

REPORT OF THE PROPERTY TAX SUBCOMMITTEE

(G. R. Smith, Herbkersman, Finlay, Weeks, Hewitt - Marc Truesdale, staff)

SENATE BILL 233

S. 233 -- Turner: A BILL TO AMEND SECTION 12-37-220(B)(1)(b) OF THE 1976 CODE, RELATING TO PROPERTY EXEMPTED FROM AD VALOREM TAXATION, TO PROVIDE THAT A QUALIFIED SURVIVING SPOUSE MAY QUALIFY FOR AN EXEMPTION IF THE QUALIFIED SURVIVING SPOUSE OWNS THE HOUSE.

Received by Ways and Means: 3/8/2022

Summary of Bill:

Under current law an exemption can extend to a qualified surviving spouse when the house is acquired from the deceased spouse by an eligible surviving spouse. This bill eliminates the requirement that a qualifying surviving spouse must acquire the house from the deceased spouse in order to be eligible for the property tax exemption. Under current law the owner occupied home of a veteran of the armed forces, a law enforcement officer, a former firefighter who is permanently and totally disabled as a result of a service-connected disability is exempt from property taxes. This bill clarifies the same conditions as the root bill apply to the surviving spouse of someone killed in action. This bill further allows an owner-occupied resident who lives on heir's property to claim a property tax exemption pursuant to §12-37-22 so long as the person does not claim the special assessment rate allowed on any other property.

Estimated Revenue Impact:

Pending

Other Notes/Comments:

The subcommittee adopted the contents of H. 5134 (Property Tax Exemptions for Farm Buildings) and H. 4243 (Property Valuation Adjustment) as part of the subcommittee amendment.

H. 5134 exempts all farm buildings and agricultural structures owned by a producer in this State that are used to house livestock, poultry, crops, farm equipment, or farm supplies beginning in tax year 2022.

H. 4243 would amend the code section that allows for adjustments to property tax valuation and assessment of real property and improvements, when the property or improvement has been damaged by a fire, by allowing for the same adjustments if the property or improvement is

"THE BELOW CONSTITUTED SUMMARY IS PREPARED BY THE STAFF OF THE SOUTH CAROLINA HOUSE OF REPRESENTATIVES AND IS NOT THE EXPRESSION OF THE LEGISLATION'S SPONSOR(S) OR THE HOUSE OF REPRESENTATIVES. IT IS STRICTLY FOR THE INTERNAL USE AND BENEFIT OF MEMBERS OF THE HOUSE OF REPRESENTATIVES AND IS NOT TO BE CONSTRUED BY A COURT OF LAW AS AN EXPRESSION OF LEGISLATIVE INTENT".

damaged by a flood, hurricane or wind event. The adjustment is made "upon application of the taxpayer" which must be made prior to the payment of the tax.

The bill, prior to be amended in subcommittee, was estimated to reduce state property tax revenue by as much as \$44,000. The adopted portions would not impact state revenue based on prior RFA fiscal impact statements on each bill. The local revenue impact for H. 5134 was between \$5.4m and \$27.3m. Local revenue loss from H. 4243 was unknown.

HOUSE
AMENDMENT

THIS AMENDMENT
ADOPTED

GOOD/DOWNEY
APRIL 27, 2022

CLERK OF THE HOUSE

THE SUBCOMMITTEE PROPOSES THE FOLLOWING
AMENDMENT No. TO S. 233
(COUNCIL\DG\233C001.NBD.DG22):

REFERENCE IS TO PRINTER'S DATE 3/1/22-S.

**AMEND THE BILL, AS AND IF AMENDED, BY ADDING
TWO APPROPRIATELY NUMBERED SECTION TO
READ:**

**/ SECTION __. A. SECTION 12-39-250(B)
OF THE 1976 CODE IS AMENDED TO READ:**

**“(B) NOTWITHSTANDING ANY OTHER
PROVISION OF LAW, THE COUNTY TAX ASSESSOR
OR THE COUNTY BOARD OF ASSESSMENT
APPEALS, UPON APPLICATION OF THE TAXPAYER,**

MUST ORDER THE COUNTY AUDITOR TO MAKE APPROPRIATE ADJUSTMENTS IN THE VALUATION AND ASSESSMENT OF ANY REAL PROPERTY AND IMPROVEMENTS WHICH HAVE SUSTAINED DAMAGE AS A RESULT OF FIRE, FLOODING, HURRICANE, OR WIND EVENT PROVIDED THAT THE APPLICATION FOR CORRECTION OF THE ASSESSMENT IS MADE PRIOR TO PAYMENT OF THE TAX.”

