Bill Number:	H. 3951 Introduced on February 11, 2025
Subject:	Tenant Protection Act of 2025
Requestor:	House Ways and Means
RFA Analyst(s):	Miller
Impact Date:	February 26, 2025

Fiscal Impact Summary

This bill establishes a property tax exemption for real property assessed at 4 percent or 6 percent pursuant to §12-43-220(c) or (e) which undergoes an assessable transfer of interest (ATI). The new exemption is an amount such that the exemption value, which is the value reduced by the exemption currently allowed pursuant to §12-37-3135 for 6 percent real property, does not exceed 110 percent of the property value for property tax purposes prior to the ATI. The exemption value in §12-37-3135 is 75 percent of the ATI value for property that undergoes an ATI and is subject to a 6 percent assessment ratio both prior to and after the ATI. It is unclear how the exemption value as used in this new exemption will be calculated for properties that are subject to a 4 percent assessment prior to the ATI. To be eligible for the new exemption, the owner of the property or the owner's agent must notify the county assessor of the election to claim the exemption and that the property will be subject to a 6 percent assessment provided pursuant to §12-43-220(e) before January 31st of the tax year in which the owner first claims eligibility for the exemption. This exemption applies to property tax years beginning after 2024.

The Revenue and Fiscal Affairs Office (RFA) contacted all counties to determine the local impact of this bill. We received responses from the counties of Anderson, Beaufort, Berkeley, Calhoun, Charleston, Chester, Clarendon, Dorchester, Florence, Kershaw, Lexington, Oconee, Richland, and York. RFA also received information from the Municipal Association of South Carolina (MASC). Based on the responses received, we anticipate this bill will have a varying local expenditure impact depending upon whether the county will need additional staff to administer this exemption.

This bill may have a significant impact on local property taxes, especially for those areas that are experiencing higher growth in property values. Currently, pursuant to §12-37-3140, the fair market value (FMV) of real property for property tax purposes may not increase more than 15 percent over a 5-year period unless the property has an addition or improvement or undergoes an ATI. This bill establishes a new exemption that limits the increase of the FMV of property that undergoes an ATI to 110 percent of the property value prior to the transfer. The impact would potentially compound over time as the lower property values for property tax purposes will continue to limit the valuation increase of the property with each ATI. The impact is likely to vary from county to county due to significant differences in the property tax values and real property markets in each county.

Additionally, we estimate the statewide revenue reduction for counties, school districts, and other local governments will be approximately $305,003,000 beginning in tax year 2025. This estimate is based on the estimates provided by counties prorated based on each county's percentage of assessed value for property subject to a 6 percent assessment relative to the state total assessed value of property subject to a 6 percent assessment. We anticipate local governing entities will increase their millage rates, within the allowable millage rate increase limitations, to offset the revenue loss. Additional detail of the individual county responses is included in the Local Revenue section of the Explanation of Fiscal Impact.

Explanation of Fiscal Impact

Introduced on February 11, 2025
State Expenditure
N/A

State Revenue
N/A

Local Expenditure
This bill establishes a property tax exemption for real property that undergoes an ATI that prior to the ATI is assessed as 4 percent or 6 percent pursuant to §12-43-220(c) or (e) such that the new exemption value does not exceed 110 percent of the property tax value prior to the ATI.

RFA contacted all counties to determine the local impact of this bill. We received responses from the counties of Anderson, Beaufort, Berkeley, Calhoun, Charleston, Chester, Clarendon, Dorchester, Florence, Kershaw, Lexington, Oconee, Richland, and York. RFA also received information from MASC. The counties of Anderson, Beaufort, Berkeley, Calhoun, Clarendon and Dorchester all anticipate an increase in expenses due to this bill. Anderson, Beaufort, Berkeley, Calhoun, and Clarendon all anticipate the need for additional staff to manage the new exemption. Clarendon indicated the need for two additional staff members but did not provide an estimate of the cost. The following table displays the estimated total annual expense and the number of staff members each county indicated may be needed due to this bill.

Estimated Annual Expense Beginning Tax Year 2025 for Responding Counties

County	Annual Expense	New Staff
Anderson	$85,000	2
Beaufort	$165,000	4
Berkeley	$60,000	1
Calhoun	$59,500	1

Based on the responses received, we anticipate the impact of this bill on local expenditures will vary and will depend upon whether the county will need additional staff to administer this exemption.

