



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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**Bill Number:** S. 0233 Amended by House Ways and Means Property Tax  
Subcommittee on April 26, 2022

**Author:** Turner

**Subject:** Property Tax

**Requestor:** House Ways and Means

**RFA Analyst(s):** Boggs, Griffith, and Miller

**Impact Date:** April 27, 2022

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### **Fiscal Impact Summary**

This bill eliminates the motor vehicle registration fee for disabled veterans with a service-connected disability who applies for a special purpose license plate. This section of the bill will have no state revenue impact as no fees are currently being collected.

Also, this bill allows the surviving spouse, whose deceased spouse did not have an ownership interest in the property, to qualify for the property tax exemption pursuant to §12-37-220. The deceased spouse refers to a veteran, a former law enforcement officer, or a former firefighter, who is permanently and totally disabled because of service-connected disability or a law enforcement officer, a firefighter, or a member of the armed forces of the United States who was killed in the line of duty. This bill also allows an individual who owns a home on heirs' property to claim a property tax exemption pursuant to §12-37-220, so long as the person is the owner-occupied resident of the house and does not claim the special assessment rate allowed pursuant to §12-43-220(c) on any property. RFA anticipates that, due to the small number of properties that would become eligible for a tax exemption because of this section of the bill, the impact to local property tax revenue will be minimal beginning in tax year 2022.

Additionally, this amended bill exempts all farm buildings and agricultural structures owned by a producer in this State that are used to house livestock, poultry, crops, farm equipment, or farm supplies. Assuming 50 percent of the total statewide estimated agricultural assessed value is exempt due to this section of the bill, the reduction to property taxes statewide would be less than 1.0 percent of the projected property taxes beginning in tax year 2022.

Also, this amended bill requires the county assessor or the County Board of Assessment Appeals, upon application of the taxpayer, to order the County Auditor to adjust the valuation and assessment of any real property damaged by flooding, a hurricane, or a wind event. This section of the bill may result in an undetermined local property tax revenue reduction beginning in tax year 2022 as the number of homes that may flood or suffer from hurricane or wind event damage and how quickly they may be repaired is unknown.

However, RFA anticipates local entities may increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

## **Explanation of Fiscal Impact**

**Amended by House Ways and Means Property Tax Subcommittee on April 26, 2022**

### **State Expenditure**

N/A

### **State Revenue**

#### Section 56-3-14940

This section eliminates the motor vehicle registration fee for disabled veterans with a service-connected disability who apply for a special purpose license plate. These veterans would have been subject to this fee pursuant to Act 38 of 2021, beginning May 6, 2022. Prior to this enactment, disabled veterans were not required to pay the motor vehicle registration fee when obtaining a disabled veteran's special license plate. As the implementation of the collection of motor vehicle registration fees has not yet take effect and no fees have been collected, this section of the amended bill will have no revenue impact.

### **Local Expenditure**

N/A

### **Local Revenue**

#### Section 12-37-220(B)(1)

This section eliminates the requirement that a qualifying surviving spouse must acquire the house from the deceased spouse in order to be eligible for the property tax exemption provided pursuant to §12-37-220(B). This bill also allows an owner-occupied resident who lives on heir's property to claim a property tax exemption pursuant to §12-37-22 so long as the person does not claim the special assessment rate allowed pursuant to §12-43-220(c) on any other property beginning in tax year 2022.

Currently, §12-37-220(B)(1) grants a property tax exemption to a surviving spouse if the house was acquired from the deceased spouse, so long as all of the other requirements of §12-37-220(B) are met. This bill will allow the surviving spouse of a deceased eligible owner to qualify for the exemption even if the decedent had no ownership interest in the house, so long as the property meets all of the other requirements of §12-37-220(B), including that the house qualifies as the surviving spouse's legal residence. An eligible owner is defined as a veteran, a former law enforcement officer, or a former firefighter, who became permanently and totally disabled as a result of a service-connected disability. The definition of qualified surviving spouse also includes the spouse of a law enforcement officer, a firefighter, or a member of the armed forces of the United States who was killed in the line of duty.

