

**REPORT OF THE
PROPERTY TAX SUBCOMMITTEE**
(Collins, Clyburn, Moss, Hewitt & Hiott - Staff Contact: Ryan Tooley)

SENATE BILL 439
Manufacturing Property Tax Exemption

Summary of Bill:

Increases the maximum annual reimbursement cap for the manufacturing property tax exemption from \$170 million to \$300 million. Under current law, qualifying manufacturing property is allowed a 42.8571 percent exemption from its property tax value. The bill applies to tax year 2024 and forward. The exemption is not available for public utilities that are regulated by the Public Service Commission, and stipulates any monies that happen to be refunded or credited under this item to them must be used to reduce customer rates. Requires any revenue loss to political subdivisions from the increase to the exemption cap to be offset by the Trust Fund for Tax Relief.

Estimated Fiscal Impact:

The utilized tax exemption amount is estimated to increase each year. The Revenue and Fiscal Affairs Office (RFA) provided an updated fiscal impact on April 14, 2026, stating the new estimate for FY26-27 is \$10,431,611 over the cap for a total of \$180,431,611. RFA stated the estimated year-end balance in the Trust Fund for Tax Relief can cover the FY26-27 estimated utilization increase.

Subcommittee Action/Explanation:

Passed favorably.

Full Committee Action/Explanation:

N/A

Other Notes/Comments:

Current projections by the Revenue and Fiscal Affairs (RFA) Office indicate that the existing \$170 million reimbursement cap would be reached starting in Fiscal Year 2026-27. If projected reimbursements exceed the cap, the exemption amount given to manufacturers must be "proportionally reduced" to ensure the state does not exceed the reimbursement limit, thus resulting in an automatic tax increase for manufacturers.



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: S. 0439 Introduced on March 11, 2025
Subject: Manufacturing Property Tax Exemption
Requestor: Senate Finance
RFA Analyst(s): Miller
Impact Date: April 14, 2026 - Updated for Revised Analysis and Fiscal Impact

Fiscal Impact Summary

This bill increases the reimbursement cap for the manufacturing property tax exemption, pursuant to §12-37-220(B)(52), from \$170,000,000 to \$300,000,000. This section exempts 42.8571 percent of the value of manufacturing property from property taxes. Currently, this exemption is reimbursed by the State to local governments from the Trust Fund for Tax Relief up to \$170,000,000. In any year in which reimbursements are projected by Revenue and Fiscal Affairs (RFA) to exceed the cap, the exemption amount must be proportionally reduced so as not to exceed the reimbursement cap. However, Proviso 117.202 of the FY 2025-26 Appropriations Act allows up to \$300,000,000 to be used for the manufacturing property tax exemption reimbursements and specifies that the balance of the Trust Fund for Tax Relief may be expended to make the reimbursement in full if necessary.

The Department of Revenue (DOR) anticipates being able to administer this change within the normal course of agency business. Therefore, this bill will have no expenditure impact for implementation.

This bill will potentially change the method for funding the amount of the manufacturing property tax exemption reimbursement above \$170,000,000 beginning in FY 2026-27. Pursuant to §11-11-150, the Board of Economic Advisors (BEA) must deduct sufficient amounts from state income tax revenue to pay the reimbursements from the Trust Fund for Tax Relief. Based on the current projections, the total manufacturing property tax exemption reimbursement for FY 2026-27 is expected to be \$180,431,611, or \$10,431,611 above the current statutory cap. Without this bill and if Proviso 117.202 remains in effect for FY 2026-27, the additional \$10,431,611 in reimbursements above the \$170,000,000 cap would be funded from the Trust Fund balance. By increasing the statutory cap from \$170,000,000 to \$300,000,000, this bill will require the BEA to increase the amount deducted from state income tax revenues and credited to the Trust Fund for Tax Relief by \$10,431,611 in FY 2026-27. In order to continue to fund the increase in the reimbursements using the balance in the Trust Fund, additional legislative direction would be necessary. For information, the current projected FY 2025-26 year-end balance in the Trust Fund for Tax Relief that would be available to fund the additional \$10,431,611 in reimbursements is \$114,658,825.