B. SECTION 12-37-220(B)(14) OF THE 1976 CODE IS AMENDED TO READ:

“(14) ALL FARM BUILDINGS AND AGRICULTURAL STRUCTURES OWNED BY A PRODUCER IN THIS STATE USED TO HOUSE LIVESTOCK, POULTRY, CROPS, FARM EQUIPMENT, OR FARM SUPPLIES AND ALL FARM MACHINERY AND EQUIPMENT INCLUDING SELF-PROPELLED FARM MACHINERY AND EQUIPMENT EXCEPT FOR MOTOR VEHICLES LICENSED FOR USE ON THE HIGHWAYS. FOR THE PURPOSE OF THIS SECTION

‘SELF-PROPELLED FARM MACHINERY AND EQUIPMENT’ MEANS FARM MACHINERY OR EQUIPMENT WHICH CONTAINS WITHIN ITSELF THE MEANS FOR ITS OWN LOCOMOTION. FOR PURPOSES OF THIS ITEM, FARM EQUIPMENT INCLUDES GREENHOUSES;”

C. THIS SECTION FIRST APPLIES TO PROPERTY TAX YEARS BEGINNING AFTER 2021.

SECTION ____ . SECTION 56-3-1490 OF THE 1976 CODE, AS ADDED BY ACT 38 OF 2021, IS AMENDED TO READ:

“(B) THE QUALIFYING SERVICE MEMBER OR VETERAN MUST BE ONE OF THE REGISTRANTS OF THE VEHICLE. NO MORE THAN THREE LICENSE PLATES MAY BE ISSUED TO THE AWARD RECIPIENT. LICENSE PLATES FOR MEDALS SPECIFIED IN SUBSECTION (A) ARE ~~SUBJECT TO~~ EXEMPT FROM THE REGULAR MOTOR VEHICLE REGISTRATION FEE CONTAINED IN ARTICLE 5,

**CHAPTER 3, TITLE 56 ~~BUT NO ADDITIONAL~~
~~SPECIALTY PLATE FEE.~~ THESE SPECIAL LICENSE
PLATES MUST BE ISSUED OR REVALIDATED FOR A
BIENNIAL PERIOD WHICH EXPIRES TWENTY-FOUR
MONTHS FROM THE MONTH THEY ARE ISSUED.” /**

RENUMBER SECTIONS TO CONFORM.

AMEND TITLE TO CONFORM.



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. 0233	Amended by the Senate on March 1, 2022
Author:	Turner	
Subject:	Property Tax	
Requestor:	Senate Finance	
RFA Analyst(s):	Boggs	
Impact Date:	March 4, 2022	

Fiscal Impact Summary

This bill allows the surviving spouse, whose deceased spouse did not have an ownership interest in the property, to qualify for the property tax exemption pursuant to §12-37-220. The deceased spouse refers to a veteran, a former law enforcement officer, or a former firefighter, who is permanently and totally disabled because of service-connected disability or a law enforcement officer, a firefighter, or a member of the armed forces of the United States who was killed in the line of duty. This bill also allows an individual who owns a home on heirs' property to claim a property tax exemption pursuant to §12-37-220, so long as the person is the owner-occupied resident of the house and does not claim the special assessment rate allowed pursuant to §12-43-220(c) on any property.

RFA anticipates this bill will result in an insignificant local property tax reduction as there is only a small number of properties that would qualify for the exempt due to this bill. RFA assumes 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

Amended by the Senate on March 1, 2022

State Expenditure

This bill eliminates the requirement that a qualifying surviving spouse must acquire the house from the deceased spouse in order to be eligible for the property tax exemption provided pursuant to §12-37-220(B). This bill also allows an owner-occupied resident who lives on heir's property to claim a property tax exemption pursuant to §12-37-220 so long as the person does not claim the special assessment rate allowed pursuant to §12-43-220(c) on any other property. This bill takes effect upon the signing of the governor, and therefore, will impact property taxes beginning in tax year 2022.

