



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number: H. 3108 Introduced on January 12, 2021
Author: Brawley
Subject: Homestead Exemption
Requestor: House Ways and Means
RFA Analyst(s): Boggs and Miller
Impact Date: March 10, 2022 Updated for Revised Analysis and Fiscal Impact

Fiscal Impact Summary

This bill increases the homestead property tax exemption for the owner-occupied property of individuals who are 65 and older, totally and permanently disabled, or legally blind to the first \$75,000 of the fair market value (FMV) from all millage. Currently, the homestead exemption applies to the first \$50,000 of the FMV of a qualifying individual's owner-occupied property. Additionally, 100 percent of the FMV of all owner-occupied properties is exempt from school operating millage. This bill exempts an additional \$25,000 of the FMV for qualifying individuals from non-school operating millage beginning in tax year 2021. The exemption is reimbursed by the state through the Trust Fund for Tax Relief.

Since the bill as introduced begins in tax year 2021, the property tax reimbursement will be approximately double in the first year to provide the exemption for tax years 2021 and 2022. RFA estimates this bill would result in potential refunds of \$57,221,000 in local property tax revenue for tax year 2021 and a \$59,605,000 reduction in local property tax revenue for tax year 2022. Therefore, this bill would increase the General Fund individual and corporate income tax revenue transfer to the Trust Fund for Tax Relief by \$116,826,000 to reimburse counties, municipalities, school districts, and special districts for the reduction in local property taxes in FY 2022-23. This amount would decrease to approximately \$59,605,000 each year thereafter.

This fiscal impact statement has been revised to include an estimate of the state revenue and local revenue impact for the property tax exemption in tax year 2021 and to correct a typo in the statewide millage rate in tax year 2022.

Explanation of Fiscal Impact

Updated for Revised Analysis and Fiscal Impact on March 10, 2022

Introduced on January 12, 2021

State Expenditure

N/A

State Revenue

This bill increases the property tax exemption from all property taxes for the owner-occupied property of individuals who are 65 and older, totally and permanently disabled, or legally blind

to the first \$75,000 of the fair market value (FMV) beginning in tax year 2021. Currently, the first \$50,000 of the FMV of a qualifying individual's owner-occupied property is exempt from all property taxes. This exemption is known as the homestead exemption. Additionally, 100 percent of the FMV of all owner-occupied properties is exempt from school operating millage. This bill exempts an additional \$25,000 of the FMV for qualifying individuals from non-school operating millage. Local governing bodies are reimbursed from the Trust Fund for Tax Relief for the property tax revenue reduction as a result of the homestead exemption. As the reimbursement for non-school operating millage for the homestead exemption is a dollar-for-dollar match, this bill would also increase state reimbursements by an offsetting amount.

The Department of Revenue's 2020 Homestead Exemption Fair Market Value Statistics Report provides information on the Homestead Exemption based on home value ranges including the number of homes, the average FMV, the total exempt FMV, and total FMV. According to the report, there are 242,557 properties that currently qualify for the homestead exemption with an FMV of \$100,000 or more that would receive the full additional \$25,000 FMV exemption. Additionally, there are 47,728 homes with a FMV from \$70,000 to \$99,999. RFA estimates approximately 81 percent of the homes, or 39,773 homes, are within the \$75,000 to \$99,999 range, thereby receiving the total additional \$25,000 FMV exemption. This totals 282,330 homes receiving the full \$25,000 additional FMV exemption from non-school operating millage, for an additional FMV exemption of \$7,058,249,000. An additional 16 percent of homes in the \$70,000 to \$99,999 range, 7,955 homes, RFA anticipates would receive on average an additional \$22,500 FMV exemption, resulting in an additional exemption of \$178,977,000 of FMV for qualifying homes. Further, there are 88,846 qualifying properties ranging in price from \$50,000 to \$69,999, which would become fully exempt. The newly exempted FMV for these properties totals \$350,665,000. The total newly exempt FMV for all properties based on the above calculations is \$7,587,891,000.

Based on average growth from TY 2015 to TY 2020, RFA estimates growth in the FMV will be 2.97 percent per year. We then apply this growth rate to estimate the total FMV. To estimate the potential property tax impact, the projected FMV is multiplied by the 4 percent assessment ratio and the applicable millage. RFA estimates the statewide millage rate will be 354.46 mills for tax year 2021 and 358.60 for tax year 2022. Approximately 49 percent of the millage will constitute school operating millage, which is already exempt under current law. The new exemption applies only to the remaining millage. Based upon these figures, increasing the homestead exemption to \$75,000 would result in a \$57,221,000 reduction in local property tax for tax year 2021 and approximately \$59,605,000 each year thereafter. This reduction would be offset by a state reimbursement. Therefore, this bill would increase the required General Fund individual and corporate income tax revenue transfer to the Trust Fund for Tax Relief by \$116,826,000 to reimburse counties, municipalities, school districts, and special districts for the reduction in local property taxes in FY 2022-23, and approximately \$59,605,000 each year thereafter.

