all real and personal property owned by or leased to manufacturers and used by the manufacturer in the conduct of the business.

(e) Effective for property tax year 2016, thirty‑seven and one‑half percent of the fair market value of all real and personal property owned by or leased to manufacturers and used by the manufacturer in the conduct of the business.

(f) Effective for property tax year 2017 and thereafter, forty‑two and 75/100 percent of the fair market value of all real and personal property owned by or leased to manufacturers and used by the manufacturer in the conduct of the business.”

SECTION 2. Section 6‑1‑320(A) of the 1976 Code, as last amended by Act 116 of 2007, is further amended to read:

“(A)(1) Notwithstanding Section 12‑37‑251(E), a local governing body may increase the millage rate imposed for general operating purposes above the rate imposed for such purposes for the preceding tax year only to the extent of the increase in the average of the twelve monthly consumer price indices for the most recent twelve‑month period consisting of January through December of the preceding calendar year, plus, beginning in 2007, the percentage increase in the previous year in the population of the entity as determined by the Office of Research and Statistics of the State Budget and Control Board. If the average of the twelve monthly consumer price indices experiences a negative percentage, the average is deemed to be zero. If an entity experiences a reduction in population, the percentage change in population is deemed to be zero. However, in the year in which a reassessment program is implemented, the rollback millage, as calculated pursuant to Section 12‑37‑251(E), must be used in lieu of the previous year’s millage rate.

(2) There may be added to the operating millage increase allowed pursuant to item (1) of this subsection any such increase, allowed but not previously imposed, for the three property tax years preceding the year to which the current limit applies.”

SECTION 3. Chapter 36, Title 12 of the 1976 is amended by adding:

“Section 12‑36‑2121. (A) By January 1, 2012, the Office of Economic Research, Budget and Control Board, must estimate the amount of decreased property tax revenue in property tax year 2017 resulting from the property tax exemption on manufacturing property added by this act. The estimate must be submitted to Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee. By July 1, 2012, the General Assembly, shall enact a law that eliminates or reduces some or all of the state sales tax exemptions provided in Section 12‑36‑2120, sufficient to generate additional sales tax revenue in an amount not less than the estimate required by this subsection.

(B) If the General Assembly does not enact a law that meets the requirements of subsection (A), then, unless otherwise prohibited by law:

(1) Effective July 1, 2012, and except for subsections (1), (36), and (60), the exemptions provided in Section 12‑36‑2120 only apply to ninety‑eight percent of the gross proceeds of sales.

(2) Effective July 1, 2013, and except for subsections (1), (36), and (60), the exemptions provided in Section 12‑36‑2120 only apply to ninety‑six percent of the gross proceeds of sales.

(3) Effective July 1, 2014, and except for subsections (1), (36), and (60), the exemptions provided in Section 12‑36‑2120 only apply to ninety‑four percent of the gross proceeds of sales.

(4) Effective July 1, 2015, and except for subsections (1), (36), and (60), the exemptions provided in Section 12‑36‑2120 only apply to ninety‑two percent of the gross proceeds of sales.

(5) Effective July 1, 2016, and except for subsections (1), (36), and (60), the exemptions provided in Section 12‑36‑2120 only apply to ninety percent of the gross proceeds of sales.

(C) This section only applies to the state sales tax imposed pursuant to Sections 12‑36‑910 and 12‑36‑1110.”

SECTION 4. Chapter 11, Title 11 of the 1976 Code is amended by adding:

“Section 11‑11‑158. (A)(1) There is created a fund separate and distinct from the state general fund known as the ‘Manufacturing Property Tax Relief Fund’. The Board of Economic Advisors shall account for the Manufacturing Property Tax Relief Fund revenue separately from general fund revenues.

(2) By February fifteenth of each year, beginning in fiscal year 2011‑2012, the Board of Economic Advisors shall make an estimate of the amount of sales tax revenue collected pursuant to Section 12‑36‑2121. This estimate shall be transmitted to the State Treasurer, Comptroller General, and the Chairmen of the House Ways and Means Committee and the Senate Finance Committee. No portion of these revenues may be credited to the Education Improvement Act (EIA) Fund.

(B) By February fifteenth of each year, beginning in fiscal year 2011‑2012, the Office of Economic Research, State Budget and Control Board, must estimate the amount of property tax exemptions resulting from the property tax exemption on manufacturing property added by this act.

(C)(1) The Department of Revenue annually shall credit the Manufacturing Property Tax Relief Fund with the amount of the estimate required pursuant to subsection (A)(2). The department must credit the fund with ninety percent of the estimate by January first. The balance must be credited by June thirtieth. The balance due is subject to revisions to the estimate of the Board of Economic Advisors.

(2) By April first of the following property tax year, each county treasurer shall request a refund for the amount of manufacturing property tax that would have been collected by the county treasurer in the previous property tax year but for the property tax exemption on manufacturing property added by this act. If the monies in the fund are insufficient to fully fund each request, the State Treasurer shall reduce each payment proportionately. A county treasurer must distribute the funds to each taxing authority within the county based on the percentage of the property taxes levied by the taxing authority in the previous property tax year compared to the property taxes levied by all taxing authorities within the county in the previous property tax year. (D)(1) In any year, if monies remain in the fund after fully reimbursing all counties pursuant to item (2), the excess monies must be distributed to each county treasurer to provide a credit against property tax liability for all taxpayers. Each county shall receive a proportionate amount of the excess based on the percentage of the county’s total assessed property tax value in the state.

(2) Upon receipt of the excess funds, the monies shall be distributed to the county and the municipalities in the county area as follows:

(a) sixty‑seven percent to the county;

(b) thirty‑three percent to the municipalities in the county area so that each municipality receives an amount equal to what its percentage of population bears to the total population in all the municipalities in the county area.

All the monies must be used to provide a credit against the property tax liability of taxpayers in the county and municipality. The amount of the credit shall be determined in the same manner as Section 4‑10‑40.”

SECTION 5. This act takes effect upon approval by the Governor.

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