Local Revenue
This bill establishes a property tax exemption for real property that undergoes an ATI that prior to the ATI is assessed as 4 percent or 6 percent pursuant to §12-43-220(c) or (e) such that the exemption value does not exceed 110 percent of the property value for property tax purposes prior to the ATI. The owner of the property or the owner's agent must notify the county assessor of the election to claim the exemption and that the property will be subject to a 6 percent assessment provided pursuant to §12-43-220(e) before January 31st of the tax year in which the owner first claims eligibility for the exemption. This exemption applies to property tax years beginning after 2024. The bill specifies that for purposes of this bill exemption value, among other terms, has the same meaning as provided in §12-37-3135. The exemption value in §12-37-3135 is 75 percent of the ATI value for property that undergoes an ATI that is subject to a 6 percent assessment ratio both prior to and after the ATI. It is unclear how the exemption value will be calculated for properties that are subject to a 4 percent assessment prior to the ATI transfer.

Currently, pursuant to §12-37-3140, the FMV of real property for property tax purposes may not increase more than 15 percent over a 5-year period unless the property has an addition or improvement or undergoes an ATI. As this bill establishes an exemption that limits the increase of the FMV of property that undergoes an ATI to 110 percent of the property value prior to the transfer, this bill may have a significant impact on local property taxes, especially for those areas that experience higher growth in property values and have a large number of or are seeing a transition to more rental properties or second homes. Further, this may compound over time as the lower property values for property tax purposes will continue to limit the valuation of the property with each ATI.

RFA contacted all counties to determine the local property tax revenue impact of this bill. We received responses from the counties of Anderson, Beaufort, Berkeley, Calhoun, Charleston, Chester, Clarendon, Dorchester, Florence, Kershaw, Lexington, Oconee, Richland, and York. RFA also received information from MASC. Beaufort County estimated a loss of taxable value of approximately $1,902,370,000. Based on an assessment ratio of 6 percent and the statewide millage rate of 349.8, we estimate this may result in an annual local property revenue decrease for Beaufort County of approximately $39,927,000. Clarendon County indicated that, on average, there are approximately 2,000 transactions per year that may be eligible for this property tax exemption and notes that for the two most recent ATI transfers in the county, this bill would have resulted in a loss of property tax of $4,356 had the properties been eligible for this exemption. Based on this information, we estimate this bill may result in an annual property tax loss of approximately $4,356,000 for Clarendon County. Additionally, Dorchester County indicated this bill will have an impact on property tax revenue. Richland County estimated that between 15,000 and 22,000 ATIs occur annually within the county, which vary widely in the current value and sales price. Based on these responses, this bill will result in an undetermined property tax revenue loss beginning in tax year 2025.

The counties of Anderson, Berkeley, Calhoun, Charleston, Chester, Florence, Kershaw, Lexington, and Oconee also provided an estimates annual property tax revenue reduction due to this bill; though Kershaw County emphasized that the number provided is only an estimate as it is difficult to understand the intent of the bill. The following table displays the estimated property tax loss by county for those counties that provided an estimate.

Property Tax Revenue Reduction Beginning Tax Year 2025

Anderson	$9,300,000
Beaufort	$39,927,000
Berkeley	$24,215,000
Calhoun	$965,000
Charleston	$47,000,000
Chester	$1,000,000
Clarendon	$4,356,000
Florence	$3,300,000
Kershaw	$1,075,000
Lexington	$13,334,140
Oconee	$3,800,000
York	$3,602,000

Using data from the counties, we estimate the statewide revenue reduction for counties, school districts, and other local governments will be approximately $305,003,000 beginning in tax year 2025. This estimate is based on the estimates provided by counties prorated based on each county's percentage of assessed value for property subject to a 6 percent assessment relative to the state total assessed value of property subject to a 6 percent assessment. We anticipate local governing entities will increase their millage rates, within the allowable millage rate increase limitations, to offset the revenue loss.

MASC expressed concern that this bill may have a significant impact on the local tax base for municipalities, especially in high-growing communities with significant service and infrastructure needs.

Frank A. Rainwater, Executive Director