



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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<b>Bill Number:</b>	H. 3313	As signed by the Governor on June 7, 2016
<b>Author:</b>	Pope	
<b>Subject:</b>	Roll-back tax due on a parcel	
<b>Requestor:</b>	House of Representatives	
<b>RFA Analyst(s):</b>	Jolliff and Wren	
<b>Impact Date:</b>	July 14, 2016	

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**Estimate of Fiscal Impact**

	<b>FY 2016-17</b>	<b>FY 2017-18</b>
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	Undetermined	\$0
<b>Local Revenue</b>	Undetermined	\$0

**Fiscal Impact Summary**

The impact of the bill as amended on local expenditures statewide is undetermined given the permissive nature of the provisions allowing counties to provide electronic property tax bills. The impact of the bill as amended on local property tax revenue will depend upon the percentage of property platted as open space and the value determination for the open space percentage of the property. Local revenue may be reduced by up to \$1,070,000 if all property owners elect to include the required minimum ten percent open space for conservation. Additionally, local property tax revenue collections may be delayed for appeals of roll-back tax assessment that taxpayers will not be required to pay until the final appeal date.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on May 18, 2016**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

**Section 5.** This section of the bill as amended adds Section 12-43-370, which allows a county to give taxpayers the option to receive certain property tax bills and receipts in electronic form. Each county may determine which classes of property will be permitted to receive electronic bills and receipts, if any. Also, participating counties must create an application process to allow

taxpayers to submit email addresses, must advertise the application process for two weeks in a newspaper, and may publish the application process on the county's website.

The Revenue and Fiscal Affairs Office contacted all forty-six county governments regarding the expenditure impact of this section and received responses from nine counties.

**Beaufort County.** Beaufort County reports that this bill would result in an annual savings of approximately \$12,000 per year.

**Charleston County.** Charleston County reports this bill would likely require additional staffing.

**Cherokee County.** Cherokee County reports this bill could likely save on printing and postage costs, but would require the expenditure of additional funds for software and administration.

**Clarendon County.** Clarendon County reports this bill would require the expenditure of additional funds on software and labor.

**Florence County.** Florence County reports this bill would save on postage.

**Greenwood County.** Greenwood County indicates this bill would potentially require the expenditure of additional funds for administration.

**Saluda County.** Saluda County reports this bill would require the expenditure of additional funds on software and possibly additional employees.

**Williamsburg County.** Williamsburg County reports this bill would require the expenditure of additional funds on software and labor.

**York County.** York County reports this bill would require the expenditure of additional funds on software and internal overhead.

Seven of the nine responding county governments indicate this bill would require additional expenditures but could not place a dollar amount on the expenses to be incurred. Two counties responded that these provisions would reduce county expenditures. Additionally, the provisions of this bill apply only to the counties wishing to provide electronic property tax bills and receipts to taxpayers. Given the permissive nature of this section, the impact on local expenditures statewide is undetermined.

## **Local Revenue**

**Section 1.** This section of the bill as amended amends Section 12-43-222 on the calculation of roll-back tax due on a parcel of real property changed from agricultural use to commercial or residential use to specify that if at least ten percent of a parcel is platted for green space for conservation or open space, the open space portion of the property must be valued as such for calculation of the roll-back tax. If the property is converted to another use other than green space within five years, then the property owner at the time of conversion is liable for the roll-back taxes as if this section was not effective. Additionally, this section only applies when a local

jurisdiction requires the designation of green space for conservation or open space as a condition to develop residential or commercial property.

Currently, property converted from agricultural use to commercial or residential property is assessed roll-back taxes based upon the property taxes that would have been collected for the past five years if the property had been taxed under the new property assessment classification and value. Based upon information from county assessors, we estimate that roll-back taxes statewide total approximately \$10,700,000 per year. If all of these properties included the minimum ten percent green space for conservation, local roll-back tax revenue may be reduced up to \$1,070,000 annually statewide beginning with tax year 2016. The total reduction in local revenue will depend upon the percentage of property platted as open space in accordance with this section, and the value determination for the open space percentage of the property. As such, the exact amount of the local property tax revenue reduction resulting from this section is undetermined.

**Section 2.** This section amends Section 12-43-220(d)(4) to make conforming changes by adding the necessary references to the roll-back tax exemption created by Section 1 of this bill. This section is not expected to impact local property tax revenue.

**Section 3.** This section specifies that Sections 1 and 2 of the bill as amended apply to property tax years after 2015.

