

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

SENATE BILL 866
Municipal Tax Relief Act

Summary of Bill:

Authorizes municipalities in counties that currently do not impose a local sales tax to impose up to a 1% sales and use tax by ordinance, subject to a referendum, to provide a property tax credit for owner-occupied homes. At a minimum, 20% of the revenue must be used to provide the property tax credit, and the municipality has the option to use the remaining portion to finance critical local infrastructure and core services as defined and subject to the referendum language. The bill also specifies how the tax must be imposed and administered, and the method by which the property tax credit is calculated.

Estimated Fiscal Impact:

The Dept. of Revenue (DOR) indicated no expenditure impact. The State Treasurer's Office indicated an expense increase of \$400 for initial set up and \$170 per quarter to implement the requirements.

Subcommittee Action/Explanation:

Passed Favorably.

Full Committee Action/Explanation:

N/A

Other Notes/Comments:

As written, only municipalities in 3 counties would qualify to impose the municipal tax relief sales and use tax: Beaufort, Greenville, and Oconee.

Municipalities cannot impose the local tax if the cumulative sales tax rate would exceed 9%.



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. 0866	Introduced on January 29, 2026
Subject:	Municipal Tax Relief Act	
Requestor:	Senate Finance	
RFA Analyst(s):	Bryant	
Impact Date:	March 9, 2026	

Fiscal Impact Summary

This bill enacts the Municipal Tax Relief Act. The bill authorizes municipalities in counties that do not currently impose a local sales tax to impose up to a 1 percent sales and use tax by ordinance, subject to a referendum, to provide a property tax credit for owner-occupied homes and to finance certain projects. The bill also specifies the manner in which the tax must be imposed and administered and the method by which the property tax credit is calculated.

This bill will have no expenditure impact on the Department of Revenue (DOR). DOR indicates that although the bill will require system and form changes, the department will manage the provisions of the bill with current processes.

The State Treasurer's Office (STO) indicates that this bill may increase expenses by \$400 for initial set up and an average of \$170 per quarter to perform calculations, distribute funds, and send communications to participating municipals. However, STO reports that it will manage the requirements of the bill with existing staff and resources.

The Municipal Association of South Carolina (MASC) indicates that the expenditure impact of this bill will depend upon whether municipalities choose to pursue the tax and whether voters approve it. MASC notes that municipalities fund costs associated with the referendum required to impose the tax, which vary.

Based on current local option sales taxes, the municipalities located in Beaufort County, Greenville County, and Oconee County currently qualify to impose this tax. As municipalities may choose whether to impose the up to 1 percent sales tax, the overall revenue impact will depend on the number of qualifying municipalities that choose to impose the sales tax. For a listing of net taxable sales and estimated sales tax from a 1 percent tax in FY 2024-25 for the municipalities in these counties, please see the Local Revenue Section.

Explanation of Fiscal Impact

Introduced on January 29, 2026

State Expenditure

This bill enacts the Municipal Tax Relief Act. The bill authorizes a municipal governing body of a municipality wholly or partially located in a county that does not impose any local sales tax

pursuant to Chapter 10 or Chapter 37, Title 4 or any local law enacted by the General Assembly to impose a sales and use tax not to exceed 1 percent by ordinance within the municipality for a specific purpose or purposes for a limited amount of time. The bill specifies that no less than 20 percent of the revenues collected pursuant to this bill must be used to provide a credit against a taxpayer's municipal property taxes on owner occupied property. Any revenues not dedicated to tax relief may be used to defray the cost associated with projects authorized in the bill including, but not limited to, debt service on bonds issued to pay for such projects. DOR will administer the tax, and the revenue will be deposited with the State Treasurer in a fund separate and distinct from the General Fund. STO will be responsible for distributing the tax revenue to municipalities.

Department of Revenue. This bill will have no expenditure impact on DOR. DOR indicates that although the bill will require system and form changes, the department will manage the provisions of the bill with current processes.

