



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 4859 Introduced on February 7, 2018
Author: G. R. Smith
Subject: Property Tax Exemption
Requestor: House Ways and Means
RFA Analyst(s): Gable
Impact Date: April 4, 2018

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	Undetermined	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	Undetermined	\$0

Fiscal Impact Summary

This bill would reduce local property tax revenue statewide, beginning in FY 2018-19, but the amount is undetermined as data to estimate the assessed property tax of the newly exempt property is unavailable. To the extent possible given the millage rate increase limitations, we anticipate that local governments will offset this reduction through increased millage rates for all classes of property.

This bill is expected to have no expenditure impact to General Fund for the Department of Revenue because any additional administration due to the expanded property tax exemption can be managed within existing funds.

Additionally, this bill may increase General Fund income tax revenue by an undetermined amount due to the potential reduction in income tax deductions associated with property taxes for the owner of the property.

Explanation of Fiscal Impact

Introduced on February 7, 2018

State Expenditure

This bill expands the property tax exemption for church property to property not owned by a church but used exclusively for church purposes and applies to property taxes after TY 2017. The Department of Revenue administers this exemption and expanding the scope of the exemption is not expected to significantly impact its administration and could be managed by

existing staff within existing appropriations. Therefore, the bill would have no expenditure impact to the General Fund, Other Funds, or Federal Funds for the Department of Revenue.

State Revenue

This bill expands the property tax exemption for church property to property not owned by a church but used exclusively for church purposes and applies to property taxes after TY 2017. This extension may cause a decrease in property taxes for the owner of the property resulting in a potential decrease of income tax deductions for property tax expenses. However, as the decrease in property taxes is unknown, the potential decrease of income tax deductions and increase in the income tax liability cannot be estimated. Therefore, this bill may increase General Fund income tax beginning in FY 2018-19.

Local Expenditure

N/A

Local Revenue

This bill expands the property tax exemption for church property to property not owned by a church but used exclusively for church purposes and applies to property taxes after TY 2017. A church must meet the requirements of Section 501(c)(3) of the Internal Revenue Code in order to receive a property tax exemption. This property tax exemption currently applies to all property owned by a church, but for real property does not extend beyond the buildings and premises. Expanding this exemption would allow the owner of any property that is used exclusively for church purposes to claim the property tax exemption and would reduce local property taxes, beginning in FY 2018-19.

This expansion may include the rental of commercial property to serve as a worship hall, leased vehicles, and other properties that a church has permission from the owner to use at its sole discretion. Additionally, church purposes is not specifically defined by bill, and therefore, it may include the social events, church day care, athletic events, soup kitchens, and other such activities led or organized by the church. RFA has no data to be able determine the number of properties that are not owned but exclusively used for church purposes. Also, as the properties cannot be identified, the assessed value of these properties is unknown. Therefore, the potential reduction in local property tax revenue statewide due to the expansion of the property tax exemption on church property to property not owned by a church but exclusively used for church purposes is undetermined.



Frank A. Rainwater, Executive Director