

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

---

Date: March 23, 2009

Bill Number: S.B. 435

Authors: L. Martin, Grooms, S. Martin, Cromer, McConnell, et al

Committee Requesting Impact: Senate Finance

---

### Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section [12-37-3135](#) so as 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; 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, so as 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 2007, 2008, and in 2009 before the effective date of this act, and to provide that no refund is allowed based on those adjusted values.

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

This bill is not expected to impact State revenues. 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.

### Explanation

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. 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, 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.