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|---|---|
| **Bill Number:** | S. 0759 Introduced on January 9, 2018 |
| Author: | Rankin |
| Subject: | Property Tax Exemption |
| Requestor: | Senate Finance |
| RFA Analyst(s): | Jolliff |
| Impact Date: | January 18, 2018 |

## Estimate of Fiscal Impact

| | FY 2018-19 | FY 2019-20 |
|---|---|---|
| **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** | $0 | $0 |
| **Local Revenue** | ($22,952,000) | $0 |

**Fiscal Impact Summary**
The bill will not impact expenditures for the General Fund, Other Funds, or Federal Funds since the Department of Revenue has procedures and staff in place to administer property tax exemptions.

This bill is expected to reduce local property taxes by $22,952,000 in FY 2018-19. To the extent possible given the millage rate increase limitations, we anticipate that local governments will offset this loss through increased millage rates for all classes of property.

## Explanation of Fiscal Impact

**Introduced on January 9, 2018**
**State Expenditure**
This bill adds a new property tax exemption under Section 12-37-220 for the home of an individual who is at least 50 percent disabled due to a brain or spinal cord injury. In order to receive the exemption, the taxpayer must apply to the Department of Revenue (DOR). The Department of Revenue currently administers similar existing property tax exemptions and has staff and procedures in place. Therefore, the bill is not expected to impact expenditures for the General Fund, Other Funds, or Federal Funds.

**State Revenue**
N/A

**Local Expenditure**
N/A

**Local Revenue**
This bill would allow a property tax exemption for the home and no more than a one acre lot on which the home dwells for individuals who are at least 50 percent disabled as a result of a brain or spinal cord injury. This exemption would also apply to a surviving spouse of the disabled or to a trustee holding the property for the benefit of the disabled.

Currently, individuals who are paraplegic or hemiplegic are allowed a similar exemption from property taxes on a home. Individuals who are totally and permanently disabled are allowed a homestead exemption for the first $50,000 of home value, and all owner-occupied homes are exempt from school operating property taxes. This new exemption would apply to any property taxes not already exempt under an existing exemption.

In order to estimate the number of individuals expected to qualify for this exemption, we reviewed both national data and South Carolina data extracted by Revenue and Fiscal Affairs from the all-payer hospital data system. There are significant limitations to the available statistics due to a lack of data regarding disability for individuals with a traumatic brain injury. Data from the Veterans Benefits Administration regarding the percentage of disability for recipients are used as a proxy to determine the distribution of disability. Figure 1 outlines these calculations and the associated data sources.

Based upon this analysis, we estimate that there are approximately 3,859 individuals in South Carolina with a spinal cord injury (SCI) who are at least 50 percent disabled. Of these, we estimate that approximately 3,481 are fully exempt due to paralysis, 40 are currently receiving the homestead exemption due to total disability, and 338 are not exempt. For individuals with a traumatic brain injury (TBI), we estimate approximately 31,416 individuals are at least 50 percent disabled. Of these, we estimate that approximately 534 are fully exempt due to paralysis, 3,330 are currently receiving the homestead exemption due to total disability, and 27,552 are not exempt.

The homeownership percentage for South Carolina is 68.4 percent according to 2016 5-year American Community Survey data from the U.S. Census Bureau. We applied this percentage to the eligible individuals to determine the number expected to live in an owner-occupied home. The remaining individuals are expected to live in a rental property and therefore not qualify for the exemption. Figure 2 outlines these calculations.

For individuals currently receiving the $50,000 homestead exemption for aged and disabled, we reduced the estimated average home value of $155,345 for tax year 2018 by $50,000 to account for the amount currently exempt from all property taxes. The remaining $105,345 is exempt from school operations and only subject to the remaining millage. For tax year 2018, we estimate that the statewide millage rate is 351.1 and the school operating millage is 172.2, leaving 178.9 mils. Multiplying the home value by the 4 percent assessment ratio and the millage rate, the exemption will reduce property taxes further by approximately $754 for individuals currently receiving the homestead exemption. Multiplying $754 times 2,305 individuals (27 SCI; 2,278 TBI) yields an estimated local property reduction of $1,738,000 for this group.

