Bill Number:	S. 0233 Amended by the House of Representatives on May 4, 2022
Author:	Turner
Subject:	Property Tax
Requestor:	Senate
RFA Analyst(s):	Boggs, Gallagher, Griffith, Jolliff, and Miller
Impact Date:	May 23, 2022

Fiscal Impact Summary

This bill amends several sections of the Code of Laws as follows:

<u>Section 12-37-220(B)(1)</u>
This section allows a surviving spouse whose deceased spouse did not have an ownership interest in the property to qualify for the property tax exemption pursuant to Section 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 because of a 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. This bill also allows an individual who owns a home on heirs' property to claim a property tax exemption pursuant to Section 12-37-220, so long as the person is the owner-occupied resident of the house and does not claim the special assessment rate allowed pursuant to Section 12-43-220(c) on any property. The Revenue and Fiscal Affairs Office (RFA) anticipates that, due to the small number of properties that would become eligible for a tax exemption because of this section of the bill, the impact to local property tax revenue will be minimal beginning in tax year 2022.

<u>Section 12-39-250(B)</u>
This section requires the county assessor or the County Board of Assessment Appeals, upon application of the taxpayer, to order the County Auditor to adjust the valuation and assessment of any real property damaged by flooding, a hurricane, or a wind event. This section of the bill may result in an undetermined local property tax revenue reduction beginning in tax year 2022 as the number of homes that may flood or suffer from hurricane or wind-event damage and how quickly they may be repaired is unknown.

<u>Section 12-37-220(B)(14)</u>
This section exempts all farm buildings and agricultural structures owned by a producer in this state that are used to house livestock, poultry, crops, farm equipment, or farm supplies from property tax. Assuming 50 percent of the total statewide estimated agricultural assessed value is exempt due to this section of the bill, the reduction to property taxes statewide would be less than 1.0 percent of the projected property taxes beginning in tax year 2022.

Section 12-37-220(B)(10)
This section adds mix-use property to the property tax exemption for telephone companies and rural telephone cooperatives, pursuant to Section 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 anticipates this may have a nonrecurring local expenditure impact for local governing entities to implement this exemption. Additionally, based on information provided by the Department of Revenue (DOR), the local property tax revenue reduction will be approximately $3,765,000 spread among the respective counties in which the qualifying telephone companies and cooperatives reside beginning in tax year 2022. Overall, RFA anticipates local entities may increase millage rates, within the allowable millage rate increase limitations, to offset any reduction in property tax revenue.

Section 56-3-1490
This section eliminates the motor vehicle registration fee for disabled veterans with a service-connected disability who applies for a special purpose license plate. This section of the bill will have no revenue impact as no fees have been collected prior to May 6, 2022, and any collections after May 6, 2022, must be refunded.

Section 12-36-2110(A)
This section amends Section 12-36-2110(A)(1)(e) to limit the sales tax on livestock trailers to the maximum sales tax of $500 or 5 percent, whichever is less. This section takes effect January 1, 2022, and permits a purchaser to claim an income tax credit equal to the difference between the full amount of sales tax paid and the applicable maximum tax for livestock trailer purchases that occur from January 1, 2022, until the effective date of this act. DOR indicates this section will not have an expenditure impact on the agency, as developing tax forms and providing guidance on tax law changes are part of their regular duties.

This section will reduce General Fund sales tax revenue by an estimated $860, Education Improvement Act (EIA) Fund revenue by $215, and Homestead Exemption (HEX) Fund revenue by $1,235 and increase Infrastructure Maintenance Fund (IMF) revenue by $600 beginning in FY 2022-23. This would result in a total net revenue decrease of $1,710 beginning in FY 2022-23 from subjecting livestock trailers to the maximum sales tax. This section also will reduce local sales taxes by an estimated $1,766 due to the exemption of livestock trailers beginning in FY 2022-23. Further, this section will reduce General Fund income tax revenue by an estimated $855 in FY 2022-23 as a result of the income tax credit for any excess sales tax paid on a livestock trailer from January 1, 2022, until the effective date of the act as permitted in this section.

