



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
(803)734-0640 • RFA.SC.GOV/IMPACTS

Bill Number:	S. 0626
Author:	Gregory
Requestor:	Senate Finance
Date:	May 4, 2015
Subject:	Property tax exemption
RFA Analyst(s):	Jolliff and Shealy

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	\$0	N/A
Other and Federal	\$0	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	N/A	N/A
Other and Federal	N/A	N/A
Local Expenditure	\$0	N/A
Local Revenue	\$81,000	N/A

Fiscal Impact Summary

The Department of Revenue (DOR) has responded that the bill is not expected to impact state expenditures. Because we expect that the exemption will impact utility and/or business personal property taxes, both of which are assessed by DOR, we do not expect a local expenditure impact from the bill.

The bill is expected to reduce local property tax revenue for tax year 2015 by approximately \$81,000 in FY 2015-16. The total local property tax revenue reduction is expected to increase rapidly in subsequent years due to anticipated large growth in the number of qualifying properties.

Explanation of Fiscal Impact

State Expenditure

The Department of Revenue (DOR) has responded that the bill is not expected to impact state expenditures.

State Revenue

N/A

Local Expenditure

This bill creates property tax exemptions for renewable energy property. Because we expect that the exemption will impact utility and/or business personal property taxes, both of which are assessed by DOR, we do not expect a local expenditure impact from the bill.

Local Revenue

The bill adds subitem 52 to Section 12-37-220(B). This exemption is for 80% of the value of renewable energy property and applies to property taxed as business personal property or utility property. The exemption applies for ten consecutive property tax years after the facility becomes operational so long as the facility is in operation by December 31, 2020. The bill also adds subitem 53 that provides a full exemption for distributed renewable energy generation property for residential use. In the case of a residential installation, the energy resource property would not be specifically taxed separately from the owner-occupied home. As such, in order for property to qualify for the residential exemption, the renewable energy property would have to be under a lease agreement or other situation in which a business retains ownership.

Based upon the most recent data available from the SC Energy Office, approximately 581 solar installations are currently in existence with a total capacity of 3,682 kW and may qualify for an exemption. For your information, the number of installations is expected to increase dramatically in response to Act 236 of 2014 in upcoming years and in anticipation of the federal tax credit expiring in December 2016. Based upon information from the SC Energy Office, Duke Energy and SCE&G have reported on their expectations for renewable energy property in filings with the Public Service Commission (PSC) in response to the requirements of Act 236 of 2014. Combined, they anticipate approximately 110 commercial installations in calendar year 2015 and an additional 348 in 2016. For residential installations, Duke and SCE&G are projecting 518 installations for 2015 and 1,693 for 2016.

The value of the installations depends on the energy generation capacity of the property. According to the Energy Office, Duke Energy estimates for commercial property anticipate an average system capacity of 20 kW at a cost of \$3.50 per watt for an average system value of \$70,000. Residential systems are expected to average 4 kW at a cost of \$4 per watt for a cost of \$16,000 per system.

The Energy Office estimates that 42 of the 581 existing solar installations are commercial installations and 539 are residential based upon the capacity of the installations. As previously stated, we do not anticipate that the exemption will be utilized by privately owned residential installations. We have determined from discussions with assessors that residential installations owned by a homeowner are not taxed separately and cannot feasibly be valued separately from a residence. For the estimated 42 commercial installations and using the value projections provided above, we estimate that the total value is approximately \$2,940,000. At an estimated statewide average millage rate of 329.2 and an assessment ratio of 10.5%, exempting 80% of the value of these properties would reduce property tax revenue for tax year 2015 by approximately \$81,000 in FY 2015-16.

For information, the value of the 110 new commercial installations in 2015 is expected to be \$7,700,000 and will increase by an additional \$24,360,000 for 348 new installations in 2016. These properties then would be included in tax filings for tax years 2016 and 2017. Exempting 80% of this value would reduce property tax revenue by an additional \$216,000 in FY 2016-17 and \$682,000 in FY 2017-18. The annual property tax revenue loss would be incrementally increased each year based upon the anticipated high growth in the number of installations.

Assuming that the projected residential installations are privately owned, we do not anticipate a property tax revenue reduction for the new installations in 2015 and 2016. However, businesses could claim the exemption for residential installations that are leased. If all 518 installations expected for 2015 were leased, the total local property tax revenue reduction would be \$290,000 for FY 2016-17. This would increase by \$948,000 in FY 2017-18 for the anticipated 1,693 additional installations.



Frank A. Rainwater, Executive Director