For individuals not currently receiving a homestead exemption, the exemption will apply to the full home value for all non-school operating millage since school operating millage is fully exempt for owner-occupied property. Using the home and millage values cited above, we estimate that this exemption will reduce local property taxes for these individuals by an average of $1,112 each. Multiplying $1,112 by 19,077 individuals (231 SCI; 18,846 TBI) yields an estimated local property tax reduction of $21,214,000.

Combined, this bill is expected to reduce local property taxes by $22,952,000 in FY 2018-19. To the extent possible giving the millage rate increase limitations, we anticipate that local governments will offset this loss through increased millage for all classes of property.

**Figure 1. Estimated SC Individuals with 50 Percent or Greater Disability Due to Spinal Cord or Traumatic Brain Injury**
(All calculations are rounded to the nearest whole number)

| Column | Notes | **Spinal Cord Injuries** | | | |
|---|---|---|---|---|---|
| 1 | *a* | Spinal Cord Injuries (Excludes fatalities) (1996-2016) | | | 3,578 |
| 2 | | | | | |
| 3 | *b* | Spinal Cord Injury Prevalence in U.S. | | 276,000 | |
| 4 | | S.C. Population as a % of U.S. | | 1.5% | |
| 5 | | Estimated S.C. Spinal Cord Injury Prevalence | | | 4,140 |
| 6 | | | | | |
| 7 | | Average Estimate from S.C. and U.S. data (c 1 and c 5) | | | 3,859 |
| 8 | *a* | Severed Spinal Cord | | 332 | |
| 9 | *c* | Quadriplegic/Paraplegic Estimate | | 3,149 | |
| 10 | | **Estimated Fully Exempt due to Paralysis** (c 8 + c 9) | | | **3,481** |
| 11 | | Estimated Individuals not Fully Exempt (c 7 - c 10) | | 378 | |
| 12 | | | | | |
| 13 | *d* | Estimated % Homestead Exempt for total disability | | 10.6% | |
| 14 | | **Estimated Homestead Exempt** (c 11 *c 13) | | | **40** |
| 15 | | | | | |
| 16 | | **Estimated Individuals not Exempt** (c 11 - c 14) | | | **338** |
| 17 | | | | | |
| 18 | | | | | |
| 19 | | | | | |
| **Traumatic Brain Injury** | | | | | |
| 20 | *a* | TBI with 50% likelihood of long-term disability (1996-2016) | | 26,470 | |
| 21 | | Annual Estimate based upon S.C. data (c 20/20 years) | | | 1,324 |
| 22 | | | | | |
| 23 | *e* | Annual U.S. Estimate of TBI with Permanent Damage | | 80,000 | |
| 24 | | S.C. Population as a % of U.S. | | 1.5% | |
| 25 | | Annual S.C. Estimate based upon U.S. data | | | 1,200 |
| 26 | | | | | |
| 27 | | Average Estimate from S.C. and U.S. data (c 21 and c 25) | | | 1,262 |
| 28 | | | | | |
| 29 | | Life Expectancy | | 79 | |
| 30 | *f* | Reduction related to injury | | 7 | |
| 31 | | Resultant life expectancy | | | 72 |
| 32 | | Less 18 years for minors | | 18 | |

| **Figure 1 Continued** | | | | | |
|---|---|---|---|---|---|
| 33 | | Resultant adult life span | | | 54 |
| 34 | | | | | |
| 35 | | Estimated Number TBI with Long-term Disability (c 27 * c 33) | | | 68,135 |
| 36 | *d* | Estimated % of Long-term Disability at 50% or Greater | | 46.1% | |
| 37 | | **Estimated Number with at least 50% Disability** (c 35 * c 36) | | | **31,416** |
| 38 | | | | | |
| 39 | | | | | |
| 40 | *g* | Estimated % with Paralysis | | 1.7% | |
| 41 | | **Estimated Fully Exempt due to Paralysis** (c 37* c 40) | | | **534** |
| 42 | | | | | |
| 43 | *d* | Estimated % Homestead Exempt for Total Disability | | 10.6% | |
| 44 | | **Estimated Homestead Exempt** (c 37 *c 43) | | | **3,330** |
| 45 | | | | | |
| 46 | | **Estimated Individuals not Exempt** (c 37- c 41 -c 44) | | | **27,552** |