State Treasurer's Office. STO indicates that this bill may increase expenses by \$400 for initial set up and an average of \$170 per quarter to perform calculations, distribute funds, and send communications to participating municipals. However, STO reports that it will manage the requirements of the bill with existing staff and resources.

State Revenue

N/A

Local Expenditure

This bill enacts the Municipal Tax Relief Act, which authorizes a municipal governing body of a municipality wholly or partially located in a county that does not impose any local sales tax pursuant to Chapter 10 or Chapter 37, Title 4 or any local law enacted by the General Assembly to impose a sales and use tax not to exceed 1 percent. The tax may be imposed by ordinance, subject to a referendum at the next general election. From the revenue generated, 20 percent must be used to fund an owner-occupied property tax credit, and the remaining revenue may be used for designated projects.

MASC indicates that the expenditure impact of this bill will depend upon whether municipalities choose to pursue the tax and whether voters approve it. MASC notes that municipalities must fund costs associated with the referendum required to impose the tax, the costs of which vary depending on a number of factors.

Local Revenue

This bill enacts the Municipal Tax Relief Act, which authorizes a municipal governing body of a municipality wholly or partially located in a county that does not impose any local sales tax pursuant to Chapter 10 or Chapter 37, Title 4 or any local law enacted by the General Assembly to impose a sales and use tax not to exceed 1 percent. The tax may be imposed by ordinance, subject to a referendum to be held at the next general election. The bill specifies that no less than 20 percent of the revenues collected pursuant to this bill must be used to provide a credit against a taxpayer's municipal property taxes on owner-occupied property. Any revenues not dedicated

to tax relief may be used to defray the cost associated with projects authorized in the bill including, but not limited to, debt service on bonds issued to pay for designated projects.

Based on Information Letter #26-5 published by DOR, municipalities located in Beaufort County, Greenville County, and Oconee County currently qualify to impose this tax. As municipalities may choose whether to impose the up to 1 percent sales tax, the local revenue generated will depend on the number of qualifying municipalities that choose to impose the sales tax. The table below provides the estimated local sales tax of 1 percent for the eligible municipalities based on net taxable sales for FY 2024-25.

FY 2024-25 Net Taxable Sales and Estimated 1% Sales Tax

County	City	Net Taxable Sales	1% of Net Taxable Sales
Beaufort	Beaufort	\$827,585,096	\$8,275,851
Beaufort	Bluffton	\$727,533,332	\$7,275,333
Beaufort	Hardeeville	***	***
Beaufort	Hilton Head Island	\$1,630,812,971	\$16,308,130
Beaufort	Port Royal	\$65,467,536	\$654,675
Beaufort	Yemassee	\$342,851	\$3,429
Greenville	Fountain Inn	\$81,073,831	\$810,738
Greenville	Greenville	\$5,014,567,363	\$50,145,674
Greenville	Greer	\$464,249,080	\$4,642,491
Greenville	Mauldin	\$242,952,253	\$2,429,523
Greenville	Simpsonville	\$541,066,663	\$5,410,667
Greenville	Travelers Rest	\$215,455,124	\$2,154,551
Oconee	Salem	\$9,969,676	\$99,697
Oconee	Seneca	\$405,481,142	\$4,054,811
Oconee	Walhalla	\$41,314,300	\$413,143
Oconee	West Union	\$32,698,819	\$326,988
Oconee	Westminster	\$33,340,330	\$333,403

