

## **REPORT OF THE PROPERTY TAX SUBCOMMITTEE**

(G.R. Smith, Herbkersman, Finlay, Weeks, and Hewitt - Staff Contact: Meredith Ross)

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### **HOUSE BILL 3354**

H. 3354 -- Rep. Ballentine: 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 A RENEWABLE ENERGY RESOURCE PROPERTY HAVING A NAMEPLATE CAPACITY OF AND OPERATING AT NO GREATER THAN TWENTY KILOWATTS.

***Received by Ways and Means:*** January 12, 2021

***Summary of Bill:*** This bill provides a property tax exemption for a renewable energy resource property having a nameplate capacity of, and operating at, no greater than twenty kilowatts.

The bill cites to Section 58-40-10 to define "renewable energy resource" as solar photovoltaic and solar thermal resources, wind resources, hydroelectric resources, geothermal resources, tidal wave energy resources, recycling resources, hydrogen fuel derived from renewable resources, combined heat and power derived from renewable resources and biomass resources. The bill also includes any components that enhance the operational characteristics of the equipment and any equipment required to meet applicable safety, performance, interconnection and reliability standards.

***Estimated Revenue Impact:*** This bill is not expected to result in a significant loss of property tax revenue because currently no county considers solar panels to increase the value of property. There may be an impact in that this would also exempt leased solar panels from property tax payment, which RFA estimates to be a max of \$9,446,000, but that is only the case if counties tax installed leased solar panels as business personal property, which I understand they do not.

***Subcommittee Recommendation:*** Reported favorably on 3/17.



**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.*

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**Bill Number:** H. 3354 Introduced on January 12, 2021  
**Author:** Ballentine  
**Subject:** Property Tax Exemptions  
**Requestor:** House Ways and Means  
**RFA Analyst(s):** Miller  
**Impact Date:** March 15, 2021

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### **Fiscal Impact Summary**

This bill is not expected to result in a significant loss of property tax revenue as, according to conversations with assessors, solar panels do not increase the value of property. However, if companies are leasing renewable energy resources that operate at no greater than 20 kilowatts, this may result in a reduction of property tax revenue by no more than \$9,446,000 in FY 2021-22. This represents approximately 0.1 percent of the projected property tax revenue for FY 2021-22. Additionally, Revenue and Fiscal Affairs anticipates that local governments will offset any loss with an increase in the millage rate, within the limitations.

### **Explanation of Fiscal Impact**

#### **Introduced on January 12, 2021**

#### **State Expenditure**

N/A

#### **State Revenue**

N/A

#### **Local Expenditure**

N/A

#### **Local Revenue**

This bill adds a property tax exemption for renewable energy resource property having a nameplate capacity of and operating at no greater than 20 kilowatts (kW). This exemption applies beginning after FY 2020-21.

Based on information provided by the South Carolina Energy Office (Energy Office), a department of the Office of Regulatory Staff, most solar installations with a capacity of no greater than 20 kilowatts (kW) are residential installations. Therefore, Revenue and Fiscal Affairs anticipates this exemption will only apply to residential properties. Based on conversations with assessors, residential solar panels do not currently add value to residential property. Therefore, this exemption is not expected to result in a loss of property tax revenue.

However, the following analysis provides additional information regarding the potential renewable energy property exempted by this bill:

Based upon the most recent data available from the Energy Office as of July 31, 2020, approximately 25,342 solar installations with a capacity of 20 kW or less are currently installed in the state, with a combined total capacity of 203,624 kW. This equates to an average of 8.04 kW per installation. Also, the current cost of a residential solar system totals \$3.80/W, according to the Energy Office.

Multiplying the estimated \$3.80/W times an average capacity of 8.04 kW yields an estimated value of approximately \$30,500 per system. For the estimated 25,342 solar installations with a capacity of 20 kW or less currently installed in the state, the total estimated value is \$774,249,000.

As stated previously, this exemption would only reduce local revenue to the extent that the owner is paying property taxes on the equipment. Businesses that pay property taxes in South Carolina potentially could claim the exemption for residential installations that are leased. Depending upon the structure of the lease and accounting practices, we expect that the majority of the leasing companies are not paying business personal property taxes on the equipment currently. Based upon Energy Office data for existing installations, approximately 32 percent of installations are leased as of July 31, 2020. Multiplying the total value of \$774,249,000 by 32 percent, the value of the leased installations is estimated at \$247,759,000. At an assessment ratio of 10.5 percent and a projected average millage rate of 363.1, business personal property tax for residential installations would generate a maximum of \$9,446,000 in FY 2021-22. This represents approximately 0.1 percent of current projected property tax revenue. The property tax impact for other installations would depend upon the assessment of the property. Additionally, Revenue and Fiscal Affairs anticipates that local governments will increase millage rates, within the limitations, to offset any potential loss in local property tax revenue.



Frank A. Rainwater, Executive Director

**South Carolina General Assembly**  
124th Session, 2021-2022

**H. 3354**

**STATUS INFORMATION**

General Bill

Sponsors: Rep. Ballentine

Document Path: I:\council\bill\sm\20160sa21.docx

Introduced in the House on January 12, 2021

Currently residing in the House Committee on **Ways and Means**

Summary: Property tax, exemptions

**HISTORY OF LEGISLATIVE ACTIONS**

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
12/9/2020	House	Prefiled
12/9/2020	House	Referred to Committee on <b>Ways and Means</b>
1/12/2021	House	Introduced and read first time ( <u>House Journal-page 168</u> )
1/12/2021	House	Referred to Committee on <b>Ways and Means</b> ( <u>House Journal-page 168</u> )

View the latest legislative information at the website

**VERSIONS OF THIS BILL**

12/9/2020

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**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 A RENEWABLE ENERGY RESOURCE PROPERTY HAVING A NAMEPLATE CAPACITY OF AND OPERATING AT NO GREATER THAN TWENTY KILOWATTS.

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 145 of 2020, is further amended by adding an appropriately numbered item at the end to read:

“( ) a renewable energy resource property having a nameplate capacity of and operating at no greater than twenty kilowatts, as measured in alternating current. For purposes of this item, ‘renewable energy resource’ means property defined in Section 58-40-10. This definition includes, but is not limited to, all components that enhance the operational characteristics of the generating equipment, such as an advanced inverter or battery storage device, and equipment required to meet all applicable safety, performance, interconnection, and reliability standards established by the commission, the National Electrical Code, the National Electrical Safety Code, the Institute of Electrical and Electronics Engineers, Underwriters Laboratories, the Federal Energy Regulatory Commission, and any local governing authorities.”

SECTION 2. This act takes effect upon approval by the Governor and applies to property tax years beginning after 2020.

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