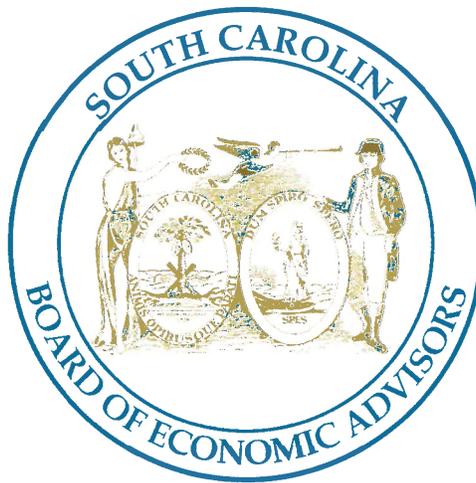


**Fiscal Impacts of Legislation
Affecting Revenue Collections
Fiscal Year 2018-19**



General Fund Revenue
Education Improvement Act Fund
Homestead Exemption Fund
Other State Funds
Local Property Tax Revenue

November 8, 2018

State of South Carolina
South Carolina Revenue and Fiscal Affairs Office
Board of Economic Advisors
www.rfa.sc.gov
(803)734-2265

Status of Legislation Affecting Revenue Collections
Fiscal Years 2017-18 to 2021-22

Line No	No FIS	Bill Number	Primary Sponsor	Description	Estimated General Fund Revenue Impact					Bill Status
					FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22	
1				Total Net Impact of Legislation Signed By the Governor						
2										
3		67	Hutton	Allow a redevelopment authority to use redevelopment fees on certain operating costs	0	0	0	(5,342,560)	(5,342,560)	Signed by Governor, 05/17/18; Act 180, 05/31/18
4		499	Malloy	Remove the \$50 fee of placing an identifying code on a driver's license of a person convicted of a crime		0	0			Signed by Governor, 05/03/18; Act 159, 05/14/18
5		1038	Hutto	Reimposition of a county capital projects sales tax; date changes		0	0			Signed by Governor, 04/17/18; Act 155, 04/30/18
6		1043	Turner	Extend date of "Abandoned Buildings Revitalization Act"; allow apartments to be considered multiple units for credit		(3,588,962)	(2,000,000)	(4,040,000)	(3,540,000)	Vetoed by Governor, 07/03/18; veto overridden, Act 265, 10/09/18
7		4009	Lucas	To enact the "Motorsports Entertainment Complex Investment Act"; sales tax exemption on building materials at complex		(240,000)	0			Signed by Governor, 07/02/18; Act 257; 07/12/18
8		4272	Spires	To extend the "Lexington County School District Property Tax Relief Act" for an additional seven years		0	0			Signed by Governor, 03/12/18
9		4601	Fry	To provide criteria for licensure as an addiction counselor		4,486	4,366	4,366	4,366	Signed by Governor, 05/18/18; Act 249, 05/31/18
10		4656	Sandifer	To authorize the Director of the Department of Insurance to adopt additional requirements for reinsurance credits		(11,000)	0			Signed by Governor, 05/03/18; Act 172, 05/14/18
11		4715	Kirby	To provide for a \$30 application fee for a watercraft dealer demonstration number; other provisions		0	0	0	0	Signed by Governor, 05/18/18; Act 223, 05/31/18
12		4795	Herbkersman	To exclude certain persons conducting auctions in conjunction with the annual Hilton Head Island Consours D'Elegance		(50)	0			Signed by Governor, 05/18/18; Act 225, 05/31/18
13		5341	Lucas	Conformity to the Internal Revenue Code			(4,000,000)			Signed by Governor, 10/03/18; Act 266, 10/09/18
14										
15				Total Net Impact of Legislation Signed By the Governor	0	(3,835,526)	(5,995,634)	(9,378,194)	(8,878,194)	
16										
17				Total Net Impact of Provisos Included in FY2017-18 Appropriation Act						
18										
19		4950	Proviso 109.10	Exceptional Needs Children Tax Credit		(1,000,000)	0	0	0	Codified in statute; Signed by Governor, Act 264, 08/09/18
20		4950	Proviso 50.20	Intermodal Facility Sales & Use Tax Exemption		(1,416,000)	(1,680,000)	(1,464,000)	(1,440,000)	Signed by Governor, Act 264, 08/09/18
21										
22				Total Net Impact of Provisos Included in FY2017-18 Appropriation Act	0	(2,416,000)	(1,680,000)	(1,464,000)	(1,440,000)	
23										
24				Total Net Impact of Legislation Affecting FY2017-18 to FY2021-22 Revenue Collections	0	(6,251,526)	(7,675,634)	(10,842,194)	(10,318,194)	

Sources: South Carolina Board of Economic Advisors; Legislative Printing and Information Technology Resources.

Status of Legislation Affecting Revenue Collections
Fiscal Years 2017-18 to 2021-22

Line No	No FIS	Bill Number	Primary Sponsor	Description	Line No	Estimated Other Funds Revenue Impact					Estimated Local Funds Revenue Impact					Line No
						FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22	
5		1038	Hutto	Reimposition of a county capital projects sales tax; date changes	5	0	0				0	9,300,000				5
6		1043	Turner	Extend date of "Abandoned Buildings Revitalization Act"; allow apartments to be considered multiple units for credit	6	25,000	0	0			0	0	0			6
7		4009	Lucas	To enact the "Motorsports Entertainment Complex Investment Act"; sales tax exemption on building materials at complex	7	(120,000)	0		0		(120,000)	0	0			7
8		4272	Spires	To extend the "Lexington County School District Property Tax Relief Act" for an additional seven years	8	0	0				44,100,000	0	0			8
9		4601	Fry	To provide criteria for licensure as an addiction counselor	9	60,000	0				0	0	0			9
10		4656	Sandifer	To authorize the Director of the Department of Insurance to adopt additional requirements for reinsurance credits	10	0	0				0	0	0			10
11		4715	Kirby	To provide for a \$30 application fee for a watercraft dealer demonstration number; other provisions	11	(925,080)	(1,387,600)	(462,530)		0	0	0	0	0	0	11
12		4795	Herbkersman	To exclude certain persons conducting auctions in conjunction with the annual Hilton Head Island Consours D'Elegance	12	0	0				Undetermined	Undetermined	Undetermined	Undetermined		12
13		5341	Lucas	Conformity to the Internal Revenue Code	13						0	0				13
14					14											14
15				Total Net Impact of Legislation Signed By the Governor	15	0	(1,119,380)	(1,387,600)	(462,530)	0	0	43,980,000	9,300,000	0	0	15
16					16											16
17				Total Net Impact of Provisos Included in FY2017-18 Appropriation Act	17											17
18					18											18
19		4950	Proviso 109.10	Exceptional Needs Children Tax Credit	19	0	0	0	0		0	0	0	0	0	19
20		4950	Proviso 50.20	Intermodal Facility Sales & Use Tax Exemption	20	(354,000)	(420,000)	(366,000)	(360,000)		(354,000)	(420,000)	(366,000)	(360,000)		20
21					21											21
22				Total Net Impact of Provisos Included in FY2017-18 Appropriation Act	22	0	(354,000)	(420,000)	(366,000)	(360,000)	0	(354,000)	(420,000)	(366,000)	(360,000)	22
23					23											23
24				Total Net Impact of Legislation Affecting FY2017-18 to FY2021-22 Revenue Collections	24	0	(1,473,380)	(1,807,600)	(828,530)	(360,000)	0	43,626,000	8,880,000	(366,000)	(360,000)	24

Sources: South Carolina Board of Economic Advisors; Legislative Printing and Information Technology Resources.



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

Bill Number: S. 0067 Signed by Governor on May 17, 2018
Author: Hutto
Subject: Redevelopment Authority Fees
Requestor: Senate
RFA Analyst(s): Shuford
Impact Date: June 26, 2018

Estimate of Fiscal Impact

	FY 2020-21	FY 2021-22	FY 2027-28	FY 2028-29
State Expenditure				
General Fund	\$0	\$0		
Other and Federal	\$0	\$0		
Full-Time Equivalent Position(s)	0.00	0.00		
State Revenue				
General Fund	(\$5,342,560)	(\$5,342,560)	\$5,342,560	\$5,342,560
Other and Federal	\$0	\$0		
Local Expenditure	\$0	\$0		
Local Revenue	\$0	\$0		

Fiscal Impact Summary

This bill will not have an expenditure impact on the General Fund, Federal Funds, or Other Funds of the Department of Revenue for continuing to allocate individual income tax withholdings to the Savannah River Site, Charleston Naval Complex, and the Myrtle Beach Air Force Base redevelopment authorities from January 1, 2021, until January 1, 2028. These activities are a continuation of existing agency responsibilities, which will not result in any additional expenditures.