Source: S.C. Department of Revenue Net Taxable Sales

*** Not disclosed

Frank A. Rainwater, Executive Director

South Carolina General Assembly
126th Session, 2025-2026

S. 866

STATUS INFORMATION

General Bill

Sponsors: Senators Elliott and Turner

Document Path: LC-0287DG26.docx

Introduced in the Senate on January 29, 2026

Introduced in the House on April 16, 2026

Last Amended on April 1, 2026

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

Summary: Municipal Tax Relief Act

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
1/29/2026	Senate	Introduced and read first time (Senate Journal-page 3)
1/29/2026	Senate	Referred to Committee on Finance (Senate Journal-page 3)
3/18/2026	Senate	Committee report: Favorable Finance (Senate Journal-page 7)
3/24/2026		Scrivener's error corrected
4/1/2026	Senate	Amended (Senate Journal-page 40)
4/1/2026	Senate	Read second time (Senate Journal-page 40)
4/1/2026	Senate	Roll call Ayes-32 Nays-9 (Senate Journal-page 40)
4/15/2026	Senate	Read third time and sent to House (Senate Journal-page 53)
4/16/2026	House	Introduced and read first time (House Journal-page 8)
4/16/2026	House	Referred to Committee on Ways and Means (House Journal-page 8)

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VERSIONS OF THIS BILL

[01/29/2026](#)

[03/18/2026](#)

[03/24/2026](#)

[04/01/2026](#)

1 ~~Indicates Matter Stricken~~
2 Indicates New Matter

3
4 AMENDED
5 April 1, 2026

S. 866

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9 Introduced by Senators Elliott and Turner

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11 S. Printed 4/1/26--S.
12 Read the first time January 29, 2026

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A BILL

TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY ENACTING THE “MUNICIPAL TAX RELIEF ACT” BY ADDING CHAPTER 41 TO TITLE 5 SO AS TO AUTHORIZE CERTAIN MUNICIPALITIES TO IMPOSE UP TO A ONE PERCENT SALES TAX TO PROVIDE PROPERTY TAX RELIEF TO OWNER-OCCUPIED HOMES AND TO FINANCE CERTAIN PROJECTS, TO SPECIFY THE MANNER IN WHICH THE TAX MUST BE IMPOSED AND ADMINISTERED AND THE MANNER IN WHICH THE PROPERTY TAX CREDIT IS CALCULATED.

Amend Title To Conform

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

SECTION 1. Title 5 of the S.C. Code is amended by adding:

CHAPTER 41

Municipal Tax Relief Act

Section 5-41-110. For purposes of this chapter:

(1) “Core government services” means the essential responsibilities of a municipality that protect public safety, support economic vitality, and maintain critical local infrastructure. Such services include the construction, repair, and improvement of local roads, bridges, and drainage systems, and supportive capital projects, such as police facilities, fire stations, public assembly facilities, emergency response buildings, and related technology infrastructure.

(2) “Department” means the South Carolina Department of Revenue.

(3) “General election” means the Tuesday following the first Monday in November in any even-numbered year.

(4) “Municipality” means a municipal corporation created pursuant to Chapter 1, or a municipal government as the use of the term dictates.

(5) “Tax” means the municipal tax relief sales and use tax allowed to be imposed pursuant to this chapter.

1 Section 5-41-120. (A)(1) Subject to the requirements of this chapter, a municipal governing body
2 of a municipality wholly or partially located in a county that does not impose any tax pursuant to
3 Chapter 10 or Chapter 37, Title 4 or any local law enacted by the General Assembly as of January 1,
4 2026, may impose a sales and use tax not to exceed one percent by ordinance, subject to a referendum
5 to be held at the next general election which must be after the 2026 general election, within the
6 municipality for a specific purpose or purposes and for a limited amount of time. If a municipality is
7 only located partially in a qualifying county, then the municipality only may impose the sales and use
8 tax in the portion of the municipality located within the qualifying county.

9 (2) Notwithstanding item (1), a municipal governing body of a municipality wholly or partially
10 located in a county that has never imposed any tax pursuant to Chapter 10 or Chapter 37, Title 4 or any
11 local law enacted by the General Assembly, and otherwise qualifies, may impose the tax allowed by
12 this chapter at any qualifying general election.