Currently, §12-37-220(B)(1) grants a property tax exemption to a surviving spouse if the house was acquired from the deceased spouse, so long as all of the other requirements of §12-37-220(B) are met. This bill will allow the surviving spouse of a deceased eligible owner to qualify for the exemption even if the decedent had no ownership interest in the house, so long as the property meets all of the other requirements of §12-37-220(B), including that the house qualifies

as the surviving spouse's legal residence. An eligible owner is defined as a veteran, a former law enforcement officer, or a former firefighter, who became permanently and totally disabled as a result of a service-connected disability. The definition of qualified surviving spouse also includes the spouse of a law enforcement officer, a firefighter, or a member of the armed forces of the United States who was killed in the line of duty.

RFA anticipates that, due to the small number of properties that would become eligible for a tax exemption because of this bill, the impact to local property tax revenue will be minimal. RFA assumes local entities will increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 12, 2021

State Expenditure

This bill eliminates the requirement that a qualifying surviving spouse must acquire the house from the deceased spouse in order to be eligible for the property tax exemption provided pursuant to §12-37-220(B). This bill takes effect upon the signing of the governor, and therefore, will impact property taxes beginning in tax year 2022.

Currently, §12-37-220(B)(1) grants a property tax exemption to a surviving spouse if the house was acquired from the deceased spouse, so long as all of the other requirements of §12-37-220(B) are met.

This bill will allow the surviving spouse of a deceased eligible owner to qualify for the exemption even if the decedent had no ownership interest in the house, so long as the property meets all of the other requirements of §12-37-220(B), including that the house qualifies as the surviving spouse's legal residence. An eligible owner is defined as a veteran, a former law enforcement officer, or a former firefighter, who became permanently and totally disabled as a result of a service-connected disability. The definition of qualified surviving spouse also includes the spouse of a law enforcement officer, a firefighter, or a member of the armed forces of the United States who was killed in the line of duty who also owned the property in fee or jointly with the surviving spouse. Because of the definition of surviving spouse, this bill does not alter the specification that a surviving spouse of a decedent who died in the line of duty may claim the exemption only if the decedent had an ownership interest in the property.

Using data provided in the South Carolina Public Benefit Authority's South Carolina Retirement Systems 2020 Actuarial Experience Study, data from the United States Census Bureau's

American Community Survey, and data published by the United States Department of Defense, we calculated approximately 212 persons die annually that may meet the definition of an eligible owner.

For this exemption to apply, there must be a surviving spouse. Based on the American Community Survey, approximately 47.2 percent of adult South Carolinians are married. Multiplying the number of decedents by the percentage of persons married results in an estimated 100 decedents with a surviving spouse.

Further, the bill only changes the exemption for instances when the decedent has no ownership interest in the property, but the surviving spouse must have at least a 50 percent interest and the property must be the surviving spouse's legal residence. Any property that was owned by the decedent and passed to the surviving spouse is currently eligible for this property tax exemption. Using the average owner-occupancy rate from the American Community Survey, approximately 30.7 percent, or 31 decedents, did not have an ownership interest in their residence at the time of death. Therefore, this bill may result in approximately 31 additional homes becoming eligible for the property tax exemption annually. This may be an overstatement as the instances where one spouse has at least a 50 percent ownership interest in the property but the other spouse has no ownership interest are limited, however, there is insufficient data to estimate this effect.

The estimated average home fair market value is \$197,551 in tax year 2022. Any qualifying property will already qualify for the owner-occupied exemption from school operating millage. Therefore, each property will receive an additional exemption from all other millage. The estimated statewide millage rate, excluding school operating millage, for tax year 2022 is 182.64. Therefore, each new exemption allowed under this proposal may result in an estimated reduction of property tax revenue of \$1,443. Additionally, of those properties that will become eligible, some may already qualify for the homestead exemption, which exempts the first \$50,000 of the property value from all property taxes for owners who are 65 and older or are totally disabled. This will result in an additional property tax reduction of \$1,077 per property for those properties that currently qualify for the homestead exemption. For purposes of this analysis, we assume none of the 31 properties qualify for the homestead exemption, resulting in a property tax revenue reduction totaling \$44,000.

