



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 4753 Introduced on January 14, 2020  
**Author:** Lucas  
**Subject:** Income Tax Credit  
**Requestor:** House Education and Public Works  
**RFA Analyst(s):** Wren and Jolliff  
**Impact Date:** January 27, 2020

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### **Fiscal Impact Summary**

This bill will have no expenditure impact on the State Department of Education (SDE) since it does not create additional duties or responsibilities for the agency. Also, this bill will not impact expenditures for the Department of Revenue (DOR) to administer the new income tax credit as the agency has processes in place to create new tax forms annually.

This bill will reduce General Fund individual income tax revenue by up to \$1,820,000 beginning in FY 2020-21 by providing an income tax credit for home owner property taxes paid by teachers in Tier IV counties. This amount may vary in future years as Tier IV counties change.

The expenditure impact of this bill on local school districts to implement a thirty-minute duty-free planning period for classroom teachers and full-time librarians is undetermined. Based upon a survey of school districts, estimated costs range from \$0 to \$5,100,000, which is \$0 to \$322 per student. Twelve of the responding districts indicate that they currently have planning periods in place that meet the criteria of the duty-free planning period listed in this section of the bill. The remaining twenty-two responding districts indicate the need to hire additional teachers, instructional aides, or substitutes to ensure coverage during duty-free planning times. These twenty-two districts expect expenses to increase by \$19,465,929. The thirty-four responding districts represent about 48 percent of the students in the regular school districts. If the remaining districts experience a similar cost per student, this would equate to a cost of approximately \$40,554,000 statewide. However, expenses vary widely by district, and the total expenditure may vary depending on staffing in non-responding districts.

### **Explanation of Fiscal Impact**

#### **Introduced on January 14, 2020**

#### **State Expenditure**

The following sections will affect state expenditures as follows:

**Section 2.** This section allows each classroom teacher and full-time librarian to have at least a thirty-minute daily planning period free from the instruction and supervision of students. Each school district may set flexible or rotating schedules for each classroom teacher or full-time librarian in the district for the implementation of this duty-free planning period. Implementation of this section may not result in a lengthened school day. A teacher or librarian may report any violations to the State Department of Education's Ombudsman.

**State Department of Education.** SDE indicates that this section of the bill does not create additional duties or responsibilities for the agency. Therefore, this section will have no expenditure impact on SDE.

**Section 3.** This section allows qualified taxpayers in a qualified county to receive a refundable income tax credit equal to 100 percent of the property taxes paid by the taxpayer on his legal residence and not more than one acre contiguous that he owns, which qualifies for the 4 percent assessment ratio pursuant to Section 12-43-220(c). This credit may only be claimed for five consecutive years. Also, the taxpayer's legal residence for which he is receiving the credit allowed by this section must be located in a qualifying county. A qualified taxpayer is defined as an employee who is employed in a qualifying county as a teacher in a K-12 public school. A qualifying county is a county designated as a Tier IV county, pursuant to Section 12-6-3360 in the previous tax year. Once a teacher is allowed the credit, the teacher may continue to claim the credit for the five consecutive years regardless of the county's tier designation in future years, so long as he continues to live and work in that same county. A taxpayer must claim the credit in the year in which the property taxes are paid. DOR must prescribe the form and manner of proof required to obtain the credit. DOR may consult with county tax officials to determine the amount of the credit. This section takes effect upon approval by the Governor and first applies to tax year 2020.

**Department of Revenue.** DOR has processes in place to develop new tax forms annually, and therefore, this provision is not expected to have an expenditure impact for the agency.

### **State Revenue**

Section 3 allows qualified taxpayers in a qualified county to receive a refundable income tax credit equal to 100 percent of the property taxes paid by the taxpayer on his legal residence and not more than one acre contiguous that he owns, which qualifies for the 4 percent assessment ratio pursuant to Section 12-43-220(c). This credit may only be claimed for five consecutive years. Also, the taxpayer's legal residence for which he is receiving the credit allowed by this section must be located in a qualifying county. A qualified taxpayer is defined as an employee who is employed in a qualifying county as a teacher in a K-12 public school. A qualifying county is a county designated as a Tier IV county, pursuant to Section 12-6-3360 in the previous tax year. Once a teacher is allowed the credit, the teacher may continue to claim the credit for the five consecutive years regardless of the county's tier designation in future years, so long as he continues to live and work in that same county. A taxpayer must claim the credit in the year in which the property taxes are paid. This section takes effect upon approval by the Governor and first applies to tax year 2020.

