

REPORT OF THE PROPERTY TAX SUBCOMMITTEE

(Barfield, Clyburn, Merrill, Huggins & Skelton - Staff Contact: Ben Twilley)

HOUSE BILL 3934

H. 3934 -- Reps. Bingham, Lowe, Atwater, Huggins, Bales and Pinson: A BILL TO AMEND SECTION 12-43-224, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE ASSESSMENT OF UNDEVELOPED ACREAGE SUBDIVIDED INTO LOTS, SO AS TO PROVIDE THAT THE DISCOUNT APPLIES TO A DEVELOPER THAT HAS FIVE LOTS INSTEAD OF TEN LOTS, AND TO PROVIDE THAT IF APPLICATION FOR THE DISCOUNTED RATE COMES AFTER MAY FIRST BUT BEFORE JUNE FIRST, THE OWNER SHALL RECEIVE THE DISCOUNTED RATE BUT THE DISCOUNT SHALL BE REDUCED; AND TO AMEND SECTION 12-43-225, AS AMENDED, RELATING TO MULTIPLE LOT DISCOUNTS, SO AS TO PROVIDE THAT THE DISCOUNT APPLIES TO A DEVELOPER THAT HAS FIVE LOTS INSTEAD OF TEN LOTS, TO PROVIDE THAT IF APPLICATION FOR THE DISCOUNTED RATES COMES AT A CERTAIN TIME AFTER MAY FIRST THE ASSESSOR STILL SHALL GRANT THE DISCOUNT IF ALL OTHER REQUIREMENTS ARE MET, TO PROVIDE THAT APPLICATION FOR THE DISCOUNTED RATE ONLY MUST BE MADE IN THE FIRST YEAR, AND TO TOLL TIME LIMITATIONS FOR CERTAIN PROPERTY.

Summary of Bill:

This bill revises provision for the property tax assessment of undeveloped acreage subdivided into lots, so as to provide that the discount applies to a developer that has five lots instead of ten lots. The legislation provides that, if application for the discounted rate comes after May 1 but before June 1, the owner shall receive the discounted rate but the discount shall be reduced. The legislation revises multiple lot discounts, so as to provide that the discount applies to a developer that has five lots instead of ten lots. The legislation provides that if application for the discounted rates comes at a certain time after May 1 the assessor still shall grant the discount if all other requirements are met. The legislation provides that application for the discounted rate only must be made in the first year and tolls time limitations for certain property.

Introduced: 3/15/2011

Received by Ways and Means: 3/15/2011

Estimated Fiscal Impact:

Local property tax revenues are expected to be reduced by \$5.8 million

Subcommittee Recommendation:

Favorable

Full Committee Recommendation:

Pending

Other Notes/Comments:

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South Carolina Office of Research and Statistics

Statement of Estimated Local Revenue Impact

Date: April 5, 2011

Bill Number: H.B. 3934

Authors: Bingham, Lowe, Atwater, Huggins, Bales, Pinson, Toole, et. al.

Committee Requesting Impact: House Ways and Means

Bill Summary

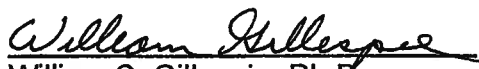
A bill to amend Section 12-43-224, Code of Laws of South Carolina, 1976, relating to the assessment of undeveloped acreage subdivided into lots, so as to provide that the discount applies to a developer that has five lots instead of ten lots, and to provide that if application for the discounted rate comes after May first but before June first, the owner shall receive the discounted rate but the discount shall be reduced; and to amend Section 12-43-225, as amended, relating to multiple lot discounts, so as to provide that the discount applies to a developer that has five lots instead of ten lots, to provide that if application for the discounted rates comes at a certain time after May first the assessor still shall grant the discount if all other requirements are met, to provide that application for the discounted rate only must be made in the first year, and to toll time limitations for certain property.

REVENUE IMPACT ^{1/}

Local property tax revenues are expected to decrease by \$5.8 million in FY 2011-12.

