This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	S. 0233	Introduced on January 12, 2021
Author:	Turner	
Subject:	Property Tax	
Requestor:	Senate Finance	
RFA Analyst(s):	Boggs	
Impact Date:	February 9, 2022	

Fiscal Impact Summary

This bill eliminates the requirement that a qualifying surviving spouse must acquire the house from the deceased spouse in order to be eligible for the property tax exemption provided pursuant to §12-37-220. The deceased spouse refers to a veteran, a former law enforcement officer, or a former firefighter, who is permanently and totally disabled as a result of service-connected disability or a law enforcement officer, a firefighter, or a member of the armed forces of the United States who was killed in the line of duty who at the time of death owned the house in fee or jointly with the surviving spouse.

The Revenue and Fiscal Affairs Office (RFA) anticipates the potential reduction of property tax revenue statewide may be approximately $44,000, which is less than 0.01 percent of the estimated statewide property tax revenue, beginning in tax year 2022. However, RFA assumes local entities will increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

Explanation of Fiscal Impact

Introduced on January 12, 2021
State Expenditure
This bill eliminates the requirement that a qualifying surviving spouse must acquire the house from the deceased spouse in order to be eligible for the property tax exemption provided pursuant to §12-37-220(B). This bill takes effect upon the signing of the governor, and therefore, will impact property taxes beginning in tax year 2022.

Currently, §12-37-220(B)(1) grants a property tax exemption to a surviving spouse if the house was acquired from the deceased spouse, so long as all of the other requirements of §12-37-220(B) are met.

This bill will allow the surviving spouse of a deceased eligible owner to qualify for the exemption even if the decedent had no ownership interest in the house, so long as the property meets all of the other requirements of §12-37-220(B), including that the house qualifies as the surviving spouse's legal residence. An eligible owner is defined as a veteran, a former law enforcement officer, or a former firefighter, who became permanently and totally disabled as a result of a service-connected disability. The definition of qualified surviving spouse also includes the spouse of a law enforcement officer, a firefighter, or a member of the armed forces of the United States who was killed in the line of duty who also owned the property in fee or jointly with the surviving spouse. Because of the definition of surviving spouse, this bill does not alter the specification that a surviving spouse of a decedent who died in the line of duty may claim the exemption only if the decedent had an ownership interest in the property.

Using data provided in the South Carolina Public Benefit Authority's South Carolina Retirement Systems 2020 Actuarial Experience Study, data from the United States Census Bureau's American Community Survey, and data published by the United States Department of Defense, we calculated approximately 212 persons die annually that may meet the definition of an eligible owner.

For this exemption to apply, there must be a surviving spouse. Based on the American Community Survey, approximately 47.2 percent of adult South Carolinians are married. Multiplying the number of decedents by the percentage of persons married results in an estimated 100 decedents with a surviving spouse.

Further, the bill only changes the exemption for instances when the decedent has no ownership interest in the property, but the surviving spouse must have at least a 50 percent interest and the property must be the surviving spouse's legal residence. Any property that was owned by the decedent and passed to the surviving spouse is currently eligible for this property tax exemption. Using the average owner-occupancy rate from the American Community Survey, approximately 30.7 percent, or 31 decedents, did not have an ownership interest in their residence at the time of death. Therefore, this bill may result in approximately 31 additional homes becoming eligible for the property tax exemption annually. This may be an overstatement as the instances where one spouse has at least a 50 percent ownership interest in the property but the other spouse has no ownership interest are limited, however, there is insufficient data to estimate this effect.

The estimated average home fair market value is $197,551 in tax year 2022. Any qualifying property will already qualify for the owner-occupied exemption from school operating millage. Therefore, each property will receive an additional exemption from all other millage. The estimated statewide millage rate, excluding school operating millage, for tax year 2022 is 182.64. Therefore, each new exemption allowed under this proposal may result in an estimated reduction of property tax revenue of $1,443. Additionally, of those properties that will become eligible, some may already qualify for the homestead exemption, which exempts the first $50,000 of the property value from all property taxes for owners who are 65 and older or are totally disabled. This will result in an additional property tax reduction of $1,077 per property for those properties that currently qualify for the homestead exemption. For purposes of this analysis, we assume none of the 31 properties qualify for the homestead exemption, resulting in a property tax revenue reduction totaling $44,000.

To summarize, this bill may result in a reduction of property tax revenue statewide by as much as $44,000, which is less than 0.01 percent of the estimated total property tax revenue statewide. This estimate is likely an overstatement as it assumes that none of the 31 newly exempt properties currently qualify for the homestead exemption, and it is likely that some of the 31 properties may not qualify for this exemption due to lack of ownership interest by the surviving spouse. Also, RFA assumes local entities will increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

State Revenue
N/A

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director