Explanation of Fiscal Impact

**Updated for Revised Analysis and Fiscal Impact on April 14, 2026
Introduced on March 11, 2025**

State Expenditure

This bill increases the reimbursement cap for the manufacturing property tax exemption, pursuant to §12-34-220(B)(52), from \$170,000,000 to \$300,000,000. This section exempts 42.8571 percent of the value of manufacturing property from property taxes and is reimbursed by the State to local governments from the Trust Fund for Tax Relief.

DOR anticipates being able to administer this change within the normal course of agency business. Therefore, this bill will have no expenditure impact for implementation.

State Revenue

This bill increases the reimbursement cap for the manufacturing property tax exemption, pursuant to §12-34-220(B)(52), from \$170,000,000 to \$300,000,000, which will potentially change the mechanism for funding the amount of the reimbursement above \$170,000,000.

Based on the current BEA projection, the manufacturing property tax exemption reimbursement will exceed the current limit of \$170,000,000 by \$10,431,611 in FY 2026-27 as shown below.

Projected Manufacturing Property Tax Exemption Reimbursement

Fiscal Year	Exemption Amount	Growth Rate
FY 2024-25	\$151,878,461	
FY 2025-26(e)	\$164,028,737	8.0%
FY 2026-27(e)	\$180,431,611	10.0%

Pursuant to §11-11-150, the BEA deducted \$170,000,000 from the state income tax revenue to pay the reimbursements for the manufacturing property tax exemption from the Trust Fund for Tax Relief up to the current statutory cap. However, Proviso 117.202 of the FY 2025-26 Appropriations Act allows up to \$300,000,000 to be used for the reimbursements despite the cap and specifies that the balance in the Trust Fund for Tax Relief may be used to fund the excess amount. Without this bill, the additional \$10,431,611 would be funded from the Trust Fund balance in FY 2026-27 if Proviso 117.202 remains in effect. By increasing the statutory cap from \$170,000,000 to \$300,000,000, this bill will require the BEA to increase the amount deducted from state income tax revenues and credited to the Trust Fund for Tax Relief by \$10,431,611 in FY 2026-27. In order to continue to fund the increase in the reimbursements using the balance in the Trust Fund, additional legislative direction would be necessary. For information, the current projected FY 2025-26 year-end balance for the Trust Fund for Tax Relief that would be available to fund the \$10,431,611 in reimbursements is \$114,658,825.

Local Expenditure

N/A

Local Revenue

This bill increases the reimbursement cap for the manufacturing property tax exemption, pursuant to §12-34-220(B)(52), from \$170,000,000 to \$300,000,000. The exemption is for 42.8571 percent of manufacturing property value. In any year in which reimbursements are projected by RFA to exceed the cap, the exemption amount must be proportionally reduced so as not to exceed the reimbursement cap. As noted in the State Revenue Section above, Proviso 117.202 of the FY 2025-26 Appropriations Act allows up to \$300,000,000 to be used for the manufacturing property tax exemption reimbursements and specifies that the balance of the Trust Fund for Tax Relief may be expended to make the reimbursement in full if necessary. Assuming that this proviso remains in effect for FY 2026-27, this bill will have no impact on local revenue as the bill will potentially change the method for funding the excess reimbursements but will not impact the amount local governments receive.