Explanation

Under current law the application due date for the multiple lot discount is May 1. This bill allows the application to be submitted after May 1 but before June 1 and still get the discount. If the application is received after May 1 the discount rate is reduced by ten percent. This bill also allows the discount to stay with the property not the real property owner until terminated by existing law. Also, under current law in order for a subdivision to be eligible for the multiple lot discount, the recorded plat must contain at least ten building lots. This bill lowers the requirement to five building lots. Finally, under current law, the discounted value applies for five property tax years. This bill changes the time limit on property that becomes eligible for the discount allowed by this Section after December 31, 2005 and before January 1, 2014 by allowing the property to continue receiving the discounted value until January 1, 2014. Also the time limitations are tolled and the time for the discount does not begin to accrue until January 1, 2014. Based on conversations with county assessors, we estimate this bill will reduce local property tax revenues by \$5.8 million in FY 2011-12.


William C. Gillespie, Ph.D.
Chief Economist

Analyst: Gibson

^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

South Carolina General Assembly
119th Session, 2011-2012

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~~Indicates Matter Stricken~~
Indicates New Matter

H. 3934

STATUS INFORMATION

General Bill

Sponsors: Reps. Bingham, Lowe, Atwater, Huggins, Bales, Pinson, Toole, Barfield, Clemmons, Norman, Owens, Lucas, Delleney, Loftis, Corbin, Simrill, Hixon, Taylor, D.C. Moss, J.R. Smith, Limehouse, Sottile, Bikas, Hiott, Parker, Allison, Long, Erickson, Patrick, Herbkersman, Merrill, Cole, Sellers, Ott, Hardwick, Hearn, Tallon, Stringer, Ryan, White, Pope, Henderson, Nanney, Sandifer, V.S. Moss, Horne, Neilson, Edge, Crawford, Viers, Quinn, Tribble, Willis, Parks, King, Ballentine and Bannister

Document Path: I:\council\bill\ncd\11453dg11.docx

Introduced in the House on March 15, 2011

Currently residing in the House Committee on **Ways and Means**

Summary: Assessment of undeveloped acreage subdivided into lots

HISTORY OF LEGISLATIVE ACTIONS

Date	Body	Action Description with journal page number
3/15/2011	House	Introduced and read first time (<u>House Journal</u> -page 9)
3/15/2011	House	Referred to Committee on Ways and Means (<u>House Journal</u> -page 9)
3/15/2011	House	Member(s) request name added as sponsor: Atwater, Huggins, Bales, Pinson
3/16/2011	House	Member(s) request name added as sponsor: Toole
3/31/2011	House	Member(s) request name added as sponsor: Barfield, Clemmons, Norman, Owens, Lucas, Delleney, Loftis, Corbin, Simrill, Hixon, Taylor, D.C.Moss, J.R.Smith, Limehouse, Sottile, Bikas, Hiott, Parker, Allison, Long, Erickson, Patrick, Herbkersman, Merrill, Cole, Sellers, Ott, Hardwick, Hearn, Tallon, Bannister, Stringer, Ryan, White, Pope, Henderson, Nanney, Sandifer, V.S.Moss, Horne, Neilson, Edge, Crawford, Viers, Quinn, Tribble, Willis, Parks, King, Ballentine

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VERSIONS OF THIS BILL

3/15/2011

(Text matches printed bills. Document has been reformatted to meet World Wide Web specifications.)

A BILL

TO AMEND SECTION 12-43-224, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE ASSESSMENT OF UNDEVELOPED ACREAGE SUBDIVIDED INTO LOTS, SO AS TO PROVIDE THAT THE DISCOUNT APPLIES TO A DEVELOPER THAT HAS FIVE LOTS INSTEAD OF TEN LOTS, AND TO PROVIDE THAT IF APPLICATION FOR THE DISCOUNTED RATE COMES AFTER MAY FIRST BUT BEFORE JUNE FIRST, THE OWNER SHALL RECEIVE THE DISCOUNTED RATE BUT THE DISCOUNT SHALL BE REDUCED; AND TO AMEND SECTION 12-43-225, AS AMENDED, RELATING TO MULTIPLE LOT DISCOUNTS, SO AS TO PROVIDE THAT THE DISCOUNT APPLIES TO A DEVELOPER THAT HAS FIVE LOTS INSTEAD OF TEN LOTS, TO PROVIDE THAT IF APPLICATION FOR THE DISCOUNTED RATES COMES AT A CERTAIN TIME AFTER MAY FIRST THE ASSESSOR STILL SHALL GRANT THE DISCOUNT IF ALL OTHER REQUIREMENTS ARE MET, TO PROVIDE THAT APPLICATION FOR THE DISCOUNTED RATE ONLY MUST BE MADE IN THE FIRST YEAR, AND TO TOLL TIME LIMITATIONS FOR CERTAIN PROPERTY.

