**South Carolina General Assembly**

119th Session, 2011-2012

**S. 447**

**STATUS INFORMATION**

General Bill

Sponsors: Senators O'Dell, Peeler, Leatherman, Bryant, Nicholson, Cleary, Alexander, Cromer, Elliott, Setzler, Ford, Knotts and Campbell

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Introduced in the Senate on January 26, 2011

Currently residing in the Senate

Summary: Tax Assessment of undeveloped acreage

**HISTORY OF LEGISLATIVE ACTIONS**

Date Body Action Description with journal page number

1/26/2011 Senate Introduced and read first time ([Senate Journal‑page 12](file:///h:\sj%20archive\2011\01-26-11.docx))

1/26/2011 Senate Referred to Committee on **Finance** ([Senate Journal‑page 12](file:///h:\sj%20archive\2011\01-26-11.docx))

2/23/2011 Senate Committee report: Favorable with amendment **Finance** ([Senate Journal‑page 28](file:///h:\sj%20archive\2011\02-23-11.docx))

2/24/2011 Scrivener's error corrected

**VERSIONS OF THIS BILL**

[1/26/2011](file:///p:\pprever\2011-12\447_20110126.docx)

[2/23/2011](file:///p:\pprever\2011-12\447_20110223.docx)

[2/24/2011](file:///p:\pprever\2011-12\447_20110224.docx)

~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

February 23, 2011

**S. 447**

Introduced by Senators O’Dell, Peeler, Leatherman, Bryant, Nicholson, Cleary, Alexander, Cromer, Elliott and Setzler

S. Printed 2/23/11--S. [SEC 2/24/11 2:55 PM]

Read the first time January 26, 2011.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 447) 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, 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 all after the enacting words and inserting:

/ 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 six 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), beginning January 1, 2011, if the owner or purchaser makes written application to the county assessor after May first but before June first of the year for which the discount is claimed, the owner or purchaser shall still receive the discounted value, but the reduction in value shall only be reduced by ninety percent of the difference in the year the late application occurs.

(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. /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This bill is not expected to impact state revenues. 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 extends the current developers discount for two additional years and allows the discount to stay with the property until terminated by existing law. Also, under current law in order for a subdivision to be eligible for the multiple lot discounts, the recorded plat must contain at least ten building lots. This bill lowers the requirement to five building lots. Based on conversations with county assessors, we estimate this bill will reduce local property tax revenues by $5.8 million in FY 2011-12.

*Approved By:*

William C. Gillespie

Board of Economic Advisors

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.

**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 ASSESSOR MAY DETERMINE THAT A REASONABLE TIME TO SELL THE PLATTED LOTS IS NINE YEARS, 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 EXTEND THE DISCOUNT FROM FIVE TO SEVEN YEARS, TO PROVIDE THAT THE DISCOUNT RUNS WITH THE PROPERTY UNTIL THE DISCOUNT IS TERMINATED, TO PROVIDE THAT IF APPLICATION FOR THE DISCOUNTED RATES COMES AFTER MAY FIRST BUT BEFORE JUNE FIRST THE OWNERS SHALL RECEIVE THE DISCOUNTED RATE BUT THE DISCOUNT SHALL BE REDUCED, AND TO PROVIDE THAT APPLICATION FOR THE DISCOUNTED RATE ONLY MUST BE MADE IN THE FIRST YEAR.

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 & 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~~ nine 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 ~~1~~~~st~~ 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~~ seven property tax years or until the lot is sold, 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 six 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 allowed the discount provided by this section subsequently is sold to the holder of a residential homebuilder’s license or general contractor’s license, the discount continues through the first tax year which ends ~~twelve~~ thirty‑six 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 claiming the discount.

(D) Notwithstanding subsections (B) and (C), beginning April 1, 2010 if the owner or purchaser makes written application to the county assessor after May first but before June first of the year for which the discount is claimed, the owner or purchaser shall still receive the discounted value, but the reduction in value shall only be reduced by ninety percent of the difference in the year the late application occurs.”

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

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