



# 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:** H. 3424 Introduced on January 14, 2025  
**Subject:** Property Tax Relief for Seniors  
**Requestor:** House Ways and Means  
**RFA Analyst(s):** Miller and Daigle  
**Impact Date:** April 7, 2025

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### Fiscal Impact Summary

This bill increases the homestead property tax exemption amount from \$50,000 to \$1,000,000 of owner-occupied fair market value (FMV). This bill also implements a sales tax of 0.32 percent with certain exemptions beginning June 1, 2025. The revenue from the new sales tax must be credited to the Trust Fund for Tax Relief. Additionally, DOR may prescribe amounts that may be added to the sales price to reflect the additional tax imposed by this bill. This bill takes effect upon signing of the Governor and applies beginning in tax year 2025.

This bill will have no expenditure impact on DOR as the agency anticipates being able to manage the additional responsibilities of this bill with existing staff and within existing appropriations.

An additional 0.32 percent sales tax, excluding accommodations, maximum sales tax items, and unprepared food, will increase the state sales tax revenue by approximately \$378,467,000. This revenue will be credited to the Trust Fund for Tax Relief, and therefore, this bill will increase the Trust Fund for Tax Relief by \$378,467,000 beginning in FY 2025-26. Please note that this estimate is based on the current forecast assumptions by the Board of Economic Advisors (BEA) and is subject to change.

We estimate that 407,437 properties will have a FMV over the current exemption of \$50,000 and will receive the additional exemption, 405,593 of which will be fully exempt. The amount of newly exempt owner-occupied FMV totals \$7,668,897,000 for 2025. As owner-occupied property is fully exempt from school operating property tax millage currently, this increase in the homestead exemption will apply to the remaining non-school operating millage. Using an estimated 2025 statewide non-school operating millage rate of 178.58, this proposal will result in a decrease in local property taxes statewide of approximately \$378,365,000 beginning in tax year 2025. This local property tax decrease will be offset by a state reimbursement from the Trust Fund for Tax Relief. The state reimbursement will be funded through the increase in the state sales tax by 0.32 percent beginning June 1, 2025. The revenue of the additional state sales tax must be credited to the Trust Fund for Tax Relief. However, the new sales tax may grow at a different rate than the value of the property tax exemption and may generate more or less revenue than needed in future years. If the sales tax revenue is insufficient to cover the reimbursement, the additional reimbursement will become a General Fund obligation.

## **Explanation of Fiscal Impact**

**Introduced on January 14, 2025**

### **State Expenditure**

This bill increases the homestead property tax exemption amount from \$50,000 to \$1,000,000 of owner-occupied FMV beginning in tax year 2025. This bill also implements a sales tax of 0.32 percent with certain exemptions beginning June 1, 2025. The revenue from the new sales tax must be credited to the Trust Fund for Tax Relief. Additionally, DOR may prescribe amounts that may be added to the sales price to reflect the additional tax imposed by this bill. DOR anticipates being able to manage the additional responsibilities of this bill with existing staff and within existing appropriations. Therefore, this bill will have no expenditure impact on DOR.

### **State Revenue**

This bill increases the homestead property tax exemption amount from \$50,000 to \$1,000,000 of owner-occupied FMV beginning in tax year 2025. This bill also implements a sales tax of 0.32 percent with certain exemptions beginning June 1, 2025. The revenue from the new sales tax must be credited to the Trust Fund for Tax Relief.

As discussed in the Local Revenue section, this bill will decrease local property tax revenue by approximately \$378,365,000 beginning in tax year 2025. This local property tax revenue decrease will be offset by a state reimbursement through the Trust Fund for Tax Relief.