Sections 12-6-3710 and 12-6-3720
These sections provide an income tax credit for taxpayers that employ a formerly incarcerated individual or a veteran of the Armed Forces of the United States in an apprenticeship program validated by the United States Department of Labor (USDOL).

DOR and the Department of Commerce (Commerce) both indicated that these sections will not affect their expenditures. These agencies indicate that they will be able to implement the new tax credit with existing staff and resources. Apprenticeship Carolina, a division of the S.C. Technical College System, assists employers with registering an apprenticeship with the USDOL. They currently anticipate that they can assist with these responsibilities with existing staff, but because the staff are grant funded, they indicated that they may require funding in future years depending on available grant funding.

These sections will reduce General Fund individual income tax, corporate income or license taxes, bank tax, savings and loan association tax, and insurance premium taxes, or some combination thereof, by approximately $959,000 in in FY 2023-24, $2,101,000 in FY 2024-25, $2,531,000 in FY 2025-26, $2,605,000 in FY 2026-27, $2,468,000 in FY 2027-28, $896,000 in FY 2028-29, and $163,000 in FY 2029-30.

Please note, these estimates are based upon limited data and may be impacted if the number of active apprentices differs significantly from recent years. Apprenticeship Carolina noted that due to COVID-19, many programs were extended or suspended. However, data are unavailable to determine how this has affected the number of participants. Therefore, our estimates assume that programs return to a normal level in 2022. Further, the USDOL is currently reviewing and revising data on apprenticeship programs. Our estimates are based upon the latest published information from the USDOL and limited additional data provided for 2021, but may be impacted if the number of apprentices differs significantly from recent years after revisions.

Section 12-36-2630(2)
This section lowers the age of individuals exempt from paying 1 percent of the total 7 percent tax on accommodations from age 85 or older to age 78 or older. RFA anticipates that DOR will be able to administer the amended exemption with existing staff and resources, as the department administers several sales tax exemptions as part of the department's regular duties. Therefore, this section is not expected to impact expenditures for the agency.

This section will increase the number of individuals exempt from 1 percent of the total tax on accommodations. This 1 percent tax is credited to the EIA Fund. As a result, this section will reduce EIA Fund revenue by an estimated $1,533,000 beginning in FY 2022-23.

Section 12-36-922
This section requires each accommodations tax return filed with multiple locations to provide the address and amount of net taxable sales for each location. DOR indicates that any expenses related to the modification of forms from this additional requirement can be administered with existing resources. Therefore, this section will not have an expenditure impact on the agency.

Summary of Revenue Impacts (Select Years)

	FY 2022-23	FY 2023-24	FY 2024-25
General Fund			
Section 12-36-2110(A) - Sales Tax	($860)	($860)	($860)
Section 12-36-2110(A) - Income Tax Credit	($855)	$0	$0
Sections 12-36-3710 and 3720	$0	($959,000)	($2,101,000)
Total	**($1,715)**	**($959,860)**	**($2,101,860)**
EIA			
Section 12-36-2110(A)	($215)	($215)	($215)
Section 12-36-2630(2)	($1,533,000)	($1,533,000)	($1,533,000)
Total	**($1,533,215)**	**($1,533,215)**	**($1,533,215)**
HEX			
Section 12-36-2110(A)	($1,235)	($1,235)	($1,235)
IMF			
Section 12-36-2110(A)	$600	$600	$600
Local Revenue			
Section 12-37-220(B)(1)	Minimal	Minimal	Minimal
Section 12-39-250(B)	Undetermined	Undetermined	Undetermined
Section 12-37-220(B)(14)	Undetermined	Undetermined	Undetermined
Section 12-37-220(B)(10)	($3,765,000)	($3,765,000)	($3,765,000)
Section 12-36-2110(A)	($1,766)	($1,766)	($1,766)

Note: Figures in future years may not include growth. See details for additional years.