This bill will decrease General Fund income tax withholdings revenue by a total of \$10,685,120 over two fiscal years, in FY 2020-21 and FY 2021-22, from the continued allocation of redevelopment fees to the Savannah River Site, Charleston Naval Complex, and the Myrtle Beach Air Force Base redevelopment authorities. This revenue decrease will be realized over two fiscal years since the continuation of the allocations begins in the middle of a state fiscal year. Specifically, we estimate that the continued allocation of the redevelopment fees for January 2021 through June 2021 will decrease General Fund income tax withholdings by \$5,342,560 in FY 2020-21. The continued allocation for July 2021 through December 2021 will decrease withholding tax revenue by an additional \$5,342,560 in FY 2021-22. General Fund income withholdings will increase by the same amounts in FY 2027-28 and FY 2028-29 when the redevelopment fee allocations sunset on January 1, 2028.

Explanation of Fiscal Impact

Signed by Governor on May 17, 2018

State Expenditure

This bill requires the Department of Revenue to continue allocating individual income tax withholdings to the Savannah River Site, Charleston Naval Complex, and the Myrtle Beach Air Force Base redevelopment authorities from January 1, 2021, until January 1, 2028. These activities are a continuation of existing agency responsibilities and will not have an expenditure impact on the General Fund, Federal Funds, or Other Funds of the department.

State Revenue

Section 1. This bill extends redevelopment fee allocations of individual income tax withholdings to a federal site in which permanent employment has been reduced by three thousand or more jobs from the level of such jobs on December 31, 1990. Under the prior sunset provision contained in Section 12-10-88(C), allocations to the Savannah River Site, Charleston Naval Complex, and the Myrtle Beach Air Force Base redevelopment authorities were expected to end on January 1, 2021. With the change in the sunset date, we expect that redevelopment fees allocated to the Savannah River Site, Charleston Naval Complex, and the Myrtle Beach Air Force Base redevelopment authorities will continue after January 1, 2021, until January 1, 2028.

Under the sunset provision prior to this bill, we expected General Fund income tax withholdings to increase by \$10,685,120 beginning in January 2021, the amount of the redevelopment authority allocations remitted in FY 2014-15. This revenue increase would have been realized over two fiscal years since the sunset date occurred in the middle of a state fiscal year. As this bill extends all redevelopment authority allocations to January 1, 2028, the General Fund will not realize the anticipated income tax withholdings increase from the sunset of these allocations in January 2021.

As a result, we estimate the continued allocation of the redevelopment fees for January 2021 through June 2021 will decrease General Fund income tax withholdings by \$5,342,560 in FY 2020-21. The continued allocation for July 2021 through December 2021 will decrease income tax withholdings by an additional \$5,342,560 in FY 2021-22, for a total decrease in General Fund income tax withholdings of \$10,685,120 in those two fiscal years. When the redevelopment fee allocations sunset on January 1, 2028, we expect General Fund income tax withholdings will increase by the same amounts in FY 2027-28 and FY 2028-29.

Section 2. This section allows the use of redevelopment authority fees for the administration and implementation of the authority's plans, which may include programs to reduce unemployment or increase the property tax base. Fees may be used also by multicounty economic development not-for-profit corporations for their administration and operating costs. While this section expands the permitted uses of the redevelopment fees, we expect that the total amount of revenue and expenditures from the fees will not change since the amount of the redevelopment fees may not exceed the amount allocated in FY 2014-15. Therefore, this section will not have an impact on General Fund income tax withholdings.

Local Expenditure and Revenue

N/A



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

Bill Number: S. 0499 Signed by Governor on May 3, 2018
Author: Malloy
Subject: Driver's Licenses
Requestor: Senate
RFA Analyst(s): Wren
Impact Date: May 9, 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	(\$159,300)	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds of the Department of Motor Vehicles (DMV). Any necessary programming changes to delete the \$50 fee to place an identifying code on the driver's license of an individual who pleads guilty to a crime of violence can be absorbed within current appropriations of DMV. Other Funds revenue of the Department of Transportation (DOT), which is allocated to the State Highway Fund, will be reduced by \$159,300 annually, beginning in FY 2018-19 for deletion of the \$50 fee.

Explanation of Fiscal Impact

Signed by Governor on May 3, 2018

State Expenditure

This bill deletes the requirement that DMV must charge a \$50 fee to place an identifying code on the driver's license of an individual who is convicted of or pleads guilty or nolo contendere to a crime of violence as defined in Section 16-23-10(3).

DMV indicates that any necessary programming changes to remove the \$50 fee can be absorbed within current appropriations. Therefore, this bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue

This bill removes the requirement that DMV must charge a \$50 fee to place an identifying code on the driver's license of an individual who is convicted of or pleads guilty or nolo contendere to

a crime of violence as defined in Section 16-23-10(3). Currently, the revenue generated from the \$50 fee is allocated to the State Highway Fund of DOT.

Based upon data from DMV, the most current three-year average of the number of driver's licenses issued containing the identifying code for a crime of violence pursuant to Section 16-23-10(3) is 3,186. Deleting the \$50 fee requirement will reduce revenue to the State Highway Fund by \$159,300 annually, beginning in FY 2018-19.

Local Expenditure

N/A

Local Revenue

N/A



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

Bill Number: S. 1038 Signed by Governor on April 17, 2018
Author: Hutto
Subject: Capital Project Sales Tax
Requestor: Senate
RFA Analyst(s): Shuford
Impact Date: May 7, 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	\$0	\$9,300,000

Fiscal Impact Summary

We anticipate that Orangeburg County capital project sales tax collections will increase by \$9,300,000 in FY 2019-20 from the additional year of revenue collections.

Explanation of Fiscal Impact

Signed by Governor on April 17, 2018

State Expenditure and Revenue

N/A

Local Expenditure

N/A

Local Revenue

This bill extends the reimposed capital projects sales tax in Orangeburg County that commenced on April 1, 2013, to April 30, 2020. Under prior statute, the imposition and termination requirements contained in Section 4-10-340 would terminate this tax on April 30, 2019. In FY 2016-17, Orangeburg County collected \$9,300,000 from the capital projects sales tax. Therefore, we anticipate that Orangeburg County capital project sales tax collections will increase by \$9,300,000 in FY 2019-20 from the additional year of revenue collections. The commencement of the tax reimposed by the referendum approved in the 2016 general election will begin on May 1, 2020, and expire on April 30, 2027. These changes will allow the local sales tax to continue through April 30, 2027, without interruption.

Frank A. Rainwater, Executive Director



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

Bill Number: S. 1043 Veto Overridden on October 3, 2018
Author: Turner
Subject: SC Abandoned Building and Revitalization Act
Requestor: Senate
RFA Analyst(s): Gable, R. Martin, Jolliff, Wren, and Mitchell
Impact Date: November 1, 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	See Table Below	See Table Below
Other and Federal	\$25,000	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

GENERAL FUND REVENUE

Individual and Corporate Income Tax, Bank Tax, Savings and Loan Tax, Corporate License Fees, Insurance Premium Tax (Including Retaliatory Tax), or Any Combination Thereof

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	NOTES
Section 1	\$0	\$0	(\$1,540,000)	(\$1,540,000)	Sunset provision FY 2021-22
Section 2	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	\$0	Sunset provision FY 2020-21
Section 3	(\$88,962)	\$0	\$0	\$0	Recurring
Section 4	(\$2,000,000)	\$0	\$0	\$0	Recurring
Section 5	\$0	\$0	\$0	\$0	
Section 6A	(\$500,000)	(\$1,000,000)	(\$1,500,000)	(\$2,000,000)	Capped at (\$2,000,000) Sunset provision FY 2027-28
Section 6B	\$0	\$0	\$0	\$0	
Section 7	\$0	\$0	\$0	\$0	
Section 8	\$0	\$0	\$0	\$0	
Section 9	\$0	\$0	\$0	\$0	
Total	(\$3,588,962)	(\$2,000,000)	(\$4,040,000)	(\$3,540,000)	

Fiscal Impact Summary

This bill will increase Other Fund revenue of the Coordination Council for Economic Development (CCED) by an estimated \$25,000 in tax credit application fees for the duration of the tax credit for the certified SC grown agricultural purchases, from FY 2018-19 to FY 2028-29.

Additionally, RFA anticipates this bill will reduce the General Fund revenue for individual and corporate income tax, bank tax, savings and loan tax, corporate license fees, insurance premium tax (including retaliatory tax), or any combination thereof. The estimated reduction in the General Fund revenue is \$3,588,962 in FY 2018-19, \$2,000,000 in FY 2019-20, \$4,040,000 in FY 2020-21, and \$3,540,000 in FY 2021-22.

Explanation of Fiscal Impact

Veto Overridden on October 3, 2018

State Expenditure

Department of Revenue (DOR). Sections 1, 2, 6, 7, and 8 expand certain tax credits, tax exemptions, and update certain procedures associated with DOR. These sections of this bill will require DOR to make some changes in order to meet the new requirements. However, we anticipate DOR will be able to manage any modification required by this bill within existing appropriations as the administration of tax credits, existing exemptions, and tax procedures is within DOR's normal scope of business. Therefore, this bill is not expected to have an expenditure impact on the General Fund, Other Funds, or Federal Funds for DOR.

Department of Commerce. Section 6 requires the Coordinating Council of Economic Development (CCED) to administer certain tax credits. The Department of Commerce indicates that any additional workload related to the CCED in administering these tax credits is not expected to require additional staffing or incur additional costs, and will have no expenditure impact on the General Fund, Federal Funds, or Other Funds for the Department of Commerce.

