

REPORT OF THE PROPERTY TAX SUBCOMMITTEE

(Hewitt, Clyburn, Crawford, Murphy, Collins - Marc Truesdale, staff)

HOUSE BILL 3948

H. 3948 -- Reps. Ballentine, Robbins, Brewer, Murphy, M.M. Smith, Williams, Gilliam, Chapman, Gagnon, Kirby, Cobb-Hunter, Erickson, Bradley, Ott, Caskey, Hyde, Bernstein, Bauer, Anderson, Wheeler, Connell and Vaughan: A BILL TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-37-220, RELATING TO PROPERTY TAX EXEMPTIONS, SO AS TO PROVIDE FOR AN EXEMPTION FOR CERTAIN RENEWABLE ENERGY RESOURCE PROPERTIES.

Received by Ways and Means: 2/14/2023

Summary of Bill: In June 2021, H. 3354 was enacted (Act No. 68) which created a tax exemption for “renewable energy resource property” or solar panel upgrades for solar installations with a capacity of no greater than 20 kilowatts (kW). 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. This bill strikes the 20 kW limitation and opens the credit to larger entities.

Estimated Revenue Impact: \$0

Other Notes/Comments: Subcommittee Amendment: adds “for a customer-generator” to the bill. This language is meant to allow the exemption for entities such as commercial properties, manufacturers, private colleges, and hospitals while preventing solar farms from being eligible for this exemption.

The Fiscal Impact states that, based on information provided by assessors, “solar installations may not be reflected in assessed property values”. As a result, this bill as amended will result in an undetermined local property tax revenue impact.

SOUTH CAROLINA
HOUSE AMENDMENT

AMENDMENT NO. _____

Samantha Allen
April 24, 2023

ADOPTED	REJECTED	TABLED	ADJOURN DEBATE	RECONSIDERED	ROO

Clerk of the House

ADOPTION NO. _____

BILL NO: H. 3948

(Reference is to the original version)

The Property Tax Subcommittee proposes the following amendment (LC-3948.SA0001H):

Amend the bill, as and if amended, SECTION 1, by striking Section 12-37-220(B)(53) and inserting:

(53) a renewable energy resource property ~~having a nameplate capacity of and operating at no greater than twenty kilowatts, as measured in alternating current for a customer-generator.~~ For purposes of this item, “renewable energy resource” and “customer-generator” means property as defined in Section 58-40-10 includes solar energy equipment, facilities, or devices that support, collect, generate, transfer, monitor, or store thermal or electric energy. ~~This definition includes~~ including, 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.

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: H. 3948 Amended by House Ways and Means Property Tax Subcommittee on April 27, 2023

Author: Ballentine

Subject: Property Tax Exemption

Requestor: House Ways and Means

RFA Analyst(s): Miller

Impact Date: May 2, 2023

Fiscal Impact Summary

This amended bill exempts renewable energy resource property for a customer-generator from property taxes. This includes solar energy equipment, facilities, or devices that support, collect, generate, transfer, monitor, or store thermal or electric energy. Additionally, per §58-40-10, a customer-generator is defined as a generator that is located on a single premises owned, operated, leased, or otherwise controlled by the customer.

This bill will result in an undetermined reduction in property tax revenue statewide. Based on information provided by the Energy Office as of July 31, 2022, the total estimated value of solar installations in the state is estimated to be \$1,127,080,000. At an assessment ratio of 10.5 percent and a projected average millage rate of 352.5, if 10 percent of this property is currently taxed as business personal property, these installations would generate approximately \$4,172,000 in local property taxes in FY 2023-24. This represents approximately 0.04 percent of current projected property tax revenue. However, solar installations may not increase property value for purposes of property tax, and data are not available to estimate the difference between what is taxed, what is currently exempt, and how much will become exempt due to this bill. Additionally, data are not available to determine what percentage of the value of solar energy equipment in the state is part of solar farms, which are not exempt under this bill. Also, we anticipate that local governments will offset any reduction with an increase in the millage rate, within the limitations.

Explanation of Fiscal Impact

Amended by House Ways and Means Property Tax Subcommittee on April 27, 2023

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

This amended bill modifies the property tax exemption for a renewable energy resource property. Currently, a renewable energy resource property with a nameplate capacity of and operating at no greater than twenty kilowatts (kW) is exempt from property tax. This bill exempts all renewable energy resource property for a customer-generator from property taxes. A renewable energy resource property includes solar energy equipment, facilities, or devices that support, collect, generate, transfer, monitor, or store thermal or electric energy. Additionally, per §58-40-10, a customer-generator is defined as a generator that is located on a single premises owned, operated, leased, or otherwise controlled by the customer.

Based upon the most recent data available from the Energy Office as of July 31, 2022, there are approximately 34,573 residential and commercial solar installations with a combined total capacity of 297,034 kW, which results in an average capacity of 8.59 kW. 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 8.59 kW yields an estimated value of approximately \$32,600 per system. For the estimated 34,573 solar installations currently in the state, the total estimated value is \$1,127,080,000. At an assessment ratio of 10.5 percent and a projected average millage rate of 352.5, if 10 percent of this property is currently taxed as business personal property tax, these installations would generate approximately \$4,172,000 in local property taxes in FY 2023-24. This represents approximately 0.04 percent of current projected property tax revenue. However, based on conversations with assessors, residential solar installations may not be reflected in assessed property values. Also, we are unsure how much of this property is currently exempt and how much will become exempt due to this bill. Specifically, solar installations with a capacity of 20 kW or less, which includes most residential solar installations, are currently exempt from property taxes. Additionally, not all of the remaining solar installations will qualify under this newly modified exemption. Installations that are not for a customer-generator, such as those on a solar farm, would not qualify for this exemption. For information purposes, based on discussions with assessors, most solar farms are currently operating under Fee-in-Lieu of Property Tax agreements. Further, we anticipate that local governments will increase millage rates, within the limitations, to offset any potential reduction in local property tax revenue. Therefore, this bill as amended will result in an undetermined local property tax revenue impact.



Frank A. Rainwater, Executive Director

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A BILL

TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-37-220, RELATING TO PROPERTY TAX EXEMPTIONS, SO AS TO PROVIDE FOR AN EXEMPTION FOR CERTAIN RENEWABLE ENERGY RESOURCE PROPERTIES.

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

SECTION 1. Section 12-37-220(B)(53) of the S.C. Code is amended to read:

~~(53) 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 that includes solar energy equipment, facilities, or devices that support, collect, generate, transfer, monitor, or store thermal or electric energy. ~~This definition includes including,~~ 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.

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