Explanation of Fiscal Impact

Amended by the House of Representatives on May 4, 2022
State Expenditure
Section 12-36-2110(A)
This bill amends Section 12-36-2110(A)(1)(e) to limit the sales tax on livestock trailers to the maximum sales tax of $500 or 5 percent, whichever is less. This section takes effect January 1, 2022, and permits a purchaser to claim an income tax credit equal to the difference between the full amount of sales tax paid and the applicable maximum tax for livestock trailer purchases that occur from January 1, 2022, until the effective date of this act. DOR indicates this section will not have an expenditure impact on the agency, as developing tax forms and providing guidance on tax law changes are part of their regular duties.

Sections 12-6-3710 and 12-6-3720
These sections provide an income tax credit for taxpayers that employ a formerly incarcerated individual or a veteran of the Armed Forces of the United States in an apprenticeship program.

The bill specifies that DOR must administer the credit and shall consult with Commerce, Apprenticeship Carolina of the S.C. Technical College System, and any other agency or entity necessary to establish a process by which employers are aware of an individual's eligibility for the credits.

DOR and Commerce both indicated that the responsibilities will not affect their expenditures. These agencies indicate that they will be able to implement the new tax credit with existing staff and resources. Therefore, these sections will have no expenditure impact for DOR or Commerce.

Currently, Apprenticeship Carolina, a division of the S.C. Technical College System, assists employers with registering an apprenticeship with the USDOL. They currently anticipate that they can assist with these responsibilities with existing staff, but because the staff are grant funded, they indicated that they may require funding in future years depending on available grant funding.

Section 12-36-2630(2)
This section lowers the age of individuals exempt from paying 1 percent of the total 7 percent tax on accommodations from age 85 or older to age 78 or older. RFA anticipates that DOR will be able to administer the amended exemption with existing staff and resources, as the department administers several sales tax exemptions as part of the department's regular duties. Therefore, this section is not expected to impact expenditures for the agency.

Section 12-36-922
This section requires each accommodations tax return filed with multiple locations to provide the address and amount of net taxable sales for each location. DOR indicates that any expenses related to the modification of forms from this additional requirement can be administered with existing resources. Therefore, this section will not have an expenditure impact on the agency.

State Revenue
Section 56-3-14940
This section eliminates the motor vehicle registration fee for disabled veterans with a service-connected disability who apply for a special purpose license plate. These veterans will be subject to this fee pursuant to Act 38 of 2021, beginning May 6, 2022. Prior to this enactment, disabled veterans were not required to pay the motor vehicle registration fee when obtaining a disabled veteran's special license plate. Additionally, this bill specifies that any fee that is collected between May 6, 2022, and the implementation of this bill must be refunded. As the fee has not been collected previously and any collections after May 6, 2022, must be refunded, the bill will not impact State revenues.

Section 12-36-2110(A)
This bill amends Section 12-36-2110(A)(1)(e) to limit the sales tax on livestock trailers to the maximum sales tax of $500 or 5 percent, whichever is less (maximum sales tax). Currently, Section 12-36-2110(A)(1)(e) subjects trailers or semitrailers, pulled by a truck tractor, and horse trailers to the maximum sales tax.

Based on conversations with DOR, trailers used for the transportation of any livestock other than horses are currently subject to the 6 percent state sales tax. The price of livestock trailers varies substantially, depending on size, hauling capacity, weight, and material. This analysis utilizes online price data from Truck Paper as of March 2022 to assume that approximately 95.0 percent of livestock trailers are purchased at an average price of $6,500 and the remaining 5 percent are purchased at an average price of $19,500.

Further, according to Specialty Research's March 2019 report, *Livestock Trailer Manufacturing Industry in North America: Size, Shares, Segmentation, Competitors, Growth, Channels & Trends*, approximately 1,500 livestock trailers were manufactured for the North American market in 2018, with no significant growth anticipated for the next five years. Accounting for the proportion of livestock trailers manufactured for and sold in the US and applying a 1.57 percent factor to account for South Carolina's population, results in an estimated 17 livestock trailers purchased per year in the state. Further, apportioning the number of trailers by price as enumerated above results in an estimated 16 trailers being purchased at an average price of $6,500, and 1 trailer being purchased at an average price of $19,500 annually.

This bill would limit sales tax on livestock trailers to $500 or 5 percent of the purchase price of the trailer, whichever is less. The table below outlines the change in the sales tax per trailer by price.

