

South Carolina Office of Research and Statistics

Statement of Estimated Local Revenue Impact

Date: May 6, 2009

Bill Number: H.B. 3272 as amended by Senate Finance May 5, 2009

Authors: Cooper and Merrill

Committee Requesting Impact: House Ways and Means

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 real property and improvements thereon as determined by the appraisal resulting from an assessable transfer of interest sufficient to limit the increase in the fair market value of the parcel to fifteen percent of its value on the assessor's books, to provide that fair market value as reduced by this exemption is the value to which the constitutional cap on increases to fifteen percent over five years applies, to provide that this exemption continues until the property undergoes a subsequent assessable transfer of interest and provide that this exemption does not apply to previously untaxed additions or improvements; and to amend Section 12-37-3140, as amended, relating to valuation of real property for purposes of the South Carolina Real Property Valuation Reform Act, to make a conforming amendment, to require the property tax assessor to apply the exemption allowed by this exemption to fair market value determined at the time of assessable transfers of interest occurring in 2009 before the effective date of this act, and to provide that no refund is allowed based on those adjusted values.

REVENUE IMPACT ^{1/}

This bill, as amended by the Senate Finance Committee 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 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.

Explanation

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

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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 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

^{1/} 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.