Notes:

*a* Figure determined from South Carolina All-payer Hospitalization data using algorithm developed using S.C. TBI Registry data

*b* Spinal Cord Injury Facts and Figures at a Glance, National SCI Statistical Center https://www.nscisc.uab.edu/Public/Facts%202015%20Aug.pdf

*c* Percentage of paralysis upon hospital Discharge http://www.brainandspinalcord.org/spinal-cord-injury-statistics/

*d* Veterans Benefits Administration, Annual Benefits Report, FY 2013; Combined Degree of Disability for all compensation recipients
https://www.benefits.va.gov/REPORTS/abr/ABR-Combined-FY13-09262014.pdf

*e* CDC.gov Report to Congress: Traumatic Brain Injury in the United States
https://www.cdc.gov/traumaticbraininjury/pubs/tbi_report_to_congress.html
(70,000 brainandspinalcord.org)

*f* Mortality following rehabilitation in the Traumatic Brain Injury Model Systems of Care. Harrison-Felix C1, Whiteneck G, DeVivo M, Hammond FM, Jha A. NeuroRehabilitation. 2004;19(1):45-54.
https://www.ncbi.nlm.nih.gov/pubmed/14988587

*g* https://www.christopherreeve.org/living-with-paralysis/stats-about-paralysis

**Figure 2. Estimated Property Tax Reduction**
(All calculations are rounded to the nearest whole number)

| Column | Notes | Description | Estimated Currently Fully Tax Exempt | Estimated Currently Homestead Exempt | Estimated Currently Not Exempt | Total |
|---|---|---|---|---|---|---|
| 1 | *a* | Spinal Cord Injuries (SCI) | 3,481 | 40 | 338 | 3,859 |
| 2 | *a* | Traumatic Brain Injuries (TBI) | 534 | 3,330 | 27,552 | 31,416 |
| 3 | *a* | Total Eligible Individuals | 4,015 | 3,370 | 27,890 | 35,275 |
| 4 | | | | | | |
| 5 | *b* | Estimated Homeownership | 68.40% | 68.40% | 68.40% | 68.40% |
| 6 | | Homeowners (SCI) | 2,381 | 27 | 231 | 2,639 |
| 7 | | Homeowners (TBI) | 365 | 2,278 | 18,846 | 21,489 |
| 8 | | Estimated Total Homeowners | 2,746 | 2,305 | 19,077 | 24,128 |
| 9 | | | | | | |
| 10 | | Average Home Value | $155,345 | $155,345 | $155,345 | $155,345 |
| 11 | | Exempt Home Value | $155,345 | $50,000 | $0 | n/a |
| 12 | | Remaining Home Value | $0 | $105,345 | $155,345 | n/a |
| 13 | | | | | | |
| 14 | | Total Statewide Millage | 351.1 | 351.1 | 351.1 | 351.1 |
| 15 | | School Operating Millage (Fully Exempt) | 172.2 | 172.2 | 172.2 | 172.2 |
| 16 | | Remaining Millage | 178.9 | 178.9 | 178.9 | 178.9 |
| 17 | | | | | | |
| 18 | | Remaining Assessed Value (4% of Home Value) | $0 | $4,214 | $6,214 | n/a |
| 19 | | Average Property Tax (Assessed Value * Remaining Millage) | $0 | $754 | $1,112 | n/a |
| 20 | | | | | | |
| 21 | | **Property Tax Reduction** (rounded to thousands) | **$0** | **$1,738,000** | **$21,214,000** | **$22,952,000** |

Notes:

*a* See Figure 1 for Calculations
*b* U.S. Census Bureau, 2016 5-year American Community Survey, S.C. Owner Occupied Housing Units as a % of Occupied Housing Units

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