



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.

Bill Number:	H. 3116	Amended by Senate Finance on January 23, 2024
Author:	Felder	
Subject:	Disabled Veterans Property Tax	
Requestor:	Senate Finance	
RFA Analyst(s):	Miller and Jolliff	
Impact Date:	January 25, 2024	

Fiscal Impact Summary

The bill makes changes to three existing property tax exemptions related to the homestead exemption for disabled veterans, exemptions for surviving spouses, and the motor vehicle exemption for disabled veterans beginning in tax year 2024.

First, the bill allows a veteran of the Armed Forces of the United States who is permanently and totally disabled because of a service-connected disability to claim the homestead exemption immediately, pursuant to §12-37-610(B). This bill would allow a veteran to receive the exemption one year earlier than under current law. The bill as amended further adds that a surviving spouse may claim the exemption in the same manner as the veteran, regardless of whether the veteran applied, filed for, or claimed the exemption. Based on data provided by the Department of Revenue (DOR), less than 1 percent of properties qualify for this exemption.

Second, the bill clarifies that the property tax homestead exemption pursuant to §12-37-220(B)(1), also applies to the qualified surviving spouse of an eligible owner, regardless of whether the deceased spouse applied, filed for, or claimed the exemption. Each newly exempt homestead property will result in a local property tax revenue reduction of approximately \$360, which will be offset by the Homestead Exemption Tier II reimbursement.

Lastly, the bill expands the current private passenger vehicle property tax exemption for a disabled veteran to specify that a vehicle that is held in trust for and used by an individual who would otherwise qualify for the exemption is also exempt from property taxes. RFA estimates that the property tax reduction would be \$240 per vehicle on average.

This bill would require the Department of Revenue (DOR) to update its computer programming to and its application forms for these exemptions. We anticipate DOR can manage these updates within existing appropriations.

Given the limited scope of these provisions, this bill will result in a minimal local property tax revenue reduction beginning in tax year 2024 overall. RFA anticipates that local governing entities will adjust millage rates, within the millage rate limitations, to offset any loss of property tax revenue due to this bill. Further, as this bill expands who is eligible for the homestead exemption, this will result in a minimal increase in required reimbursements from the Homestead

Exemption Tier II of The Trust Fund for Property Tax Relief to offset this exemption. As the Trust Fund is funded by a transfer from General Fund individual and corporate income tax revenue, the bill will result in a minimal reduction in General Fund revenue available for appropriation beginning in FY 2024-25.

Explanation of Fiscal Impact

Amended by Senate Finance on January 23, 2024

State Expenditure

The bill makes changes to three existing property tax exemptions related to the homestead exemption for disabled veterans, exemptions for surviving spouses, and the motor vehicle exemption for disabled veterans.

This bill would require DOR to update its computer programming to and its application forms for these exemptions. We anticipate DOR can manage these updates within existing appropriations.

State Revenue

The bill clarifies that the property tax homestead exemption pursuant to §12-37-220(B)(1), also applies to the qualified surviving spouse of an eligible owner, regardless of whether the deceased spouse applied, filed for, or claimed the exemption. Each newly exempt homestead property will result in a local property tax revenue reduction of approximately \$360, which will be offset by the Homestead Exemption Tier II reimbursement. Given the limited scope of this provision, we anticipate that the local property tax reduction will be minimal. As such, the bill will result in a minimal increase in the transfer from General Fund individual and corporate income tax revenue to the Homestead Exemption Tier II of the Trust Fund for Property Tax Relief to offset this exemption. Therefore, the bill will result in a minimal reduction in General Fund revenue available for appropriation beginning in FY 2024-25.

Local Expenditure

N/A

Local Revenue

The bill makes changes to three existing property tax exemptions. First, this bill allows a veteran of the Armed Forces of the United States who is permanently and totally disabled as a result of a service-connected disability to immediately claim a property tax exemption for his owner-occupied property in the year in which the disability occurs. The veteran must file with DOR certifying the disability to receive this exemption. Currently, veteran of the Armed Forces of the United States, who is permanently and totally disabled as a result of a service-connected disability, may claim a property tax exemption of his owner-occupied property. However, the exemption does not take effect until the year following the approval from DOR.