Administrative Law Court. Section 8 specifies that the Administrative Law Court (ALC) has jurisdiction to approve a refund due for any tax year before the three years immediately preceding the final determination of an appealed property tax assessment adjustment if the appeal does not conclude by December 31 of the tax year. This section amends the current ALC jurisdiction over local property tax matters, and therefore, is not anticipated to have an expenditure impact on the General Funds, Federal Funds, or Other Funds for the ALC.

State Revenue

Section 1. This section extends the sunset provision of the South Carolina Abandoned Buildings Revitalization Act which required the tax credit to terminate on December 31, 2019. Now the South Carolina Abandonment Buildings Revitalization Act is scheduled to expire on December 31, 2021. Since the abandoned buildings revitalization tax credit is scheduled to be repealed on December 31, 2019, the Board of Economic Advisors (BEA) was not expecting any additional revenue reductions in the General Fund revenue beginning in FY 2020-21 from this tax credit.

The South Carolina Abandoned Buildings Revitalization Act was enacted in Act 57 of 2013 and has been amended since that time. Under this Act, a taxpayer may claim a nonrefundable state income tax credit equal to twenty-five percent of actual rehabilitation expenses of an abandoned building. The tax credit may be applied against individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof. The tax credit may also be applied against real property taxes as levied by local taxing entities. The tax credit must be taken in equal installments over a three-year period and may not exceed \$500,000 for any taxpayer in a tax year. The credit is earned in the tax year in which the applicable phase or portion of the building site is placed in service. Unused tax credits may be carried forward for five years. The South Carolina Abandoned Buildings Revitalization Act was to be repealed on December 31, 2019. Any credit carryforward would continue to be allowed until the five-year time period is completed.

The table below describes a summary of the abandoned building tax credit showing the number of taxpayers claiming the nonrefundable tax credit and the value of the tax credits claimed over the first four years of actual data filed by taxpayers. Through FY 2016-17, the latest year for which there is data, a total of 288 taxpayers have claimed \$11,038,274 in nonrefundable tax credits.

HISTORY OF THE ABANDONED BUILDING TAX CREDIT				
Fiscal Year	Tax Year	Tax Payers	Credit Claims	Avg. Credits Claimed Per Taxpayer
FY 2013-14	TY 2013	19	\$390,155	\$20,533
FY 2014-15	TY 2014	27	\$1,127,443	\$41,757
FY 2015-16	TY 2015	79	\$2,253,044	\$28,520
FY 2016-17	TY 2016	163	\$7,267,652	\$44,587
TOTAL		288	\$11,038,274	\$38,327

Source: Board of Economic Advisors from data provided by SC Department of Revenue

Based on the collection pattern of actual nonrefundable tax credits claimed and adjusting for any eligible tax credit carryforwards that taxpayers are entitled and may claim in future tax years, the abandoned building revitalization tax credits increase by an average of \$1,540,000 per tax year for all taxpayers. The following table is an estimate of the future revitalization tax credit:

ESTIMATE OF THE ABANDONED BUILDING TAX CREDIT			
Fiscal Year	Tax Year	Credit Claims	Annual Increase
FY 2017-18	TY 2017	\$8,807,652	
FY 2018-19	TY 2018	\$10,347,652	\$1,540,000
FY 2019-20	TY 2019	\$11,887,652	\$1,540,000

(Continued on next page)

ESTIMATE OF THE ABANDONED BUILDING TAX CREDIT			
Tax Years Added by Section 1 of S. 1043			
Fiscal Year	Tax Year	Credit Claims	Estimated Annual Increase
FY 2020-21	TY 2020	\$13,427,652	\$1,540,000
FY 2021-22	TY 2021	\$14,967,652	\$1,540,000

The extension of the tax credit for the South Carolina Abandoned Buildings Revitalization Act for two additional years, would result in a reduction in General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes) revenue, or any combination thereof, by an additional \$1,540,000 in FY 2020-21 and \$1,540,000 in FY 2021-22, for a total of \$3,080,000 in the two fiscal years. Beginning in FY 2022-23, the General Fund individual and corporate income tax revenue will increase by the estimated total tax credit minus any carryforward. Carryforward of the tax credit will continue as the tax payer may claim any unused credit for five years after a building is placed in service.

Section 2. Section 2 amends Section 12-67-140 to include language that makes several significant changes to the abandoned building revitalization tax credit:

- This section only applies to building sites which have had no portion thereof placed in service before July 1, 2018, and upon which is a redeveloped multi-floor structure that is listed on the National Register of Historic Places.
- An abandoned unit may be subdivided into separate parcels or units, and up to seven separate floors may be considered seven separate subdivided units if a floor is redeveloped for the exclusive use as an apartment or apartments.
- A “Notice of Intent to Rehabilitate” is not required, but the Department of Revenue must be notified in writing prior to the date the building will be placed in service.

Each of the items noted above poses a significant change to the abandoned building revitalization tax credit statute. These changes include the following:

- This section will limit only those multi-floor abandoned buildings which have not been placed in service before July 1, 2018, and are listed on the National Register of Historic Places to qualify for the tax credit. These provisions may limit the availability of renovated abandoned buildings that qualify for the tax credit.
- Previously, according to the Department of Revenue, an abandoned building unit could be subdivided into separate units and qualify for a tax credit if those units are income producing. An individual residential apartment building would qualify as only one unit and would not count as separate individual units based on the number of apartments. This bill changes the application of prior law and may consider up to seven separate

floors as seven separate subdivided units even if the floors are redeveloped as a residential apartment or apartments.

- Previously, a taxpayer had to file a “Notice of Intent to Rehabilitate” with the Department of Revenue if the taxpayer intends to claim an abandoned building tax credit. In the “Notice of Intent to Rehabilitate” there must have been a stated total amount of the estimated cost to rehabilitate an abandoned building project. The actual costs of the qualified rehabilitation expenditures could come within as low as 80 percent of the actual expenditure amount and as high as 125 percent of the actual expenditure amount. Any amounts outside of these expenditure limits would not be included as qualified rehabilitative expenditures in order to claim the tax credit. The suspension of the requirement to file a “Notice of Intent to Rehabilitate” allows for cost overruns associated with an abandoned building project to be included as qualified rehabilitation expenses to be used in the calculation of the tax credits to be claimed by the taxpayer.
- Also, previously a taxpayer may claim a tax credit as phases of an abandoned building project were completed and placed in service in accordance with the “Notice of Intent to Rehabilitate” filed with the Department of Revenue. This bill will only apply to building sites entirely placed in service after June 30, 2018.

This section will limit only those multi-floor abandoned buildings which have not been placed in service before July 1, 2018, and are listed on the National Register of Historic Places to qualify for the tax credit. According to the national park services of the U.S. Department of the Interior, there are currently 1,556 properties registered or waiting to be registered on the National Register of Historic Places in South Carolina. We currently know of one property that meets this criterion. Additionally, because only those abandoned buildings placed in service between July 1, 2018, and December 31, 2021, will qualify for the tax credit, it is reasonable to believe that sometime in the three-year period that another or several other abandoned buildings will be redeveloped and qualify for the tax credit.

According to the Department of Revenue’s Revenue Ruling #15-7, each abandoned building site could contain multiple units and each unit could qualify for the credit. A redeveloped apartment building with multiple units would qualify for only one tax credit, regardless of the number of units in the apartment building. This bill changes the calculation of the tax credit for abandoned buildings redeveloped for use as apartments. Under this bill, up to seven separate floors may qualify for the tax credit as seven separate subdivided units even if the floors are redeveloped as apartments. Each unit is still limited to a nonrefundable tax credit of up to \$500,000 per unit.

Under prior law, one redeveloped floor of apartments would qualify for the tax credit up to \$500,000 per unit, or \$166,667 each tax year over the three-year period. The remaining six floors would not be eligible for the tax credit. This bill will allow the remaining six floors of apartments to qualify for a tax credit under the provisions of this bill. Therefore, the additional six floors of apartments multiplied by a tax credit limitation of \$500,000 per unit yields a reduction of General Fund revenue by an additional estimated \$3,000,000 to be taken in three equal installments of \$1,000,000 in each tax year in FY 2018-19, FY 2019-20, and FY 2020-21. Additionally, in FY 2021-22, General Fund revenue will increase by the full amount of the tax credit that will expire in December 2021.

Section 3. This section updates the definition of an economically distressed parcel of property as listed by the Appalachian Regional Commission and amends the definitions of a qualified textile mill site and qualified textile mill rehabilitation expense for tax credit purposes.

