AMENDED

February 24, 2016

**H. 4712**

Introduced by Reps. White, Bannister, Rutherford, G.R. Smith, Lowe, Pitts, Hiott, Erickson, Clemmons, Loftis, G.M. Smith, Hayes, Sandifer, Whitmire, Cole, Simrill, Allison, Cobb‑Hunter, Long, Huggins, Delleney, Pope and Bales

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Read the first time January 20, 2016.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Fiscal Impact Summary**

This bill is expected to reduce local property tax revenue for the four impacted counties by a total of $115,000 annually beginning in FY 2016-17.

**Explanation of Fiscal Impact**

**Local Revenue**

This bill would clarify that owners of off-premises outdoor advertising signs must file a business personal property tax return. This provision codifies current practice and is not expected to impact property tax revenue. Further, the bill directs that when an outdoor advertising sign is constructed, the land on which the sign is situated must continue to be valued for property tax purposes as it was prior to construction and without regard to any lease or lease income. We have identified four counties that are currently assessing advertising sign property based upon the lease value under Section 12-37-950 or are otherwise assessing the property under a method that would be disallowed under this bill and expect a significant impact on property tax revenue. The estimated reduction in local property tax revenue by county is as follows: Berkeley County estimates $35,000 per year, Clarendon County estimates $25,000 per year, Cherokee County estimates $10,000 per year, and Jasper County estimates $45,000 per year. The remaining twelve counties that responded replied that the bill is not expected to significantly impact their tax base. Those counties are Abbeville, Beaufort, Berkeley, Calhoun, Charleston, Fairfield, Horry, Newberry, Orangeburg, Sumter, Union, and Williamsburg. We assume that counties that did not respond will not be significantly impacted by the bill. The bill is effective for property tax years after 2014, however, no refunds are allowed. Therefore, we estimate that the bill will reduce local property tax revenue for the impacted counties by a total of $115,000 beginning in FY 2016-17.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Fiscal Impact Summary**

This bill as amended is expected to reduce local property tax revenue for the four impacted counties by a total of $115,000 annually beginning in FY 2016-17.

**Explanation of Fiscal Impact**

**Local Revenue**

This amendment requires a property owner to notify the county assessor by written or electronic communication that his property meets the requirements of the act. We anticipate that those property owners who are impacted by the law will make the appropriate application to the county for the change in property tax assessment. As such, the estimated local revenue impact of the bill as amended is unchanged from the bill as filed.

**Explanation of the Bill Filed on January 20, 2016**

**Local Revenue**

This bill would clarify that owners of off-premises outdoor advertising signs must file a business personal property tax return. This provision codifies current practice and is not expected to impact property tax revenue. Further, the bill directs that when an outdoor advertising sign is constructed, the land on which the sign is situated must continue to be valued for property tax purposes as it was prior to construction and without regard to any lease or lease income. We have identified four counties that are currently assessing advertising sign property based upon the lease value under Section 12-37-950 or are otherwise assessing the property under a method that would be disallowed under this bill and expect a significant impact on property tax revenue. The estimated reduction in local property tax revenue by county is as follows: Berkeley County estimates $35,000 per year, Clarendon County estimates $25,000 per year, Cherokee County estimates $10,000 per year, and Jasper County estimates $45,000 per year. The remaining twelve counties that responded replied that the bill is not expected to significantly impact their tax base. Those counties are Abbeville, Beaufort, Berkeley, Calhoun, Charleston, Fairfield, Horry, Newberry, Orangeburg, Sumter, Union, and Williamsburg. We assume that counties that did not respond will not be significantly impacted by the bill. The bill is effective for property tax years after 2014, however, no refunds are allowed. Therefore, we estimate that the bill will reduce local property tax revenue for the impacted counties by a total of $115,000 beginning in FY 2016-17.

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**A** **BILL**

TO AMEND SECTION 12‑43‑230, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE TREATMENT OF AGRICULTURAL REAL PROPERTY, MOBILE HOME, AND LESSEE IMPROVEMENTS TO REAL PROPERTY, SO AS TO CLASSIFY OFF‑PREMISES OUTDOOR ADVERTISING SIGNS AS PERSONAL PROPERTY AND TO PROVIDE THAT UNDER CERTAIN CIRCUMSTANCES AN OFF‑PREMISES SIGN SITE MUST BE TAXED AT ITS VALUE WHICH EXISTED BEFORE THE ERECTION OF THE SIGN.

Amend Title To Conform

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

SECTION 1. Section 12‑43‑230 of the 1976 Code is amended by adding a new subsection to read:

“(e)(1) For ad valorem property tax purposes, an off‑premises outdoor advertising sign must be classified as tangible personal property. The sign owner must file a business personal property tax return annually with the South Carolina Department of Revenue based upon the original cost of the sign structure less allowable depreciation. Any sign permit required by local, state, or federal law must be considered as intangible personal property for ad valorem property tax purposes.

(2) If an off‑premises outdoor advertising sign site is one‑quarter of an acre or less, or is otherwise limited to an area large enough only to accommodate the building structure, foundation, and provide for service or maintenance, is leased from an unrelated third party, or the sign is owned by the owner of the site, and the sign owner has filed a business personal property tax return with the Department of Revenue, then the off‑premises outdoor advertising sign site real property must be assessed to the site owner at its value before the lease or construction of the sign without regard to the structure, the lease, or lease income, and no separate assessment may be issued for the sign company’s lease or ownership interest. The lease or construction of such property does not constitute an assessable transfer of interest pursuant to Article 25, Chapter 37, Title 12, and the real property constituting the sign site shall maintain its same property tax classification as commercial, manufacturing, agricultural, or utility property as it had before the lease.

(3) For purposes of this subsection:

(a) ‘Intangible personal property’ has the same meaning as contained in Section 3(j), Article X, of the Constitution of this State.

(b) ‘Off‑premises outdoor advertising sign’ means a lawfully erected, permanent sign which relates in its subject matter to products, accommodations, services, or activities sold or offered elsewhere other than upon the premises on which the sign is located.

(c) ‘Sign owner’ means the owner of an off‑premises outdoor advertising sign.”

SECTION 2. This act takes effect upon approval by the Governor and first applies to property tax years after 2014. Upon the site owner providing written or electronic notice to the county assessor that his affected property was assessed other than as provided by this act, county tax officials shall adjust values and assessment ratios to reflect the provisions of this act, but no refund is allowed on account of the provisions of this act.

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