



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. 3458	Introduced on January 14, 2025
Subject:	Religious Institutions Affordable Housing Act	
Requestor:	House Ways and Means	
RFA Analyst(s):	Miller	
Impact Date:	March 19, 2025	

Fiscal Impact Summary

This bill specifies that a religious institution that is recognized as a 501(c)(3) organization by the Internal Revenue Service (IRS) may utilize contiguous property for the purpose of building affordable housing without losing its property tax exempt status pursuant to §12-37-220. The religious institution must submit an annual report to the South Carolina Housing Authority (SC Housing) demonstrating compliance with this bill. Additionally, a religious institution that owned property prior to July 1, 2025, may utilize any of its property for the purpose of building affordable housing on that property regardless of whether or not it is contiguous property.

The Department of Revenue (DOR) administers property tax exemptions. DOR anticipates being able to administer the exemption with existing staff and within existing appropriations. Therefore, this bill will have no impact for DOR.

This bill will increase Other Fund expenses for the SC Housing. The agency anticipates needing to hire 1.0 FTE to manage the compliance review process. Salary and fringe for this FTE will be approximately \$77,000 beginning in FY 2025-26. Additionally, software improvements will be needed, which will result in a one-time expense of approximately \$25,000 in FY 2025-26.

Revenue and Fiscal Affairs (RFA) contacted all counties to determine the potential local property tax impact of this bill. All four responding counties indicated this bill will result in a loss of property tax revenue for any property that meets the criteria for this property tax exemption in the future, but the amount of the impact is currently unknown. Based on the average per unit cost provided by SC Housing of \$326,000, a 10-unit development would reduce property taxes by approximately \$69,000. However, the statewide local property tax revenue loss due to this bill is undetermined as it will depend upon the number of affordable housing projects that are eligible for this exemption as well as the value of these properties.

Explanation of Fiscal Impact

Introduced on January 14, 2025

State Expenditure

This bill specifies that a religious institution that is recognized as a 501(c)(3) organization by the IRS may utilize contiguous property for the purpose of building affordable housing without losing its property tax exempt status pursuant to §12-37-220. The religious institution must

submit an annual report to SC Housing demonstrating compliance to this bill. Additionally, a religious institution that owned property prior to July 1, 2025, may utilize any of its property for the purpose of building affordable housing on that property regardless of whether or not it is contiguous property.

DOR anticipates being able to administer the exemption with existing staff and within existing appropriations. Therefore, there is no impact to DOR.

SC Housing will receive and review annual reports submitted by religious institutions as required by this bill to ensure compliance with the requirements for the percentage of affordable units. The agency anticipates needing to hire 1.0 FTE to manage the compliance review process. Salary and fringe for this FTE will be approximately \$77,000 beginning in FY 2025-26. Additionally, software improvements will be needed, which will result in a one-time expense of approximately \$25,000 in FY 2025-26. Therefore, this bill will increase Other Fund expenses for SC Housing beginning in FY 2025-26.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

This bill specifies that a religious institution that is recognized as a 501(c)(3) organization by the IRS may utilize contiguous property for the purpose of building affordable housing without losing its property tax exempt status pursuant to §12-37-220. The religious institution must submit an annual report to SC Housing demonstrating compliance to this bill. Additionally, a religious institution that owned property prior to July 1, 2025, may utilize any of its property for the purpose of building affordable housing on that property regardless of whether or not it is contiguous property. In order for the affordable housing to qualify for the property tax exemption the following criteria must be met:

- The religious institution must maintain at least 10 percent ownership of the affordable housing;
- The affordable housing project must have at least 10 units;
- At least 50 percent of the affordable housing development must be set aside as affordable housing at all times.

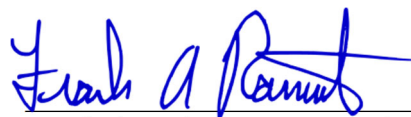
RFA contacted all counties to determine the potential local property tax impact this bill will have. Responses were received from Charleston County, Chesterfield County, Florence County, and Greenville County. All responding counties indicated this bill may result in a loss of property tax revenue for any affordable housing project built that is eligible for this property tax exemption. However, the amount of the impact is unknown currently.

Also, SC Housing provided an estimated average cost to build an affordable housing unit. Based on the most recent 633 units before the Housing Board and not considering the number of

bedrooms per unit, which can be between 1 and 4, the estimated average cost to build is \$326,000.

For illustration purposes, assuming the average cost to build will be the appraised value of the unit for property tax purposes and a 10-unit project, which is the minimum unit requirement of this bill, a new affordable housing project may be valued at \$3,260,000. This property would be subject to a 6 percent assessment and using the statewide average millage rate of 354.3, an affordable housing project's estimated property taxes in tax year 2025 would total \$69,000.

To summarize, this bill may reduce property tax revenue on future affordable housing projects that would have otherwise been collected. The property tax revenue impact will depend upon the number of affordable housing projects that are eligible for this exemption as well as the appraised value of these properties. Therefore, the local property tax revenue loss due to this bill is undetermined.



Frank A. Rainwater, Executive Director