This change would allow a veteran to receive the exemption one year earlier than under current law. According to DOR, 6,331 disabled veterans qualified for this exemption in tax year 2022, which represents less than 1 percent of the total owner-occupied properties statewide. This provision will result in a minimal impact to local property tax revenue as there are a limited

number of properties that would receive the exemption one year earlier than currently allowed. Therefore, this provision will result in a minimal local property tax revenue reduction.

Second, the bill clarifies that the property tax homestead exemption pursuant to §12-37-220(B)(1), also applies to the qualified surviving spouse of an eligible owner, regardless of whether the deceased spouse applied, filed for, or claimed the exemption. Due to the limited number of properties that may be newly qualified for this property tax exemption, this will also result in a minimal impact to local property tax revenue.

Also, local governments are reimbursed for the homestead exemption through Tier II of the Trust Fund for Property Tax Relief at a dollar-for-dollar rate for all millage except school operating millage. The Trust Fund for Property Tax Relief is funded through a transfer from General Fund individual and corporate income tax revenue. Therefore, as this amendment expands who is eligible for the homestead exemption, this will result in a minimal increase to Tier II of the Trust Fund for Property Tax Relief reducing General Fund revenue available for appropriation.

For information, the homestead exemption exempts the first \$50,000 of property value from all millage. All owner-occupied property is currently exempt from school operating millage. Therefore, this bill would result in a new exemption for the first \$50,000 of property value from the remaining non-school operating millage. Based on the estimated statewide non-school operating millage of 179.8 for tax year 2024, each new exemption of the first \$50,000 will total \$360. Therefore, each newly exempt property will result in a local property tax revenue reduction of \$360, which will be offset by the Tier II reimbursement.

Lastly, the bill expands the current private passenger vehicle property tax exemption for a disabled veteran. The bill specifies that a vehicle that is held in trust for and used by an individual who would otherwise qualify for the exemption is also exempt from local property taxes. Currently, 78,433 vehicles are exempt under this provision. The bill may result in a decrease in local property tax revenue due to the expansion of qualifying vehicles to include those held in a trust for a disabled veteran. RFA estimates that the property tax reduction would be \$240 per vehicle on average. However, we anticipate that this impact will be minimal given the limited number of instances expected.

Given the limited scope of these provisions, we anticipate that the bill will have a minimal impact on local property tax revenue overall. Further, changes to homestead exempt properties will be reimbursed as noted above. To the extent possible, we expect that local governments will increase millage rates to offset the reduction within the millage rate increase limitations.

Introduced on January 10, 2023

State Expenditure

This bill allows a veteran of the Armed Forces of the United States who is permanently and totally disabled because of a service-connected disability to immediately claim a property tax exemption for his owner-occupied property in the year in which the disability occurs. The veteran must file DOR certifying the disability to receive this exemption. Currently, veteran of the Armed Forces of the United States, who is permanently and totally disabled as a result of a

service-connected disability, may claim a property tax exemption of his owner-occupied property. However, the exemption does not take effect until the year following the approval from DOR.

This bill would require DOR to update its computer programming to allow the exemption to be approved in the year of application. DOR would also need to update its application form for the exemption. We anticipate DOR can manage these updates within existing appropriations. We will update this fiscal impact if the agency provides information indicating otherwise.

State Revenue

N/A

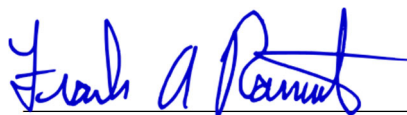
Local Expenditure

N/A

Local Revenue

This bill allows a veteran of the Armed Forces of the United States who is permanently and totally disabled as a result of a service-connected disability to immediately claim a property tax exemption for his owner-occupied property in the year in which the disability occurs. The veteran must file with DOR certifying the disability to receive this exemption. Currently, veteran of the Armed Forces of the United States, who is permanently and totally disabled as a result of a service-connected disability, may claim a property tax exemption of his owner-occupied property. However, the exemption does not take effect until the year following the approval from DOR.

This bill would allow a veteran to receive the exemption one year earlier than under current law. According to DOR, 6,331 disabled veterans qualified for this exemption in tax year 2022, which represents less than 1 percent of the total owner-occupied properties statewide. This bill will result in a minimal impact to local property tax revenue as there are a limited number of properties that would receive the exemption one year earlier than currently allowed. Additionally, we anticipate that local governing entities will adjust millage rates, within the millage rate limitations, to offset any loss of property tax revenue due to this bill. Therefore, this bill will result in a minimal local property tax revenue reduction.



Frank A. Rainwater, Executive Director