Estimated Change in State Sales Tax on Livestock Trailer Per Trailer

Estimated Livestock Trailers Sold	Price Per Trailer	Current Sales Tax at 6% per Trailer	Sales Tax at 5% or $500 per Trailer	Difference Per Trailer
16	$6,500	$390	$325	($65)
1	$19,500	$1,170	$500	($670)

(Figures may be rounded)

Multiplying the estimated 17 livestock trailers by their average assumed price yields estimated total livestock trailer sales of $124,000 a year and a total current sales tax of approximately $7,410. This amount will be reduced to $5,700, a reduction of $1,710 in total.

Estimated Change in Total State Sales Tax on Livestock Trailers

Estimated Livestock Trailers Sold	Total Trailer Sales	Current Sales Tax at 6%	Sales Tax at 5% or $500	Total Difference
16	$104,000	$6,240	$5,200	($1,040)
1	$19,500	$1,170	$500	($670)
Total	$124,000	$7,410	$5,700	($1,710)

(Figures may be rounded)

The revenue impact will vary by fund based on the differences in the allocation of the current 6 percent sales tax and items subject to the maximum sales tax. The following table provides the impact on the General Fund, the EIA Fund, the HEX Fund, and the IMF from the change.

Revenue Impact from Subjecting Livestock Trailers to the Maximum Sales Tax

Fund	**Livestock Trailers**		
	Current Sales Tax	**Anticipated Sales Tax ($500 maximum)**	**Annual Difference**
General Fund (4%)	$4,940	$4,080	($860)
EIA Fund (1%)	$1,235	$1,020	($215)
HEX Fund (1%)	$1,235	$0	($1,235)
IMF	N/A	$600	$600
Total	$7,410	$5,700	($1,710)

(Figures may be rounded)

Based on these assumptions, this section will reduce General Fund sales tax revenue by an estimated $860, EIA Fund revenue by $215, and HEX Fund revenue by $1,235, and increase IMF revenue by $600 beginning in FY 2022-23. This would result in a total net revenue decrease of $1,710 beginning in FY 2022-23 from subjecting livestock trailers to the maximum sales tax.

Further, this section takes effect January 1, 2022, and permits a purchaser to claim an income tax credit equal to the difference between the full amount of sales tax paid and the applicable maximum tax for livestock trailer purchases that occur from January 1, 2022, until the effective date of this act. Assuming the effective date of this act is July 1, 2022, this credit will reduce General Fund income tax revenue in FY 2022-23. Taking the annual difference enumerated in the table above of $1,710 and multiplying by 50 percent to account for a partial year of purchases results in a one-time reduction in General Fund income tax revenue of $855 in FY 2022-23.

<u>Sections 12-6-3710 and 12-6-3720</u>
These sections create a tax credit for taxpayers that employ a formerly incarcerated individual or a veteran of the Armed Forces of the United States in an apprenticeship program that has been validated by the USDOL beginning in tax year 2022. The taxpayer is eligible for a credit for each eligible employee in the amount of $3,000 in year one, $2,500 in year two, and $1,000 in year three if the eligible employee continues to meet the requirements. The credit may be taken against individual income tax, corporate income or license taxes, bank tax, savings and loan association tax, or insurance premium taxes. The credit amount may not exceed the taxpayer's liability and may not be carried forward. The credits are allowed for any qualifying individual employed in the registered apprenticeship program after the enactment of the bill and before 2027. Any apprentice employed in 2026 would be eligible for a tax credit after twelve months of employment, at which time the credits would end.

Please note, Apprenticeship Carolina noted that due to COVID-19, many programs were extended or suspended. However, data are unavailable to determine how this has affected the number of participants. Therefore, our estimates assume that programs return to a normal level in 2022 and are based upon federal fiscal year 2019-20 published figures. Further, the USDOL is currently reviewing and revising data on apprenticeship programs. Our estimates are based upon the latest published information from the USDOL, detailed below, but may be impacted if the number of apprentices differs significantly from recent years after revisions.