RFA anticipates that, due to the small number of properties that would become eligible for a tax exemption because of this section of the bill, the impact to local property tax revenue will be minimal.

Section 12-37-220(B)(14)

This section exempts all farm buildings and agricultural structures owned by a producer in this State that are used to house livestock, poultry, crops, farm equipment, or farm supplies beginning in tax year 2022. RFA contacted local assessors to determine the value of this type of property. Dorchester County responded and estimated that approximately 23 percent of their agricultural property as of tax year 2021 would qualify for this exemption.

Due to the small sample size and between the various counties, the potential property tax revenue reduction could vary for each county. Also, the value of structures on agricultural property may vary greatly. For example, a pole barn for housing tractors versus a stable for horses. RFA estimates that the total assessed value for agricultural property statewide for tax year 2022 will be approximately \$152,047,000. This is approximately 0.5 percent of total statewide assessed value.

The following chart estimates the potential local property tax revenue loss statewide based on a range of 10 percent to 50 percent and a statewide millage rate of 358.6 beginning in tax year 2022.

<b>Estimated Statewide Agricultural Structure Property Tax Exemption beginning TY 2022</b>	
<b>Percent Agricultural Property Exempt</b>	<b>Property Tax Loss</b>
10%	\$5,452,000
20%	\$10,905,000
30%	\$16,357,000
40%	\$21,810,000
50%	\$27,262,000

Assuming 50 percent of the total statewide estimated agricultural assessed value is exempt due to this section of the bill, the reduction to property taxes statewide would be less than 1.0 percent of the projected property taxes for tax year 2022.

Section 12-39-250(B)

This section requires the county assessor or the County Board of Assessment Appeals, upon application of the taxpayer, to order the County Auditor to adjust the valuation and assessment of any real property damaged by flooding, a hurricane, or a wind event. This bill takes effect beginning in tax year 2022.

RFA anticipates this amended bill will have more of an impact for those counties along the coast. Therefore, RFA contacted Charleston, Horry, Georgetown, and Beaufort, the four counties most likely to experience flood, hurricane, or wind damage. Georgetown previously responded that, for a home that is flooded or storm damaged, the appraisal for that home is adjusted for the following tax roll if the damage is extensive, and the repairs are not complete prior to December 31st. Homes that have fire damage, however, are omitted from the tax roll in the current year. If the home is repaired, once the work is complete and the county receives a certificate of occupancy, the house is added back to the tax roll in the following year. Based on Georgetown's

response, this bill may result in a loss of property tax revenue for flooded, hurricane damaged, or wind damaged properties being removed from the tax roll until renovations are complete, rather than simply lowering the value. However, the number of homes that may flood or suffer from hurricane or wind event damage and how quickly they may be repaired is unknown. Therefore, this section of the bill may result in an undetermined local property tax revenue reduction beginning in tax year 2022.

RFA anticipates local entities may increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue due to this amended bill.

**Amended by the Senate on March 1, 2022**

**State Expenditure**

This bill eliminates the requirement that a qualifying surviving spouse must acquire the house from the deceased spouse in order to be eligible for the property tax exemption provided pursuant to §12-37-220(B). This bill also allows an owner-occupied resident who lives on heir's property to claim a property tax exemption pursuant to §12-37-22 so long as the person does not claim the special assessment rate allowed pursuant to §12-43-220(c) on any other property. This bill takes effect upon the signing of the governor, and therefore, will impact property taxes beginning in tax year 2022.

Currently, §12-37-220(B)(1) grants a property tax exemption to a surviving spouse if the house was acquired from the deceased spouse, so long as all of the other requirements of §12-37-220(B) are met. This bill will allow the surviving spouse of a deceased eligible owner to qualify for the exemption even if the decedent had no ownership interest in the house, so long as the property meets all of the other requirements of §12-37-220(B), including that the house qualifies as the surviving spouse's legal residence. An eligible owner is defined as a veteran, a former law enforcement officer, or a former firefighter, who became permanently and totally disabled as a result of a service-connected disability. The definition of qualified surviving spouse also includes the spouse of a law enforcement officer, a firefighter, or a member of the armed forces of the United States who was killed in the line of duty.

