



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3867 Amended by House Ways and Means on March 29, 2017
Author: Herbkersman
Subject: Property Tax Exemption
Requestor: House Ways and Means
RFA Analyst(s): Gable
Impact Date: March 30, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	Undetermined	\$0

Fiscal Impact Summary

This amended bill's expected impact on local property tax revenue is undetermined, due to the insufficient data on the potential for disallowance of portions of properties currently allowed and the potential increase of instrumentalities whose property may receive the exemption. Further, there is no information available on the values of those properties impacted as a result of the bill. However, we expect only a few properties will be impacted, and thereby, an overall minimal net impact on total property tax revenue.

Explanation of Fiscal Impact

Amended by House Ways and Means on March 29, 2017

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

This amended bill contracts the properties eligible for the property tax exemption under S.C. Code Section 12-37-220(B)(11)(e) to only the properties specifically devoted to providing housing to low or very low income residents and owned by a nonprofit housing corporation or an

instrumentality of a nonprofit housing corporation. The amended bill also expands the potential number of instrumentalities whose properties may be included in the exemption by expanding the definition of instrumentality to include partnerships, LLCs, and other corporations of which a nonprofit housing corporation is the controlling partner, member, or shareholder. The bill further defines a controlling partner, member, or shareholder as the one with the ability to exercise substantial and continuous control over the provision of the low and very low income housing. Currently, the section exempts all properties of a nonprofit housing corporations and solely owned instrumentalities of these corporations which are devoted to providing housing to low or very low income residents from local property taxes. The amendment narrows the scope of exemptions allowed as compared to the original bill

The amended bill is expected to impact local property tax revenue. There are currently 1,251 exemptions granted under S.C. Code Section 12-37-220(B)(11)(e) by the Department of Revenue but data regarding the value of these exemptions is unavailable. We anticipate that allowing only those properties devoted to providing housing to low and very low income residents and owned by a nonprofit housing corporation's instrumentality or nonprofit housing corporation, rather than all properties of a nonprofit housing corporation or a solely owned instrumentality, may disallow some portion of property exemptions that are currently allowed. Information is not available to estimate the exact number of the potential reduction in exemptions.

Furthermore, we anticipate that by expanding the definition of instrumentality this amended bill may result in new exemptions. Information is not available to estimate the exact number of potential new exemptions, but we anticipate that it is rare that an instrumentality would meet the definition under the bill, but not under current law, resulting in only a few new exemptions. Due to the limited information available and the difficulty of determining the prevalence of both the contraction of the exemption due to the change in property allowed, and the expansion of the exemption due to the change in the definition of instrumentality, the net impact to the local property tax is undetermined. However, as we expect the bill will create only a few new exemptions and disallow only a portion of current exemptions, the impact is likely to be minimal.

Introduced on March 1, 2017

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

This bill expands the property tax exemption under S.C. Code Section 12-37-220(B)(11)(e) to include any nonprofit corporation's instrumentality devoted to providing housing to low or very low income residents and defines such instrumentalities to include partnerships, LLCs, and other corporations of which the nonprofit housing corporation is a partner, member, or shareholder.

Currently, the section exempts nonprofit housing corporations and solely owned instrumentalities of these corporations which are devoted to providing housing to low or very low income residents from local property taxes.

This bill is expected to impact local property tax revenue. There are currently 1,251 exemptions granted under S.C. Code Section 12-37-220(B)(11)(e) by the Department of Revenue but data regarding the value of these exemptions is unavailable. We anticipate that allowing any nonprofit corporation instrumentality devoted to providing housing to low and very low income residents, rather than just those that are solely owned, will add exemptions under this code section. Information is not available to estimate the exact number of potential new exemptions, but we anticipate that it is rare that an instrumentality would meet the definition under the bill, but not under current law, resulting in only a few new exemptions. Additionally, data is unavailable to estimate how much of a loss each additional exemption would cause to the local property tax revenue as the amount of property owned by each instrumentality may vary greatly. Due to the limited information available and the difficulty of determining both the prevalence of this situation occurring and the impact such an occurrence would have, the impact to the local property tax statewide is undetermined. However, as we expect the bill will create only a few new exemptions, the impact is likely to be minimal.



Frank A. Rainwater, Executive Director