The Textile Communities Revitalization Act was first enacted in 2005. Previously, pursuant to Section 12-65-30, a taxpayer is allowed a tax credit against income taxes, corporate license tax, insurance premium taxes, or any combination thereof, or a property tax credit for the renovation, improvement, and redevelopment of abandoned textile mills in South Carolina. The income, license, and/or premium tax credit is equal to twenty-five percent of the qualified rehabilitation expenses. The credit is claimed in equal installments over a five-year period beginning with the year the property is placed in service. Any unused credit may be carried forward for five years. The tax credit is limited in use to fifty percent of a taxpayer's income tax liability, fifty percent of a taxpayer's corporate license fees, and/or fifty percent of a taxpayer's insurance premium license taxes in a taxable year. A taxpayer may claim this credit in addition to the credit for rehabilitation of a certified historic structure allowed pursuant to Section 12-6-3535. The "real property tax credit" is equal to twenty-five percent of the qualified rehabilitation expenses made to the eligible site, up to seventy-five percent of the real property taxes due on the site, each year. The municipality or the county must determine the eligibility of the site and the proposed project. The ordinance shall allow the property tax credit to be taken against up to seventy-five percent of the real property taxes due on the site each year not to exceed eight years. The credit vests in the taxpayer in the year in which the eligible site is placed in service. The credit may be carried forward up to eight years. According to the latest data from the Department of Revenue, 676 taxpayers have claimed a total of \$28,045,882 of nonrefundable tax credits since passage of the Textiles Communities Revitalization Act in 2005.

Section 3 makes several changes to the Textiles Communities Revitalization Act to include:

- a definition of an economically distressed parcel of property as listed by the Appalachian Regional Commission,
- amends the definition of a qualified textile mill site, and
- amends the definition of a qualified textile mill rehabilitation expense.

First, this section will amend Section 12-65-20(4) to include a definition of an economically distressed parcel of property as listed by the Appalachian Regional Commission. The Commission uses an index-based county economic classification system to identify and monitor the economic status of Appalachian counties. The system compares each county's average of three economic indicators – the three-year unemployment rate, per capita market income, and poverty rate – with national averages. The resulting values are summed and averaged to create a composite index value for each county. Each county in the nation is then ranked, based on its composite index value. Counties are designated as distressed, at-risk, transitional, competitive, or attainment, based on their ranking in the index. Designations are revised annually using the most current data available. Based on the current county economic status classification system, Anderson County, Greenville County, Oconee County, Pickens County, and Spartanburg County

are considered “transitional” Appalachian counties. Cherokee County is the only “at-risk” Appalachian county in South Carolina.

This section introduces another classification system for awarding a state textile revitalization tax credit. Local economic development officials may be able to attract federal grants or outside investment for disadvantaged communities if a project is undertaken in one of the six counties listed above. This economic classification system may be of consideration if the taxpayer is deciding on the property tax credit selection of the textile rehabilitation credit. The county or municipality must make the determination of whether the site qualifies as an abandoned textile mill site and whether to grant a property tax credit for the project. The ordinance shall allow the property tax credit to be taken against up to seventy-five percent of the real property taxes due on the site each year not to exceed eight years.

Second, this section will also update Section 12-65-20(4) to amend the definition of a qualified textile mill site to include all land used for textile manufacturing operations or ancillary uses along a “contiguous parcel” of land. The term “contiguous parcel” is further defined as any separate tax parcel sharing a common boundary with an adjacent parcel or separated only by a private or public road. This amendment would allow separate tax parcels to be treated as one qualified textile mill site for purposes of the tax credit. This combined textile mill site would be eligible for the property tax credit and may include land that was never originally used for textile manufacturing purposes. The 1,000-foot limitation may still be applicable even if the parcels are deemed contiguous. This issue requires further research and we defer this issue to the appropriate officials of the South Carolina Department of Revenue or the local tax assessors and auditors.

Lastly, this section will update Section 12-65-20(8) to amend the definition of qualified rehabilitation expenses associated with new or rehabilitated buildings on a textile mill site that increases the amount of square footage of the buildings that existed on the site as of the date of the filing of the “Notice of Intent to Rehabilitate” by more than two hundred percent shall not be considered a rehabilitation expense for the purposes of calculating the credit. Current legislation restricts the use of qualified textile rehabilitation expenses to the original footprint of the original textile mill building. The amendment does allow a qualified site to be at least two hundred percent larger than the original footprint of the abandoned textile mill, but no more than two hundred percent.

Based on the latest data from the South Carolina Department of Revenue, a total of 676 taxpayers have filed claims for \$28,045,882 in nonrefundable tax credits. The average taxpayer has received a nonrefundable tax credit of \$29,654 per project per taxable year. Increasing the footprint of the abandoned textile mill building by at least two hundred percent is expected to increase the nonrefundable tax credit by three times or by \$88,962 for a project meeting these qualifications. Therefore, this section is expected to reduce General Fund corporate and individual income taxes, corporate license fees, and insurance premium taxes, or any combination thereof, by an estimated \$88,962 annually beginning in FY 2018-19.

Section 4. This section amends South Carolina income tax code to conform to the Internal Revenue Code alternative tonnage tax on qualifying international shipping activities beginning

with tax year 2018. Previously, South Carolina does not conform to Internal Revenue Code Sections 1352 through 1359. These sections permit an international shipping company to elect to calculate its income tax based upon vessel tonnage and the number of days the vessel is operated as opposed to the normal corporate income tax. The provisions do not apply to vessels engaged only in domestic shipping. Companies may elect the alternative taxation method, but it applies only to their qualified shipping activities. All other income remains subject to the standard corporate income tax. Adopting this provision is expected to lower the tax due for these companies.

DOR reviewed income tax filings and recent audits for shipping companies expected to qualify to use the alternative tonnage tax on international shipping. In total, DOR estimates that approximately twenty companies may be eligible for the alternative tax. Based upon the review, DOR estimates that adopting these provisions will reduce General Fund corporate income tax revenue for these companies by between \$1,500,000 and \$2,000,000, annually, beginning in FY 2018-19.

Section 5. Section 5 amends the manner in which income tax credits under the SC Abandonment Revitalization Act may transfer from one taxpayer to another taxpayer. These tax credits apply to qualified investments in the revitalization of an abandoned building and for making qualified rehabilitation expenditures in a certified historic structure. This section takes effect upon approval by the Governor and first applies to projects placed in service after June 30, 2018.

This section makes two changes to the SC Abandoned Building Revitalization Act:

- Any unused portion of the tax credit may be carried forward for the succeeding five years at the individual, partnership, or limited liability company level.
- If the taxpayer is a partnership or limited liability company taxed as a partnership, the credit, including any unused credit amount carried forward, may be passed through to “any” partner or member who was a member or partner at any time in the year in which the credit or unused carryforward is allocated.

This section amends Section 12-67-140(B)(3)(a) to allow any unused portion of the tax credit may be carried forward for the succeeding five years at the individual, partnership, or limited liability company level. This section would also amend Section 12-67-140(B)(6) to allow any unused credit amount carried forward may be passed through to any partner or member who was a member or partner at any time in the year in which the credit or unused carryforward is allocated instead of just one member or partner at any time during the year. These changes would not affect state General Fund revenue.

The income tax credit for making qualified rehabilitation expenditures for a certified historic structure was enacted in Act 229 of 2002. A taxpayer is allowed an income tax or license tax credit equal to ten percent of the qualified rehabilitation expenditures for a certified historic structure located in South Carolina that qualifies for the federal rehabilitation credit provided in IRS Code Section 47. A taxpayer may elect a twenty-five percent tax credit in lieu of the ten

percent tax credit, not to exceed \$1,000,000 for each certified historic structure. If a taxpayer is not eligible for the federal tax credit he may take an income tax credit equal to twenty-five percent of the rehabilitation expenses. The credit is claimed in equal amounts over a three-year period beginning with the year that the property is placed in service. Any unused credit may be carried forward for the succeeding five years. Through FY 2015-16, the latest year for which there is data, a total of 843 taxpayers have claimed \$17,407,204 in nonrefundable tax credits.

Section 6A. This section will add Section 12-6-3378 to allow an agribusiness operation or an agricultural packaging operation to claim a nonrefundable income tax credit or a tax credit against employee withholding tax. This income tax credit will begin in tax year 2018 and end before tax year 2028. The CCED of the Department of Commerce will administer the tax credit.

The taxpayer will be required to increase its purchases of agricultural products certified as South Carolina grown by the South Carolina Department of Agriculture by a minimum of fifteen percent over its base year in a single calendar year. The “base year” is defined as the total dollar purchases of agricultural products certified as South Carolina grown in the immediately preceding calendar year. The base year total dollar purchases, however, must exceed \$100,000 for a taxpayer to be eligible for the tax credits. If a taxpayer does not meet the \$100,000 purchases requirement in the year ending December 31st of the previous year, including a taxpayer who locates to the state prior to December 31st of the previous year, the base year must be measured by the initial January 1st through December 31st calendar year in which the taxpayer meets the purchasing requirement. The \$100,000 threshold should be easily met by a number of agricultural operations within the state. If the income tax credit exceeds the taxpayer’s income tax liability for the taxable year, the excess amount may be carried forward in the next five succeeding taxable years. If the credit against withholding taxes exceeds the taxpayer’s withholding tax liability for the taxable quarter, the excess amount may be carried forward in the next twenty succeeding taxable quarters.

The CCED has the sole discretion in allocating the tax credits and must consider the amount of base year purchases of certified agricultural products, the total and percentage increase in purchases, and factors related to the economic benefit of the State or other factors. The taxpayer must submit an application to the Coordinating Council every year in which the taxpayer wishes to claim a tax credit. The CCED believes the agency could receive an estimated \$25,000 in application fees annually, thereby, increasing Other Funds revenue by \$25,000 beginning in FY 2018-19 and ending in FY 2027-28.

