

# South Carolina Office of Research and Statistics

## Statement of Estimated Local Revenue Impact

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Date: February 9, 2011

Bill Number: H.B. 3404

Authors: Cooper, Horne and Allison

Committee Requesting Impact: House Ways and Means

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### Bill Summary

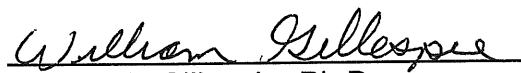
A Joint Resolution to revise the method of calculating the Index of Taxpaying Ability for purposes of the Education Finance Act (EFA) for fiscal years 2011-2012 and 2012-2013 by imputing an index value for owner-occupied residential property assessed at four percent of value and to provide that for those years, the index of taxpaying ability for real property assessed at six percent must be calculated using sales ratio data.

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

This joint resolution is not expected to impact State revenues. EFA distributions to school districts will not change in total but will be redistributed among the school districts based on changes to each school districts index value.

### Explanation

Prior to Tax Year 2008, the value of owner occupied residential property was included in the calculation of the index of taxpaying ability. However, since all owner-occupied homes are exempt from property taxes for school operating purposes as a result of Act 388 of 2006, the Department of Revenue no longer includes the value of owner occupied homes in the calculation of the index of taxpaying ability. This joint resolution will add an imputed value of owner-occupied homes back into the index of taxpaying ability. The value will be imputed based on the way fee in lieu of property tax values are currently imputed for the index. In essence, the total amount of money reimbursed to school districts from Tier I (the old \$100,000 exemption), Tier II (the \$50,000 Homestead Exemption for those 65 and over) and Tier III (owner-occupied homes exempted from school operating property taxes from Act 388) will be added together and divided by the school districts millage rate to impute a value for owner-occupied homes. This imputed value will then be added to the index. This change will have no effect on the total amount of money that goes to school districts under the EFA formula. It will change the amounts individual school districts receive based on changes to each school districts index value.



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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.