For tax year 2020, Tier IV counties include Allendale, Bamberg, Barnwell, Chester, Clarendon, Dillon, Lee, Marion, Marlboro, Orangeburg, Union, and Williamsburg. To determine the refundable income tax credit, we estimated the property taxes paid by school teachers in each of these twelve Tier IV counties for tax year 2018 and applied a growth rate to determine the impact beginning in tax year 2020.

Revenue and Fiscal Affairs used data provided by the Department of Revenue for 2018 legal residence parcels and assessed values to determine the average assessed value for owner

occupied properties in each county. The average assessed value is multiplied by the applicable millage rate to determine the average property taxes paid for owner occupied property. Each county has its own millage rate. As owner occupied property is exempt from school operating millage, it is not included in the calculation. Also, for this analysis, we used the FY 2018-19 Professional Certified Staff data provided by SDE to determine the number of K-12 teachers in the Tier IV counties. The language in the bill does not specify if this tax credit will apply to only full-time teachers, or if part-time teachers will also be included. Additionally, since the bill does not specify which position codes will be included in the tax credit, we assume that teachers who qualify for teacher supply funds will be eligible to receive this tax credit. Depending upon how teachers are defined, the estimates may change.

Based on the United States Census Bureau quick facts for South Carolina, 68.6 percent of the residences in the state qualify as legal residences and receive the 4 percent assessment. Therefore, we estimate 68.6 percent of the total teachers own a home and would qualify for the refundable income tax credit. The owner-occupied property taxes paid multiplied by the estimated number of qualifying teachers results in the estimated total refundable income tax credit allowed by this section. The table below shows the calculations to estimate the total owner-occupied property taxes paid by teachers for tax year 2018.

<b>ESTIMATED OWNER-OCCUPIED PROPERTY TAXES PAID BY TEACHERS</b>					
<b>TAX YEAR 2018</b>					
<b>TIER IV COUNTY</b> <b>(§12-6-3360)</b>	<b>AVERAGE OWNER OCCUPIED ASSESSED VALUE</b>	<b>NON-SCHOOL OPERATING MILLAGE RATE</b>	<b>AVERAGE PROPERTY TAX</b>	<b>ESTIMATED NUMBER OF QUALIFYING TEACHERS</b>	<b>TOTAL PROPERTY TAX</b>
	<b>a</b>	<b>b</b>	<b>c</b> <b>(a x b/1000)</b>	<b>d</b>	<b>e</b> <b>(c x d)</b>
Allendale	\$1,238	342.80	\$424	64	\$27,160
Bamberg	\$1,879	353.24	\$664	114	\$75,647
Barnwell	\$2,483	254.76	\$633	198	\$125,268
Chester	\$3,011	274.25	\$826	287	\$236,973
Clarendon	\$2,953	242.23	\$715	254	\$181,662
Dillon	\$2,785	181.88	\$507	255	\$129,190
Lee	\$2,105	255.63	\$538	80	\$43,050
Marion	\$2,250	191.37	\$431	237	\$102,063
Marlboro	\$1,958	204.11	\$400	200	\$79,934
Orangeburg	\$2,987	197.51	\$590	665	\$392,321
Union	\$2,404	238.50	\$573	202	\$115,837
Williamsburg	\$2,276	251.60	\$573	183	\$104,811
<b>Total</b>					<b>\$1,613,917</b>

Data Sources: Department of Revenue, 2020 Index of Taxpaying Ability; Tax Year 2020 Job Tax Credit County Designations; Department of Education FY 2018-19 Professional Certified Staff (positions eligible for teacher supply funds)

Based upon the figures above, teachers in these counties paid property taxes on a home of approximately \$1,614,000 for TY 2018. Using historical data, we estimate owner occupied property taxes will grow by 6.2 percent per year from tax year 2018 to tax year 2020. Therefore, this section will reduce General Fund individual income tax revenue by up to \$1,820,000 beginning in FY 2020-21. This amount may vary in future years as Tier IV counties change.

