Bill Number:	H. 3354 Introduced on January 12, 2021
Author:	Ballentine
Subject:	Property Tax Exemptions
Requestor:	House Ways and Means
RFA Analyst(s):	Miller
Impact Date:	March 15, 2021

Fiscal Impact Summary

This bill is not expected to result in a significant loss of property tax revenue as, according to conversations with assessors, solar panels do not increase the value of property. However, if companies are leasing renewable energy resources that operate at no greater than 20 kilowatts, this may result in a reduction of property tax revenue by no more than $9,446,000 in FY 2021-22. This represents approximately 0.1 percent of the projected property tax revenue for FY 2021-22. Additionally, Revenue and Fiscal Affairs anticipates that local governments will offset any loss with an increase in the millage rate, within the limitations.

Explanation of Fiscal Impact

Introduced on January 12, 2021

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

N/A

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