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Indicates New Matter

COMMITTEE REPORT

March 29, 2017

**H. 3867**

Introduced by Reps. Herbkersman, Pitts, Hayes, Anthony and Cobb‑Hunter

S. Printed 3/29/17--H.

Read the first time March 1, 2017.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 3867) to amend Section 12‑37‑220, as amended, Code of Laws of South Carolina, 1976, relating to exemptions from property tax, so as to exempt all, 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 striking SECTION 1 and inserting:

/ SECTION 1. Section 12‑37‑220(B)(11)(e) of the 1976 Code is amended to read:

“(e) all property of nonprofit housing corporations or ~~solely‑owned~~ instrumentalities of these corporations ~~which~~ when the property is devoted to providing housing to low or very low income residents. A nonprofit housing corporation must satisfy the safe harbor provisions of Revenue Procedure 96‑32 issued by the Internal Revenue Service ~~to qualify~~ for this exemption to apply. For purposes of this subitem, partnerships, limited liability companies, or other corporations are instrumentalities if the nonprofit housing corporation is the controlling partner, member, or shareholder of the instrumentality. For purposes of this subitem, ‘controlling’ means the nonprofit house corporation is the partner, member, or shareholder of the instrumentality permitted to exercise substantial and continuous control over the provision of the low or very low income housing;” /

Renumber sections to conform.

Amend title to conform.

W. BRIAN WHITE for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Introduced on March 1, 2017**

**Local Revenue**

This bill expands the property tax exemption under S.C. Code Section 12-37-220(B)(11)(e) to include any nonprofit corporation’s instrumentality devoted to providing housing to low or very low income residents and defines such instrumentalities to include partnerships, LLCs, and other corporations of which the nonprofit housing corporation is a partner, member, or shareholder. Currently, the section exempts nonprofit housing corporations and solely owned instrumentalities of these corporations which are devoted to providing housing to low or very low income residents from local property taxes.

This bill is expected to impact local property tax revenue. There are currently 1,251 exemptions granted under S.C. Code Section 12-37-220(B)(11)(e) by the Department of Revenue but data regarding the value of these exemptions is unavailable. We anticipate that allowing any nonprofit corporation instrumentality devoted to providing housing to low and very low income residents, rather than just those that are solely owned, will add exemptions under this code section. Information is not available to estimate the exact number of potential new exemptions, but we anticipate that it is rare that an instrumentality would meet the definition under the bill, but not under current law, resulting in only a few new exemptions. Additionally, data is unavailable to estimate how much of a loss each additional exemption would cause to the local property tax revenue as the amount of property owned by each instrumentality may vary greatly. Due to the limited information available and the difficulty of determining both the prevalence of this situation occurring and the impact such an occurrence would have, the impact to the local property tax statewide is undetermined. However, as we expect the bill will create only a few new exemptions, the impact is likely to be minimal.

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 EXEMPTIONS FROM PROPERTY TAX, SO AS TO EXEMPT ALL PROPERTY DEVOTED TO HOUSING LOW INCOME RESIDENTS IF THE PROPERTY IS OWNED BY AN INSTRUMENTALITY OF A NONPROFIT HOUSING CORPORATION.

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

SECTION 1. Section 12‑37‑220(B)(11)(e) of the 1976 Code is amended to read:

“(e) all property of nonprofit housing corporations or ~~solely‑owned~~ instrumentalities of these corporations which is devoted to providing housing to low or very low income residents. A nonprofit housing corporation must satisfy the safe harbor provisions of Revenue Procedure 96‑32 issued by the Internal Revenue Service ~~to qualify~~ for this exemption to apply. For purposes of this subitem, ‘instrumentalities’ means partnerships, limited liability companies, or other corporations of which the nonprofit housing corporation is a partner, member, or shareholder;”

SECTION 2. This act takes effect upon approval by the Governor and first applies to property tax years beginning after 2016.

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