



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3948 Amended by House Ways and Means Property Tax
Subcommittee on April 27, 2023

Author: Ballentine
Subject: Property Tax Exemption
Requestor: House Ways and Means
RFA Analyst(s): Miller
Impact Date: May 2, 2023

Fiscal Impact Summary

This amended bill exempts renewable energy resource property for a customer-generator from property taxes. This includes solar energy equipment, facilities, or devices that support, collect, generate, transfer, monitor, or store thermal or electric energy. Additionally, per §58-40-10, a customer-generator is defined as a generator that is located on a single premises owned, operated, leased, or otherwise controlled by the customer.

This bill will result in an undetermined reduction in property tax revenue statewide. Based on information provided by the Energy Office as of July 31, 2022, the total estimated value of solar installations in the state is estimated to be \$1,127,080,000. At an assessment ratio of 10.5 percent and a projected average millage rate of 352.5, if 10 percent of this property is currently taxed as business personal property, these installations would generate approximately \$4,172,000 in local property taxes in FY 2023-24. This represents approximately 0.04 percent of current projected property tax revenue. However, solar installations may not increase property value for purposes of property tax, and data are not available to estimate the difference between what is taxed, what is currently exempt, and how much will become exempt due to this bill. Additionally, data are not available to determine what percentage of the value of solar energy equipment in the state is part of solar farms, which are not exempt under this bill. Also, we anticipate that local governments will offset any reduction with an increase in the millage rate, within the limitations.

Explanation of Fiscal Impact

Amended by House Ways and Means Property Tax Subcommittee on April 27, 2023

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

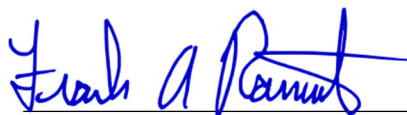
N/A

Local Revenue

This amended bill modifies the property tax exemption for a renewable energy resource property. Currently, a renewable energy resource property with a nameplate capacity of and operating at no greater than twenty kilowatts (kW) is exempt from property tax. This bill exempts all renewable energy resource property for a customer-generator from property taxes. A renewable energy resource property includes solar energy equipment, facilities, or devices that support, collect, generate, transfer, monitor, or store thermal or electric energy. Additionally, per §58-40-10, a customer-generator is defined as a generator that is located on a single premises owned, operated, leased, or otherwise controlled by the customer.

Based upon the most recent data available from the Energy Office as of July 31, 2022, there are approximately 34,573 residential and commercial solar installations with a combined total capacity of 297,034 kW, which results in an average capacity of 8.59 kW. Also, the current cost of a residential solar system totals \$3.80/W, according to the Energy Office.

Multiplying the estimated \$3.80/W times an average capacity of 8.59 kW yields an estimated value of approximately \$32,600 per system. For the estimated 34,573 solar installations currently in the state, the total estimated value is \$1,127,080,000. At an assessment ratio of 10.5 percent and a projected average millage rate of 352.5, if 10 percent of this property is currently taxed as business personal property tax, these installations would generate approximately \$4,172,000 in local property taxes in FY 2023-24. This represents approximately 0.04 percent of current projected property tax revenue. However, based on conversations with assessors, residential solar installations may not be reflected in assessed property values. Also, we are unsure how much of this property is currently exempt and how much will become exempt due to this bill. Specifically, solar installations with a capacity of 20 kW or less, which includes most residential solar installations, are currently exempt from property taxes. Additionally, not all of the remaining solar installations will qualify under this newly modified exemption. Installations that are not for a customer-generator, such as those on a solar farm, would not qualify for this exemption. For information purposes, based on discussions with assessors, most solar farms are currently operating under Fee-in-Lieu of Property Tax agreements. Further, we anticipate that local governments will increase millage rates, within the limitations, to offset any potential reduction in local property tax revenue. Therefore, this bill as amended will result in an undetermined local property tax revenue impact.



Frank A. Rainwater, Executive Director