Statement of Estimated Local Revenue Impact

Date: February 6, 2013

Bill Number: H. 3265

Authors: Stringer, Harrell, Bannister, et al.

Committee Requesting Impact: House Ways and Means

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 exempt from property tax forty-two and seventy-five one hundredths percent of the fair market value of manufacturing property, to exempt from property tax forty-two and seventy-five one hundredths percent of the fair market value of business personal property required to be reported and returned annually to the Department of Revenue or county auditors, and to phase in these exemptions over four years.

REVENUE IMPACT [1/]

This bill is not expected to impact State revenues. Local property tax revenues from manufacturing and business personal property would be reduced by $49,395,000 in FY 2014-15, and by an additional $48,451,000 in FY 2015-16, $47,545,000 in FY 2016-17, and $46,673,000 in FY 2017-18 for a total reduction of $192,064,000 in FY 2017-18 when the phase in is complete. We anticipate that local jurisdictions would likely raise millage rates across all categories of property to offset the 3% revenue reduction.

Explanation

This bill would exempt 42.75% of the fair market value of manufacturing property and business personal property from local property taxes. Currently manufacturing property and business personal property are assessed at 10.5% of the value of the property. The bill provides a phase in over 4 years and incrementally increases the exemption from 10.875% in tax year 2014 to 42.75% in tax year 2017. We estimate that exempting 10.875% of the fair market value of manufacturing property and business personal property would reduce local property tax revenue by $49,395,000 in FY 2014-15. Over the phase in period, local property tax revenue from these sources would be reduced by an additional $48,451,000 in FY 2015-16, $47,545,000 in FY 2016-17, and $46,673,000 in FY 2017-18 for a total reduction of $192,064,000 when the phase in is complete. Upon full implementation, the revenue reduction will be about 3% of total property tax revenue statewide, but significantly more in counties with a larger portion of assessed value in manufacturing or business personal property. Given the magnitude of the revenue reduction, we anticipate that local jurisdictions would likely raise millage rates across all categories of property to offset the lost revenue from manufacturing and business personal property.

Frank A. Rainwater
Chief Economist

Analyst: Jolliff

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