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| **Bill Number:** | H. 3458 Introduced on January 12, 2021 |
| Author: | Robinson |
| Subject: | Property Tax Exemption |
| Requestor: | House Ways and Means |
| RFA Analyst(s): | Miller |
| Impact Date: | February 23, 2021 |

## Fiscal Impact Summary

This bill will result in no expenditure impact for the Department of Revenue (DOR), as the agency can manage any additional responsibilities with existing personnel and within existing appropriations.

RFA anticipates this bill will result in a non-recurring undetermined local expenditure impact for local governments to update systems and otherwise adjust property tax processes to implement the newly created exemption. The costs are expected to vary between counties based on each county's current system and ability to implement the new exemption.

Additionally, this bill will result in an estimated reduction in property tax revenue of $71,294,000 statewide, over the five-year reassessment period. However, RFA assumes local governments will increase millage rates across all property classes, within the limits of the millage rate increase limitations, pursuant to §6-1-320, to offset this reduction of revenue.

## Explanation of Fiscal Impact

**Introduced on February 23, 2021**
**State Expenditure**
This bill exempts owner-occupied properties from the value added due to a countywide reassessment, pursuant to §12-43-217, if the property qualifies for the homestead exemption, pursuant to §12-37-250 or the owner earns less than $50,000 annually, and the property value increased due to the increase in value of surrounding properties.

**Department of Revenue.** DOR will advise local governments whether qualifications have been met for a property to receive this exemption. DOR states there are already systems in place to manage this exemption. Therefore, the burden will be on the applicant to prove the property qualifies for the exemption. DOR anticipates it will be able to manage any additional responsibilities with existing personnel and within existing appropriations. Therefore, this bill will result in no expenditure increase for DOR.

**State Revenue**
N/A

**Local Expenditure**
This bill exempts owner-occupied properties from the value added due to a countywide reassessment, pursuant to §12-43-217, if the property qualifies for the homestead exemption, pursuant to §12-37-250 or the owner earns less than $50,000 annually, and the property value increased due to the increase in value of surrounding properties.

RFA expects some counties may have initial costs to implement this exemption. However, the cost will vary between counties based on each county's current system for property taxes. Therefore, the non-recurring local expenditure impact is undetermined.

**Local Revenue**
This bill exempts owner-occupied properties from the value added due to a countywide reassessment, pursuant to §12-43-217, if the property qualifies for the homestead exemption, pursuant to §12-37-250 or the owner earns less than $50,000 annually, and whose property value increased due to the increase in value of surrounding properties.

Under the countywide reassessment required pursuant to §12-43-217, once every five years, each county in the state will appraise and equalize those properties under its jurisdiction. The increase in appraised value for a property pursuant to §12-37-217, may not exceed 15 percent within a five-year period, pursuant to §12-37-3140(B). Based on RFA's calculations, the average fair market value (FMV) increase in a year of reassessment for owner-occupied properties is 7.23 percent. While this figure includes other increases due to assessable transfers of interest, we anticipate that it is fair measure of the average change in property value.

The average FMV of owner-occupied property as of Tax Year (TY) 2019 is $166,383. An increase of 7.23 percent in the FMV totals an approximate increase of $12,000. Multiplying the $12,000 increase by the 4.0 assessment ratio and 178.65 statewide millage rate without school operating millage results in an estimated reduction of local property tax revenue of approximately $86 per property.

Based on data provided by the South Carolina Department of Revenue (DOR), there are approximately 1,441,000 owner occupied properties in the state as of TY 2019. Of these, approximately 829,000, or 58 percent, would be eligible for this exemption. This estimate is based on household income from the United States Census Bureau's American Community Survey, and DOR's homestead exemption FMV data. While the bill also includes the requirement that the property value increased due to the increase in value of surrounding properties, we do not expect this to significantly affect the number of qualifying properties as, without a transfer of interest, neighboring properties values are frequently the driving factor for changes in assessment.

By multiplying the number of properties eligible for this exemption, 829,000, by the estimated property tax revenue reduction per property, $86, the total estimated reduction of local property tax revenue statewide totals $71,294,000 over the five-year reassessment period. The timing and amount of this reduction of property tax revenue for each county will vary dependent upon the individual county's reappraisal growth rate and the timing of the reassessment implementation period. Additionally, RFA assumes counties will increase millage rates across all classes of property, within the limits of the millage rate increase limitations, pursuant to §6-1-320, to offset any loss of property tax revenue due to this exemption.

Frank A. Rainwater, Executive Director