Apprenticeship Statistics for South Carolina

Federal Fiscal Year	Active Apprentices	New Apprentices	Completers	Active Programs	New Programs
2015	5,367	2,383	736	524	97
2016	5,297	2,004	611	569	63
2017	17,609	12,012	1,095	964	137
2018	20,763	7,042	2,158	1,054	148
2019	22,186	7,642	2,690	968	60
2020	20,715	5,987	2,079	1,183	93
Projected 2021	23,482	6,890	2,309	1,068	100
Projected 2022	23,482	6,890	2,309	1,068	108

Data Source: United States Department of Labor, Federal Fiscal Year reports; retrieved February 15, 2022
https://www.dol.gov/agencies/eta/apprenticeship/about/statistics/2020
Projections by S.C. Revenue and Fiscal Affairs

Based on the data shown above and preliminary data provided by the USDOL for 2021, we anticipate that there will be approximately 23,482 active apprentices in South Carolina in 2022. Under this amendment, existing apprentices would not qualify for tax credits. Only the newly added apprentices each year would be eligible for tax credits. An average of approximately 6,890 new apprentices were added in South Carolina per year over the last three reported years through 2020. Using historical data reported through 2021, 50.1 percent of all apprentices were in a non-government apprenticeship or about 3,454 new apprentices per year.

Data reported by the USDOL in 2021 indicate that approximately 42.8 percent of apprenticeships are for one year, 24.7 percent are for two years, and the remaining 32.5 percent are for three or more years. We used these percentages to estimate the number of apprentices that will qualify for the credit by year.

The table below provides estimates of the number of apprentices we anticipate will qualify for the tax credits over a 12-month period.

Estimate of Apprentices Eligible for Tax Credits

	Estimated New Apprentices Per Year
Total Apprentices	6,890
Estimated Apprentices Employed by a Non-government Entity	3,454
Percentage of Formerly Incarcerated [1]	5.1%
Estimated Formerly Incarcerated Apprentices	176
Percentage of Veterans [2]	10.77%
Estimated Veteran Apprentices	372
Total Estimated Eligible Apprentices	548

[1]Source: U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics Special Report, Lifetime Likelihood of Going to State of Federal Prison, March 1997
[2]Source: US Department of Labor, Employment and Training Administration, Registered Apprenticeship Sponsor Information Database (RAPIDS); through FY 2022 Q1; analysis by S.C. Revenue and Fiscal Affairs of apprentices reporting veteran status in a non-government apprenticeship

To further account for the timing, the impact is estimated by fiscal year based upon the new apprentices expected to qualify in a year and assuming that the hires are evenly distributed throughout the year. Because the apprentice must be hired after the enactment of the bill and the credit is earned in the year in which the apprentice completes twelve months of employment, the impact would be first applicable for apprentices hired after the bill passes in 2022. For the purposes of this analysis, we assume that the bill will be enacted July 1, 2022. Those apprentices newly hired from July 2022 to January 2023 would be eligible for the credit in tax year 2023, or FY 2023-24, following their first twelve-month employment. For the subsequent year, employees hired from February 2023 to January 2024 would be eligible in tax year 2024, or FY 2024-25.

Additionally, the tax credits only apply to apprenticeships before 2027. Therefore, beginning in FY 2027-28, the annual General Fund impact will decline as no new apprentices will be eligible for tax credits. Please note, these estimates do not anticipate a change in behavior or increase in the number of registered apprentices as a result of the tax credit, which would further increase the revenue impact. Under these assumptions, the estimated tax credits and resulting General Fund revenue impact are detailed below.

