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COMMITTEE REPORT

March 31, 2022

**H. 5144**

Introduced by Reps. G.M. Smith, Wheeler, Lowe and Kirby

S. Printed 3/31/22--H.

Read the first time March 29, 2022.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 5144) to amend Section 12‑37‑220, as amended, Code of Laws of South Carolina, 1976, relating to property tax exemptions, so as to further specify the, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

G. MURRELL SMITH, JR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Local Expenditure**

This bill adds mix-use property to the ad valorem taxation exemption for property of telephone companies and rural telephone cooperatives. RFA anticipates this bill may have a nonrecurring local expenditure impact for local governing entities to implement this exemption.

**Local Revenue**

This bill adds mix-use property to the property tax exemption for telephone companies and rural telephone cooperatives, pursuant to §12-37-220(B)(1). The mixed-use property tax exemption includes property that is used to provide services in addition to the telephone service and begins in tax year 2022.

RFA contacted DOR to determine the potential local property tax revenue reduction due to this bill. DOR reported that there are twenty-two rural telephone companies and cooperatives currently benefiting from the rural telephone exemption, pursuant to 12-37-220(B)(10). DOR reviewed properties that currently do not receive the tax exemption but would likely qualify under this bill. The agency anticipates the twenty-two companies and cooperatives that currently receive a property tax exemption, pursuant to §12-37-220(B)(1), will receive an additional exemption.

DOR estimates that approximately $10,500,000 of additional assessed value among the twenty-two companies and cooperatives statewide may become exempt beginning in tax year 2022. Using an estimated statewide millage rate of 358.6, this bill will result in an estimate $3,765,000 among the respective counties in which these companies and cooperatives reside 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.

Additionally, DOR noted this bill may allow more telephone companies to qualify for the property tax exemption due to the provisions of this bill, which will the increase local property tax revenue impact above the estimated $3,765,000.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 12‑37‑220, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO PROPERTY TAX EXEMPTIONS, SO AS TO FURTHER SPECIFY THE APPLICATION OF THE EXEMPTION OF PROPERTY OF TELEPHONE COMPANIES AND RURAL TELEPHONE COOPERATIVES.

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

SECTION 1. Section 12‑37‑220(B)(10) of the 1976 Code is amended to read:

“(10)(a) notwithstanding any other provisions of law, the property of telephone companies and rural telephone cooperatives operating in this State used in providing rural telephone service, which was exempt from property taxation as of December 31, 1973, shall be exempt from such property taxation; provided, however, that the amount of property subject to ad valorem taxation of any such company or cooperative in any tax district shall not be less than the net amount to which the tax millage was applied for the year ending December 31, 1973. Any property in any tax district added after December 31, 1973, shall likewise be exempt from property taxation in the proportion that the exempt property of such company or cooperative as of December 31, 1973, in that tax district was to the total property of such company or cooperative as of December 31, 1973, in that tax district;

(b) The exemption authorized by subitem (a) applies to all such property of telephone companies and rural telephone cooperatives operating in this State used in providing telephone service, as defined in Section 33‑46‑20, in rural areas, including mixed‑use property, without regard to:

(i) the extent to which such property is used in providing services in addition to telephone service in rural areas; and

(ii) the technology used including, but not limited to, the provision of broadband over a high‑speed Internet connection that allows the customer to access basic voice grade local service from the voice provider of the customer’s choice;”

SECTION 2. This act takes effect upon approval by the Governor and applies to property tax years beginning after 2021.

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