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COMMITTEE REPORT

April 6, 2011

**H. 3713**

Introduced by Reps. Merrill, J.R. Smith, Ryan, Hamilton, Stringer, G.R. Smith, Bedingfield, Barfield, Sandifer, McCoy, Horne, Stavrinakis, Clemmons, Loftis, Lucas, Herbkersman, Patrick, Erickson, G.M. Smith, Knight, Murphy and Hixon

S. Printed 4/6/11--H. [SEC 4/7/11 3:37 PM]

Read the first time February 17, 2011.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 3713) to amend the Code of Laws of South Carolina, 1976, by adding Section 12‑37‑3135 so as to provide that when a parcel of real property and improvements, 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, page 3, by striking SECTION 4 and inserting:

/ SECTION 4. This act takes effect upon approval by the Governor and applies to real property transfers after December 31, 2010. Property tax assessors shall conform the values of parcels of real property which underwent an assessable transfer of interest in 2011 before the effective date of this act, to the fair market value of these parcels as that value may have been adjusted to reflect the provisions of Section 12‑37‑3135 of the 1976 Code, as added by this act. /

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. This bill would change the incidence of local property taxes by reducing the property taxes collected from real property that undergoes an assessable transfer of interest by $52 million in a typical year. To the extent allowed by the millage caps, this amount would be shifted among the other classes of property.

**Explanation**

This bill changes how points of sale valuations are handled when an assessable transfer of interest occurs. In most instances, this bill does not allow the value of property previously taxed to increase when an assessable transfer of interest occurs by exempting the amount of increase in value attributable to the sale. In a typical year, we project exempting the increase in value of properties being sold and keeping these properties on the tax rolls at the value before the sale will reduce property tax collections Statewide by an estimated $52 million. To the extent allowed by the millage caps, this amount would be shifted among the other classes of property.

*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 12‑37‑3135 SO AS TO PROVIDE THAT WHEN A PARCEL OF REAL PROPERTY AND IMPROVEMENTS THEREON PREVIOUSLY SUBJECT TO PROPERTY TAX UNDERGOES AN ASSESSABLE TRANSFER OF INTEREST AND THE VALUE OF THE PARCEL AS DETERMINED AT THE TIME OF THE ASSESSABLE TRANSFER OF INTEREST IS GREATER THAN THE VALUE OF THE PARCEL USED IN THE PROPERTY TAX ASSESSMENT ON THE PARCEL FOR THE MOST RECENTLY COMPLETED PROPERTY TAX YEAR, THERE IS ALLOWED AN EXEMPTION OF AN AMOUNT OF THE FAIR MARKET VALUE OF THE PARCEL SUFFICIENT TO ELIMINATE ANY INCREASE IN THE VALUE OF THE PARCEL; TO AMEND SECTION 12‑37‑3140, AS AMENDED, RELATING TO DETERMINING FAIR MARKET VALUE, SO AS TO MAKE A CONFORMING CHANGE; AND TO AMEND SECTION 12‑60‑30, AS AMENDED, RELATING TO DEFINITIONS IN THE REVENUE PROCEDURES ACT, SO AS TO CLARIFY THE DEFINITION OF PROPERTY TAX ASSESSMENT.

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

SECTION 1. Article 25, Chapter 37, Title 12 of the 1976 Code is amended by adding:

“Section 12‑37‑3135. (A)(1) When a parcel of real property and improvements thereon previously subject to property tax undergoes an assessable transfer of interest and the value of the parcel as determined at the time of the assessable transfer of interest is greater than the value of the parcel used in the property tax assessment on the parcel for the most recently completed property tax year, there is allowed an exemption of an amount of the fair market value of the parcel sufficient to eliminate any increase in the value of the parcel as determined in the appraisal at the time of the assessable transfer of interest over the value used in the property tax assessment on the parcel for the most recently completed property tax year. For purposes of this item, property tax assessment has the meaning provided in Section 12‑60‑30(19).

(2) The value to which the cap on increases in fair market value imposed pursuant to Section 12‑37‑3140(B) applies is the value as it may be reduced by the exemption allowed pursuant to item (1) of this subsection.

(3) The exemption allowed by item (1) of this subsection does not apply to the fair market value of a parcel of real property when that separate parcel has not been previously taxed nor does it apply to the fair market value of additions or improvements made to a parcel of real property when those additions or improvements have not previously been taxed.

(B)(1) When a parcel receiving the exemption allowed by subsection (A)(1) of this section thereafter undergoes assessable transfers of interest, that parcel is not subject to appraisal as required pursuant to Section 12‑37‑3130(4) unless the taxpayer notifies the property tax assessor in writing that the parcel has undergone an assessable transfer of interest in the current property tax year. Upon confirmation that an assessable transfer of interest has occurred, the property tax assessor shall determine the fair market value of the parcel at the time of the assessable transfer of value and that value shall apply as provided in Section 12‑37‑3140(E).

(2) The owner of a parcel receiving the exemption allowed by subsection (A) of this section is not subject to the ownership reporting requirements of this article except at the time of the notice to the property tax assessor.”

SECTION 2. Section 12‑37‑3140(A)(1)(b) of the 1976 Code, as last amended by Act 57 of 2007, is further amended to read:

“(b) subject to any exemption allowed pursuant to Section 12‑37‑3135(A), December thirty‑first of the year in which an assessable transfer of interest has occurred;”

SECTION 3. Section 12‑60‑30(19) of the 1976 Code is amended to read:

“(19) ‘Property tax assessment’ means a valuation or determination of property value for annual property tax purposes arrived at by multiplying the fair market value, as limited pursuant to Section 12‑37‑3140(B), or special use value of the property by the appropriate assessment ratio for the taxable property’s classification.”

SECTION 4. This act takes effect upon approval by the Governor and applies to real property transfers after December 31, 2006. Property tax assessors shall conform the values of parcels of real property which underwent an assessable transfer of interest in 2007, 2008, 2009, 2010, and 2011 before the effective date of this act, to the fair market value of these parcels as that value may have been adjusted to reflect the provisions of Section 12-37-3135 of the 1976 Code, as added by this act. No refund is allowed on account of values adjusted as provided in this section.

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