



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 5144 Introduced on March 29, 2022
Author: G. M. Smith
Subject: Telephone
Requestor: House Ways and Means
RFA Analyst(s): Boggs
Impact Date: March 31, 2022

Fiscal Impact Summary

This bill adds mix-use property to the property tax exemption for telephone companies and rural telephone cooperatives, pursuant to §12-37-220(B)(1). The mixed-use property tax exemption includes property that is used to provide services in addition to the telephone service and begins in tax year 2022.

The Revenue and Fiscal Affairs Office (RFA) anticipates this bill may have a nonrecurring local expenditure impact for local governing entities to implement this exemption.

RFA contacted the Department of Revenue (DOR) to determine the potential local property tax revenue reduction due to this bill. DOR reported that there are twenty-two rural telephone companies and cooperatives currently benefiting from the rural telephone exemption and that an estimated \$10,500,000 of additional assessed value for these companies and cooperatives will become exempt due to this bill.

Using an estimates statewide millage rate of 358.6 the local property tax revenue reduction will be approximately \$3,765,000 spread among the respective counties in which these companies and cooperatives reside beginning in tax year 2022. RFA anticipates that local entities may increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

Explanation of Fiscal Impact

Introduced on March 29, 2022

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

This bill adds mix-use property to the ad valorem taxation exemption for property of telephone companies and rural telephone cooperatives. RFA anticipates this bill may have a nonrecurring local expenditure impact for local governing entities to implement this exemption.

Local Revenue

This bill adds mix-use property to the property tax exemption for telephone companies and rural telephone cooperatives, pursuant to §12-37-220(B)(1). The mixed-use property tax exemption includes property that is used to provide services in addition to the telephone service and begins in tax year 2022.

RFA contacted DOR to determine the potential local property tax revenue reduction due to this bill. DOR reported that there are twenty-two rural telephone companies and cooperatives currently benefiting from the rural telephone exemption, pursuant to 12-37-220(B)(10). DOR reviewed properties that currently do not receive the tax exemption but would likely qualify under this bill. The agency anticipates the twenty-two companies and cooperatives that currently receive a property tax exemption, pursuant to §12-37-220(B)(1), will receive an additional exemption.

DOR estimates that approximately \$10,500,000 of additional assessed value among the twenty-two companies and cooperatives statewide may become exempt beginning in tax year 2022. Using an estimated statewide millage rate of 358.6, this bill will result in an estimate \$3,765,000 among the respective counties in which these companies and cooperatives reside beginning in tax year 2022. RFA anticipates local entities may increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

Additionally, DOR noted this bill may allow more telephone companies to qualify for the property tax exemption due to the provisions of this bill, which will increase local property tax revenue impact above the estimated \$3,765,000.



Frank A. Rainwater, Executive Director