

Statement of Estimated State and Local Revenue Impact

Date: February 28, 2013

Bill Number: S. 303 (as amended on February 27, 2013
by the Senate Finance Committee)

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Committee Requesting Impact: Senate

Bill Summary

A bill to amend Section 12-37-220, as amended, Code of Laws of South Carolina, 1976, relating to property tax exemptions, so as to include certain trusts in exempting property used for the holding of its meetings when no profit or benefit inures to the benefit of any stockholder or individual; and to amend Section 12-24-40, as amended, relating to exemptions from deed recording fees, so as to exempt transfers from a trust established for the benefit of a religious organization to the religious organization.

REVENUE IMPACT ^{1/}

State: The bill is expected to reduce General Fund deed recording fee revenue by \$9,094.50 and revenue designated for the Conservation Bank Trust Fund would be reduced by \$3,031.50 in FY 2013-14.

Local: We estimate that the expanded property tax exemption would reduce local property tax revenue by \$104,000 in FY 2013-14. The scope of the property qualifying for this expanded exemption is expected to be limited; however, the potential impact may vary greatly from our estimate depending upon the value of the property exempted.

Explanation of the Bill as amended

Section 1: The bill as amended would amend Section 12-37-220(B)(16) to expand the property tax exemption to include trusts established solely for the benefit of a religious organization. Currently this exemption applies to property of any religious, charitable, eleemosynary, educational, or literary society, corporation, or other association. The property must be used by the organization for the conduct of its business and no profit or benefit may be derived from the use of the property for any private stockholder or individual. This bill would extend the exemption to property held in a trust exclusively for the benefit of a religious organization. Based on information from the U.S. Department of the Treasury, Internal Revenue Service, nearly \$404,191,000 in real estate was transferred as a charitable contribution to religious organizations under a trust form of ownership in the United States during tax year 2009. Adjusting this figure to SC, we estimate that approximately \$6,062,865 in property annually would qualify for the expanded exemption. If this property is exempted from property taxes, we estimated that this would reduce local property tax revenue by \$104,000 in FY 2013-14. The scope of the property qualifying for this exemption is expected to be limited; however, the potential impact may vary greatly from our estimate depending upon the value of the property exempted.

Section 2: This section would amend Section 12-24-40(8) to exempt from the deed recording fee transfers from a trust established for the benefit of a religious organization. As referenced

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in Section 1 above, \$404,191,000 in real estate was transferred as a charitable contribution to religious organizations under a trust form of ownership in the United States during tax year 2009. After adjusting this information to the state level and applying the deed recording fee pursuant to Section 12-24-10, this yields a reduction of an estimated \$12,126 in deed recording fee revenue in FY 2013-14. Of this amount, General Fund deed recording fee revenue would be reduced by \$9,094.50 and revenue designated for the Conservation Bank Trust Fund would be reduced by \$3,031.50 in FY 2013-14.



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^{11/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.