This bill will increase the Trust Fund for Tax Relief by approximately \$378,467,000 beginning in FY 2025-26 due to the new sales tax. As outlined in the bill, the new 0.32 percent sales tax will have a similar tax base as the current Homestead Exemption (HEX) sales tax base. Currently, the HEX is derived from an additional sales tax equal to 1 percent that is imposed on taxable amounts pursuant to Chapter 36 of Title 12 except for the tax on accommodations for transients, items subject to a maximum sales tax, and the sale of unprepared food items which may be lawfully purchased with United States Department of Agriculture food coupons. Based on the BEA forecast as of February 13, 2025, in FY 2025-26, revenue from the current 1 percent additional sales tax that is credited to the HEX fund is projected to be approximately \$1,182,709,000. Since the tax base for the new 0.32 percent tax is similar to the current HEX tax base, we have used the HEX sales tax revenue forecast to project the new sales tax. An additional 0.32 percent sales tax, excluding accommodations, maximum sales tax items, and unprepared food, will increase total state sales tax revenue by approximately \$378,467,000. This revenue will be credited to the Trust Fund for Tax Relief, and therefore, this bill will increase the Trust Fund for Tax Relief by \$378,467,000 beginning in FY 2025-26. As stated above, this estimate is based on the BEA forecast as of February 13, 2025, and subject to change.

Please note, consumer response to increased prices due to the additional sales tax may impact overall collections, particularly with larger tax rate changes. As this proposal results in a sales tax of less than 1 percent, it is not anticipated to have a significant impact on consumer behavior or current sales tax collections but is a consideration when increasing the tax rate. Further, as with any change, there may be implementation issues as retailers adjust and update computer systems to implement a tax of 0.32 percent, and it may be prudent to anticipate lower collections

initially to avoid budget issues due to these factors. Additionally, this sales tax rate estimate applies to the current expectations for tax year 2025. The new sales tax may grow at a different rate than the value of the property tax exemption and may generate more or less revenue than needed in future years. If the sales tax revenue is insufficient to cover the reimbursement, the additional reimbursement will become a General Fund obligation.

### **Local Expenditure**

N/A

### **Local Revenue**

This bill increases the homestead property tax exemption amount from \$50,000 to \$1,000,000 of owner-occupied FMV beginning in tax year 2025 and implements a sales tax of 0.32 percent with certain exemptions to fund the exemption as of June 1, 2025. The revenue from the new sales tax must be credited to the Trust Fund for Tax Relief.

Currently, for individuals who are 65 and older, totally and permanently disabled, or legally blind, the first \$50,000 of the FMV of an owner-occupied property is exempt from county, municipal, school, and special district property tax millage. Additionally, 100 percent of the FMV of all owner-occupied properties is exempt from school operating millage. As such, increasing the homestead exemption amount from \$50,000 to \$1,000,000 will exempt an additional \$950,000 from the remaining non-school operating millage.

To estimate the impact, we developed an estimate of the distribution of properties over \$50,000 and the new property value that would be exempted under this proposal. Our estimates are based on the 2022 Homestead Exemption FMV report provided DOR, an estimate of the number of owner-occupied properties over \$1,000,000 as published by the Census Bureau, and property value data from Redfin as of November 13, 2024. Using these data, we estimate that 407,437 properties will have a FMV over the current exemption of \$50,000 and will receive the additional exemption, 405,593 of which will be fully exempt. The amount of newly exempt owner-occupied FMV totals \$7,668,897,000 for 2025. As owner-occupied property is fully exempt from school operating property tax millage currently, this increase in the homestead exemption will apply to the remaining non-school operating millage. Using an estimated 2025 statewide non-school operating millage rate of 178.58, this proposal will result in a decrease in local property taxes statewide of approximately \$378,365,000 beginning in tax year 2025.

This local property tax decrease will be offset by a state reimbursement from the Trust Fund for Tax Relief. The state reimbursement will be funded through the increase in the state sales tax by 0.32 percent beginning June 1, 2025. The revenue of the additional state sales tax must be credited to the Trust Fund for Tax Relief. However, the new sales tax may grow at a different rate than the value of the property tax exemption and may generate more or less revenue than needed in future years. If the sales tax revenue is insufficient to cover the reimbursement, the additional reimbursement will become a General Fund obligation.



Frank A. Rainwater, Executive Director