



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3630 Signed by Governor on February 21, 2019
Author: Stavrinakis
Subject: Property Tax Penalty Delay
Requestor: House of Representatives
RFA Analyst(s): Miller and Jolliff
Impact Date: May 31, 2019

Fiscal Impact Summary

This bill did not have a significant impact on local expenditures or local property tax revenues. The temporary suspension of property tax payment penalties for individuals impacted by the federal government shutdown is not expected to significantly increase administrative expenses. While the exemption from the penalties may delay payments, it does not exempt the taxpayers from paying the property tax bills, and we do not expect the bill to impact total local property taxes over the fiscal year.

Explanation of Fiscal Impact

Signed by Governor on February 21, 2019

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

This bill delayed the penalty schedule for property taxes due on January 15th for taxpayers affected by the federal government shutdown. Real property owners who are federal employees who have not received a paycheck since the federal shutdown began on December 22, 2018 or real property owners who contract with the federal government for whom the federal shutdown has caused a substantial loss of income, as determined by the county treasurer, are exempted from penalties until April 16th or thirty days plus three months after the mailing of the property tax bill. If penalties were paid before the effective date of this bill, the taxpayer is entitled to a refund.

As discussed in the Local Revenue section, the number of taxpayers affected is limited. The delay in penalties is not expected to place an excessive administrative burden on local governments statewide, even though local jurisdictions with a higher concentration of federal employees may be disproportionately affected. Therefore, delaying the imposition of penalties is not expected to impact local expenditures. While this change may increase the administrative burden on local governments, we do not expect that this bill required additional staff or resulted in a significant increase in local expenditures.

Local Revenue

This bill delayed the penalty schedule for three months for all property taxes due on January 15th for real property owners who are federal employees who have not received a paycheck since the federal shutdown began on December 22, 2018 or for real property owners who contract with the federal government for whom the federal shutdown has caused a substantial loss of income, as determined by the county treasurer. If penalties are paid before the effective date of this bill, the taxpayer is entitled to a refund.

The normal penalty schedule for unpaid property taxes is as follows:

- Beginning January 16th or thirty days after the mailing of tax notices: 3 percent penalty
- Beginning February 2nd: an additional 7 percent for a total of 10 percent
- Beginning March 17th: an additional 5 percent for a total of 15 percent

This bill delayed the penalty schedule so that penalties did not begin to accrue until April 16th or thirty days plus three months after the mailing of property tax bills.

This bill delayed the penalties for those taxpayers who would have otherwise paid their property taxes had the shutdown not occurred and represents revenue not anticipated by the local entities prior to the federal shutdown. Therefore, exempting taxpayers from penalties due to the federal shutdown would not be a loss of expected local property tax revenue. While the bill may prompt taxpayers to delay payments while the late payment penalties are suspended, ultimately it does not exempt the taxpayer from the property tax.

A small number of personal vehicle taxes that come due on January 15th may be affected. However, owner occupied property is the property tax category most likely to be affected by this bill. Using the average home value of \$160,125 and an estimated statewide non-operating millage rate of 177.37, the Revenue and Fiscal Affairs (RFA) office estimates the average 2018 owner occupied property tax to be \$1,136. The penalties on this average estimated property tax of 3 percent, 10 percent, and 15 percent are approximately \$34, \$114, and \$170, respectively, per owner-occupied property affected.

Further, according to governing.com there are approximately 3,681 federal employees in the state that work within federal agencies without appropriations who will not receive a paycheck during the federal shutdown. According to the Census Bureau 68 percent of the state's population are homeowners, resulting in 2,625 owing owner-occupied property taxes as of January 15th or within thirty days of the mailing of the tax notice. Additionally, based on data from the U.S. Census Bureau and the Department of Revenue, approximately 754,124 of 1,368,007 owner occupied properties, or 55 percent, have a mortgage, and property taxes likely are paid from escrow. Therefore, approximately 45 percent, or 1,181 of the federal employees affected by the shutdown are likely to be unable to pay property taxes. These 1,181 employees represent less than one-tenth of one percent of homeowners in the state.

Additionally, this bill allowed real property owners who contract with the federal government for whom the federal shutdown has caused a substantial loss of income, as determined by the county treasurer, to receive a three-month delay for property tax penalties. As "substantial loss of

income” is to be determined by the treasurer, RFA is unable to estimate the number of real property owners who may receive the delay in penalties and delay making a tax payment.

In summary, any penalties arising from property taxes unpaid due to the federal shutdown are penalties above the normal expected penalties for local property tax revenue and suspending those penalties is not expected have a significant impact on revenue. While the suspension may cause a delay in the receipt of local tax revenues if taxpayers delay payments, taxpayers are responsible for the property taxes, and over the course of the fiscal year, we do not expect that local property tax revenues will be impacted.



Frank A. Rainwater, Executive Director