This section specifies the maximum amount of tax credits that may be allocated to all taxpayers in a calendar year. These maximum amounts are summarized in the table below.

Tax Allocation Schedule		
Fiscal Year	Calendar Year/ Tax Year	Maximum Tax Credit Amount
FY 2018-19	2018	\$500,000
FY 2019-20	2019	\$1,000,000

(Continued on next page)

Tax Allocation Schedule		
Fiscal Year	Calendar Year/ Tax Year	Maximum Tax Credit Amount
FY 2020-21	2020	\$1,500,000
FY 2021-22 through FY 2027- 28	2021 through 2027	\$2,000,000

The maximum tax credits are expected to be exhausted and fully allocated each year. Therefore this section would reduce General Fund tax revenue by a total of \$500,000 in FY 2018-19, \$1,000,000 in FY 2019-20, \$1,500,000 in FY 2020-21, and \$2,000,000 beginning in FY 2021-22 and ending in FY 2027-28.

The amount of the tax credits allocated to each applicant would be determined by the CCED within the Department of Commerce. This bill, however, contains no compliance or enforcement mechanisms or audit measures in the legislation to ensure that taxpayers have met the purchase requirement. The awarding of the tax credits is discretionary and subjective based upon the submission of unaudited applications by the taxpayers.

Section 6B. This section would amend Section 12-10-80 to amend the definition of a “qualifying service-related facility” in order for a company to qualify under the job development credit statute. This language adds subitem (K) to Section 12-10-80 to allow a job development credit to a business, other than a business engaged in legal, accounting, banking, or investment services or retail sales, operating at a single location if the single facility would otherwise qualify as a service-related facility. A job development credit is a credit against employee income withholding based on a sliding scale of hourly wage rates. The job development credits range from one percent to five percent of employee withholding. The bill also includes those establishments at a single facility of a business generally engaged in retail sales if that single facility would otherwise qualify as a service-related facility.

Based upon discussions with representatives with the South Carolina Department of Commerce, CCED, this language may allow a “back office” operation, such as administrative support services, accounting, and inventory control of a major retail establishment. Although we do not know of any prospective establishment, this language would make it easier for this type of investment to occur. Without this language, this investment would be ineligible for job development credits as it seeks approval for applying job development credits from the CCED for each new full-time employee hired.

The bill also adds permissive language to give the CCED discretion in the approval of job development credits to qualifying businesses based upon the following criteria:

- At least seventy-five percent of service or other income producing activity must be derived from gross receipts of customers outside of South Carolina,
- the nature of the new jobs to be created at the project,

- the wages of the new jobs to be created at the project,
- the capital investment of the project, and
- the potential for expansion or growth of the business or industry.

This section will not affect state General Fund income revenue in FY 2018-19.

Section 7A. This section would clarify the apportionment language in Section 12-6-2295 for satellite companies with regard to their assessment of corporate income tax revenue. When a corporate taxpayer conducts business in more than one state they are statutorily required to account for the amount of business attributable to each state. Generally, income is apportioned among the states on a formula basis. The apportionment method becomes clouded when the taxpayer is a service provider rather than a manufacturer.

Pursuant to Sections 12-6-2290 and 12-6-2295, taxpayers whose principal business is not manufacturing or dealing in tangible personal property must apportion income using a gross receipts factor. The gross receipts factor is defined as “a fraction in which the numerator is gross receipts from within this State during the taxable year and the denominator is total gross receipts from everywhere during the taxable year.”

Two prominent satellite subscription television service providers, DirecTV, Inc. and Dish DBS Corp., filed amended corporate income tax returns seeking large corporate income tax refunds based upon their reinterpretation of the apportionment of corporate income tax attributable to South Carolina. Both companies are multistate taxpayers that offer direct broadcast satellite video services through subscription fees and leases of equipment for access to hundreds of television programming channels throughout the United States. The satellite providers argued that little or no subscription revenue from South Carolina should be included in the numerator of the gross receipts ratio because the majority of the income-producing activity occurs outside of South Carolina.

DirecTV, Inc. and Dish DBS Corp. filed suit against the Department of Revenue and the case was heard by an administrative law court judge. At issue was the interpretation and delineation of the phrases “income-producing activity” and “costs of performing the service”. The satellite providers argued that the costs of performing the service should be sourced to their headquarters that are not in South Carolina thereby reducing their tax liability sourced to South Carolina. The Department of Revenue argued that the income-producing activity of charging subscription fees to South Carolina subscribers was the appropriate measure to assess the satellite provider’s corporate tax liability.

This section would clarify the apportionment language in Section 12-6-2295 for satellite companies with regard to their assessment of corporate income tax revenue. This bill would amend Section 12-6-2295(A) to amend the items to include in the terms “sales” and “gross receipts” to mean the receipts from the provision of direct broadcast satellite service attributable to this State in pro rata proportion of the costs of performing the service. This section further defines the term “direct broadcast satellite service” to mean the distribution of broadcasting or

programming or services by satellite directly to the subscriber's premises without the use of ground receiving or distribution equipment, except at the subscriber's premises or in the uplink process to the satellite.

The administrative law court case was decided in the favor of the defendant, the South Carolina Department of Revenue. A table summarizing the judgments in each case is provided below.

SOUTH CAROLINA ADMINISTRATIVE LAW COURT PETITIONER'S ORDER				
Category	DIRECTV, Inc.	DISH DBC, Inc.		
Tax & License Fee	\$6,646,168	\$544,286	\$90,551	\$634,837
Interest	\$653,425	\$399,496	\$32,196	\$431,692
Penalties	\$1,661,541	\$276,307	\$21,846	\$298,153
Total	\$8,961,134 a/	\$1,220,089 b/	\$144,593 c/	\$1,364,682

Notes: a/ Income tax returns for 2009, 2010, and 2011
 b/ Income tax returns for 2004 through 2010
 c/ Income tax returns for 2006 through 2011

The judgment ordered DirecTV to pay \$8,961,134 in taxes, license fees, interest, and penalties for the tax years 2009 through 2011 to the Department of Revenue. Dish DBC Corp. was ordered to pay \$1,364,682 in taxes, license fees, interest, and penalties for tax years 2004 through 2011. Although a decision was reached at the administrative law court level, the case may still be appealed with the outcome of that decision being uncertain. It has been the long-standing policy of the Revenue and Fiscal Affairs Office and the Board of Economic Advisors to not comment on impending litigation until a final decision is reached. As such, even though the state has not received a portion of the corporate income tax revenue for satellite services provided, the appropriate amount of tax revenue will be collected in accordance with existing statutes upon settlement of the legal action. The state did not lose any corporate income tax revenue, it is delayed. The state will receive the corporate income tax revenue owed, but in a time period other than the period in which the tax revenue was earned. After such time, the state will receive the proper corporate income tax revenue amounts from satellite subscription television service providers going forward. This bill, therefore, will not affect state corporate income tax revenue.

Section 7B. This section states that the act takes effect upon approval by the Governor and applies to all open tax periods excluding assessments under judicial review as of the date of the Governor's approval. Based on the structure of the bill, we assume that the reference to act is a scrivener's error and this effective date applies only to Section 7 of this bill.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director



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

Bill Number: H.4009 Signed by Governor on July 2, 2018
Author: Lucas
Subject: Motorsports Entertainment Complex Investment Act
Requestor: House of Representatives
RFA Analyst(s): R. Martin
Impact Date: August 7, 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	(\$240,000)	\$0
Other and Federal	(\$120,000)	\$0
Local Expenditure	\$0	\$0
Local Revenue	(\$120,000)	\$0

Fiscal Impact Summary

This bill would reduce sales and use tax revenue by an estimated \$360,000 in FY2018-19. Of this amount, General Fund sales and use tax revenue would be reduced by \$240,000, the EIA Fund would be reduced by \$60,000, and the Homestead Exemption Fund would be reduced by \$60,000 in FY2018-19. This bill would affect the collection of local option sales and use tax revenue in Darlington County by an estimated \$120,000 in FY2018-19.

Explanation of Fiscal Impact

Signed by the Governor on July 2, 2018

State Expenditure

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

State Revenue

Section 1. This bill adds Chapter 69 to Title 12 and may be cited as the “Motorsports Entertainment Complex Investment Act”. A motorsports entertainment complex means a motorsports facility, and its ancillary grounds and facilities, that is

- A NASCAR-sanctioned motor speedway or racetrack that hosted at least one NASCAR Sprint Cup Series race in 2012, or any successor race

- Has at least three days of scheduled days of motorsports events each calendar year that are sanctioned by a nationally or internationally recognized governing body of motorsports
- Engages in tourism promotion

The following analysis is based upon a capital investment of \$10,000,000 in a motorsports entertainment complex at the Darlington Speedway in Darlington, SC.

