SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT

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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:	S. 0125 Introduced on January 14, 2025
Subject:	Property Tax Exemption
Requestor:	Senate Finance
RFA Analyst(s):	Miller
Impact Date:	February 4, 2025

Fiscal Impact Summary

This bill amends §12-37-220(B)(11), which was last amended by Act 145 of 2020, to specify that the property tax exemption for properties owned by nonprofit housing corporations or their instrumentalities that are devoted to providing housing to low or very low-income residents must be proportionate to the nonprofit housing corporation's percentage of direct or indirect economic ownership in the property. This does not apply if the nonprofit housing corporation's ownership interest exceeds 50 percent or if all of the units in the qualifying property are devoted to providing housing to residents who qualify as low-income under Revenue Procedure 96-32. If either of these criteria are met, then the property tax exemption is 100 percent. A nonprofit housing corporation or its instrumentality must have certification of its percentage of ownership from the Department of Revenue (DOR) to receive this exemption. The change is applicable beginning in tax year 2025.

This bill will have no expenditure impact for DOR, as the agency anticipates the expense of the annual certification process will be minimal and can be managed within existing appropriations.

Based on the responses received from the counties of Dorchester and Florence, as well as previous responses for similar legislation from Charleston and Horry Counties and the Municipal Association of South Carolina (MASC), the Revenue and Fiscal Affairs Office (RFA) anticipates this bill will result in an undetermined increase in property tax revenue. The impact depends upon the number of properties that will see a smaller percentage of the property being exempt due to the ownership percentage of the nonprofit corporation. DOR previously indicated that 2,393 exemptions were allowed pursuant to §12-37-220(B)(11)(e) that may be impacted by the bill. While this bill may not reduce the number of exemptions allowed, it may decrease the percentage of the property that is exempt and, thereby, increase local property tax revenue beginning in FY 2025-26. *Please see the Local Revenue Section for details on the responses received.*

Explanation of Fiscal Impact

Introduced on January 14, 2025
State Expenditure
This bill requires a nonprofit housing corporation, or its instrumentality to have an annual certification of its percentage of ownership from DOR to receive the property tax exemption

pursuant to §12-37-220(B)(11). DOR must prescribe the forms by which the nonprofit corporation or its instrumentality may provide the certification requirements. DOR anticipates being able to manage the responsibilities outlined in this bill with minimal expense that can be managed within existing appropriations.

State Revenue
N/A

Local Expenditure
N/A

Local Revenue
This bill amends §12-37-220(B)(11), which was last amended by Act 145 of 2020, to specify that the property tax exemption for properties owned by nonprofit housing corporations or their instrumentalities that are devoted to providing housing to low or very low-income residents must be proportionate to the nonprofit housing corporation's percentage of direct or indirect economic ownership in the property. This does not apply if the nonprofit housing corporation's ownership interest exceeds 50 percent or all of the units in the qualifying property are devoted to providing housing to residents who qualify as low-income under Revenue Procedure 96-32. If either of these criteria are met, then the property tax exemption is 100 percent. The change applies beginning in tax year 2025. DOR previously indicated that 2,393 exemptions were allowed pursuant to §12-37-220(B)(11)(e) that may be impacted by the change.

We contacted MASC and all counties to determine the potential impact of this bill. The counties of Dorchester and Florence provided a response. Additionally, Charleston and Horry Counties as well as MASC previously provided a response for similar legislation. Florence County anticipates this bill will apportion the tax exemption directly to the non-profit organizations ownership. Dorchester County indicated there are 15 properties within the county that may be impacted by this legislation. Charleston County previously estimated this bill will add $748,000 in assessed value back to the assessment roll, assuming the owners do not change all their units to low-income housing units. Horry County expressed concern about establishing that the housing is used for low-income residents. Additionally, MASC anticipated this bill will significantly limit the number of housing developments that receive a 100 percent property tax exemption. The association relayed that the city of Rock Hill estimates that $405,000 was not collected in property taxes due to this property tax exemption. Additionally, York County and York 3 school district property taxes were reduced by $1,200,000 and $322,000, respectively, for the exempt property in the city of Rock Hill.

Based on the responses received, RFA anticipates this bill will result in an undetermined increase in local property tax revenue statewide beginning in FY 2025-26, depending upon the number of properties that will see a smaller percentage of the property being exempt due to the ownership percentage of the nonprofit corporation.

Frank A. Rainwater, Executive Director