**Sections 4 and 7.** Section 4 adds subitem B to Section 12-43-220(c)(2)(vii) to specify that when a property that has undergone an assessable transfer of interest and is also subject to penalties because the previous owner improperly received the reduced four percent assessment ratio, the responsibility for the penalties and additional property taxes belongs with the original owner of the property and do not constitute a lien on the property. These provisions also apply to property transfers as a result of a divorce settlement or trust distributions. Based upon responses received from three county assessors, counties do not typically levy penalties on the original property owner after a sale has occurred since collecting these would be unenforceable. In any isolated instances in which a county imposed additional taxes and penalties following a divorce settlement or trust distribution on a transferee, these collections would no longer be enforceable.

Section 7 specifies that the changes to Section 12-43-220(c)(2)(vii) in Section 4 of the bill apply retroactively and any penalties or additional taxes that are no longer valid as a result of this change must be refunded for any taxes years open for the assessment of delinquent property taxes. No interest is due on any refunds issued as a result of this provision.

Given the limited scope of applicability of Section 4, we do not anticipate that these sections will have a material impact on local property tax collections or refunds.

**Section 6.** This section amends Section 12-43-220(d)(3) by adding subitem B to specify that roll-back taxes may not be applied solely because the owner of the property fails to make written application for an agricultural assessment so long as the actual use of the property remains agricultural. Based upon previous discussions with counties regarding the imposition of roll-back taxes and change of use, we are not aware of any counties that currently change the

assessment of property from agricultural use to another classification based solely upon failure to file an application for agricultural use property without other evidence regarding an actual change in property usage. If there are counties that rely solely upon a failure to file the application for agricultural use as a justification for changing the classification of property from agricultural use to another classification, these counties would no longer be able to use the failure to file an application as justification. We would expect that property owners would appeal the property tax imposed if the property is still used for agricultural purposes upon receiving notice of the change in use valuation or a higher tax bill. If any county has imposed roll-back taxes and changed the valuation of agricultural use property solely on the basis of failure to file the necessary application and additionally denied an appeal on this basis alone, then property tax revenue could be reduced as a result of this section.

Additionally, the section specifies that if roll-back taxes are assessed and the owner appeals, then the property must continue to be assessed as agricultural and the roll-back taxes may not be applied until the final appeal date. Depending upon the timing of the appeal, number of appeals, and the frequency of county appellate board meetings, collection of the taxes may be delayed since owners will not be required to pay these taxes until the final appeal date.

**Explanation of Amendment by the House Ways and Means Committee on April 23, 2015**  
**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

The amendment to the bill adds an additional sentence to Section 4 of the bill to specify that the transferor of a property is the sole party responsible for tax penalties in the event that the property is transferred as a result of a property settlement pursuant to a divorce or the distribution of a trust. This further clarifies instances in which a county may not hold a transferee responsible for penalties incurred by the transferor. This section as amended is not expected to impact local revenues and does not alter the original impact of the bill.

**Explanation of Bill Filed on January 14, 2015**  
**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

This bill amends Section 12-43-222 on the calculation of roll-back tax due on a parcel of real property changed from agricultural to commercial or residential use to specify that if at least ten percent of a parcel is platted for green space for conservation or open space, the open space portion of the property must be valued as such for calculation of the roll-back tax. Currently, property converted from agricultural use to commercial or residential property is assessed a penalty based upon the property taxes that would have been collected for the past five years if the property had been taxed under the new property assessment classification and value. Based upon information from county assessors, we estimate that roll-back taxes statewide total approximately \$10,700,000 per year. If all of these properties elected to include the minimum ten percent green space for conservation, local roll-back tax revenue may be reduced up to \$1,070,000 annually statewide beginning with tax year 2015. The reduction in local revenue will depend upon the percentage of property platted as open space and the value determination for the open space percentage of the property.

Additionally, the bill adds subitem B to Section 12-43-220(c)(2)(vii) to specify that when a property that has undergone an assessable transfer of interest and is also subject to penalties because the previous owner improperly received the reduced four percent assessment ratio, the responsibility for the penalties and additional property taxes due belongs with the original owner of the property and do not constitute a lien on the property. Based upon responses received from three county assessors, counties do not typically levy penalties on the original property owner after a sale has occurred since collecting these would be unenforceable. Therefore, this section of the bill is not expected to impact local revenues.



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Frank A. Rainwater, Executive Director