Bill Number:	S. 0768 Amended by Senate Finance on January 21, 2026
Subject:	Homestead Exemption
Requestor:	Senate Finance
RFA Analyst(s):	Miller
Impact Date:	January 23, 2026

Fiscal Impact Summary

This bill exempts the first $150,000 of the fair market value (FMV) of owner-occupied property of individuals who are 65 and older, totally and permanently disabled, or legally blind from non-school operating property tax millage if the applicant either qualified for the homestead exemption pursuant to §12-37-250 in tax year 2025 or, after tax year 2025, meets all of the requirements to qualify for the homestead exemption and has resided in the state for the five years immediately prior to the application for the exemption. Additionally, a person may not claim the homestead exemption and this exemption, and a person must qualify for this exemption to be eligible for the homestead exemption pursuant to §12-37-250. Currently, the homestead exemption applies to the first $50,000 for the owner-occupied property of individuals who are 65 and older, totally and permanently disabled, or legally blind. These qualifying owner-occupied properties are exempt from all property taxes (school district, county, municipal, and special purpose district millage) on the first $50,000 of the FMV. Additionally, 100 percent of the FMV of all owner-occupied properties is exempt from school operating millage. This bill replaces the $50,000 homestead exemption with a $150,000 FMV exemption from all non-school operating millage, resulting in an increased exemption of $100,000 FMV for qualifying properties. This bill requires this exemption to be reimbursed to local governing bodies by the State from the Trust Fund for Tax Relief in the same manner as the homestead exemption.

The bill is not expected to impact expenditures for the Department of Revenue (DOR) to administer the change in the property tax exemption and corresponding local government reimbursements, as this can be accomplished under the agency's current processes.

RFA contacted all counties to determine the local expenditure impact on similar legislation and received responses from the counties of Charleston, Florence, Horry, and Lancaster. Horry County and Florence County anticipate this bill will have no local expenditure impact. Charleston County and Lancaster County anticipate the need to hire additional staff resulting in an increase in annual salary and fringe expense and a non-recurring expense to update software systems.

Further, the bill allows a county by ordinance to increase the exemption amount allowed, but any taxes not collected as a result of the increase in the exemption by the county are not eligible for reimbursement. Any additional reduction in local property taxes due to this provision will depend on the potential exemption that a county governing body elects to implement, if any.

In total, the bill would decrease local property taxes by approximately $258,753,000 beginning in tax year 2026 as shown below.

Estimated Property Tax Revenue Impact of $150,000 Property Tax Exemption With 5-Year Residency Requirement in Tax Year 2026

Reduction in Property Taxes Statewide Due to Increased Exemption Amount	($258,522,000)
Annual Property Taxes Collected Due to New 5-year Residency Requirement	$231,000
Total Property Tax Impact Statewide	($258,753,000)

Local governing bodies are reimbursed by the State from the Trust Fund for Tax Relief for the property tax revenue reduction as a result of the homestead exemption. This bill requires the new exemption to be reimbursed in the same manner as the homestead exemption. As the reimbursement for non-school operating millage for the homestead exemption is a dollar-for-dollar match, this new exemption would also increase State reimbursements by an offsetting amount. Additionally, counties may elect to increase the exemption by ordinance, which would further reduce local property taxes but would not be reimbursed.

Therefore, this increased exemption in tax year 2026 would decrease available General Fund revenue from individual and corporate income tax to fund the increase in the reimbursement from the Trust Fund for Tax Relief. The changes would reduce General Fund individual and corporate income tax revenue available for appropriation by $258,753,000 to reimburse counties, municipalities, school districts, and special purpose districts for the reduction in local property taxes beginning in FY 2026-27.

Explanation of Fiscal Impact

Introduced on January 13, 2026
State Expenditure
This bill replaces the $50,000 homestead exemption with a $150,000 FMV exemption from all non-school operating millage, resulting in an increased exemption of $100,000 FMV for qualifying properties. The bill is not expected to impact expenditures for DOR to administer the change in the property tax exemption and corresponding local government reimbursements, as this can be accomplished under the agency's current processes.

State Revenue
This bill exempts the first $150,000 of the FMV of owner-occupied property of individuals who are 65 and older, totally and permanently disabled, or legally blind from non-school operating property tax millage if the applicant either qualified for the homestead exemption pursuant to §12-37-250 in tax year 2025 or, after tax year 2025, meets all of the requirements to qualify for the homestead exemption and resided in the state for the five years immediately prior to the application for the exemption. Additionally, a person may not claim the homestead exemption and this exemption, and a person must qualify for this exemption to be eligible for the homestead exemption. Currently, the homestead exemption applies to the first $50,000 for the owner-

occupied property of individuals who are 65 and older, totally and permanently disabled, or legally blind. These qualifying owner-occupied properties are exempt from all property taxes (school district, county, municipal, and special purpose district millage) on the first $50,000 of the FMV. Additionally, 100 percent of the FMV of all owner-occupied properties is exempt from school operating millage. This bill replaces the $50,000 homestead exemption with a $150,000 FMV exemption from all non-school operating millage, resulting in an increased FMV exemption of $100,000 for qualifying properties. This change will reduce local property tax revenue. This bill requires this exemption to be reimbursed to local governing bodies by the State from the Trust Fund for Tax Relief in the same manner as the homestead exemption. As the reimbursement for non-school operating millage for the homestead exemption is a dollar-for-dollar match, this exemption would also increase State reimbursements by an offsetting amount.