13 (B) No less than twenty percent of the revenues collected pursuant to this chapter must be used to
14 provide a credit against a taxpayer's municipal ad valorem tax liability pursuant to Section 5-41-170.
15 The credit only may be applied to property assessed pursuant to Section 12-43-220(c). Any revenues
16 not dedicated to tax relief may be used to defray the cost associated with projects authorized in this
17 chapter including, but not limited to, debt service on bonds issued to pay for such projects.

18 (C) To impose the tax, the governing body of the municipality shall enact an ordinance which
19 contains the ballot question formulated by the municipality. The ordinance must specify:

20 (1) the purpose for which the proceeds of the tax are to be used. If any of the proceeds are to be
21 used for purposes other than a tax credit, the proceeds may be used for projects located within or
22 without, or both within and without, the boundaries of the municipality, and may include the following
23 types of projects:

24 (a) highways, roads, streets, bridges, public parking lots, public parking garages, core local
25 government services, and related facilities;

26 (b) administration buildings, civic centers, police stations, and fire stations;

27 (c) any combination of the projects described in this item;

28 (2) the maximum time, in two-year increments not to exceed eight years from the date of
29 imposition, or in the case of a reimposed tax, a period ending on April thirtieth, not to exceed seven
30 years, for which the tax may be imposed;

31 (3) at least twenty percent of the amount collected must be used to provide a nonrefundable credit
32 against existing municipal ad valorem tax liability in accordance with Section 5-41-170 on property
33 assessed pursuant to Section 12-43-220(c); and

34 (4)(a) if the municipality proposes to issue bonds to provide for the payment of any costs of the
35 projects, the maximum amount of bonds to be issued, whether the tax proceeds are to be pledged to the
36 payment of the bonds and, if other sources of funds are to be used for the projects, specifying the other

1 sources;

2 (b) if any of the proceeds are to be used for purposes other than a tax credit, the maximum cost
3 of the project or facilities or a portion of the project or facilities, to be funded from proceeds of the tax
4 or bonds issued as provided in this chapter and the maximum amount of net proceeds expected to be
5 used to pay the cost or debt service on the bonds, as the case may be.

6 (D) Upon receipt of the ordinance, the municipality must conduct a referendum on the question of
7 imposing the sales and use tax in the municipality, or portion thereof, that is to be subject to the tax.
8 The referendum for imposition of the tax must be held at the time of the general election. Two weeks
9 before the referendum the appropriate election commission must publish in a newspaper of general
10 circulation the question that is to appear on the ballot, with the list of projects and the cost of the
11 projects. If the proposed question includes the use of sales taxes to defray debt service on bonds issued
12 to pay the costs of any project, the notice must include a statement indicating that principal amount of
13 the bonds proposed to be issued for the purpose and, if the issuance of the bonds is to be approved as
14 part of the referendum, stating that the referendum includes the authorization of the issuance of bonds
15 in that amount. This notice is in lieu of any other notice otherwise required by law.

16 (E) The referendum question to be on the ballot must read substantially as follows:

17

18 “Must a _____ percent sales and use tax be levied in (municipality or portion thereof) for no more
19 than (time) for the purpose of allowing a credit against certain municipal ad valorem tax liability and
20 for the purpose of raising the amounts specified for the following purposes?

21

22 (1) \$ _____ for _____

23 (2) \$ _____ for _____

24 (3) etc.

25

26 Yes

27

28 No

29

30 If the referendum includes the issuance of bonds, the question must be revised to include the principal
31 amount of bonds proposed to be authorized by the referendum and the sources of payment of the bonds
32 if the sales tax approved in the referendum is inadequate for the payment of the bonds. If the entirety
33 of the revenues collected pursuant to this chapter are used for existing municipal ad valorem tax
34 liability, the question must be revised appropriately.

