

Statement of Estimated Local Revenue Impact

Date: May 19, 2014 (As amended May 15, 2014 by the House Ways & Means Committee)

Bill Number: S.B. 825

Authors: Alexander and Davis

Committee Requesting Impact: House of Representatives

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 3-1-40 so as to exempt from ad valorem taxation any real property located within a military base or installation that is used or owned by the United States Armed Forces and is used as military housing for military affiliated personnel and their families even if the real property is improved, maintained, or leased to a party that would otherwise subject the real property to tax, so long as there is a contractual agreement requiring the lessee to use the property for military housing.

REVENUE IMPACT ^{1'}

This bill is not expected to impact state revenue. In part II, amending the effective date of Act 133 would decrease local revenue by an estimated \$357,000 for property tax refunds from payments in 2013 that would be exempted under the amended effective date. The remaining parts of the amended bill are not expected to impact state or local revenue.

Explanation of Amendment (May 15, 2014 – House Ways & Means Committee)

The amendment strikes all after the enacting words of the original bill.

Part I: This section retitles the bill as the “Military Family Qualify of Life Enhancement Act of 2014.”

Part II: Section 2 of the amended bill is the original bill language as explained below from the bill as filed, which exempts from local property tax any military housing property located within a military base or installation that is improved, maintained or leased to a private party so long as the property is contractually used for military housing. Based upon information provided by county assessors, we do not anticipate that the section will impact local property taxes since property in this situation is already treated as tax exempt.

Section 3 of the bill amends the effective date of Act 133 of 2014 (H.B. 3027) from tax years after 2013 to tax years after 2012. The act allows active duty members of the Armed Forces of the United States currently receiving the four percent assessment ratio on a an owner-occupied residence to retain that special assessment if the member is relocated or changes his/her permanent duty station out of the state or the property is rented for tax years after 2013. Amending the effective date of Act 133 would decrease local revenue by an estimated \$357,000 for refunds from payments in 2013 that would be exempted under the amended effective date.

Parts III to VIII: The remaining parts of the amended bill are not expected to impact state or local revenue.

The Office of State Budget is the appropriate entity to address any impact on state or local

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expenditures.

Explanation of Bill as Filed

This bill exempts from local property tax any military housing property located within a military base or installation that is improved, maintained or leased to a private party so long as the property is contractually used for military housing. Based upon discussions with county assessors, we do not anticipate that the bill will have an impact upon local property tax revenues. Under multiple situations and examples provided by the assessors, assessors have determined that property that is owned by the US military and used for military purposes is not taxable regardless of any lease to a private entity so long as the property is still owned and used by the US military. Additionally, assessors referenced an opinion by the Attorney General of Virginia on July 21, 2004 regarding local taxation of US military housing property that affirmed that local jurisdictions do not have taxing authority over any property under jurisdiction of the US military despite a lease agreement with a taxable entity so long as the property is still owned by the US military and used for military housing. Based upon this information, we do not anticipate that the bill will impact local property taxes since property in this situation is already treated as tax exempt.



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¹ 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 of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.