To summarize, this bill may result in a reduction of property tax revenue statewide by as much as \$44,000, which is less than 0.01 percent of the estimated total property tax revenue statewide. This estimate is likely an overstatement as it assumes that none of the 31 newly exempt properties currently qualify for the homestead exemption, and it is likely that some of the 31 properties may not qualify for this exemption due to lack of ownership interest by the surviving spouse. Also, RFA assumes local entities will increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

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4 COMMITTEE AMENDMENT ADOPTED

5 March 1, 2022

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S. 233

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Introduced by Senator Turner

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11 S. Printed 3/1/22--S.

12 Read the first time January 12, 2021.

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A BILL

TO AMEND SECTION 12-37-220(B)(1)(b) OF THE 1976 CODE, RELATING TO PROPERTY EXEMPTED FROM AD VALOREM TAXATION, TO PROVIDE THAT A QUALIFIED SURVIVING SPOUSE MAY QUALIFY FOR AN EXEMPTION IF THE QUALIFIED SURVIVING SPOUSE OWNS THE HOUSE.

Amend Title To Conform

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

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

“(1)(a) the house owned by an eligible owner in fee or jointly with a spouse;

(b) the house owned by a qualified surviving spouse ~~acquired from the deceased spouse~~ and a house subsequently acquired by an eligible surviving spouse. The qualified surviving spouse shall inform the Department of Revenue of the address of a subsequent house;

(c) when a trustee holds legal title to a dwelling for a beneficiary and the beneficiary is a person who qualifies otherwise for the exemptions provided in subitems (a) and (b) and the beneficiary uses the dwelling as the beneficiary’s domicile, the dwelling is exempt from property taxation in the same amount and manner as dwellings are exempt pursuant to subitems (a) and (b);

(d) The Department of Revenue may require documentation it determines necessary to determine eligibility for the exemption allowed by this item.

(e) A person who owns an interest in a house and meets all other requirements of this item and is otherwise an eligible owner but for the ownership requirement is deemed to be an eligible owner

1 and is eligible for the exemption allowed by this item so long as the
2 county assessor certifies to the Department of Revenue that the
3 house is located on heirs' property and the person is the owner-
4 occupied resident of the house. A person eligible pursuant to this
5 subitem must not claim the special assessment rate allowed pursuant
6 to Section 12-43-220(c) on any other property. For purposes of this
7 item, heirs' property has the same meaning as provided in Section
8 15-61-320.

9 (f) As used in this item:

10 (i) 'eligible owner' means:

11 (A) a veteran of the armed forces of the United States
12 who is permanently and totally disabled as a result of a
13 service-connected disability and who files with the Department of
14 Revenue a certificate signed by the county service officer certifying
15 this disability;

16 (B) a former law enforcement officer as further
17 defined in Section 23-23-10, who is permanently and totally
18 disabled as a result of a law enforcement service-connected
19 disability;

20 (C) a former firefighter, including a volunteer
21 firefighter as further defined in Chapter 80, Title 40, who is
22 permanently and totally disabled as a result of a firefighting
23 service-connected disability;

24 (ii) 'permanently and totally disabled' means the
25 inability to perform substantial gainful employment by reason of a
26 medically determinable impairment, either physical or mental, that
27 has lasted or is expected to last for a continuous period of twelve
28 months or more or result in death;

29 (iii) 'qualified surviving spouse' means the surviving
30 spouse of an individual described in subsubitem (i) while remaining
31 unmarried, who resides in the house, and who owns the house in fee
32 or for life. Qualified surviving spouse also means the surviving
33 spouse of a member of the armed forces of the United States who
34 was killed in action, or the surviving spouse of a law enforcement
35 officer or firefighter who died in the line of duty as a law
36 enforcement officer or firefighter, as these terms are further defined
37 in Section 23-23-10 and Chapter 80, Title 40 ~~who at the time of~~
38 ~~death owned the house in fee or jointly with the now surviving~~
39 ~~spouse~~; if the surviving spouse remains unmarried, resides in the
40 house, and has acquired ownership of the house in fee or for life;

41 (iv) 'house' means a dwelling and the lot on which it is
42 situated classified in the hands of the current owner for property tax
43 purposes pursuant to Section 12-43-220(c). However, for an

1 eligible owner that qualifies pursuant to item (1)(e), 'house' means
2 a dwelling that is eligible to be classified in the hands of the current
3 owner for property tax purposes pursuant to Section 12-43-220(c)
4 except for the ownership requirement."

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6 SECTION 2. This act takes effect upon approval by the Governor.

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