

# South Carolina Office of Research and Statistics

## Statement of Estimated Local Revenue Impact

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**Date:** February 10, 2010

**Bill Number:** H.B. 3272 as amended by the Senate February 9, 2010

**Authors:** Cooper and Merrill

**Committee Requesting Impact:** Senate Finance

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### **Bill Summary**

A bill to amend the 1976 Code by adding Section 12-37-3135 to exempt an amount of fair market of a parcel of 6% real property and improvements thereon as determined by the appraisal resulting from an assessable transfer of interest, to further define what constitutes an assessable transfer of interest, to provide a lookback on the millage caps, to further define rollback millage and to establish the Index of Taxpaying Ability Study Committee.

### **REVENUE IMPACT <sup>1/</sup>**

This bill, as amended by the Senate, is not expected to impact State revenues. This bill, as amended would change the incidence of local property taxes by reducing the property taxes collected from 6% real property that undergoes an assessable transfer of interest. In the first year, we estimate this bill will reduce local property taxes by \$34.9 million. In the second year and each year after this bill will reduce local property taxes by \$8.1 million in a typical year. To the extent allowed by the millage caps, this amount would be shifted among the other classes of property.

### **Explanation**

#### **Bill as amended by the Senate February 9, 2010**

#### **Section 1**

This section exempts 100% of the increase in the fair market value of 6% real property that undergoes an assessable transfer of interest in 2010. We estimate this will reduce local property taxes by \$34.9 million in the first year. After 2010, this bill exempts 20% of the fair market value of a piece of 6% real property when it sells. There is also a provision that keeps 6% properties that sell from dropping below the current fair market value previously carried on the books if the exemption would cause the value to be below the current fair market value previously carried on the books. After 2010, we estimate this 20% exemption of the fair market value of 6% real property when it sells will reduce local property taxes by \$8.1 million in a typical year.

#### **Section 2**

This section further defines what does and does not constitute an assessable transfer of interest.

#### **Section 3**

This section allows local governing bodies to use any unused millage that was allowed under the millage caps from the three previous years.

#### **Section 4**

This section defines how to calculate rollback millage.

#### **Section 5**

This section creates the Index of Taxpaying Ability Study Committee.

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### **Section 6**

This section clarifies that the issuance of a building permit is not de facto proof of an addition or improvement and is not conclusive evidence of an assessable transfer of interest.

### **Section 7**

This section places the burden of proof on the county assessor to prove a higher value should be applied if property sells for less than the assessor says it is worth.

### **Section 8**

This section provides that realtors must notify the purchaser of the estimated property taxes that will be due before the contract is signed.

### **Bill as amended by Senate Finance May 5, 2009**

Under current law, when real property is sold and an assessable transfer of interest occurs, the property increases in value on the tax rolls to the selling price instead of whatever previous value was on the property. In most instances, this results in an increase in value for property tax purposes. This bill changes how point of sale valuations are handled when an assessable transfer of interest occurs. In most instances, this bill does not allow the value of property previously taxed to increase more than 15% when an assessable transfer of interest occurs by exempting the amount of increase in value attributable to the sale above 15%. In a typical year, we project properties being sold and placed on the tax rolls at their selling price will increase property tax collections Statewide by an estimated \$52 million. Limiting the increase to 15% will reduce local property tax collections by \$44 million in a typical year from the \$52 million increase that would have occurred under current law. To the extent allowed by the millage caps, this amount would be shifted among the other classes of property.

### **Bill as amended by the House April 2, 2009**

Under current law, when real property is sold and an assessable transfer of interest occurs, the property increases in value on the tax rolls to the selling price instead of whatever previous value was on the property. In most instances, this results in an increase in value for property tax purposes. This bill would delay the increase in value attributable to the sale from being added to the tax rolls until the property tax year of implementation of the next countywide assessment program. This would postpone the property going on the tax rolls at the increased selling price for up to four years, depending on when the sale occurs in the quadrennial reassessment cycle of the county. In a typical year, we project properties being sold and placed on the tax rolls at their selling price will increase property tax collections Statewide by an estimated \$52 million. However, the counties would reap part of this increase during their next general reassessment. We estimate that with the 15% cap, the counties would have gotten an increase of \$8 million from these properties due to reassessment. In total, this bill would change the incidence of local property taxes by reducing the property taxes collected from real property that undergoes an assessable transfer of interest by \$44 million in a typical year. To the extent allowed by the millage caps, this amount would be shifted among the other classes of property.

### **Bill as amended by Ways and Means March 31, 2009**

This amendment changes how point of sale valuations are handled when an assessable transfer of interest occurs. In most instances, this amendment does not allow the value of property previously taxed to increase when an assessable transfer of interest occurs by exempting the amount of increase in value attributable to the sale. In a typical year, we project exempting the increase in value of properties being

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sold and keeping these properties on the tax rolls at the value before the sale will reduce property tax collections Statewide by an estimated \$52 million. To the extent allowed by the millage caps, this amount would be shifted among the other classes of property.

### **Bill as introduced**

Under current law, when real property is sold and an assessable transfer of interest occurs, the property increases in value on the tax rolls to the selling price instead of whatever previous value was on the property. In most instances, this results in an increase in value for property tax purposes. This bill would delay the increase in value attributable to the sale from being added to the tax rolls until the property tax year of implementation of the next countywide assessment program. This would postpone the property going on the tax rolls at the increased selling price for up to four years, depending on when the sale occurs in the quadrennial reassessment cycle of the county. In a typical year, we project properties being sold and placed on the tax rolls at their selling price will increase property tax collections Statewide by an estimated \$52 million. However, the counties would reap part of this increase during their next general reassessment. We estimate that with the 15% cap, the counties would have gotten an increase of \$8 million from these properties due to reassessment. In total, this bill would change the incidence of local property taxes by reducing the property taxes collected from real property that undergoes an assessable transfer of interest by \$44 million in a typical year. To the extent allowed by the millage caps, this amount would be shifted among the other classes of property.

/s/ WILLIAM C. GILLESPIE, Ph.D.

William C. Gillespie, Ph.D.  
Chief Economist

**Analyst:** Gibson

<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, 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.