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Indicates New Matter

COMMITTEE REPORT

April 18, 2013

**H. 3027**

Introduced by Reps. G.M. Smith, Pitts, Ballentine, J.E. Smith, Bernstein and Harrell

S. Printed 4/18/13--H.

Read the first time January 8, 2013.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 3027) to amend Section 12‑43‑220, as amended, Code of Laws of South Carolina, 1976, relating to property tax 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, SECTION 1, by striking Section 12‑43‑220(c)(2)(v)(C)(3) as contained on lines 25 ‑ 37 on page 2, and inserting:

/ (3) This subsubitem 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 and copies of South Carolina motor vehicle registrations for all motor vehicles registered in the name of the owner. The taxpayer must apply to the county assessor by May fifteenth of each year to utilize the provisions of subsubitems (B) and (C) . Along with the application, the applicant must submit a Leave and Earnings Statement (LES) from the current calendar year. Any information contained in the LES that is not related to the active duty status of the member may be redacted. /

Renumber sections to conform.

Amend title to conform.

W. BRIAN WHITE for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This bill is not expected to impact state revenues. Local property tax revenue would be reduced by $357,246 in FY 2013-14.

**Explanation**

This bill allows active duty members of the Armed Forces of the United States currently receiving the four percent assessment ratio on an owner-occupied residence to retain that special assessment if the member is relocated or changes his/her permanent duty station out of the state or the property is rented. Currently, active duty military are allowed to retain the special assessment for owner occupied property so long as the member’s permanent station is in South Carolina. The bill would allow the member to retain the special assessment ratio if the member is transferred to another state or rents the property so long as no other owner-occupied residence is claimed by the service member or a spouse. The bill applies to tax years after 2012. Based upon data from the US Department of Defense and the National Defense Research Institute, we estimate that 428 service members will qualify in tax year 2013. We estimate that local property tax revenue will be reduced by $357,246 in FY 2013-14.

Additionally, the bill allows an active duty member of the armed forces who receives orders for a permanent change of station or a temporary duty assignment for at least one year to claim the four percent assessment on two residential properties within the State so long as the member attempts to sell the first acquired residence within thirty days of acquiring the second residence. The taxpayer may claim the four percent assessment ratio on both properties for not more than two property tax years. Based upon the limited scope of this provision, we do not expect that it will materially increase the impact of the bill on local property tax revenues.

*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 PROPERTY TAX ASSESSMENT RATIOS, SO AS TO PROVIDE THAT, IN CERTAIN SITUATIONS, AN ACTIVE DUTY MEMBER OF THE ARMED FORCES OF THE UNITED STATES MAY CLAIM THE FOUR PERCENT ASSESSMENT RATIO REGARDLESS OF THE OWNER’S RELOCATION AND REGARDLESS OF ANY RENTAL INCOME, AND TO PROVIDE THAT AN ACTIVE DUTY MEMBER OF THE ARMED FORCES OF THE UNITED STATES, IN CERTAIN SITUATIONS, MAY CLAIM THE FOUR PERCENT ASSESSMENT RATIO ON TWO RESIDENTIAL PROPERTIES SO LONG AS THE OWNER ATTEMPTS TO SELL THE FIRST RESIDENCE WITHIN THIRTY DAYS OF ACQUIRING THE SECOND RESIDENCE.

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

SECTION 1. Section 12‑43‑220(c)(2)(v) of the 1976 Code, as last amended by Act 179 of 2012, is further amended to read:

“(v)(A) A member of the armed forces of the United States on active duty who is a legal resident of and domiciled in another state is nevertheless deemed a legal resident and domiciled in this State for purposes of this item if the ~~members~~ member’s permanent duty station is in this State. A copy of the member’s orders filed with the assessor is considered proof sufficient of the member’s permanent duty station.

(B) An active duty member of the Armed Forces of the United States eligible for and receiving the special assessment ratio for owner‑occupied residential property allowed pursuant to this subsection (c), who receives orders for a permanent change of station or a temporary duty assignment for at least one year, retains that four percent assessment ratio and applicable exemptions for so long as the owner remains on active duty, regardless of the owner’s subsequent relocation and regardless of any rental income attributable to the property. Subject to subsubitem (C), the provisions of this subsubitem (B) do not apply if the owner or a member of the owner’s household, as defined in item (2)(iii) of this subsection (c), claims the special four percent assessment ratio allowed pursuant to this subsection for any other residential property located in this State.

(C)(1) Notwithstanding any other provision of law, an active duty member of the Armed Forces of the United States meeting all the other requirements of this subsection who receives orders for a permanent change of station or a temporary duty assignment for at least one year, may claim the four percent assessment ratio and applicable exemptions for two residential properties located in the State so long as the owner 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.

(2) The four percent assessment ratio may not be claimed on both residences for more than two property tax years.

(3) This subsubitem 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 subsubitem.

(D) For purposes of subsubitems (B) and (C), owner includes the spouse of the service member who jointly owns the qualifying property.

(E) The special four percent assessment ratio allowed by this subitem (v) 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 2012.

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