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. 3861 Introduced on January 30, 2025
Subject:	Short-term Rentals
Requestor:	House Medical, Military, Public, and Municipal Affairs
RFA Analyst(s):	Vesely
Impact Date:	March 4, 2025

Fiscal Impact Summary

This bill prohibits local governments from enacting or enforcing ordinances, resolutions, or regulations that prohibit short-term rentals. Should a subdivision violate these provisions, they may not assess the 6 percent property tax, and the State Treasurer's Office (STO) must withhold their State Aid to Subdivisions distribution until the policy that violates this bill is repealed.

STO indicates that this responsibility will be managed within existing appropriations and will have no expenditure impact. Additionally, STO indicates that the withholding of funds would occur upon receipt of notice. However, this bill does not require STO to be notified, which may impact withholdings.

All counties and the Municipal Association of South Carolina (MASC) were contacted regarding the potential fiscal impact of this bill. Beaufort and Chesterfield Counties both indicated that this bill will have no expenditure impact. MASC surveyed municipal government officials in South Carolina and found that among 45 municipalities, there were at least 30 unique regulations on short-term rentals. While no complete prohibitions on short-term rentals were identified, South Carolina municipalities do substantively regulate short-term rentals. MASC noted that at least 11 municipalities have regulations on short-term rentals that may be prohibited under this bill. MASC further indicated that the inability to collect the 6 percent property tax or receive State Aid to Subdivisions on any municipalities that are construed to be prohibiting short-term rentals would have a significant impact on local revenue.

Explanation of Fiscal Impact

Introduced on January 30, 2025
State Expenditure
This bill prohibits local governments from enacting or enforcing ordinances, resolutions, or regulations that prohibit short-term rentals. If a subdivision violates these provisions, they may not assess the 6 percent property tax, and STO must withhold their State Aid to Subdivisions distribution until the policy that violates this bill is repealed.

STO indicates that this responsibility will be managed within existing appropriations and will have no expenditure impact. Additionally, STO indicates that the withholding of funds would occur upon receipt of notice. However, this bill does not require STO to be notified, which may impact withholding.

State Revenue
N/A

Local Expenditure
All counties and MASC were contacted for the potential impact of this bill on local government expenditures. Beaufort and Chesterfield Counties both indicated that this bill will have no expenditure impact on their counites.

Local Revenue
All counties and MASC were contacted for the potential impact of this bill on local revenue. MASC indicated that the inability to collect the 6 percent property tax or receive State Aid to Subdivisions would have a significant impact on local revenue. For reference, in FY 2024-25, State Aid to Subdivisions totaled approximately $332.7 million. The Local Government Fund distributions from Aid to Subdivisions, the largest category, totaled $291.3 million, of which approximately $240 million was distributed to counties and $48.7 million to municipalities.

The revenue impact will vary depending on the local ordinances in place. Two counties responded and did not indicate an impact on local revenue. However, if any entities have these provisions, they would be required to repeal them in order to collect property taxes on real property assessed at 6 percent and receive Aid to Subdivisions distributions.

Further, MASC interprets the restriction against prohibiting the rental of "a residential dwelling to a short-term guest" as any short-term rental regulation that may ultimately result in at least one dwelling for one short-term rental guest being excluded or denied. Under this interpretation, MASC noted that at least 11 municipalities have regulations on short-term rentals that may be prohibited under this bill.

Frank A. Rainwater, Executive Director