

# **REPORT OF THE ECONOMIC DEVELOPMENT, CAPITAL IMPROVEMENT & OTHER TAXES SUBCOMMITTEE**

(Loftis, Cobb-Hunter, J.R. Smith, Edge & Ott - Staff Contact: Daniel Boan)

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## **HOUSE BILL 4998**

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H. 4998 -- Reps. Stringer, Bingham, Harrell, White, Huggins, Norman, Hiott, Clemmons, Quinn, Ballentine, Ryan, Brannon, Bedingfield, McCoy, Thayer, Parker, Taylor, Murphy, Patrick, Bowen, Crosby, Hearn, Daning, Nanney, Loftis, Lowe, Sottile, J.R. Smith, Brady, Allison, Atwater, Bannister, Chumley, Delleney, Erickson, Hamilton, Hardwick, Henderson, Herbkersman, Hixon, Horne, Johnson, Limehouse, Long, Lucas, Merrill, D.C. Moss, V.S. Moss, Owens, Pinson, Pope, Sandifer, Simrill, G.M. Smith, G.R. Smith, Tallon, Willis, Young and Forrester: A BILL TO AMEND SECTION 12-43-220, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE CLASSIFICATION OF PROPERTY AND THE APPLICABLE ASSESSMENT RATIOS FOR PURPOSES OF IMPOSITION OF PROPERTY TAX, SO AS TO REDUCE THE ASSESSMENT RATIO ON COMMERCIAL AND OTHER APPLICABLE REAL PROPERTY FROM SIX PERCENT OF VALUE TO FIVE PERCENT OF VALUE.

***Summary of Bill:***

This bill reduces commercial and rental real property tax rates from 6% to 5% over eight years at a rate of .125% per year.

***Introduced:*** 3/13/2012

***Received by Ways and Means:*** 3/13/2012

***Estimated Fiscal Impact:***

This bill would have no impact on state revenue but would reduce local tax revenue by \$65 million in FY13-14 and reach a total reduction of \$827 million by the completion of the phase-in.

***Subcommittee Recommendation:*** Favorable

***Full Committee Recommendation:*** Pending

***Other Notes/Comments:***

# **Statement of Estimated Local Revenue Impact**

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**Date:** March 19, 2012

**Bill Number:** H. 4998

**Authors:** Stringer, Bingham, Harrell, et al

**Committee Requesting Impact:** House Ways and Means

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## **Bill Summary**

A bill to amend Section 12-43-220, as amended, Code of Laws of South Carolina, 1976, relating to the classification of property and the applicable assessment ratios for purposes of imposition of property tax, so as to reduce the assessment ratio on commercial and other applicable real property from six percent of value to five percent of value.

## **REVENUE IMPACT <sup>11</sup>**

This bill is not expected to impact State revenues. Local property tax revenues would be reduced by \$65,511,000 in FY 2013-14, and by an additional \$74,345,000 in FY 2014-15, \$84,072,000 in FY 2015-16, \$94,772,000 in FY 2016-17, \$106,533,000 in FY 2017-18, \$119,450,000 in FY 2018-19, \$133,623,000 in FY 2019-20, and \$149,166,000 in FY 2020-21 for a total reduction of \$827,472,000 in FY 2020-21 when the phase in is complete.

## **Explanation**

This bill would reduce the assessment ratio on commercial and rental real property from 6% to 5%. The bill lowers the assessment ratio by 0.125% per year over 8 years from tax year 2013 to tax year 2020. We estimate that reducing the assessment ratio on commercial and rental real property from 6% to 5.875% in FY 2013-14 would reduce local property tax revenue by \$65,511,000. Over the phase in period, local property tax revenue would be reduced by an additional \$74,345,000 in FY 2014-15, \$84,072,000 in FY 2015-16, \$94,772,000 in FY 2016-17, \$106,533,000 in FY 2017-18, \$119,450,000 in FY 2018-19, \$133,623,000 in FY 2019-20, and \$149,166,000 in FY 2020-21 for a total reduction of \$827,472,000 in FY 2020-21 when the phase in is complete. To the extent possible given the millage rate cap limitations, we anticipate that local jurisdictions would likely raise millage rates across all categories of property to offset the lost revenue from commercial and rental real property.

  
Frank A. Rainwater  
Chief Economist

**Analyst:** Jolliff

<sup>11</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

**South Carolina General Assembly**  
119th Session, 2011-2012

**H. 4998**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. Stringer, Bingham, Harrell, White, Huggins, Norman, Hiott, Clemmons, Quinn, Ballentine, Ryan, Brannon, Bedingfield, McCoy, Thayer, Parker, Taylor, Murphy, Patrick, Bowen, Crosby, Hearn, Daning, Nanney, Loftis, Lowe, Sottile, J.R. Smith, Brady, Allison, Atwater, Bannister, Chumley, Delleney, Erickson, Hamilton, Hardwick, Henderson, Herbkersman, Hixon, Horne, Johnson, Limehouse, Long, Lucas, Merrill, D.C. Moss, V.S. Moss, Owens, Pinson, Pope, Sandifer, Simrill, G.M. Smith, G.R. Smith, Tallon, Willis, Young, Forrester and Funderburk

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Introduced in the House on March 13, 2012

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

Summary: Commercial property tax

**HISTORY OF LEGISLATIVE ACTIONS**

Date	Body	Action Description with journal page number
3/13/2012	House	Introduced and read first time ( <u>House Journal-page 11</u> )
3/13/2012	House	Referred to Committee on <b>Ways and Means</b> ( <u>House Journal-page 11</u> )
3/13/2012	House	Member(s) request name added as sponsor: Forrester
3/15/2012	House	Member(s) request name added as sponsor: Funderburk
3/16/2012		Scrivener's error corrected

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**VERSIONS OF THIS BILL**

3/13/2012

3/16/2012

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**A BILL**

TO AMEND SECTION 12-43-220, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE CLASSIFICATION OF PROPERTY AND THE APPLICABLE ASSESSMENT RATIOS FOR PURPOSES OF IMPOSITION OF PROPERTY TAX, SO AS TO REDUCE THE ASSESSMENT RATIO ON COMMERCIAL AND OTHER APPLICABLE REAL PROPERTY FROM SIX PERCENT OF VALUE TO FIVE PERCENT OF VALUE.

Whereas, Section 1(5), Article X of the Constitution of this State establishes a property tax classification for all real property not otherwise included in a different class and provides for the assessment of that property at six percent of its fair market value; and

Whereas, Section 2(d), Article X of the Constitution of this State allows the General Assembly, by at least a two-thirds vote in each house, to change the assessment ratio applicable to each constitutionally provided class of property. Now, therefore,

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

SECTION 1. A. Section 12-43-220(e) of the 1976 Code is amended to read:

“(e)(1) All other real property not ~~herein~~ otherwise provided for ~~shall in this section must~~ be taxed on an assessment equal to ~~six~~ five percent of the fair market value of ~~such~~ the property for property tax years ending after 2012.”

1 B. Notwithstanding the assessment ratio set forth in Section  
2 12-43-220(e), as amended pursuant to subsection A. of this  
3 section, the reduced assessment ratio must be phased in in eight  
4 equal and cumulative percentage installment amounts of .125  
5 percent applicable for property tax years beginning after 2012.  
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7 SECTION 2. This act takes effect upon approval by the Governor.  
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