This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	H. 3253 Introduced on January 10, 2023
Author:	Hewitt
Subject:	Short-term Rentals
Requestor:	House Medical, Military, Public, and Municipal Affairs
RFA Analyst(s):	Tipton
Impact Date:	January 18, 2023

Fiscal Impact Summary

This bill states a local governing entity may not prohibit short term rentals of a residential dwelling through an ordinance, resolution, or regulation. If a county or municipality violates this provision, it may not assess or collect the 6 percent property tax assessment ratio, receive any distributions from the Local Government Fund (LGF), or receive any other funds pursuant to the State Aid to Subdivisions Act until the ordinance, resolution, or regulation is repealed.

This bill will have no expenditure impact on the State Treasurer's Office (STO) as the bill's requirements of the office will be managed within existing resources.

This bill will have an undetermined impact on local revenue, as the number of counties or municipalities that may be in violation of the bill are unknown. The Revenue and Fiscal Affairs Office (RFA) currently estimates total LGF distributions to counties and municipalities in FY 2022-23 to be $261,685,463, and total property tax revenues for commercial rental property to be $4,160,004,000.

Explanation of Fiscal Impact

Introduced on January 10, 2023
State Expenditure
This bill states a local governing entity may not prohibit short term rentals of a residential dwelling through an ordinance, resolution, or regulation. A short-term rental is defined by the bill as a residence offered for rent for a duration of fewer than twenty-nine days. If a county or municipality violates this provision, it may not assess or collect the 6 percent property tax assessment ratio pursuant to §12-43-220(e), receive any distributions from the LGF, or receive any other funds pursuant to the State Aid to Subdivisions Act until the ordinance, resolution, or regulation is repealed.

STO is required by the bill to withhold LGF distributions or other state funds from the local governing body until the ordinance, resolution, or regulation prohibiting short-term rentals is repealed. STO indicates that this responsibility will be managed within existing appropriations and will have no expenditure impact. Additionally, STO indicates that the withholding of funds would occur upon receipt of notice. This bill does not require STO to be notified.

State Revenue
N/A

Local Expenditure
N/A

Local Revenue
This bill states a local governing entity may not prohibit short term rentals of a residential dwelling through an ordinance, resolution, or regulation. If a county or municipality violates this provision, it may not assess or collect the 6 percent property tax assessment ratio pursuant to §12-43-220(e), receive any distributions from the LGF, or receive any other funds pursuant to the State Aid to Subdivisions Act until the ordinance, resolution, or regulation is repealed.

Currently, RFA projects LGF distributions in FY 2022-23 to be $217,498,468 to counties and $44,186,995 to municipalities, for total estimated distributions of $261,685,463 statewide. Property tax revenues under the 6 percent property tax assessment ratio for commercial or rental properties are currently projected to be $4,160,004,000 statewide in FY 2022-23.

According to the Municipal Association of South Carolina (MASC), the following municipalities have short-term rental regulations currently in place: Aiken, Beaufort, Bluffton, Charleston, Clemson, Columbia, Florence, Folly Beach, Greenville, Hilton Head, Isle of Palms, James Island, Kiawah Island, Mauldin, Mount Pleasant, Myrtle Beach, North Charleston, North Myrtle Beach, Port Royal, Rock Hill, Seabrook Island, Seneca, Sullivan's Island, Spartanburg, and Traveler's Rest. The MASC believes there may be other municipalities in addition to those listed that have some form of short-term rental regulation in place. The South Carolina Association of Counties (SCAC) indicates there may also be counties with some form of short-term rental regulation in place. However, it is unclear which regulations or ordinances, if any, in place throughout these counties or municipalities would be in violation of the bill. For instance, an ordinance passed by the City of Charleston in 2018 legalized short-term rentals but prohibited commercial rentals from operating in residentially zoned areas. Therefore, the local revenue impact is undetermined.

Frank A. Rainwater, Executive Director