Statement of Estimated State and Local Revenue Impact

Date: March 6, 2013

Bill Number: S. 437

Authors: Cleary, Reese, Rankin, et al.

Committee Requesting Impact: Senate Finance

Bill Summary

A bill to amend Section 12-43-220, as amended, Code of Laws of South Carolina, 1976, relating to valuation and classification of property for purposes of the property tax, so as to provide that the owner-occupant of residential property qualifies for the four percent assessment ratio allowed owner-occupied residential property, if the owner is otherwise qualified and the residence is not rented for more than one hundred days a year, and to delete other references to rental of these residences; and to amend Section 12-54-240, relating to disclosure of records, reports, and returns with the Department of Revenue, so as to provide verification that the federal Schedule E conforms with the same document required by a county assessor is not prohibited.

REVENUE IMPACT [1/]

State: This bill will reduce General Fund Revenue by $60,000 in FY 2013-14 for increased obligations to the Property Tax Relief Trust Fund for homestead exemption reimbursements. We expect this reduction to be partially offset by increased income tax revenue as taxpayers take advantage of this provision and rent their primary residence for more days.

Local: Local property tax revenue would be reduced by an estimated $1,433,000. State reimbursements would increase by $60,000 for a net local revenue loss of $1,373,000 in FY 2013-14.

Explanation

Under current law, owner occupied homes are assessed at 4.0% for property tax purposes while all other homes are assessed at 6.0%. Currently, an owner-occupied home can be rented for up to fifteen days and still remain eligible for the 4.0% assessment ratio. This bill would allow the home to qualify for the 4.0% assessment ratio if it is not rented for more than one hundred days in a calendar year. Based on conversations with various county assessors' offices and other county offices, we estimate that approximately 650 properties would qualify for the owner occupied special assessment if the property may be rented for up to 100 days. Of these properties approximately 267 would further qualify for the over age 65 homestead exemption of $50,000. We estimate that General Fund revenue will be reduced by $60,000 in FY 2013-14 for increased Property Tax Relief Trust Fund reimbursements for homestead exemptions excluding school operations. All other owner occupied reimbursements are capped and will not be affected by the increase in homes qualifying for owner occupied status. The projected General Fund loss would be partially offset by additional income tax revenue as taxpayers elect to rent their home for additional days due to this provision.

However, we do not have a reasonable basis of determining the number of taxpayers affected or the resultant income tax increase.

For the 650 properties newly qualifying for the owner occupied assessment ratio, local property taxes will be reduced for the lower assessment ratio and for the full property tax exemption from school operations millage allowed for owner occupied properties since state reimbursements for school operations are capped. Additionally property tax revenue will be reduced for the over 65 homestead exemption newly qualifying properties. We estimate local property tax revenue will be reduced by $1,433,000 in FY 2013-14 for the reduced assessment ratio, the school operations exemptions, and homestead exemptions. State homestead exemption reimbursements will increase $60,000 for a net local revenue loss of $1,373,000 in FY 2013-14.

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.