

REPORT OF THE ECONOMIC DEVELOPMENT SUBCOMMITTEE

(Ballentine, Clyburn, Hosey, Whitmire, & Lowe - Staff Contact: Teesha Trapp)

HOUSE BILL 5144

H. 5144 -- Rep. G.M. Smith: 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 FURTHER SPECIFY THE APPLICATION OF THE EXEMPTION OF PROPERTY OF TELEPHONE COMPANIES AND RURAL TELEPHONE COOPERATIVES.

Received by Ways and Means:

March 29, 2022

Summary of Bill:

This bill clarifies the property tax exemption provided to telephone companies and rural telephone cooperatives as of December 31, 1973, should apply to all property of telephone companies and rural telephone cooperatives used to provide telephone service in rural areas, to include mixed-use property (such as broadband).

Estimated Revenue Impact:

Pending

Subcommittee Recommendation:

Passed Economic Development Subcommittee favorably on March 29, 2022.



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. 5144	Introduced on March 29, 2022
Author:	G. M. Smith	
Subject:	Telephone	
Requestor:	House Ways and Means	
RFA Analyst(s):	Boggs	
Impact Date:	March 31, 2022	

Fiscal Impact Summary

This bill adds mix-use property to the property tax exemption for telephone companies and rural telephone cooperatives, pursuant to §12-37-220(B)(1). The mixed-use property tax exemption includes property that is used to provide services in addition to the telephone service and begins in tax year 2022.

The Revenue and Fiscal Affairs Office (RFA) anticipates this bill may have a nonrecurring local expenditure impact for local governing entities to implement this exemption.

RFA contacted the Department of Revenue (DOR) to determine the potential local property tax revenue reduction due to this bill. DOR reported that there are twenty-two rural telephone companies and cooperatives currently benefiting from the rural telephone exemption and that an estimated \$10,500,000 of additional assessed value for these companies and cooperatives will become exempt due to this bill.

Using an estimates statewide millage rate of 358.6 the local property tax revenue reduction will be approximately \$3,765,000 spread among the respective counties in which these companies and cooperatives reside beginning in tax year 2022. RFA anticipates that local entities may increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

Explanation of Fiscal Impact

Introduced on March 29, 2022

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

This bill adds mix-use property to the ad valorem taxation exemption for property of telephone companies and rural telephone cooperatives. RFA anticipates this bill may have a nonrecurring local expenditure impact for local governing entities to implement this exemption.

Local Revenue

This bill adds mix-use property to the property tax exemption for telephone companies and rural telephone cooperatives, pursuant to §12-37-220(B)(1). The mixed-use property tax exemption includes property that is used to provide services in addition to the telephone service and begins in tax year 2022.

RFA contacted DOR to determine the potential local property tax revenue reduction due to this bill. DOR reported that there are twenty-two rural telephone companies and cooperatives currently benefiting from the rural telephone exemption, pursuant to 12-37-220(B)(10). DOR reviewed properties that currently do not receive the tax exemption but would likely qualify under this bill. The agency anticipates the twenty-two companies and cooperatives that currently receive a property tax exemption, pursuant to §12-37-220(B)(1), will receive an additional exemption.

DOR estimates that approximately \$10,500,000 of additional assessed value among the twenty-two companies and cooperatives statewide may become exempt beginning in tax year 2022. Using an estimated statewide millage rate of 358.6, this bill will result in an estimate \$3,765,000 among the respective counties in which these companies and cooperatives reside beginning in tax year 2022. RFA anticipates local entities may increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

Additionally, DOR noted this bill may allow more telephone companies to qualify for the property tax exemption due to the provisions of this bill, which will increase local property tax revenue impact above the estimated \$3,765,000.



Frank A. Rainwater, Executive Director

South Carolina General Assembly
124th Session, 2021-2022

H. 5144

STATUS INFORMATION

General Bill

Sponsors: Reps. G.M. Smith and Wheeler

Document Path: I:\council\bill\ncd\11356dg22.docx

Introduced in the House on March 29, 2022

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

Summary: Telephone

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
3/29/2022	House	Introduced and read first time (<u>House Journal-page 27</u>)
3/29/2022	House	Referred to Committee on Ways and Means (<u>House Journal-page 27</u>)
3/30/2022	House	Member(s) request name added as sponsor: Wheeler

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VERSIONS OF THIS BILL

3/29/2022

1
2
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8
9 **A BILL**

10
11 TO AMEND SECTION 12-37-220, AS AMENDED, CODE OF
12 LAWS OF SOUTH CAROLINA, 1976, RELATING TO
13 PROPERTY TAX EXEMPTIONS, SO AS TO FURTHER
14 SPECIFY THE APPLICATION OF THE EXEMPTION OF
15 PROPERTY OF TELEPHONE COMPANIES AND RURAL
16 TELEPHONE COOPERATIVES.

17
18 Be it enacted by the General Assembly of the State of South
19 Carolina:

20
21 SECTION 1. Section 12-37-220(B)(10) of the 1976 Code is
22 amended to read:

23
24 “(10)(a) notwithstanding any other provisions of law, the
25 property of telephone companies and rural telephone cooperatives
26 operating in this State used in providing rural telephone service,
27 which was exempt from property taxation as of December 31, 1973,
28 shall be exempt from such property taxation; provided, however,
29 that the amount of property subject to ad valorem taxation of any
30 such company or cooperative in any tax district shall not be less than
31 the net amount to which the tax millage was applied for the year
32 ending December 31, 1973. Any property in any tax district added
33 after December 31, 1973, shall likewise be exempt from property
34 taxation in the proportion that the exempt property of such company
35 or cooperative as of December 31, 1973, in that tax district was to
36 the total property of such company or cooperative as of December
37 31, 1973, in that tax district;

38 (b) The exemption authorized by subitem (a) applies to all
39 such property of telephone companies and rural telephone
40 cooperatives operating in this State used in providing telephone
41 service, as defined in Section 33-46-20, in rural areas, including
42 mixed-use property, without regard to;

1 (i) the extent to which such property is used in providing
2 services in addition to telephone service in rural areas; and
3 (ii) the technology used including, but not limited to, the
4 provision of broadband over a high-speed Internet connection that
5 allows the customer to access basic voice grade local service from
6 the voice provider of the customer's choice;"

7
8 SECTION 2. This act takes effect upon approval by the Governor
9 and applies to property tax years beginning after 2021.

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