



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 4229
Author: Pope
Subject: Property tax exemptions
Requestor: House Ways and Means
RFA Analyst(s): Jolliff
Impact Date: February 29, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
State Expenditure				
General Fund	\$0	\$0	\$0	\$0
Other and Federal	\$0	\$0	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00	0.00	0.00
State Revenue				
General Fund	\$0	\$0	\$0	\$0
Other and Federal	\$0	\$0	\$0	\$0
Local Expenditure	\$0	\$0	\$0	\$0
Local Revenue	(\$59,677,974)	(\$123,170,753)	(\$190,922,151)	(\$263,416,497)

Fiscal Impact Summary

The bill is not expected to impact state expenditures or revenues for the General Fund, Federal Funds, or Other Funds.

The bill is expected to reduce local property tax revenue by \$59,677,974 in FY 2016-17, \$123,170,753 in FY 2017-18, 190,922,151 in FY 2018-19, and \$263,416,497 in FY 2019-20 for the value exemption for manufacturing and business personal property. To the extent possible given the millage rate increase limitations, we anticipate that local jurisdictions will increase millage rates across all classes of property to offset this reduction.

Explanation of Fiscal Impact

State Expenditure and State Revenue

N/A

Local Expenditure

N/A

Local Revenue

Section 1. This section of this bill would create a value exemption of 42.75% of the property tax value for manufacturing property defined pursuant to Section 12-43-220(a)(1). Manufacturing property is assessed at ten and one-half percent. This value exemption would effectively reduce property taxes on manufacturing properties to the same level that would apply if the properties

were assessed at six percent. The value exemption is effective for tax years beginning after 2015 and is phased-in at 10.6875% per year over four years.

We estimate that the assessed value for manufacturing property will total \$797,823,595 for tax year 2016. Exempting 10.6875% of the value of this property would reduce the assessed value to \$712,556,199, a value reduction of \$85,267,397. At an average statewide millage rate of 341.5 and the 10.5% assessment ratio, the local property tax revenue reduction for this value exemption would be \$29,122,490 in FY 2016-17. The local property tax revenue reduction for manufacturing property is expected to total \$57,828,982 in FY 2017-18, \$86,123,934 in FY 2018-19, and \$114,011,760 in FY 2019-20 over the phase-in of the value reduction.

This analysis is based upon our current assumptions for manufacturing property, which has been declining in value since 1996, while the implied assessed value for fee-in-lieu property has been growing. We do not have data regarding the negotiated assessments for fee-in-lieu property, but the assessment for most agreements is likely between ten and one-half percent and six percent. As the value exemption increases, the incentive to enter into a fee-in-lieu agreement may be reduced, and property may shift from fee-in-lieu to manufacturing property, which would in turn increase the impact of the value exemption in future years.

Section 2. This section of the bill would create a value exemption of 42.75% of the property tax value for business personal property defined pursuant to Section 12-43-220(f). Business personal property is assessed at ten and one-half percent. This value exemption would effectively reduce property taxes on business personal property to the same level that would apply if the properties were assessed at six percent. The value exemption is effective for tax years beginning after 2015 and is phased-in at 10.6875% per year over four years.

We estimate that the assessed value for business personal property will total \$837,081,113 for tax year 2016. Exempting 10.6875% of the value of this property would reduce the assessed value to \$747,618,069, a value reduction of \$89,463,044. At an average statewide millage rate of 341.5 and the 10.5% assessment ratio, the local property tax revenue reduction for this value exemption would be \$30,555,484 in FY 2016-17. The local property tax revenue reduction for business personal property is expected to total \$65,341,771 in FY 2017-18, \$104,798,217 in FY 2018-19, and \$149,404,737 in FY 2019-20 over the phase-in of the value reduction.

In total, the bill is expected to reduce local property tax revenue by \$59,677,974 in FY 2016-17, \$123,170,753 in FY 2017-18, 190,922,151 in FY 2018-19, and \$263,416,497 in FY 2019-20 for the value exemption for manufacturing and business personal property. To the extent possible given the millage rate increase limitations, we anticipate that local jurisdictions will increase millage rates across all classes of property to offset this reduction.



Frank A. Rainwater, Executive Director