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. 4222 Introduced on April 20, 2021
Author:	Cox
Subject:	Additional Homestead Tax Exemption
Requestor:	House Ways and Means
RFA Analyst(s):	Miller
Impact Date:	March 23, 2022

Fiscal Impact Summary

This bill creates an additional property tax exemption for persons who qualify for the homestead exemption, pursuant to §12-37-250, to exempt the increase in the fair market value due to the periodic countywide appraisal and equalization program beginning in tax year 2021. The bill also specifically states that this increase n the exemption is not to be reimbursed by the state.

The Revenue and Fiscal Affairs Office (RFA) anticipates 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 approximately $44,629,000 over the five-year reassessment period, or approximately $8,900,00 annually. This represents less than 1.0 percent of the total property tax revenue projected for tax year 2021. The timing and amount of this reduction of property tax revenue for each county will vary depending upon the individual county's reappraisal growth rate and the timing of the reassessment implementation period. Additionally, because this exemption begins in tax year 2021 this bill will result in an initial local property tax revenue loss of $17,800,000, which includes the property tax revenue that will not be collected in tax year 2022 and a refund for property taxes retroactively exempt in tax year 2021. 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 April 20, 2021
State Expenditure
This bill creates an additional property tax exemption for persons who qualify for the homestead exemption, pursuant to §12-37-250, to exempt any increase in the fair market value of the due to

the periodic countywide appraisal and equalization program. This exemption is not eligible for reimbursement and begins in tax year 2021.

RFA anticipates this bill will result in no expenditure impact for DOR, as the agency can manage any additional responsibilities with existing personnel and within existing appropriations.

State Revenue
N/A

Local Expenditure
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.

Local Revenue
This bill creates an additional property tax exemption for persons who qualify for the homestead exemption, pursuant to §12-37-250, to exempt the increase in the fair market value due to the periodic countywide appraisal and equalization program. This exemption is not eligible for reimbursement and begins in tax year 2021.

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 10.12 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.

Based on information provided in DOR's 2020 Homestead FMV Statistics Report and an average growth rate of 6.5 percent for property values, the estimated average FMV of owner-occupied homestead exempt property as of tax year 2021 is $158,739. An increase of 10.12 percent in the FMV totals an approximate increase of $16,000. Multiplying the $16,000 increase by the 4.0 assessment ratio and 180.78 statewide millage rate without school operating millage, which is already fully exempt, results in an estimated reduction of local property tax revenue of approximately $116 per property.

By multiplying the number of properties eligible for this exemption, 384,733, by the estimated property tax revenue reduction per property, the total estimated reduction of local property tax revenue statewide totals $44,629,000 over the five-year reassessment period, or approximately $8,900,00 annually. This represents less than 1.0 percent of the total property tax revenue projected for tax year 2021. The timing and amount of this reduction of property tax revenue for each county will vary depending upon the individual county's reappraisal growth rate and the timing of the reassessment implementation period. Additionally, because this exemption begins in tax year 2021, this bill will result in a local property tax revenue loss of approximately

$17,800,000 for the property tax revenue not collected in tax year 2022 and a refund for property taxes retroactively exempt in tax year 2021. 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