Estimate of Apprenticeship Tax Credit Impact by Fiscal Year

	New 2022 Employees (After Enactment)	New 2023	New 2024	New 2025	New 2026	Total by Year
Formerly Incarcerated	$264,000	$44,000	$0	$0	$0	$308,000
Veterans	$558,000	$93,000	$0	$0	$0	$651,000
FY 2023-24						**$959,000**
Formerly Incarcerated	$126,000	$505,000	$44,000	$0	$0	$675,000
Veterans	$266,000	$1,067,000	$93,000	$0	$0	$1,426,000
FY 2024-25						**$2,101,000**
Formerly Incarcerated	$29,000	$235,000	$505,000	$44,000	$0	$813,000
Veterans	$60,000	$498,000	$1,067,000	$93,000	$0	$1,718,000
FY 2025-26						**$2,531,000**
Formerly Incarcerated	$0	$52,000	$235,000	$505,000	$44,000	$836,000
Veterans	$0	$111,000	$498,000	$1,067,000	$93,000	$1,769,000
FY 2026-27						**$2,605,000**
Formerly Incarcerated	$0	$0	$52,000	$235,000	$505,000	$792,000
Veterans	$0	$0	$111,000	$498,000	$1,067,000	$1,676,000
FY 2027-28						**$2,468,000**
Formerly Incarcerated	$0	$0	$0	$52,000	$235,000	$287,000
Veterans	$0	$0	$0	$111,000	$498,000	$609,000
FY 2028-29						**$896,000**
Formerly Incarcerated	$0	$0	$0	$0	$52,000	$52,000
Veterans	$0	$0	$0	$0	$111,000	$111,000
FY 2029-30						**$163,000**

Assumes even distribution of hires by month; actual timing of the impact may vary depending on hiring patterns.

In summary, these sections will reduce General Fund individual income tax, corporate income or license taxes, bank tax, savings and loan association tax, and insurance premium taxes, or some combination thereof, by approximately $959,000 in in FY 2023-24, $2,101,000 in FY 2024-25, $2,531,000 in FY 2025-26, $2,605,000 in FY 2026-27, $2,468,000 in FY 2027-28, $896,000 in FY 2028-29, and $163,000 in FY 2029-30. These estimates are based upon limited data and may be impacted if the number of active apprentices differs significantly from recent years.

Section 12-36-2630(2)
The following taxes compose the 7 percent sales tax on accommodations:

- a 4 percent tax credited to the state General Fund,
- a 1 percent tax credited to the EIA Fund, and
- a 2 percent local accommodations tax credited to the political subdivisions of the State.

Currently, individuals aged 85 years or older are exempt from paying the 1 percent tax on accommodations credited to the EIA Fund. This bill would amend Section 12-36-2630(2) to exempt individuals aged 78 or older from paying this tax. The table below provides the total accommodations tax revenue received in recent years and our current forecasts for FY 2021-22 and FY 2022-23.

Total Accommodations Tax Revenue

Fiscal Year	Accommodations Tax Revenue (2%)
FY 2018-19	$75,229,292
FY 2019-20	$65,856,498
FY 2020-21	$75,746,900
FY 2021-22 (estimate)	$99,942,855
FY 2022-23 (estimate)	$109,868,537

Based on U.S. Census Bureau estimates in the 2019 Annual Social and Economic Supplement, approximately 2.4 percent of travel-aged individuals, defined as those age 18 and older, are currently exempt from the 1 percent EIA tax on accommodations. This legislation would increase this number to 6.3 percent, meaning 3.9 percent of individuals would be newly exempt from paying 1 percent of the total 7 percent tax on accommodations.

According to the S.C. Department of Parks, Recreation, and Tourism's *Economic Contribution of Tourism in South Carolina: 2019 Tourism Satellite Account* report, 71.4 percent of gross tourism spending is by residents, out-of-state visitors, and international visitors, with the remaining 28.6 percent of spending by businesses and governmental entities. This analysis assumes that these values are proportional to spending on accommodations. Therefore, we have adjusted the impact downward by 28.6 percent, as travel related to government and business is unlikely to benefit from this 1 percent exemption.

Multiplying the FY 2022-23 local accommodations tax revenue estimate by 3.9 percent, adjusting down to discount this figure for business and government, and dividing by two to account for the 1 percent tax rate for the EIA yields an estimated reduction in EIA Fund revenue of $1,533,000 beginning in FY 2022-23.

Local Expenditure

Section 12-37-220(B)(10)

This section 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

Section 12-37-220(B)(1)

This section 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 Section 12-37-220(B). This bill also allows an owner-occupied resident who lives on heir's property to claim a property tax exemption pursuant to Section 12-37-22 so long as the person does not claim the special assessment rate allowed pursuant to Section 12-43-220(c) on any other property beginning in tax year 2022.