35 (F) All qualified electors desiring to vote in favor of imposing the tax for the stated purposes shall
36 vote “yes” and all qualified electors opposed to levying the tax shall vote “no.” If a majority of the

1 votes cast are in favor of imposing the tax, then the tax is imposed as provided in this chapter and the
2 enacting ordinance. The appropriate election commission shall conduct the referendum under the
3 election laws of this State, mutatis mutandis, and shall certify the result to the municipal governing
4 body and to the Department of Revenue no later than thirty days after the election. Expenses of the
5 referendum must be paid by the municipality.

6 (G) Upon receipt of the returns of the referendum, the municipal governing body must, by resolution,
7 declare the results. In such event, the results of the referendum, as declared by resolution of the
8 municipal governing body, are not open to question except by a suit or proceeding instituted within
9 thirty days from the date the resolution is adopted.

10 (H) Once a certified copy of the ordinance is filed with the department, for the period of imposition
11 provided in that ordinance, the department may not accept as filed any additional ordinance from the
12 municipality that in any way relates to the tax allowed to be imposed pursuant to this chapter except an
13 ordinance reducing or repealing the existing tax. The department shall accept for filing a certified copy
14 of an ordinance reducing or repealing the tax and that reduction or repeal applies in the manner provided
15 in subsection (D) for imposition.

16 (I) When the tax authorized by this chapter is imposed for more than one purpose, the enacting
17 ordinance must set forth the priority in which the net proceeds are to be expended for the purposes
18 stated. The enacting ordinance may set forth a formula or system by which multiple projects are funded
19 simultaneously.

20
21 Section 5-41-130. (A) If the sales and use tax is approved in the referendum, the tax is imposed on
22 the first of May following the date of the referendum. If the reimposition of an existing sales and use
23 tax imposed pursuant to this chapter is approved in the referendum reimposing the tax, the new tax is
24 imposed immediately following the termination of the earlier imposed tax and the reimposed tax
25 terminates on the applicable thirtieth of April, not to exceed seven years from the date of reimposition.
26 If the certification is not timely made to the Department of Revenue, the imposition is postponed for
27 twelve months.

28 (B) The tax terminates the final day of the maximum time period specified for the imposition.

29 (C)(1) Amounts collected in excess of the required net proceeds must first be applied, if necessary,
30 to complete a project for which the tax was imposed, if applicable.

31 (2) If funds still remain after first using the funds as described in item (1) and the tax is reimposed,
32 the remaining funds must be used to fund any projects approved by the voters in the referendum to
33 reimpose the tax, in priority order as the projects appeared on the enacting ordinance.

34 (3) If funds still remain after first using the funds as described in item (1) and the tax is not
35 reimposed, the remaining funds must be used for the purposes pursuant to Section 5-41-120(C)(1).
36 These remaining funds only may be expended for the purposes pursuant to Section 5-41-120(C)(1)

1 following an ordinance specifying the authorized purpose or purposes for which the funds will be used.

2
3 Section 5-41-140. (A) The tax allowed by this chapter is an amount not to exceed one percent of
4 the gross proceeds of sales or sales price of all amounts subject to the sales and use tax imposed pursuant
5 to Chapter 36, Title 12.

6 (B) The tax imposed pursuant to this chapter must be administered and collected by the department
7 in the same manner that sales and use taxes are collected. The department may prescribe amounts that
8 may be added to the sales price because of the tax.

9 (C) The tax authorized by this chapter is in addition to all other local sales and use taxes and applies
10 to the gross proceeds of sales in the applicable area that is subject to the tax imposed by Chapter 36,
11 Title 12 and the enforcement provisions of Chapter 54, Title 12. The gross proceeds of the sale of items
12 subject to a maximum tax in Chapter 36, Title 12, and the gross proceeds of sales of unprepared food
13 that lawfully may be purchased with United States Department of Agriculture food coupons are exempt
14 from the tax imposed by this chapter. The tax imposed by this chapter also applies to tangible personal
15 property subject to the use tax in Article 13, Chapter 36, Title 12.