Frank A. Rainwater, Executive Director

South Carolina General Assembly
126th Session, 2025-2026

S. 439

STATUS INFORMATION

General Bill

Sponsors: Senators Peeler, Turner, Davis, Bennett, Verdin, Alexander, Grooms, Kimbrell, Johnson, Jackson, Sutton, Cromer, Climer, Adams, Zell and Young

Document Path: LC-0188DG25.docx

Introduced in the Senate on March 11, 2025

Introduced in the House on May 6, 2025

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

Summary: Manufacturing property tax exemption

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
3/11/2025	Senate	Introduced and read first time
3/11/2025	Senate	Referred to Committee on Finance
4/29/2025	Senate	Committee report: Favorable Finance (Senate Journal-page 14)
5/1/2025	Senate	Read second time (Senate Journal-page 54)
5/1/2025	Senate	Roll call Ayes-40 Nays-0 (Senate Journal-page 54)
5/6/2025	Senate	Read third time and sent to House (Senate Journal-page 38)
5/6/2025	House	Introduced and read first time (House Journal-page 234)
5/6/2025	House	Referred to Committee on Ways and Means (House Journal-page 234)

View the latest [legislative information](#) at the website

VERSIONS OF THIS BILL

03/11/2025

04/29/2025

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

3

4 COMMITTEE REPORT

5 April 29, 2025

6

7

S. 439

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9 Introduced by Senators Peeler, Turner, Davis, Bennett, Verdin, Alexander, Grooms, Kimbrell, Johnson,
10 Jackson, Corbin and Sutton

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12 S. Printed 4/29/25--S.

13 Read the first time March 11, 2025

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17 **THE COMMITTEE ON SENATE FINANCE**

18 To whom was referred a Bill (S. 439) to amend the South Carolina Code of Laws by amending
19 Section 12-37-220, relating to the property tax exemptions, so as to increase the maximum
20 reimbursement amount, etc., respectfully

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REPORT:

22 That they have duly and carefully considered the same, and recommend that the same do pass:

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24 HARVEY PEELER for Committee.

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A BILL

11 TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-37-220,
12 RELATING TO THE PROPERTY TAX EXEMPTIONS, SO AS TO INCREASE THE MAXIMUM
13 REIMBURSEMENT AMOUNT FOR THE EXEMPTION ON CERTAIN MANUFACTURING
14 PROPERTY.
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16 Be it enacted by the General Assembly of the State of South Carolina:

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18 SECTION 1. Section 12-37-220(B)(52) of the S.C. Code is amended to read:

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20 (a)(i) 42.8571 percent of the property tax value of manufacturing property assessed for property
21 tax purposes pursuant to Section 12-43-220(a)(1). The exemption allowed by this item does not apply
22 to property owned or leased by a public utility, as defined in Section 58-3-5, that is regulated by the
23 Public Service Commission, regardless of whether the property is used for manufacturing. For purposes
24 of this item, if the exemption is applied to real property, then it must be applied to the property tax
25 value as it may be adjusted downward to reflect the limit imposed pursuant to Section 6, Article X of
26 the South Carolina Constitution, 1895;

27 (ii) To the extent any such monies are refunded or otherwise credited under this item to a
28 public utility that is regulated by the Public Service Commission, regardless of whether the property is
29 used for manufacturing, any such refund or credits must be flowed through to customers as a reduction
30 in rates, as appropriate.

31 (b) The revenue loss resulting from the exemption allowed by this item must be reimbursed and
32 allocated to the political subdivisions of this State, including school districts, in the same manner as the
33 Trust Fund for Tax Relief, not to exceed ~~one~~three hundred ~~seventy~~-million dollars per year. In
34 calculating estimated state individual and corporate income tax revenues for a fiscal year, the Board of
35 Economic Advisors shall deduct amounts sufficient to account for the reimbursement required by this
36 item.

37 (c) Notwithstanding the exemption allowed by this item, in any year in which reimbursements
38 are projected by the Revenue and Fiscal Affairs Office to exceed the reimbursement cap in subitem (b),
39 the exemption amount shall be proportionally reduced so as not to exceed the reimbursement cap.

40 (d) Notwithstanding any other provision of law, property exempted from property taxes in the

1 manner provided in this item is considered taxable property for purposes of bonded indebtedness
2 pursuant to Section 15, Article X of the Constitution of this State.

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4 SECTION 2. This act takes effect upon approval by the Governor and first applies to property tax
5 years beginning after 2024.

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