

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** April 2, 2009

**Bill Number:** H.B. 3272 as amended by the House of Representative April 2, 2009

**Authors:** Cooper and Merrill

**Committee Requesting Impact:** House Ways and Means

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### Bill Summary

A bill to amend Section [12-37-3140](#), as amended, Code of Laws of South Carolina, 1976, relating to determining the fair market value of real property for purposes of the South Carolina Real Property Valuation Reform Act, so as to postpone the implementation of the transfer value of a parcel of real property unimproved since the last countywide reassessment program until the time of implementation of the next countywide reassessment program and to require the fifteen percent limit on increases in value to be calculated separately on land and improvements; to amend Section [12-37-3150](#), as amended, relating to the time an assessable transfer of interest occurs, so as to revise the penalty for failure to provide notice or failure to provide accurate notice to the assessing authority of business entity transfers; to amend Section [12-43-220](#), as amended, relating to the classification and valuation of property for purposes of the property tax, so as to provide residential real property held in trust does not qualify as a legal residence unless a named individual beneficiary under the trust occupies the residence as that named beneficiary's legal residence and that individual beneficiary's name appears on the deed to the residence and require social security numbers of applicants for the legal residence assessment ratio; and to amend Section [40-60-35](#), relating to continuing education requirements for assessors, so as to revise the requirement.

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

This bill, as amended by the House of Representatives 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 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

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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**

<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.