COMMITTEE REPORT

April 19, 2012

**H. 4484**

Introduced by Reps. Ballentine, Clyburn, Atwater and Huggins

S. Printed 4/19/12--H.

Read the first time January 10, 2012.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 4484) to amend Section 12‑43‑220, as amended, Code of Laws of South Carolina, 1976, relating to classifications for assessment ratios, so as to provide that, 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. Section 12‑43‑220(c) of the 1976 Code, as last amended by Act 76 of 2009, is further amended by adding an appropriately numbered subitem at the end to read:

“( )(i) Notwithstanding any other provision of law, a taxpayer meeting all the other requirements of this subsection, may claim the four percent assessment ratio for two residential properties located in the State so long as the taxpayer attempts to sell the first acquired residence within thirty days of acquiring the second residence. The taxpayer must continue to attempt to sell the first acquired residence in any year in which four percent assessment ratio is claimed. Also, the first acquired residence must remain vacant and unused.

(ii) The four percent assessment ratio may not be claimed on both residences for more than one property tax year.

(iii) This subitem does not apply unless the owner of the properties or the owner’s agent applies for the four percent assessment ratio on both residences before the first penalty date for the payment of taxes for the tax year for which the owner first claims eligibility for this assessment ratio. The burden of proof for eligibility for the four percent assessment ratio on both residences is on the taxpayer. The taxpayer must provide the proof the assessor requires, including, but not limited to, a copy of the owner’s most recently filed South Carolina individual income tax return, copies of South Carolina motor vehicle registrations for all motor vehicles registered in the name of the owner, and other proof required by the assessor necessary to determine eligibility for the assessment ratio allowed by this subitem.

(iv) The special four percent assessment ratio allowed by this subitem must be construed as a property tax exemption for an amount of the fair market value of the residence sufficient to equal a four percent assessment ratio and other exemptions allowed applicable to property qualifying for the special assessment ratio.”

SECTION 2. This act takes effect upon approval by the Governor and applies for property tax years beginning after 2011./

Renumber sections to conform.

Amend title to conform.

W. BRIAN WHITE for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

**State:** This bill will reduce general fund revenue by $2,340,000 for FY 2012-13 for increased obligations to the Property Tax Relief Trust Fund for tax years 2010, 2011 and 2012 including refunds for prior tax years.

**Local:** Local property tax revenue would be reduced by an estimated $13,767,000 in FY 12-13 for qualifying properties in 2012 and refunds for tax years 2010 and 2011.

**Explanation**

This bill would amend Section 12-43-220 to allow a taxpayer to claim the four percent assessment ratio on a second residence for up to two tax years so long as the owner attempts to sell the first owner occupied property within 30 days of acquiring the second residence and the first residence remains unused. Currently, a taxpayer may claim only one owner occupied residence and the second residence would be taxed at the six percent assessment ratio. In order to determine the number of properties that may qualify, we factored in home sales and time on the market for properties in SC and accounted for the percentage of homes without a mortgage, allowing the owner to purchase a second home while attempting to sell the first. The bill would be effective for tax years 2010 and beyond. We estimate that approximately 2,555 properties may qualify for the lower assessment ratio in tax year 2010, 2,741 in 2011 and 2,940 in 2012. The reduction in local property tax revenue in FY 12-13 for the lower assessment ratio is estimated to be $2,078,000 for tax year 2010, $2,362,000 for 2011 and $2,684,000 for 2012 including prior year refunds. Additionally, owner occupied property is exempt from all school operations millage. Local revenue would be reduced an additional $1,938,000 for 2010, $2,202,000 for 2011, and $2,503,000 for 2012 school operations millage which would be refunded to the taxpayer in FY 12-13. The total reduction in local revenue for FY 12-13 for the lower assessment ratio and the school operations exemption is estimated to be $13,767,000.

State general fund obligations to the Property Tax Relief Trust Fund would be increased by $2,340,000 in FY 2012-13 for owner-occupied properties that would qualify for the homestead exemption in tax years 2010, 2011 and 2012.

*Approved By:*

Frank A. Rainwater

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 SECTION 12‑43‑220, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO CLASSIFICATIONS FOR ASSESSMENT RATIOS, SO AS TO PROVIDE THAT, UNDER CERTAIN CIRCUMSTANCES, A TAXPAYER MAY CLAIM THE FOUR PERCENT ASSESSMENT RATIO FOR TWO RESIDENTIAL PROPERTIES LOCATED IN THE STATE SO LONG AS THE TAXPAYER IS ATTEMPTING TO SELL THE FIRST ACQUIRED RESIDENCE.

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

SECTION 1. Section 12‑43‑220(c) of the 1976 Code, as last amended by Act 76 of 2009, is further amended by adding an appropriately numbered subitem at the end to read:

“( )(i) Notwithstanding any other provision of law, a taxpayer meeting all the other requirements of this subsection, may claim the four percent assessment ratio for two residential properties located in the State so long as the taxpayer attempts to sell the first acquired residence within thirty days of acquiring the second residence. The taxpayer must continue to attempt to sell the first acquired residence in any year in which four percent assessment ratio is claimed. Also, the first acquired residence must remain vacant and unused.

(ii) The four percent assessment ratio may not be claimed on the first acquired residence for more than two property tax years after the second residence is acquired.

(iii) This subitem does not apply unless the owner of the properties or the owner’s agent applies for the four percent assessment ratio on both residences before the first penalty date for the payment of taxes for the tax year for which the owner first claims eligibility for this assessment ratio. The burden of proof for eligibility for the four percent assessment ratio on both residences is on the taxpayer. The taxpayer must provide the proof the assessor requires, including, but not limited to, a copy of the owner’s most recently filed South Carolina individual income tax return, copies of South Carolina motor vehicle registrations for all motor vehicles registered in the name of the owner, and other proof required by the assessor necessary to determine eligibility for the assessment ratio allowed by this subitem.

(iv) The special four percent assessment ratio allowed by this subitem must be construed as a property tax exemption for an amount of the fair market value of the residence sufficient to equal a four percent assessment ratio and other exemptions allowed applicable to property qualifying for the special assessment ratio.”

SECTION 2. This act takes effect upon approval by the Governor and applies for property tax years beginning after 2009.

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