16 (D) A taxpayer required to remit taxes pursuant to Article 13, Chapter 36, Title 12 must identify the
17 municipality in which the personal property purchased at retail is stored, used, or consumed in this
18 State.

19 (E) A utility is required to report sales in the municipality in which the consumption of the tangible
20 personal property occurs.

21 (F) A taxpayer subject to the tax imposed by Section 12-36-920, who owns or manages rental units
22 in more than one municipality, must report separately in his sales tax return the total gross proceeds
23 from business done in each municipality.

24 (G) The gross proceeds of sales of tangible personal property delivered after the imposition date of
25 the tax levied pursuant to this chapter in a municipality, either under the terms of a construction contract
26 executed before the imposition date, or a written bid submitted before the imposition date, culminating
27 in a construction contract entered into before or after the imposition date, are exempt from the sales
28 and use tax provided in this chapter if a verified copy of the contract is filed with the Department of
29 Revenue within six months after the imposition date of the sales and use tax provided for in this chapter.

30 (H) Notwithstanding the imposition date of the sales and use tax authorized pursuant to this chapter,
31 with respect to services that are billed regularly on a monthly basis, the sales and use tax authorized
32 pursuant to this chapter is imposed beginning on the first day of the billing period beginning on or after
33 the imposition date.

34
35 Section 5-41-150. The revenues of the tax imposed pursuant to this chapter must be remitted to the
36 department and placed on deposit with the State Treasurer and credited to a fund separate and distinct

1 from the general fund of the State. After deducting the amount of any refunds made and costs to the
2 department of administering the tax not to exceed one percent of the revenues, the State Treasurer shall
3 distribute the revenues and interest quarterly based on point of collection to the treasurer of the
4 municipality in which the tax is imposed and the revenues must be used only for the purposes provided
5 in Section 5-41-120. The State Treasurer may correct misallocations by adjusting subsequent
6 distributions, but these adjustments must be made in the same fiscal year as the misallocations.
7 However, allocations made as a result of municipal code errors must be corrected prospectively.

8
9 Section 5-41-160. The department shall furnish data to the State Treasurer and to the municipal
10 treasurers receiving revenues for the purpose of calculating distributions and estimating revenues. The
11 information that must be supplied to municipalities upon request includes, but is not limited to, gross
12 receipts, net taxable sales, and tax liability by taxpayers. Information about a specific taxpayer is
13 considered confidential and is governed by the provisions of Section 12-54-240. A person violating
14 this section is subject to the penalties provided in Section 12-54-240.

15
16 Section 5-41-170. (A)(1) The amount of any credit allowed pursuant to this chapter is determined
17 by multiplying the property tax value of the property, before the exemption provided in Section
18 12-37-250, by a fraction in which the numerator is the total estimated revenue allotted to the credit
19 during the applicable fiscal year of the municipality, and the denominator is the total of all property tax
20 value on property assessed pursuant to Section 12-43-220(c) in the municipality or portion thereof in
21 which the sales and use tax authorized by this chapter is imposed, including the value exempted in
22 Section 12-37-250.

23 (2) For purposes of this subsection, "property tax value" means the fair market value as it may
24 be adjusted downward to reflect the limits imposed pursuant to Section 12-37-3140, in the municipality
25 as of January first of the applicable property tax year.

26 (B) If there is any unused credit, then the unused funds must be used to provide a credit in the same
27 manner as provided in subsection (A) over the next three property tax years.

28
29 Section 5-41-180. Notwithstanding any other provision of this chapter, the tax authorized by this
30 chapter may not be reimposed if the reimposition plus any taxes authorized pursuant to Chapter 10 or
31 Chapter 37, Title 4 or any local law enacted by the General Assembly would cause the cumulative rate
32 of state and local sales and use taxes in any portion of the municipality to exceed nine percent.

33
34 SECTION 2. This act takes effect upon approval by the Governor.

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