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COMMITTEE REPORT

February 3, 2016

**S. 932**

Introduced by Senators Bennett, Grooms and Hembree

S. Printed 2/3/16--S.

Read the first time January 13, 2016.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 932) to amend Section 12‑43‑220, as amended, Code of Laws of South Carolina, 1976, relating to property tax assessment ratios, so as to revise an application, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Fiscal Impact Summary**

The bill is not expected to impact state expenditures or revenues. Due to the limited scope of the provisions of the bill and the small number of refunds expected, we do not anticipate that the bill will have a material impact on local expenditures for processing the refunds. The bill would reduce local property tax revenue by approximately $215,000 in FY 2016-17 for local property tax refunds from tax years 2014 and 2015.

**Explanation of Fiscal Impact**

**Local Expenditure**

The bill would change the date for an active duty Armed Forces member to apply for the special assessment ratio under the limited provisions in Sections 12-43-220(c)(2)(v) and allow for a refund for members who missed the application deadline in tax years 2014 or 2015. Due to the limited scope of the provisions and the small number of refunds expected, we do not anticipate that the bill will have a material impact on local expenditures for processing the refunds.

**Local Revenue**

This bill would amend Section 12-43-220(c)(2)(v)(C)(3) by changing the date by which a qualifying member of the Armed Forces must apply to retain the special four percent assessment ratio on a second property while attempting to sell the first property. Under this section a member of the Armed Forces who receives a permanent change of station or a temporary assignment for at least one year may claim the four percent assessment ratio on two residential properties in the state so long as the owner attempts to sell the first residence within thirty days of acquiring the second residence and must apply for the special assessment by May fifteenth of each year. The bill would change the May fifteenth deadline to the first penalty date for payment of the taxes of the year for which the taxes are due, typically January of the following year. This section applies to tax years after 2013. In our analysis of H. 3027 of 2014, the bill that enacted this section, the limited scope of this provision was not expected to have a material impact on local property tax revenue. Changing the application date from May fifteenth to the first penalty date for the taxes due also is not expected to have a material impact on local property tax revenue.

The bill would also allow service members who qualified for the special assessment ratio under subsubitems (B) or (C) to apply for a refund for tax year 2014 or 2015 if the taxpayer was denied the special assessment ratio because application was made after the May fifteenth deadline. Subsubitem B allows an active duty member of the Armed Forces of the United States to retain the special four percent assessment ratio when the member is either permanently or temporarily relocated regardless of any rental income attributable to the property. Based upon our analysis of H. 3027 of 2014, the bill that enacted this section, we estimated that approximately 428 service members would qualify for this provision and that it may reduce local property tax revenue by $357,000 for tax year 2014 for the reduction in the assessment ratio from six to four percent. The section was enacted in March 2014. If fifty percent of the service members who qualified for this provision applied after the May fifteenth penalty date for tax year 2014, the total estimated local property tax refund for tax year 2014 would be approximately $179,000. Subsequently, if approximately ten percent of qualifying members failed to apply by the deadline for tax year 2015, this would amount to a refund of approximately $36,000 for tax year 2015. Adding the two tax year refunds together, the bill would reduce local property tax revenue by approximately $215,000 in FY 2016-17 when the refunds are issued.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 12‑43‑220, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO PROPERTY TAX ASSESSMENT RATIOS, SO AS TO REVISE AN APPLICATION DEADLINE FOR CERTAIN PROPERTY OWNED BY CERTAIN MEMBERS OF THE ARMED FORCES.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. A. Section 12‑43‑220(c)(2)(v)(C)(3) of the 1976 Code, as added by Act 133 of 2014, is amended to read:

“(3) This subsubitem does not apply unless the owner of the properties or the owner’s agent applies for the four percent assessment ratio on both residences before the first penalty date for the payment of taxes for the tax year for which the owner first claims eligibility for this assessment ratio. The burden of proof for eligibility for the four percent assessment ratio on both residences is on the taxpayer. The taxpayer must provide the proof the assessor requires, including, but not limited to, a copy of the owner’s most recently filed South Carolina individual income tax return and copies of South Carolina motor vehicle registrations for all motor vehicles registered in the name of the owner. The taxpayer must apply to the county assessor by ~~May fifteenth of each year~~ the first penalty date for the payment of taxes for the tax year in which the taxes are due to utilize the provisions of subsubitems (B) and (C). Along with the application, the applicant must submit a Leave and Earnings Statement (LES) from the current calendar year. Any information contained in the LES that is not related to the active duty status of the member may be redacted.”

B. Notwithstanding any other provision of law, if a taxpayer qualified for the special assessment rate for tax year 2014 or 2015 pursuant to Section 12‑43‑220(c)(2)(v)(B) or (C), except that the taxpayer applied after the May fifteenth deadline, then the taxpayer must be refunded the appropriate amount so long as the taxpayer makes application for either or both years by January 15, 2017.

SECTION 2. This act takes effect upon approval by the Governor and applies for property tax years beginning after 2013.

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