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COMMITTEE REPORT

May 15, 2014

**S. 964**

Introduced by Senator L. Martin

S. Printed 5/15/14--H.

Read the first time May 6, 2014.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (S. 964) to amend Section 6‑1‑320 of the 1976 Code, relating to the limit on annual property tax millage increases imposed by political subdivisions, to add an exemption, 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 2, page 2, by striking lines 8 - 19 and inserting:

/ “( ) Notwithstanding the limitation upon millage rate increases contained in subsection (A), the governing body of a county may adopt an ordinance, subject to a referendum, to suspend the millage rate limitation for the purpose of imposing up to six‑tenths of a mill for mental health. The referendum must be held at the time of the general election, an upon a majority of the qualified voters within the county voting favorably in the referendum, this special millage may be imposed in the next fiscal year. The state election laws apply to the referendum mutatis mutandis. This special millage may be removed only upon a majority vote of the local governing body. The amounts collected from the increased millage: /

Renumber sections to conform.

Amend title to conform.

W. BRIAN WHITE for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This bill is expected to increase local property tax revenue as a result of a fire district’s governing body increasing its millage above the annual millage increase limitation subject to a referendum approved by the voters of the district. Given the size limitation on the fire districts that qualify, we expect the statewide impact to be minimal. The impact on local districts will vary depending on voter approvals.

**Explanation of Amendment (March 26, 2014) – Senate Finance Committee**

This amendment replaces Section 1 of the bill and provides that a fire district’s governing body may increase the millage rate of the district for general operating purposes above the annual millage rate increase limitation through the adoption of an ordinance or resolution, subject to a referendum. The referendum must be held at the time of the general election and be approved by a majority of the qualified voters within the fire district. Additionally, the provision only applies to fire districts that existed on January 1, 2014 and serve less than seven hundred homes. This bill is expected to increase local property tax revenue as a result of a fire district’s governing body increasing its millage above the annual millage increase limitation. The increase will be dependent upon the determination of the operating needs of the local fire district and a majority vote of the electorate, and given the size limitation on the fire districts that qualify, we expect the impact statewide to be minimal. The impact on local districts will vary depending upon voter approvals.

**Explanation of Bill as Filed**

This bill would amend the Section 6-1-320 relating to the exemptions for the annual millage increase limitations to allow local political subdivisions to exceed their annual millage cap in order to provide sufficient operating revenue for a fire department to retain its ISO rating. The Public Protection Classification rating by the ISO evaluates a fire department’s fire protection capability. The ratings range from a high score of one to a low score of ten. Based upon information provided by ISO, the rating may be reevaluated as often as every 2 years or as infrequently as 10 years depending upon the level of the rating and the changes in the community served by the fire department. Currently, a political subdivision may only increase its millage by the annual increase in the consumer price index and the entity’s population. This new exemption to the millage increase limit would allow a local governing body to increase the millage for a fire department’s operating revenue in order to retain the fire department’s ISO rating. If a local governing body elects to use this exemption to increase millage for fire department operations, local property tax revenue would increase above the currently allowable annual limit. The amount of the increase would depend upon the determination of the local governing body as to the operating revenue necessary to retain the ISO rating.

*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 6‑1‑320 OF THE 1976 CODE, RELATING TO THE LIMIT ON ANNUAL PROPERTY TAX MILLAGE INCREASES IMPOSED BY POLITICAL SUBDIVISIONS, TO ADD AN EXEMPTION FOR MILLAGE IMPOSED BY THE GOVERNING BODY FOR OPERATING REVENUE NECESSARY TO RETAIN A FIRE DEPARTMENT’S ISO RATING.

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

SECTION 1. Section 6‑1‑320 of the 1976 Code, as last amended by Act 57 of 2011, is amended further by adding an appropriately lettered subsection at the end to read:

“( )(1) Notwithstanding the limitation upon millage rate increases contained in subsection (A), a fire district’s governing body may adopt an ordinance or resolution requesting the governing body of the county to conduct a referendum to suspend the millage rate limitation for general operating purposes of the fire district. If the governing body of the county agrees to hold the referendum and subject to the results of the referendum, the millage rate limitation may be suspended and the millage rate may be increased for general operating purposes of the fire district. The referendum must be held at the time of the general election, and upon a majority of the qualified voters within the fire district voting favorably in the referendum, the millage rate may be increased in the next fiscal year. The referendum must include the amount of the millage increase. The actual millage levy may not exceed the millage increase specified in the referendum.

(2) This subsection only applies to a fire district that existed on January 1, 2014, and serves less than seven hundred homes.

SECTION 2. Section 6‑1‑320 of the 1976 Code, as last amended by Act 57 of 2011, is amended further by adding an appropriately lettered subsection at the end to read:

“( ) Notwithstanding the limitation upon millage rate increases contained in subsection (A), the governing body of a county may adopt an ordinance, subject to a referendum, to suspend the millage rate limitation for the purpose of imposing up to six‑tenths of a mill for mental health. The referendum must be held at the time of the general election, an upon a majority of the qualified voters within the county voting favorably in the referendum, this special millage may be imposed in the next fiscal year. The state election laws apply to the referendum mutatis mutandis. This special millage may be removed only upon a two‑thirds vote of the local governing body. The amounts collected from the increased millage:

(1) must be deposited into a mental health services fund separate and distinct from the county general fund and all other county funds;

(2) must be dedicated only to expenditures for mental health services in the county; and

(3) must not be used to supplant existing funds for mental health programs in the county.”

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

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