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

Bill Number:	H. 3463 Introduced on January 12, 2017
Author:	Martin
Subject:	Property
Requestor:	House Ways and Means
RFA Analyst(s):	Gable
Impact Date:	March 13, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	$0	$0
Other and Federal	$0	$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	$0	$0
Other and Federal	$0	$0
Local Expenditure	Undetermined	$0
Local Revenue	Undetermined	$0

Fiscal Impact Summary
Based upon various county responses, the local expenditure and local property tax revenue impact would vary widely by county depending on the number of properties assessed as agricultural property in tax year 2016 that would continue to receive agricultural assessment until a change in use occurs despite no longer qualifying for other reasons.

Explanation of Fiscal Impact

Introduced on January 12, 2017
State Expenditure
N/A

State Revenue
N/A

Local Expenditure
This bill requires property assessed as agricultural property or farm machinery and equipment in tax year 2016 to continue to be assessed as such until a change of use has occurred. Currently, property assessed as agriculture may lose its assessment when there is a change in ownership and failure to reapply, when there is a change in use, or when the property fails to meet the criteria for a special inclusion. Typically, a county will reassess agriculturally assessed properties when the property goes under new ownership and the new owner fails to reapply for the agricultural assessment within one year of the filing of the deed.

This bill shifts the burden of proving the change in use, or lack thereof, from a new owner to the county. Based on conversations with county assessors, the bill would require the counties to evaluate all agriculturally assessed property that goes under new ownership to determine if there is a change in use. The expense to the counties for these evaluations would vary widely from county to county depending on the number of properties evaluated as well as the complexities involved in the evaluation in a given tax year. Some of the complexities include determining if a property qualified for an agricultural assessment due to a special inclusion or whether property sold falls below the minimum acreage qualification and whether these properties would still qualify for an agricultural assessment under new ownership. Special inclusion includes the 50 percent rule, so that if at least half of the property is being used for agricultural purposes then the whole property qualified, and the grandfather rule, so that if property that was farmland in past generations and remains in the family but no longer has the minimum amount of acreage would still qualify. Because of the complexities of the evaluation, the unknown number of evaluations, and the wide variations in the number of evaluations by county, the local expenditure impact to the counties is undetermined.

Local Revenue

This bill requires property assessed as agricultural property in tax year 2016 to continue to be assessed as agricultural property until there is a change in use. Currently, those properties that qualified for the agricultural assessment due to a special inclusion such as the grandfather rule, the 50 percent rule, and those properties that have only the minimum amount of acreage could lose the agricultural assessment and receive a higher assessment when the property is placed under new ownership outside of the family or is sold in smaller parcels. As there has been no change in the use of such property, this bill would require the property to continue to receive the agricultural assessment, thereby reducing local property tax revenue.

The reduction would vary widely from county to county depending on how many properties currently qualifying for the agricultural assessment would receive a higher assessment under current law, but continue to receive the agricultural assessment per the bill's requirement. Based upon RFA's latest estimates, agricultural property tax, both private and corporate, comprises approximately $41,962,000 statewide. This amount is 0.6 percent of all property tax revenue. County assessors were unable to predict the number of properties they expected to be affected or the potential impact to local property tax revenue. Therefore, the potential reduction on local property tax revenue is undetermined.

Frank A. Rainwater

Frank A. Rainwater, Executive Director