RFA anticipates that, due to the small number of properties that would become eligible for a tax exemption because of this bill, the impact to local property tax revenue will be minimal. RFA assumes local entities will increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

N/A

## **Introduced on January 12, 2021**

### **State Expenditure**

This amended bill eliminates the requirement that a qualifying surviving spouse must acquire the house from the deceased spouse in order to be eligible for the property tax exemption provided pursuant to §12-37-220(B). This bill takes effect upon the signing of the governor, and therefore, will impact property taxes beginning in tax year 2022.

Currently, §12-37-220(B)(1) grants a property tax exemption to a surviving spouse if the house was acquired from the deceased spouse, so long as all of the other requirements of §12-37-220(B) are met.

This bill will allow the surviving spouse of a deceased eligible owner to qualify for the exemption even if the decedent had no ownership interest in the house, so long as the property meets all of the other requirements of §12-37-220(B), including that the house qualifies as the surviving spouse's legal residence. An eligible owner is defined as a veteran, a former law enforcement officer, or a former firefighter, who became permanently and totally disabled as a result of a service-connected disability. The definition of qualified surviving spouse also includes the spouse of a law enforcement officer, a firefighter, or a member of the armed forces of the United States who was killed in the line of duty who also owned the property in fee or jointly with the surviving spouse. Because of the definition of surviving spouse, this bill does not alter the specification that a surviving spouse of a decedent who died in the line of duty may claim the exemption only if the decedent had an ownership interest in the property.

Using data provided in the South Carolina Public Benefit Authority's South Carolina Retirement Systems 2020 Actuarial Experience Study, data from the United States Census Bureau's American Community Survey, and data published by the United States Department of Defense, we calculated approximately 212 persons die annually that may meet the definition of an eligible owner.

For this exemption to apply, there must be a surviving spouse. Based on the American Community Survey, approximately 47.2 percent of adult South Carolinians are married. Multiplying the number of decedents by the percentage of persons married results in an estimated 100 decedents with a surviving spouse.

Further, the bill only changes the exemption for instances when the decedent has no ownership interest in the property, but the surviving spouse must have at least a 50 percent interest and the property must be the surviving spouse's legal residence. Any property that was owned by the decedent and passed to the surviving spouse is currently eligible for this property tax exemption. Using the average owner-occupancy rate from the American Community Survey, approximately 30.7 percent, or 31 decedents, did not have an ownership interest in their residence at the time of death. Therefore, this bill may result in approximately 31 additional homes becoming eligible for the property tax exemption annually. This may be an overstatement as the instances where one spouse has at least a 50 percent ownership interest in the property but the other spouse has no ownership interest are limited, however, there is insufficient data to estimate this effect.

The estimated average home fair market value is \$197,551 in tax year 2022. Any qualifying property will already qualify for the owner-occupied exemption from school operating millage. Therefore, each property will receive an additional exemption from all other millage. The estimated statewide millage rate, excluding school operating millage, for tax year 2022 is 182.64. Therefore, each new exemption allowed under this proposal may result in an estimated reduction of property tax revenue of \$1,443. Additionally, of those properties that will become eligible, some may already qualify for the homestead exemption, which exempts the first \$50,000 of the property value from all property taxes for owners who are 65 and older or are totally disabled. This will result in an additional property tax reduction of \$1,077 per property for those properties that currently qualify for the homestead exemption. For purposes of this analysis, we assume none of the 31 properties qualify for the homestead exemption, resulting in a property tax revenue reduction totaling \$44,000.

To summarize, this bill may result in a reduction of property tax revenue statewide by as much as \$44,000, which is less than 0.01 percent of the estimated total property tax revenue statewide. This estimate is likely an overstatement as it assumes that none of the 31 newly exempt properties currently qualify for the homestead exemption, and it is likely that some of the 31 properties may not qualify for this exemption due to lack of ownership interest by the surviving spouse. Also, RFA assumes local entities will increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director