

South Carolina Office of Research and Statistics

Statement of Estimated Local Revenue Impact

Date: May 17, 2011

Bill Number: H.B. 3713 as amended by the House of Representatives May 12, 2011

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Committee Requesting Impact: House Ways and Means

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-37-3135 so as to provide that when a parcel of real property and improvements thereon previously subject to property tax undergoes an assessable transfer of interest and the value of the parcel as determined at the time of the assessable transfer of interest is greater than the value of the parcel used in the property tax assessment on the parcel for the most recently completed property tax year, there is allowed an exemption of an amount of the fair market value of the parcel sufficient to eliminate any increase in the value of the parcel; to amend Section 12-37-3140, as amended, relating to determining fair market value, so as to make a conforming change; and to amend Section 12-60-30, as amended, relating to definitions in the revenue procedures act, so as to clarify the definition of property tax assessment.

REVENUE IMPACT ^{1/}

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 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.



Bobby M. Bowers
Director

Analyst: Gibson

^{1/} 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.