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REPORT OF THE LEGISLATIVE SUBCOMMITTEE

Clyburn, Anthony, Whitmire, Erickson, and Cole
Staff Contact: Kenzie Riddle

HOUSE BILL 3463

H. 3463 -- Reps. Martin, B. Newton, V.S. Moss, G.R. Smith, Arrington, Elliott, Ott, West, Bennett, Atkinson, Govan, Hill, McCravy, Hosey, Davis, Magnuson, Bedingfield, Felder, Blackwell, Brown, Clemmons, Forrest, Gagnon, Hayes, Hiott, Hixon, Norrell, Pope, Putnam and Wheeler: A BILL TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12-43-235 SO AS TO PROVIDE THAT IF PROPERTY WAS ASSESSED AS AGRICULTURAL PROPERTY OR AS FARM MACHINERY AND EQUIPMENT IN 2016, THE PROPERTY MUST CONTINUE TO BE ASSESSED WITH THE SAME ASSESSMENT RATIO UNLESS A CHANGE OF USE OCCURS.

Summary of Bill:

This bill would allow if property was assessed as agricultural property or as farm machinery and equipment last year the property must continue to be assessed with the same assesement ratio unless something has changed.

Estimated Revenue Impact:

The local expenditure and local property tax revenue impact would vary widely by county depending on the number of properties assessed as agricultural property in tax year 2016 that would continue to receive agricultural assessment until a change in use occurs despite no longer qualifying for other reasons.

Subcommittee Recommendation:

Favorable



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3463 Introduced on January 12, 2017
Author: Martin
Subject: Property
Requestor: House Ways and Means
RFA Analyst(s): Gable
Impact Date: March 13, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	Undetermined	\$0
Local Revenue	Undetermined	\$0

Fiscal Impact Summary

Based upon various county responses, the local expenditure and local property tax revenue impact would vary widely by county depending on the number of properties assessed as agricultural property in tax year 2016 that would continue to receive agricultural assessment until a change in use occurs despite no longer qualifying for other reasons.

Explanation of Fiscal Impact

Introduced on January 12, 2017

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

This bill requires property assessed as agricultural property or farm machinery and equipment in tax year 2016 to continue to be assessed as such until a change of use has occurred. Currently, property assessed as agriculture may lose its assessment when there is a change in ownership and failure to reapply, when there is a change in use, or when the property fails to meet the criteria for a special inclusion. Typically, a county will reassess agriculturally assessed properties when the property goes under new ownership and the new owner fails to reapply for the agricultural assessment within one year of the filing of the deed.

This bill shifts the burden of proving the change in use, or lack thereof, from a new owner to the county. Based on conversations with county assessors, the bill would require the counties to evaluate all agriculturally assessed property that goes under new ownership to determine if there is a change in use. The expense to the counties for these evaluations would vary widely from county to county depending on the number of properties evaluated as well as the complexities involved in the evaluation in a given tax year. Some of the complexities include determining if a property qualified for an agricultural assessment due to a special inclusion or whether property sold falls below the minimum acreage qualification and whether these properties would still qualify for an agricultural assessment under new ownership. Special inclusion includes the 50 percent rule, so that if at least half of the property is being used for agricultural purposes then the whole property qualified, and the grandfather rule, so that if property that was farmland in past generations and remains in the family but no longer has the minimum amount of acreage would still qualify. Because of the complexities of the evaluation, the unknown number of evaluations, and the wide variations in the number of evaluations by county, the local expenditure impact to the counties is undetermined.

Local Revenue

This bill requires property assessed as agricultural property in tax year 2016 to continue to be assessed as agricultural property until there is a change in use. Currently, those properties that qualified for the agricultural assessment due to a special inclusion such as the grandfather rule, the 50 percent rule, and those properties that have only the minimum amount of acreage could lose the agricultural assessment and receive a higher assessment when the property is placed under new ownership outside of the family or is sold in smaller parcels. As there has been no change in the use of such property, this bill would require the property to continue to receive the agricultural assessment, thereby reducing local property tax revenue.

The reduction would vary widely from county to county depending on how many properties currently qualifying for the agricultural assessment would receive a higher assessment under current law, but continue to receive the agricultural assessment per the bill's requirement. Based upon RFA's latest estimates, agricultural property tax, both private and corporate, comprises approximately \$41,962,000 statewide. This amount is 0.6 percent of all property tax revenue. County assessors were unable to predict the number of properties they expected to be affected or the potential impact to local property tax revenue. Therefore, the potential reduction on local property tax revenue is undetermined.



Frank A. Rainwater, Executive Director

South Carolina General Assembly
122nd Session, 2017-2018

H. 3463

STATUS INFORMATION

General Bill

Sponsors: Reps. Martin, B. Newton, V.S. Moss, G.R. Smith, Arrington, Elliott, Ott, West, Bennett, Atkinson, Govan, Hill, McCravy, Hosey, Davis, Magnuson, Bedingfield, Felder, Blackwell, Brown, Clemmons, Forrest, Gagnon, Hayes, Hiott, Hixon, Norrell, Pope, Putnam and Wheeler
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Introduced in the House on January 12, 2017
Currently residing in the House Committee on **Ways and Means**

Summary: Property

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
1/12/2017	House	Introduced and read first time (<u>House Journal-page 426</u>)
1/12/2017	House	Referred to Committee on Ways and Means (<u>House Journal-page 426</u>)

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VERSIONS OF THIS BILL

1/12/2017

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A BILL

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12-43-235 SO AS TO PROVIDE THAT IF PROPERTY WAS ASSESSED AS AGRICULTURAL PROPERTY OR AS FARM MACHINERY AND EQUIPMENT IN 2016, THE PROPERTY MUST CONTINUE TO BE ASSESSED WITH THE SAME ASSESSMENT RATIO UNLESS A CHANGE OF USE OCCURS.

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

SECTION 1. Article 3, Chapter 43, Title 12 of the 1976 Code is amended by adding:

“Section 12-43-235. Notwithstanding any other provision of law, if in property tax year 2016 property was assessed as agricultural property pursuant to Section 12-43-220(d) or assessed as farm machinery and equipment pursuant to Section 12-43-220(b), the property must continue to be assessed with the same assessment ratio unless a change of use occurs.”

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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