COMMITTEE REPORT

April 15, 2010

**H. 3748**

Introduced by Reps. Duncan, Clemmons, Chalk and Erickson

S. Printed 4/15/10--H.

Read the first time March 24, 2009.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 3748) to amend the Code of Laws of South Carolina, 1976, by adding Section 59‑20‑24 so as to provide that the value of owner occupied property must be, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking all after the enacting words and inserting:

/ SECTION 1. Chapter 20, Title 59 of the 1976 Code is amended by adding:

“Section 59‑20‑24. Notwithstanding Section 59‑20‑20, the index of taxpaying ability as calculated by the Department of Revenue for 2009 applies for the 2010‑11 fiscal year.”

SECTION 2. (A) From the funds appropriated or authorized for the Department of Education, there is created the Index of Taxpaying Ability Study Committee. The committee shall examine the index of taxpaying ability and its relationship to Education Finance Act resources available to the individual school districts in support of the education foundation program required by the State. The committee also shall examine the manner in which the index is calculated and the impact of property tax measures on the calculation.

(B) The committee is composed of fourteen members, who are appointed as follows:

(1) four members appointed by the President Pro Tempore of the Senate, and four members appointed by the Speaker of the House of Representatives. Appointees shall possess experience in business, school district finance, or economics, and must include representatives from the Department of Education, the Department of Revenue, and the Office of Research and Statistics as well as members of the business and education communities;

(2) one member of the Senate appointed by the Senate President Pro Tempore;

(3) one member of the Senate appointed by the Senate Majority Leader; and

(4) one member of the Senate appointed by the Senate Minority Leader; and

(5) Three members of the House of Representatives appointed by the Speaker of the House of Representatives.

(C) The members shall elect a chairman at the first meeting of the committee.

(D) No later than January 1, 2011, the committee shall prepare and deliver a report and recommendation to the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, the Chairman of the Senate Education Committee, and the Chairman of House Education and Public Works Committee.

(E) Members of the study committee shall serve without compensation for per diem, mileage, and subsistence.

SECTION 3. This act takes effect upon approval by the Governor. /

Renumber sections to conform.

Amend title to conform.

DANIEL T. COOPER for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This bill is not expected to impact state revenues. Local revenues to school districts will not change in total but will be redistributed amongst the school districts. The attached table details the changes that are projected to occur by school district using Tax Year 2007 numbers.

**Explanation**

Under current law the value of owner occupied residential property is included in the calculation of the index of taxpaying ability. However, since all owner-occupied homes are exempt from property taxes for school operating purposes as a result of Act 388 of 2006, the Department of Revenue is planning on no longer including the value of owner occupied homes in the calculation of the index of taxpaying ability. This change will have no effect on the total amount of money that goes to school districts. It will change the amounts individual school districts receive. The attached table shows the amount of money each school district is projected to receive if owner occupied homes are included in the index and the amount of money each school district is projected to receive if owner occupied homes are not included in the index using Tax Year 2007 numbers.

*Approved By:*

William C. Gillespie

Board of Economic Advisors

1/ 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.

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 59‑20‑24 SO AS TO PROVIDE THAT THE VALUE OF OWNER OCCUPIED PROPERTY MUST BE INCLUDED IN THE CALCULATION OF THE INDEX OF TAXPAYING ABILITY UNTIL A PERMANENT CHANGE IN THE METHOD OF ITS CALCULATION IS ENACTED; AND TO CREATE THE INDEX OF TAXPAYING ABILITY STUDY COMMITTEE, TO PROVIDE FOR ITS MEMBERSHIP AND ITS PURPOSE, AND TO REQUIRE THE COMMITTEE TO REPORT ITS FINDINGS TO THE GENERAL ASSEMBLY BY JANUARY 10, 2010, UPON WHICH DATE THE COMMITTEE SHALL DISSOLVE.

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

SECTION 1. Chapter 20, Title 59 of the 1976 Code is amended by adding:

“Section 59‑20‑24. Notwithstanding Section 59‑20‑20, the value of owner occupied residential property must be included in the calculation of the index of taxpaying ability until a permanent change in the method of computation of the index of taxpaying ability is enacted by the General Assembly.”

SECTION 2. (A) There is created the Index of Taxpaying Ability Study Committee. This committee shall examine the index of taxpaying ability and its relationship to resources available to the individual school districts in support of the education program required by the State and shall review previous recommended changes for determining local shares.

(B) The committee must be composed of:

(1) representatives from the Department of Revenue and the Office of Research and Statistics, appointed by the Chief Economist of the State;

(2) individuals with experience in business, finance, and economics, appointed by the Chief Economist of the State; and

(3) representatives of the business and education communities, including district superintendents and district board of trustees members, appointed by the State Superintendent of Education.

(C) The members of the committee may not receive compensation and are not entitled to receive mileage, subsistence, and per diem authorized by law for members of state boards and committees.

(D) The committee shall report its findings to the General Assembly by January 1, 2010, and shall recommend the appropriate method to be used as the measure of relative school district ability to support the education foundation program. The committee shall dissolve upon the date of its report.

SECTION 3. This act takes effect upon approval by the Governor.

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