This section would enact the Motorsports Entertainment Complex Investment Act to add Section 12-69-30 to exempt from state and local sales tax on building materials, supplies, fixtures, and equipment for the construction, repair, or improvement of or that become a part of a motorsports entertainment complex. A qualified company must submit an application to the Department of Revenue (DOR) for a plan to invest at least \$10,000,000 in any motorsport entertainment complex in the State within a five-year period immediately following the approval of the application. Upon written certification by the Department of Revenue, the company may utilize the sales tax exemption. If a company fails to meet the capital investment requirement within the five-year period, the company is liable for the sales tax it would have been responsible for and the Department of Revenue may “claw back” the sales and use tax owed.

The Darlington Raceway has announced a \$7,000,000 capital improvement campaign to improve three grandstands giving fans a more comfortable seating environment when attending races. The concession stands and restrooms will also be refurbished. There will also be multiple cross-over gates installed and a one-of-a-kind *Wall of Honor* will pay tribute to the former race champions. This will be one of several phases of construction over a period of years. Over the next five years the \$10,000,000 investment threshold should easily be met. This bill would allow a sales tax exemption for the purchase of equipment and construction materials used in the renovation of the facility. For a typical construction project, forty percent of the value of the project is paid to labor and sixty percent is paid for materials and equipment. Multiplying an estimated \$10,000,000 capital investment project by sixty percent for the purchase of materials and equipment and applying a six percent sales and use tax yields a reduction of sales and use tax revenue of an estimated \$360,000 in FY2018-19. Of this amount, General Fund sales and use tax revenue would be reduced by \$240,000, the EIA Fund would be reduced by \$60,000, and the Homestead Exemption Fund would be reduced by \$60,000 in FY2018-19.

Section 2. Except where specified otherwise, this act takes effect upon approval by the Governor and applies to tax years beginning after 2017.

Local Expenditure

N/A

Local Revenue

Darlington County currently levies two local option sales and use taxes. A one-cent local option sales and use tax was implemented on May 1, 1997, and a one-cent local option school district sales and use tax was implemented on March 1, 2017. This bill would affect the collection of local option sales and use tax revenue in Darlington County. Multiplying an estimated

\$10,000,000 capital investment project by sixty percent for the purchase of materials and equipment and applying a cumulative two percent local option sales and use tax yields a reduction of local option sales and use tax revenue of an estimated \$120,000 in FY2018-19.



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

Bill Number: H. 4272 Signed by Governor on March 12, 2018
Author: Spires
Subject: Lexington County School District Property Tax Relief Act
Requestor: House of Representatives
RFA Analyst(s): Shuford
Impact Date: May 4, 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	\$44,100,000	\$0

Fiscal Impact Summary

This bill increases Lexington County sales and use tax revenue collections from the special one percent special sales and use tax by an estimated \$44,100,000 in FY 2018-19 due to the extension authorized in this bill.

Explanation of Fiscal Impact

Signed by Governor on March 12, 2018

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

This bill extends the imposition of the one percent special sales and use tax originally imposed by Act 378 of 2004 for an additional seven years. The revenues collected provide Lexington County taxpayers a credit against school property tax liability. Revenue collected pursuant to this special local sales and use tax totaled \$44,100,000 in FY 2016-17. The extension allowed by this bill increases Lexington County sales and use tax revenue collections from the special one percent special sales and use tax by an estimated \$44,100,000 in FY 2018-19.

Frank A. Rainwater, Executive Director



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

Bill Number: H. 4601 Signed by Governor on May 18, 2018
Author: Fry
Subject: Addiction Counselors
Requestor: House of Representatives
RFA Analyst(s): A. Martin
Impact Date: June 4, 2018

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$44,863	\$43,663
Full-Time Equivalent Position(s)	1.00	0.00
State Revenue		
General Fund	\$4,486	\$4,366
Other and Federal	\$60,000	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill is expected to increase Other Funds expenditures by \$44,863 for FY 2018-19 and \$43,663 each year thereafter for the addition of 1 FTE and two board members. This bill will have no expenditure impact on the General Fund or Federal Funds. This bill will increase General Funds revenue by \$4,486 for FY 2018-19 and \$4,366 each year thereafter, because the Department of Labor, Licensing and Regulation (LLR) is required to remit an amount equal to 10 percent of expenditures annually to the General Fund. This bill is expected to increase Other Funds revenue by \$60,000 for the issuance of new licenses.

Explanation of Fiscal Impact

Signed by Governor on May 18, 2018

State Expenditure

This bill requires anyone representing himself as an addiction counselor to be licensed by the Board of Examiners for Licensure of Professional Counselors, Marriage and Family Therapists, Addiction Counselors, and Psycho-Educational Specialists. The bill also establishes requirements for licensure as an addiction counselor. In past years, LLR did not require an addiction counselor to obtain a license. A person representing himself as an addiction counselor required certification by the South Carolina Association of Alcoholism and Drug Abuse Counselors (SCAADAC) Certification Commission. According to the Department of Alcohol and Other Drug Abuse Services (DAODAS), SCAADAC reports that there are approximately 400 certified addiction counselors that meet the eligibility requirements for licensure set forth in this bill.

LLR anticipates that it will need to hire a Program Assistant to assist with the activities associated with licensure and administrative functions. The salary and fringe benefits for 1 additional FTE are expected to total \$42,863. This estimate is based on the minimum salary for the Program Assistant pay band. The normal associated non-recurring costs for infrastructure and technological requirements for this position are expected to be \$1,200. Therefore, this bill will increase Other Fund expenditures by \$44,063 in FY 2018-19 and \$42,863 each year thereafter.

In regards to the licensure board, the bill adds two members. Members of the licensure board receive per diem, subsistence, and mileage for each day they are engaged in the activities of the office. On average, LLR spends approximately \$100 per member per board meeting. This estimate is based on the average cost per board meeting. Over the previous four fiscal years, the board has held an average of four meetings per year. Therefore, this bill is expected to increase Other Fund expenditures by \$800 for FY 2018-19 and each year thereafter for the new board members.

The bill also removes two standards committees. LLR will create task forces to assume the duties of these standards committees. Therefore, this portion of the bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

This bill repeals Section 40-75-300 of the 1976 South Carolina Code of Laws, which provides guidelines for the licensure of alcohol and drug counselors by the board. Guidelines for the licensure of alcohol and drug counselors are further established by this bill. Therefore, this section of the bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

In total, this bill is expected to increase Other Funds expenditures by \$44,863 in FY 2018-19, and \$43,663 each year thereafter. LLR is required to adjust fees biennially to ensure that fee revenue is sufficient, but not excessive, to cover expenses of each respective board. Therefore, the estimated expenditures will be offset by subsequent fee adjustments made to cover any shortfalls in revenue collections associated with the regulation of addiction counselors.

State Revenue

This bill establishes requirements for licensure as an addiction counselor. According to DAODAS, the Certification Commission of SCAADAC estimates 400 certified addiction counselors will be eligible for licensure under the requirements of this bill. LLR estimates the licensure fee will be \$150 biennially. Therefore, we expect this bill to increase Other Funds revenue by \$60,000 in FY 2018-19. This revenue will recur every two years.

Additionally, the licensure board for professional counselors falls under the Division of Professional and Occupational Licensing. Pursuant to Proviso 81.3 of the FY 2017-18 Appropriations Act, LLR is required to remit annually to the General Fund an amount equal to 10 percent of expenditures. Therefore, we expect this bill to increase General Fund revenue by \$4,486 in FY 2018-19 and \$4,366 each year thereafter. This bill will have no revenue impact on Federal Funds.

Local Expenditure

N/A

Local Revenue

N/A



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

Bill Number: H. 4656 Signed by Governor on May 3, 2018
Author: Sandifer
Subject: Reinsurance Credits
Requestor: House of Representatives
RFA Analyst(s): Gable
Impact Date: May 21, 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	(\$11,000)	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds since the bill requires the Department of Insurance (DOI) to perform activities within the normal course of agency business. The bill will reduce General Fund revenue by approximately \$11,000 beginning in FY 2018-19 due to deletion of the \$400 submission fee and the annual \$400 fee for accredited reinsurers.

Explanation of Fiscal Impact

Signed by Governor on May 3, 2018

State Expenditure

This bill allows the director of DOI or his designee to adopt by regulation additional specific requirements in relation to the valuation of assets or reserve credits, the amount and forms of security supporting reinsurance arrangements, and the circumstances pursuant to which a credit may be reduced or eliminated. The bill also requires reinsurers to demonstrate adequate financial capacity to meet reinsurance obligations. The bill authorizes the director to allow a reduction in the required trusteed surplus after an assuming insurer has permanently discontinued underwriting new business secured by the trust for at least three years. Credits must be allowed when the reinsurance is ceded to an assuming insurer, and the bill provides the criteria that must be met to be eligible for the certification. The bill allows an association, including incorporated and individual unincorporated underwriters to become certified reinsurers and provides the requirements that must be met in order to be eligible for certification. The director must assign a rating to each certified reinsurer, giving consideration to the financial strength ratings that have been assigned by rating agencies. In order for a domestic ceding insurer to qualify for full

financial statement credit for reinsurance ceded to a certified reinsurer, the certified reinsurer must maintain security in a form acceptable to the director. Further, a certified reinsurer whose certification has been terminated must be treated as a certified reinsurer required to secure 100 percent of its obligations. The bill allows the director to suspend or revoke the reinsurer's accreditation or certification if the reinsurer ceases to meet the requirements for accreditation or certification. The bill authorizes the director to adopt rules and regulations applicable to certain life insurance policies, annuities, and long-term care insurance policies.