This fiscal impact statement has been revised to include an estimate of the state revenue and local revenue impact for the property tax exemption in tax year 2021 and to update the statewide millage rate in tax year 2022.

Local Expenditure

N/A

Local Revenue

This bill increases the property tax exemption from all property taxes for the owner-occupied property of individuals who are 65 and older, totally and permanently disabled, or legally blind to the first \$75,000 of FMV. This increase in the exemption would reduce applicable property taxes by approximately \$57,221,000 for tax year 2021 and \$59,605,000 for tax year 2022 and each year thereafter. State reimbursements would increase by a corresponding amount to offset these reductions. As tax year 2021 property taxes have already been collected, counties would be required to issue refunds for tax year 2021.

This fiscal impact statement has been revised to include an estimate of the state revenue and local revenue impact for the property tax exemption in tax year 2021.

Introduced on January 12, 2021**State Expenditure**

N/A

State Revenue

This bill increases the property tax exemption from all property taxes for the owner-occupied property of individuals who are 65 and older, totally and permanently disabled, or legally blind to the first \$75,000 of the fair market value (FMV). Currently, the first \$50,000 of the FMV of a qualifying individual's owner-occupied property is exempt from all property taxes. This exemption is known as the homestead exemption. Additionally, 100 percent of the FMV of all owner-occupied properties is exempt from school operating millage. This bill exempts an additional \$25,000 of the FMV for qualifying individuals from non-school operating millage. Local governing bodies are reimbursed from the Trust Fund for the property tax revenue reduction as a result of the homestead exemption. As the reimbursement for non-school operating millage for the homestead exemption is a dollar-for-dollar match, this bill would also increase state reimbursements by an offsetting amount.

RFA estimates this bill would result in a \$58,275,000 reduction in local property tax revenue beginning in TY 2022, as discussed in the local revenue section of this fiscal impact statement. Therefore, this bill would decrease General Fund individual and corporate income tax revenue by \$58,275,000, to reimburse counties, municipalities, school districts, and special districts for the reduction in local property taxes beginning in FY 2022-23.

Local Expenditure

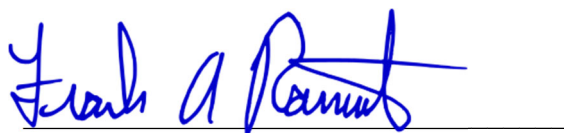
N/A

Local Revenue

This bill increases the property tax exemption from all property taxes for the owner-occupied property of individuals who are 65 and older, totally and permanently disabled, or legally blind to the first \$75,000 of the fair market value (FMV). The Department of Revenue's 2020

Homestead Exemption Fair Market Value Statistics Report provides information on the Homestead Exemption based on home value ranges including the number of homes, the average FMV, the total exempt FMV, and total FMV. According to the report, there are 242,557 properties that currently qualify for the homestead exemption with a FMV of \$100,000 or more that would receive the full additional \$25,000 FMV exemption. Additionally, there are 47,728 homes with a FMV from \$70,000 to \$99,999. RFA estimates approximately 81 percent of the homes, or 39,773 homes, are within the \$75,000 to \$99,999 range, thereby receiving the total additional \$25,000 FMV exemption. This totals 282,330 homes receiving the full \$25,000 additional FMV exemption from non-school operating millage, for an additional FMV exemption of \$7,058,249,000. An additional 16 percent of homes in the \$70,000 to \$99,999 range, 7,955 homes, RFA anticipates would receive on average an additional \$22,500 FMV exemption, resulting in an additional exemption of \$178,977,000 of FMV for qualifying homes. Further, there are 88,846 qualifying properties ranging in price from \$50,000 to \$69,999, which would become fully exempt. The newly exempted FMV for these properties totals \$350,665,000. The total newly exempt FMV for all properties based on the above calculations is \$7,587,891,000.

Based on average growth from TY 2015 to TY 2020, RFA estimates growth in the FMV will be 2.97 percent per year. We then apply this growth rate to \$7,587,891,000 for two years to estimate the TY 2022 newly exempt FMV, which equals \$8,044,738,000. Property tax revenue is FMV multiplied by the assessment ratio multiplied by the applicable millage. The assessment ratio for owner occupied property is 4 percent. RFA estimates the 2022 statewide millage rate will be 354.46 mills. Approximately 49 percent of the millage will constitute school operating millage, which is already exempt under current law. Therefore, the new exemption applies to the remaining 181.1 mills. Therefore, increasing the homestead exemption to \$75,000 would result in a \$58,275,000 reduction in local property tax revenue beginning in TY 2022. This reduction would be offset by a state reimbursement.



Frank A. Rainwater, Executive Director