COMMITTEE REPORT

April 6, 2011

**S. 310**

Introduced by Senators Davis, Campsen, Elliott, Ford, Setzler, Rose, Hayes and Rankin

S. Printed 4/6/11--S.

Read the first time January 11, 2011.

**THE COMMITTEE ON FINANCE**

To whom was referred a Joint Resolution (S. 310) to revise the method of calculating the index of taxpaying ability for purposes of the Education Finance Act (EFA) for fiscal years 2011-2012 and 2012-2013 by imputing, etc., respectfully

**REPORT:**

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

Majority favorable. Minority unfavorable.

HUGH K. LEATHERMAN, SR. DAVID L. THOMAS

For Majority. For Minority.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This joint resolution is not expected to impact state revenues. EFA distributions to school districts will not change in total but will be redistributed among the school districts based on changes to each school districts index value.

**Explanation**

Prior to Tax Year 2008, the value of owner occupied residential property was 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 no longer includes the value of owner occupied homes in the calculation of the index of taxpaying ability. This joint resolution will add an imputed value of owner-occupied homes back into the index of taxpaying ability. The value will be imputed based on the way fee in lieu of property tax values are currently imputed for the index. In essence, the total amount of money reimbursed to school districts from Tier I (the old $100,000 exemption), Tier II (the $50,000 Homestead Exemption for those 65 and over) and Tier III (owner-occupied homes exempted from school operating property taxes from Act 388) will be added together and divided by the school districts millage rate to impute a value for owner-occupied homes. This imputed value will then be added to the index. This change will have no effect on the total amount of money that goes to school districts under the EFA formula. It will change the amounts individual school districts receive based on changes to each school districts index value.

*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** **JOINT RESOLUTION**

TO REVISE THE METHOD OF CALCULATING THE INDEX OF TAXPAYING ABILITY FOR PURPOSES OF THE EDUCATION FINANCE ACT (EFA) FOR FISCAL YEARS 2011-2012 AND 2012-2013 BY IMPUTING AN INDEX VALUE FOR OWNER-OCCUPIED RESIDENTIAL PROPERTY ASSESSED AT FOUR PERCENT OF VALUE.

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

SECTION 1. (A) As used in this section:

(1) “EFA” means Chapter 20, Title 59 of the 1976 Code, the Education Finance Act of 1977;

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

(3) “fee in lieu of tax property” means property for which an annual payment in lieu of property tax is required pursuant to Section 4‑29‑67, Chapter 12 of Title 4, and Chapter 44 of Title 12, all of the 1976 Code;

(4) “index of taxpaying ability” means the annual calculation made by the department required pursuant to the EFA and other applicable provisions of law.

(B)(1) Notwithstanding any other provision of law, and for the purpose of calculating the index of taxpaying ability applicable for fiscal year 2011‑2012 only, the department shall impute an index value for owner‑occupied residential property qualifying for the special four percent assessment ratio allowed such residential property pursuant to Section 12‑43‑220(c) of the 1976 Code in the manner provided in this subsection. The department shall add the total of Tier 1, 2, and 3 reimbursements paid each school district in this state for property tax year 2009 pursuant to Section 11‑11‑156(A) of the 1976 Code, not including the supplemental distribution paid pursuant to Section 11‑11‑156(B) of the 1976 Code, and calculate an index value using the methodology the department uses to calculate such index value for fee‑in‑lieu of tax property.

(2) For the index of taxpaying ability calculated by the department applicable for fiscal year 2012‑2013, the department shall include an index value for owner‑occupied residential property qualifying for the special four percent assessment ratio allowed such property pursuant to Section 12‑43‑220(c) of the 1976 Code in the manner provided in item (1) of this subsection, except that the reimbursements to be included in the calculation are those paid to school districts for property tax year 2010.

SECTION 2. This joint resolution takes effect upon approval by the Governor.

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