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

SECTION 1. Section 12-43-224 of the 1976 Code is amended to read:

"Section 12-43-224. Notwithstanding the requirement that real property is required by law to be appraised at fair market value for ad valorem tax purposes, when undeveloped acreage is surveyed into subdivision lots and the conditional or final plat is recorded with the appropriate county official, the county assessor shall appraise each lot as an individual property and then discount his gross actual market value estimate of the developer's lot holdings under the following conditions:

1. The discount rate shall include only:

(a) typical interest rate as charged by developers within the county to purchasers of lots when the purchase is financed by the developer or, in the absence of financing by the developer, the typical interest rate charged by local savings and loan institutions for mortgages on new homes.

(b) the effective tax rate for the tax district that the lots are located in.

2. The developer has ~~ten~~ five or more unsold lots within the homogeneous area on the December ~~31~~ thirty-first tax control date.

3. The assessor shall determine a reasonable number of years for the developer to sell the platted lots, however the estimate shall not exceed seven years.

Each of these components shall be based on identifiable factors in determining 'The Present Worth of Future Benefits' based on the discounting process.

Platted lots shall not come within the provisions of this section unless the owners of such real property or their agents make written application therefore on or before May ~~1st~~ first of the tax year in which the multiple lot ownership discounted value is initially claimed. If the owner or the owner's agent makes written application after May first but before June first, the owner shall still receive the discounted value, but the amount of the discount on the gross actual market value must be reduced by ten percent in the year in which the late application occurs.

The application for the discounted value ~~shall~~ must be made to the assessor of the county in which the real property is located, upon forms provided by the county and approved by the department and a failure to so apply shall constitute a waiver of the discounted value for that year."

SECTION 2. Section 12-43-225 of the 1976 Code, as last amended by Act 89 of 2001, is further amended to read:

"Section 12-43-225. (A) For subdivision lots in a plat recorded on or after January 1, 2001, and notwithstanding the provisions of Section 12-43-224, a subdivision lot discount is allowed in the valuation of the platted lots only as provided in subsection (B) of this section, and this discounted value applies for five property tax years or until the lot is sold to an entity whose business is not primarily residential development or residential construction, or a certificate of occupancy is issued for the improvement on the lot, or the improvement is occupied, whichever of them elapses or occurs first. If the discount is allowed, the discount vests with the real property and runs with the property, not the real property owner, until the discount is terminated by a provision of this section. When the discount allowed by this section no longer applies, the lots must be individually valued as provided by law.

(B) To be eligible for a subdivision lot discount, the recorded plat must contain at least ~~ten~~ five building lots. The owner shall apply for the discount by means of a written application to the assessor on or before May first of the year for which the discount is initially claimed. In the following four years of eligibility no annual application is required. The value of each platted building lot is calculated:

- (1) by dividing the total number of platted building lots into the value of the entire parcel as undeveloped real property; and
- (2) as provided in Section 12-43-224 and the difference between the two calculations determined.

The value of a lot as determined under Section 12-43-224 is reduced as follows:

For lots in plats recorded in 2001, the value is reduced by thirty percent of the difference.

For lots in plats recorded in 2002, the value is reduced by sixty percent.

For lots in plats recorded after 2002, the value is reduced by one hundred percent of the difference.

(C) If a lot located in a subdivision with five or more platted lots ~~allowed the discount provided by this section~~ is sold to the holder of a residential homebuilder's license or general contractor's license, the licensee shall receive the discount ~~continues~~ through the first tax year which ends twelve months from the date of sale if the purchaser files a written application for the discount with the county assessor by May first of the year for which the applicant is initially claiming the discount.

(D) Notwithstanding subsections (B) and (C), if at any time after the property has been platted into five or more lots and after the initial tax bill is received, but before the property tax payment is due with penalty, the developer may appeal the tax bill to the county assessor and request the discount allowed by this section. The assessor must grant the discount so long as the developer meets the other requirements of this section.

(E) Notwithstanding the time limitations provided in subsections (A) and (C), any qualified residential subdivision property that becomes eligible for the discount allowed by this section after December 31, 2005, and before January 1, 2014, and remains a qualified property, shall receive the discounted value

until January 1, 2014, and the time limitations are tolled and time shall not begin to accrue until January 1, 2014."

SECTION 3. This act takes effect upon approval by the Governor and applies to property tax years beginning after 2010.

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