

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: April 2, 2007

Bill Number: H.B. 3763

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Committee Requesting Impact: House Ways and Means

Bill Summary

A bill to amend Section [12-37-220](#), as amended, the Code of Laws of South Carolina, 1976, relating to general exemption from property tax, so as to exempt from the property tax sixty-two percent of the fair market value of a watercraft and its motor, if it is not attached to the watercraft; and to amend Section [12-37-714](#), relating to property tax on boats with situs in South Carolina, so as to increase the number of days a boat that is used in interstate commerce must be present in the State to be subject to the property tax from thirty days to ninety days, and to increase the number of days a boat that is not used in interstate commerce must be present in the state from sixty consecutive days to one hundred twenty consecutive days.

REVENUE IMPACT ^{1/}

This bill is not expected to impact State revenues. Local property tax revenues will be decreased by \$24.2 million in Fiscal Year 2007-08 and shifted to other classes of property to the extent allowed by the millage caps.

Explanation

Section 1 of this bill adds language to Section 12-37-220(B)(38) that exempts 62 percent of the fair market value of a watercraft and its motor, if it is not attached to the watercraft. This effectively changes the assessment ratio on boats and motors from 10.5% to 4.0%. We estimate total property tax collections in South Carolina on boats and motors to be approximately \$38.5 million for FY 2007-08. Exempting 62 percent of the fair market value of boats and motors will reduce current local property tax collections on boats and motors by \$23.9 million in FY 2007-08.

Section 2 amends Section 12-37-714 to change situs language on how boats can be taxed for property tax purposes in this state. This section would allow counties to tax boats that were in the state for a significant part of the year. Under current law a a boat used in interstate commerce must be physically present in this State for thirty days in the aggregate in a property tax year to become subject to ad valorem taxation. This changes the number of days to 60. Also under current law a boat, including its motor if the motor is separately taxed, which is not currently taxed in this State and is not used exclusively in interstate commerce, is subject to property tax in this State if it is present within this State for sixty consecutive days or for ninety days in the aggregate in a property tax year. This changes the number of days to one hundred twenty and one hundred eighty respectively. Overall, this section is estimated to decrease local property tax revenues on boats by \$300,000 in FY2007-08. In total, local property tax revenues will be decreased by \$24.2 million in Fiscal Year 2007-08 and shifted to other classes of property to the extent allowed by the millage caps.

/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, 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.