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COMMITTEE REPORT

May 5, 2021

**H. 3354**

Introduced by Rep. Ballentine

S. Printed 5/5/21--S.

Read the first time April 7, 2021.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (H. 3354) to amend Section 12‑37‑220, as amended, Code of Laws of South Carolina, 1976, relating to property tax exemptions, so as to exempt a renewable, etc., respectfully

**REPORT:**

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

Amend the bill, as and if amended, by adding an appropriately numbered SECTION to read:

/ SECTION \_\_\_. Section 12-37-220(B)(11)(e) of the 1976 Code, as last amended by Act 145 of 2020, is amended further to read:

“(e) all property of nonprofit housing corporations or instrumentalities of these corporations when the property is devoted to providing housing to low or very low income residents. A nonprofit housing corporation or its instrumentality must satisfy the safe harbor provisions of Revenue Procedure 96‑32 issued by the Internal Revenue Service for this exemption to apply. For purposes of this subitem, property of nonprofit housing corporations or instrumentalities of these corporations includes all leasehold interests in ~~and improvements to~~ property owned by an entity that provides housing accommodations to persons of low or very low income, and in which a wholly owned affiliate or wholly owned instrumentality of a nonprofit housing corporation is the general partner, managing member, or the equivalent. However, the exemption allowed by this subitem only applies if the property of nonprofit housing corporations or instrumentalities of these corporations satisfies the safe harbor provisions of Revenue Procedure 96‑32 issued by the Internal Revenue Service;” /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Local Revenue**

This bill adds a property tax exemption for renewable energy resource property having a nameplate capacity of and operating at no greater than 20 kilowatts (kW). This exemption applies beginning after FY 2020-21.

Based on information provided by the South Carolina Energy Office (Energy Office), a department of the Office of Regulatory Staff, most solar installations with a capacity of no greater than 20 kilowatts (kW) are residential installations. Therefore, Revenue and Fiscal Affairs anticipates this exemption will only apply to residential properties. Based on conversations with assessors, residential solar panels do not currently add value to residential property. Therefore, this exemption is not expected to result in a loss of property tax revenue.

However, the following analysis provides additional information regarding the potential renewable energy property exempted by this bill:

Based upon the most recent data available from the Energy Office as of July 31, 2020, approximately 25,342 solar installations with a capacity of 20 kW or less are currently installed in the state, with a combined total capacity of 203,624 kW. This equates to an average of 8.04 kW per installation. Also, the current cost of a residential solar system totals $3.80/W, according to the Energy Office.

Multiplying the estimated $3.80/W times an average capacity of 8.04 kW yields an estimated value of approximately $30,500 per system. For the estimated 25,342 solar installations with a capacity of 20 kW or less currently installed in the state, the total estimated value is $774,249,000.

As stated previously, this exemption would only reduce local revenue to the extent that the owner is paying property taxes on the equipment. Businesses that pay property taxes in South Carolina potentially could claim the exemption for residential installations that are leased. Depending upon the structure of the lease and accounting practices, we expect that the majority of the leasing companies are not paying business personal property taxes on the equipment currently. Based upon Energy Office data for existing installations, approximately 32 percent of installations are leased as of July 31, 2020. Multiplying the total value of $774,249,000 by 32 percent, the value of the leased installations is estimated at $247,759,000. At an assessment ratio of 10.5 percent and a projected average millage rate of 363.1, business personal property tax for residential installations would generate a maximum of $9,446,000 in FY 2021-22. This represents approximately 0.1 percent of current projected property tax revenue. The property tax impact for other installations would depend upon the assessment of the property. Additionally, Revenue and Fiscal Affairs anticipates that local governments will increase millage rates, within the limitations, to offset any potential loss in local property tax revenue.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 12‑37‑220, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO PROPERTY TAX EXEMPTIONS, SO AS TO EXEMPT A RENEWABLE ENERGY RESOURCE PROPERTY HAVING A NAMEPLATE CAPACITY OF AND OPERATING AT NO GREATER THAN TWENTY KILOWATTS.

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

SECTION 1. Section 12‑37‑220(B) of the 1976 Code, as last amended by Act 145 of 2020, is further amended by adding an appropriately numbered item at the end to read:

“( ) a renewable energy resource property having a nameplate capacity of and operating at no greater than twenty kilowatts, as measured in alternating current. For purposes of this item, ‘renewable energy resource’ means property defined in Section 58‑40‑10. This definition includes, but is not limited to, all components that enhance the operational characteristics of the generating equipment, such as an advanced inverter or battery storage device, and equipment required to meet all applicable safety, performance, interconnection, and reliability standards established by the commission, the National Electrical Code, the National Electrical Safety Code, the Institute of Electrical and Electronics Engineers, Underwriters Laboratories, the Federal Energy Regulatory Commission, and any local governing authorities.”

SECTION 2. This act takes effect upon approval by the Governor and applies to property tax years beginning after 2020.

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