<u>Impact of Increasing the Exemption Amount</u>
First, increasing the exempt amount from $50,000 to $150,00 will exempt an additional $100,000 of the FMV for qualifying individuals from non-school operating millage, which will reduce local property tax revenue and increase State reimbursements from the Trust Fund for Tax Relief.

To estimate this impact, RFA estimated the total newly exempt FMV for all qualifying properties based on the Department of Revenue's 2022 Homestead Exemption Fair Market Value Statistics Report. We also projected that the FMV of owner-occupied property will grow at an annual average growth rate of 5.69 percent. This growth rate takes into consideration the recent increase in the population of individuals 65 years and older relative to the total population, as well as historical growth rates over the past several years. Additionally, the projected 2026 statewide millage rate is 363.4 mills. Approximately 49 percent of the millage is from school operating millage, which is already fully exempt under current law. Therefore, the newly increased homestead exemption will apply to the remaining 185.3 mills for non-school operating property taxes. The following table displays the estimated impact for tax year 2026.

Estimated Local Revenue Impact of Increasing the Exemption Amount for Individuals Age 65 and Over in Tax Year 2026

New Exemption Amount	**$150,000**
Newly Exempt FMV	$34,870,367,000
Newly Exempt Assessed Value (4% Assessment)	$1,394,815,000
Reduction in Property Tax Revenue Statewide	$258,522,000

<u>Impact of Adding a Residency Requirement to the New Exemption</u>
Second, we estimated the impact of adding the requirement to this exemption that a person must have resided in the state for at least the five property tax years immediately preceding the application for either this exemption or the homestead exemption pursuant to §12-37-250 beginning in tax year 2026. To estimate the impact, we used data from the U.S. Census Bureau's 2023 American Community Survey on the state's migration population, marital status, and owner-occupied property ownership by age range. Based on these data sources, we estimate that approximately 3.13 percent of new applicants for the homestead exemption and this exemption would be delayed in qualifying for the exemption until the applicant has resided in the state for at

least the previous five tax years. Using data from the Department of Revenue's Homestead Exemption Fair Market Value Statistics Reports from 2019 to 2022, we estimate that there will be approximately 6,628 new applications for the homestead exemption in tax year 2026. Using this information, as well as the applicable non-school operating millage rate discussed above, the following table displays the estimated annual increase in property taxes statewide due to the potential delay in applicants receiving the homestead exemption.

Estimated Property Tax Revenue Impact Due to the 5-Year Residency Requirement in Tax Year 2026

Average Property Tax Amount per Exemption	$1,112
Estimated Number of Delayed Exemptions	208
Estimated Annual Property Taxes Collected due to New Residency Requirement	$231,000

<u>Total Impact</u>
In total, replacing the $50,000 homestead exemption with a $150,000 FMV exemption from all non-school operating millage, resulting in an increased exemption of $100,000 FMV for qualifying properties, and adding a five-year residency requirement beginning in tax year 2026 would decrease local property taxes by approximately $258,753,000 beginning in tax year 2026 as shown below.

Estimated Property Tax Revenue Impact of $150,000 Property Tax Exemption With 5-Year Residency Requirement in Tax Year 2026

Reduction in Property Taxes Statewide Due to Increased Exemption Amount	($258,522,000)
Annual Property Taxes Collected Due to New Residency Requirement	$231,000
Total Property Tax Impact Statewide	($258,753,000)

This increased exemption in tax year 2026 would decrease available General Fund revenue from individual and corporate income tax to fund the increase in the reimbursement from the Trust Fund for Tax Relief. The changes would reduce General Fund individual and corporate income tax revenue available for appropriation by a total of $258,753,000 to reimburse counties, municipalities, school districts, and special purpose districts for the reduction in local property taxes beginning in FY 2026-27.

Local Expenditure
This bill replaces the $50,000 homestead exemption with a $150,000 FMV exemption from all non-school operating millage, resulting in an increased exemption of $100,000 FMV for qualifying properties, and adds a five-year residency requirement beginning in tax year 2026. RFA previously contacted all counties on similar legislation to determine the local expenditure impact and received responses from the counties of Charleston, Florence, Horry, and Lancaster. Horry County and Florence County anticipate this bill will have no local expenditure impact. Charleston County and Lancaster County anticipate the need to hire additional staff resulting in

an increase in annual salary and fringe expense and a non-recurring expense to update software systems.

Local Revenue
This bill replaces the $50,000 homestead exemption with a $150,000 FMV exemption from all non-school operating millage, resulting in an increased exemption of $100,000 FMV for qualifying properties and added a five-year residency requirement beginning in tax year 2026. As explained in the State Revenue section, we estimate this bill would decrease local property taxes by approximately $258,753,000 beginning in tax year 2026. This reduction will be offset by a State reimbursement from the Trust Fund for Tax Relief.

Further, the bill allows a county by ordinance to increase the exemption amount allowed, but any taxes not collected as a result of the increase in the exemption by the county are not eligible for reimbursement. Any additional reduction in local property taxes due to this provision will depend on the potential exemption that a county governing body elects to implement, if any.

Frank A. Rainwater, Executive Director