DOI indicates that the bill requires the department to perform activities that will be conducted in the normal course of agency business. As a result, the bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue

This bill deletes Section 38-9-200(C)(4), which requires accredited reinsurers to pay an initial submission fee of \$400 and an annual \$400 fee to DOI.

DOI indicates that revenue generated from the \$400 submission fee and the annual \$400 fee from accredited reinsurers totals approximately \$11,000 per year. Therefore, eliminating these fees will reduce General Fund revenue by approximately \$11,000 beginning in FY 2018-19.

Local Expenditure

N/A

Local Revenue

N/A

Frank A. Rainwater, Executive Director



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

Bill Number: H. 4715 Signed by Governor on May 18, 2018
Author: Kirby
Subject: Watercraft
Requestor: House of Representatives
RFA Analyst(s): Gable, Powell, A. Martin, and Mitchell
Impact Date: August 13, 2018

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
State Expenditure					
General Fund	\$0	\$0	\$0	\$0	\$0
Other and Federal	\$0	\$7,660	\$14,988	\$82,121	\$115,305
Full-Time Equivalent Position(s)	0.00	0.00	0.00	0.00	0.00
State Revenue					
General Fund	\$0	\$0	\$0	\$0	\$0
Other and Federal	\$0	(\$925,080)	(\$1,387,600)	(\$462,530)	\$0
Local Expenditure	\$0	Undetermined	Undetermined	Undetermined	Undetermined
Local Revenue	\$0	Undetermined	Undetermined	Undetermined	Undetermined

Fiscal Impact Summary

This bill will increase the Other Funds expenditures of the Department of Natural Resources (DNR) by \$7,660 in FY 2019-20, \$14,988 in FY 2020-21, \$82,121 in FY 2021-22, and \$115,305 in FY 2022-23 and each year thereafter. These increases take into account the additional programming required to implement this bill, more frequent decal mailings, and savings resulting from the transfer of renewal notice mailings to the counties.

This bill will decrease the Other Funds revenues of DNR for the first three years after implementation as boat, boat motor, and watercraft registrations switch from a three-year renewal schedule with a \$30 fee to an annual renewal schedule with a \$10 fee. Other Funds revenue will decrease by \$925,080 in FY 2019-20, \$1,387,600 in FY 2020-21, and \$462,530 in FY 2021-22.

This bill is expected to increase local government expenditures for the additional responsibilities imposed by the bill. However, this bill may also reduce delinquent taxes for boats, boat motors, and watercraft and may reduce the expenses associated with collecting unpaid taxes for these items. Due to the small sample size and varying nature of the responses received from the counties, the expenditure impact on local governments is undetermined.

Additionally, this bill modifies the timing of property tax collection for boats, boat motors, and watercraft to align with the annual issuance of registration. Any impact from this modification

on the local property tax revenues will depend upon the schedule of renewal and county implementation. Therefore, the revenue impact on local governments is undetermined.

Explanation of Fiscal Impact

Signed by Governor on May 18, 2018

State Expenditure

The following sections will affect state expenditures:

Section 3. This section reduces the registration fee for watercraft from \$30 to \$10. This section becomes effective as of January 1, 2020.

Section 5. This section reduces the registration period for watercraft from three years to one year. This section becomes effective January 1, 2020, and will be phased in over a three-year period as existing registrations expire. Any certificate of number awarded prior to January 1, 2020, will remain in effect for three years.

Additionally, this section transfers the responsibility to print and mail watercraft certificate of number renewal notices from DNR to the county auditors. The county auditors will then process the applications, transmit the fees to the appropriate state fund, and notify DNR to issue a renewed certificate decal. This transfer of responsibility begins as of January 1, 2020.

Over the last three fiscal years, DNR has printed and mailed an average of 92,507 decals each year. The cost for printing and mailing each registration is \$0.72. As the bill is phased in, DNR will mail additional decals each year for three years until all boat registrations are on a one-year cycle. Based on DNR’s predictions for future renewals, this bill will result in printing and mailing approximately 52,192 additional decals in FY 2020-21, 145,432 additional decals in FY 2021-22, and 191,521 each year thereafter.

DNR will also experience a reduction in expenditures associated with printing and mailing renewal notices, as this responsibility has been transferred to the county auditors. Currently, DNR mails these notices at an annual cost of \$22,590 for forms and postage. As notices will only be mailed by DNR prior to January 1, 2020, DNR will experience a reduction in Other Funds expenditures of \$11,295 in FY 2019-20 and of \$22,590 each year thereafter. The net impact of these changes is summarized in the following table:

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Number of Additional Decals	0	52,192	145,432	191,521
Cost for Additional Decals	\$0	\$37,578	\$104,711	\$137,895
Savings from Renewal Notice Mailings	(\$11,295)	(\$22,590)	(\$22,590)	(\$22,590)
Net Change in Other Funds Expenditures	(\$11,295)	\$14,988	\$82,121	\$115,305

Additionally, DNR will incur expenditures associated with developing a computer program to track remittances by county and to balance each of the county renewal files against actual

receipts. Additional programming will also be needed to export files on a monthly basis listing registration renewals and new registrations. DNR estimates that this project will take a programmer and a database administrator working together four and a half weeks to complete at a non-recurring cost of \$18,955 in FY 2019-20. DNR also notes that South Carolina Interactive will be required to update its programming to implement the new fee and registration calculations in the titling/registration system. However, DNR anticipates this updating can be managed within existing appropriations.

These items taken together will result in an increase in Other Funds expenditures at DNR of \$7,660 in FY 2019-20, \$14,988 in FY 2020-21, \$82,121 in FY 2021-22, and \$115,305 in FY 2022-23 and each year thereafter.

State Revenue

The following sections will affect state revenues:

Section 1. This section sets a \$30 fee and an expiration date for dealer demonstration numbers. DNR indicates that this section reflects its implementation of the numbering of vessels as required by South Carolina law. Therefore, there is no revenue impact associated with this section.

Section 3. This section reduces the registration fee for watercraft from \$30 to \$10. This section becomes effective beginning January 1, 2020.

Section 5. This section reduces the registration period for watercraft from three years to one year. This section becomes effective January 1, 2020, and will be phased in over a three-year period as existing registrations expire. Any certificate of number awarded prior to January 1, 2020, will remain in effect for three years.

Additionally, this section transfers the responsibility to print and mail watercraft certificate of number renewal notices from DNR to the county auditors. The county auditors will then process the applications, transmit the fees to the appropriate state fund, and notify DNR to issue a renewed certificate decal.

Approximately one-third of the existing three-year boat registrations will expire each year and be replaced with one-year registrations. DNR reports that the average annual renewal for boat registrations is 92,507, which results in total boat renewals in a three-year period of 277,521. The average Other Funds revenue for watercraft registrations over the last three years has been \$2,775,210 per year. As the three-year \$30 registrations expire and are replaced with one-year \$10 registrations, DNR's annual revenues will be reduced until full implementation is reached. Because this section takes effect in the middle of FY 2019-20, approximately half the registrations will be \$30 and will remain on a three-year renewal basis, and the other half will be \$10 and become renewable on an annual basis. The estimated loss to Other Funds revenue is as follows:

Split Year	Renewals Phased-Into 1 Year Cycle	Total Forecasted Renewals	Registration Fee	Estimated Revenue	Prior Avg. Revenue	Estimated Revenue Loss
July – Dec 2019	0	46,253	\$30	\$1,387,590	\$1,387,590	\$0
Jan – June 2020	46,254	46,254	\$10	\$462,540	\$1,387,620	(\$925,080)
FY	Renewals Phased-Into 1 Year Cycle	Total Forecasted Renewals	Registration Fee	Estimated Revenue	Prior Avg. Revenue	Estimated Revenue Loss
2019-20	46,254	92,507	\$30/\$10	\$1,850,130	\$2,775,210	(\$925,080)
2020-21	92,507	138,761	\$10	\$1,387,610	\$2,775,210	(\$1,387,600)
2021-22	92,507	231,268	\$10	\$2,312,680	\$2,775,210	(\$462,530)
2022-23	46,253	277,521	\$10	\$2,775,210	\$2,775,210	\$0

Beginning in FY 2022-23, all boat registrations will be on the annual \$10 registration cycle. Once all boat registrations are on the annual \$10 registration cycle, DNR will collect the same amount of revenue as it would have been collecting under the prior law.

Local Expenditure

This bill transfers the responsibility for printing and mailing watercraft certificate of number renewal notices from DNR to the county auditors and modifies the timing of property tax collection for boats, motor boats, and watercraft beginning January 1, 2020.

Local expenditures for printing and mailings will be \$22,500 annually, statewide. Local governments may also incur costs associated with procuring additional computers for data entry and customer service. However, the increase in local expenditures may be mitigated by a potential reduction in costs related to collection of delinquent taxes. The change in timing of tax notices to correspond with renewals is expected to improve collections. This may reduce expenditures related to collecting delinquent taxes as there will be fewer to collect.