### **Local Expenditure**

Section 2 allows each classroom teacher and full-time librarian to have at least a thirty-minute daily planning period free from the instruction and supervision of students. Each school district may set flexible or rotating schedules for each classroom teacher or full-time librarian in the district for the implementation of this duty-free planning period. Implementation of this section may not result in a lengthened school day.

**Local School Districts.** SDE surveyed the seventy-nine regular school districts and received responses from thirty-four districts. These thirty-four school districts represent about 48 percent of the students in the regular school districts. The responding districts estimate that costs will range from \$0 to \$5,100,000, which is \$0 to \$322 per student. Twelve of the responding districts indicate that they currently have planning periods in place that meet the criteria of the duty-free planning period listed in this section of the bill. The remaining twenty-two responding districts indicate the need to hire additional teachers, instructional aides, or substitutes to ensure coverage during duty-free planning times. The expenses from the responding districts total \$19,465,929. Expenses vary by district and are dependent upon the size of the district. If the remaining districts experience a similar cost per student, this would equate to a cost of approximately \$40,554,000 statewide. However, expenses vary widely by district, and the total expenditure may vary depending on staffing in non-responding districts. Therefore, the overall expenditure impact on local school districts is undetermined.

*Please see the table on the next page for more detail on expenses by school district.*

### **Local Revenue**

N/A

**SURVEY OF ESTIMATED COST BY DISTRICT FOR THIRTY MINUTE PLANNING  
TIME FOR TEACHERS AND LIBRARIANS - H. 4753 OF 2020**

District	District Response	Number of Students	Cost Per Student	Percent of Total Students
Abbeville	\$149,760	2,916	\$51	0.4%
Aiken	\$1,200,000	23,247	\$52	3.2%
Anderson 1	\$500,000	9,875	\$51	1.4%
Anderson 3	\$0	2,479	\$0	0.3%
Anderson 4	\$476,816	2,744	\$174	0.4%
Bamberg 1	\$0	1,257	\$0	0.2%
Bamberg 2	\$50,882	638	\$80	0.1%
Barnwell 19	\$25,000	587	\$43	0.1%
Calhoun	\$0	1,587	\$0	0.2%
Charleston	\$1,404,253	46,485	\$30	6.4%
Chester	\$725,220	4,970	\$146	0.7%
Darlington	\$0	9,607	\$0	1.3%
Fairfield	\$0	2,373	\$0	0.3%
Florence 2	\$117,000	1,091	\$107	0.2%
Florence 5	\$0	1,182	\$0	0.2%
Greenville	\$3,100,000	74,162	\$42	10.3%
Greenwood 51	\$276,866	899	\$308	0.1%
Greenwood 52	\$60,118	1,516	\$40	0.2%
Hampton 1	\$0	2,088	\$0	0.3%
Lancaster	\$858,600	13,258	\$65	1.8%
Laurens 56	\$125,000	2,980	\$42	0.4%
Lexington 1	\$1,000,000	25,999	\$38	3.6%
Marlboro	\$0	3,684	\$0	0.5%
Pickens	\$0	15,618	\$0	2.2%
Richland 1	\$1,500,000	22,502	\$67	3.1%
Spartanburg 2	\$150,000	9,921	\$15	1.4%
Spartanburg 3	\$130,000	2,737	\$47	0.4%
Spartanburg 4	\$0	2,669	\$0	0.4%
Spartanburg 5	\$281,000	8,533	\$33	1.2%
Sumter	\$5,109,108	15,889	\$322	2.2%
Union	\$0	3,787	\$0	0.5%
Williamsburg	\$0	3,426	\$0	0.5%
York 2	\$726,306	7,694	\$94	1.1%
York 3	\$1,500,000	17,132	\$88	2.4%
Total from Responding Districts	\$19,465,929	345,534		
Total # of Students from Regular Districts		721,122		
% of Students from Responding Districts				47.9%

Data Sources: District survey by State Department of Education; FY 2018-19 135-day student count

Frank A. Rainwater, Executive Director