Currently, Section 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 Section 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 Section 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.

RFA anticipates that due to the small number of properties that would become eligible for a tax exemption because of this section of the bill, the impact to local property tax revenue will be minimal.

Section 12-39-250(B)

This section requires the county assessor or the County Board of Assessment Appeals, upon application of the taxpayer, to order the County Auditor to adjust the valuation and assessment of any real property damaged by flooding, a hurricane, or a wind event. This bill takes effect beginning in tax year 2022.

RFA anticipates this amended bill will have more of an impact for those counties along the coast. Therefore, RFA contacted Charleston, Horry, Georgetown, and Beaufort, the four counties most likely to experience flood, hurricane, or wind damage. Georgetown previously responded that, for a home that is flooded or storm damaged, the appraisal for that home is adjusted for the following tax roll if the damage is extensive, and the repairs are not complete prior to December 31st. Homes that have fire damage, however, are omitted from the tax roll in the current year. If the home is repaired, once the work is complete and the county receives a certificate of occupancy, the house is added back to the tax roll in the following year. Based on Georgetown's response, this bill may result in a loss of property tax revenue for flooded, hurricane damaged, or wind damaged properties being removed from the tax roll until renovations are complete, rather than simply lowering the value. However, the number of homes that may flood or suffer from hurricane or wind-event damage and how quickly they may be repaired is unknown. Therefore, this section of the bill may result in an undetermined local property tax revenue reduction 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 due to this amended bill.

Section 12-37-220(B)(14)
This section exempts all farm buildings and agricultural structures owned by a producer in this state that are used to house livestock, poultry, crops, farm equipment, or farm supplies beginning in tax year 2022. RFA contacted local assessors to determine the value of this type of property. Dorchester County responded and estimated that approximately 23 percent of their agricultural property as of tax year 2021 would qualify for this exemption.

Due to the small sample size and differences between counties, the potential property tax revenue reduction could vary for each county. Also, the value of structures on agricultural property may vary greatly. For example, a pole barn for housing tractors will vary widely from a stable for horses. RFA estimates that the total assessed value for agricultural property statewide for tax year 2022 will be approximately $152,047,000. This is approximately 0.5 percent of total statewide assessed value.

The following chart estimates the potential local property tax revenue reduction statewide based on a range of 10 percent to 50 percent and a statewide millage rate of 358.6 beginning in tax year 2022.

Estimated Statewide Agricultural Structure Property Tax Exemption beginning in 2022

Percent of Agricultural Property Exempt	Property Tax Reduction
10%	$5,452,000
20%	$10,905,000
30%	$16,357,000
40%	$21,810,000
50%	$27,262,000

Assuming 50 percent of the total statewide estimated agricultural assessed value is exempt due to this section of the bill, the reduction to property taxes statewide would be less than 1.0 percent of the projected property taxes for tax year 2022. Given the potential range, the statewide impact is undetermined.

Section 12-37-220(B)(10)
This section adds mix-use property to the property tax exemption for telephone companies and rural telephone cooperatives, pursuant to Section 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 Section 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 the local property tax revenue impact above the estimated $3,765,000.

Section 12-36-2110(A)
This bill amends Section 12-36-2110(A)(1)(d) to limit the sales tax on livestock trailers to the maximum sales tax of $500 or 5 percent, whichever is less. Currently, livestock trailers are subject to the 6 percent state sales tax and any local taxes imposed. Items subject to the maximum sales tax are not subject to local taxes. Local sales taxes in South Carolina average an additional 1.43 percent. Based upon the analysis outlined in the State Revenue section, this bill would, therefore, reduce local sales taxes by an estimated $1,766 from the change to taxation of livestock trailers beginning in FY 2022-23.

Please see our website for prior versions of this impact statement. [*www.rfa.sc.gov/impacts*](http://www.rfa.sc.gov/impacts)

Frank A. Rainwater

Frank A. Rainwater, Executive Director