We surveyed twenty-three counties regarding the expenditure impact of this bill. We received three responses with a fiscal impact included. Saluda County noted that additional computer terminals would be needed to facilitate data entry and customer service at a cost of \$8,000 to \$10,000. Horry County did not anticipate an increase in expenditures and noted that this bill may decrease the number of boats, boat motors, and watercraft on the unpaid property tax list, resulting in potential expenditure savings. Florence County also noted that this may decrease the number of boats, boat motors, and watercraft on the unpaid property tax list but did not provide an estimated expenditure impact. Due to the small sample size and varying nature of the responses, the expenditure impact on local governments is undetermined.

Local Revenue

This bill modifies the timing of collection for boats, boat motors, and watercraft subject to property tax, per §12-37-714. Beginning January 1, 2020, the tax year will begin with the last day of the month in which a certificate of number for the boat, boat motor, or watercraft is issued, and end on the last day of the month in which the certificate of number expires or is due to expire. No certificate of number may be issued until the property taxes are paid for the year for which the registration is to be issued. This bill also modifies the issuance of certificates of

number for boats, motor boats, and watercraft from once every three years to annual renewal. This transition will occur over a three-year phase-in beginning January 1, 2020.

Currently, boat property taxes are paid on a one-year delay. This bill will require an overlap in the timing of property taxes on boats in the year the certificate of number begins to be issued on an annual basis. However, the bill states that it is the intent of the General Assembly that the provisions of this act result in only one tax payment due per boat, boat motor, or watercraft in any twelve-month period. Additionally, the Department of Revenue has specified that counties may not collect property taxes for the same property twice in the same calendar year.

The bill does not specify how the transition must occur. We estimate that current statewide property tax collections from boats, boat motors, and watercraft total approximately \$57,200,356 annually. This estimate is based on the following responses from counties in response to our inquiry regarding boat, boat motor, and watercraft tax collections: Abbeville - \$165,000, Colleton - \$242,486, Dillon - \$86,000, Greenville – \$1,820,361, Kershaw - \$491,000, Oconee - \$1,088,000, Pickens - \$649,000, Richland - \$2,292,000, and Spartanburg - \$1,405,000. These values were prorated based upon the ratio of each county's total personal property assessed values to determine a statewide estimate.

In summary, local property tax revenue collections are expected to shift between fiscal years during the transition. The impact on local revenue will depend on the change in timing of registrations and the implementation process. Therefore, the potential non-recurring local property tax revenue impact for the four fiscal years of transition, FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23, is undetermined.



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

Bill Number: H. 4795 Signed by Governor on May 18, 2018
Author: Herbkersman
Subject: Manufacturers and Dealers
Requestor: House of Representatives
RFA Analyst(s): Wren
Impact Date: June 11, 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	See Below	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will reduce General Fund motor vehicle dealer license fee revenue by at least \$50 annually, beginning in FY 2018-19. We anticipate only one dealer who conducts an auction of investment grade or collector motor vehicles will qualify for the dealer license fee exemption. However, if additional dealers qualify to conduct an auction pursuant to the provisions of this bill, General Fund revenue will be reduced by \$50 per dealer annually.

Explanation of Fiscal Impact

Signed by Governor on May 18, 2018

State Expenditure

N/A

State Revenue

This bill revises the definition of a dealer or motor vehicle dealer to exclude a South Carolina dealer that conducts the auction of investment grade or collector motor vehicles not more than three days per year and that meets certain criteria. This act takes effect upon approval by the Governor.

Pursuant to Section 56-15-10(h)(4), any person who sells more than five motor vehicles in any calendar year is considered a dealer or wholesaler and must pay an annual fee of \$50 pursuant to Section 56-15-310(A). The revenue from the annual \$50 dealer fee is allocated to the General Fund. We anticipate that this bill will apply to only one dealer in the state that will conduct an auction pursuant to the provisions of this bill. Therefore, we anticipate that this bill will reduce

General Fund revenue by \$50 annually, beginning in FY 2018-19. However, if additional dealers qualify to conduct an auction pursuant to the provisions of this bill, General Fund revenue will be reduced by \$50 per dealer annually.

Local Expenditure

N/A

Local Revenue

N/A

Frank A. Rainwater, Executive Director



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

Bill Number: H. 5341 Signed by Governor on October 3, 2018
Author: Lucas
Subject: S.C. Taxpayer Protection and Relief Act
Requestor: House of Representatives
RFA Analyst(s): Jolliff and Shuford
Impact Date: October 9, 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	(\$4,000,000)
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill does not have an expenditure or revenue impact on the General Fund, Other Funds, or Federal Funds in FY 2018-19 from updating conformity to the Internal Revenue Code, adopting additional non-conforming items, and implementing dependent exemptions. General Fund individual income tax revenue will decrease by \$4,000,000 in FY 2019-20 due to adjusting the individual income tax brackets by full inflation beginning in tax year 2019.

Explanation of Fiscal Impact

Signed by Governor on October 3, 2018

State Expenditure

This bill is not expected to impact expenditures for the Department of Revenue (DOR) or the Revenue and Fiscal Affairs Office (RFA). DOR will update the individual and corporate income tax forms and instructions to reflect the federal tax changes affecting South Carolina. While these changes are more extensive than in most years, the agency expects to complete the changes with existing resources. Additionally, the bill as amended requires DOR, in coordination with RFA, to provide a report by January 15, 2025, detailing the tax provisions that will expire after tax year 2025. We expect the report will be completed with existing staff, and this requirement will not impact expenses for either agency.

State Revenue

H. 5341 updates South Carolina's conformity to the Internal Revenue Code (I.R.C.) through February 9, 2018, and any provisions that expired on December 31, 2017, that are extended but not amended by congressional enactment during 2018. Conforming to changes to the I.R.C.

through February 9, 2018, will incorporate the changes in both the Tax Cuts and Jobs Act of 2017 (H.R.1) and the Bipartisan Budget Act of 2018 (H.R.1892). The bill as amended specifies additional I.R.C. sections not adopted by the State and adds a state deduction for dependents in South Carolina that equals \$4,110 for tax year 2018, with dependents under six receiving a total exemption of \$8,220.

This revenue impact includes a recalculation of South Carolina individual income tax returns with the proposed changes and incorporates our analysis on the impact of the federal Tax Cuts and Jobs Act (TCJA) with adjustments for the altered provisions. Due to the interactions between the many provisions modified in this bill, RFA is unable to isolate the revenue impact of each individual provision, and we have reported the impact in total. The interactions previously estimated for the TCJA in its entirety relied upon analysis of the individual components by the federal Joint Committee on Taxation that we are unable to replicate separately.

Pursuant to the bill as amended, all provisions of TCJA and the Bipartisan Budget Act are enacted except for state specific modifications contained in this bill as amended. The following summary is limited to provisions expected to have an impact on South Carolina of at least one-tenth (± 0.1) percent of income tax revenue. All provisions are applicable beginning in tax year 2018 unless otherwise specified. The numbered paragraphs below conform to the line numbers in enclosed Table 1.

1. Standard deduction: The basic standard deduction is increased to \$12,000 for singles, \$24,000 for married joint filers, and \$18,000 for head of household filers for tax year 2018 and adjusted for inflation in subsequent tax years.
2. Itemized deductions: Itemized deductions are adjusted to limit the deduction for taxes paid to up to \$10,000 of property taxes. (South Carolina does not conform to the deduction for state and local income or sales taxes subject to the limitation at the federal level.) Deductions for expenses subject to the 2 percent AGI floor are eliminated, and include unreimbursed employee expenses, investment expenses, and tax preparation expenses, among others. The deduction for home interest expense is limited to \$750,000 of acquisition debt (as opposed to \$1,000,000) for mortgages acquired after December 31, 2017.
 - a. The deduction for medical expenses is modified to lower the expense limitation from the excess above 10 percent of AGI to 7.5 percent above AGI for all taxpayers and applies for tax year 2018 and retroactively for tax year 2017. This provision applies to all taxpayers for two years only. In tax year 2016, the 7.5 percent floor only applied to taxpayers age 65 or over. All taxpayers will be subject to the 10 percent floor beginning in tax year 2019.
3. Personal exemption/Dependent exemption: The federal personal exemption is reduced to \$0. This federal elimination is modified in H. 5341 to replace the personal exemption with a dependent exemption. The proposed dependent exemption in the bill as amended is \$4,110.

4. Dependents under 6: South Carolina provides an additional deduction for each dependent under age 6 equal to the amount of the federal personal exemption that is set to \$0 by TCJA. In the bill as amended, the additional exemption for dependents under six is set to the new state dependent exemption amount of \$4,100, yielding total exemptions of \$8,220 for dependents under age six.
5. 529 Plan: TCJA changes the restrictions on usage for funds in a 529 plan. Funds contributed to a 529 plan are not subject to federal or state taxes if the withdrawals are used for higher education currently. South Carolina taxpayers are allowed a state income tax deduction for contributions. Taxpayers will be able to use 529 plan funds to pay for K-12 education in addition to the current ability to pay for college tuition.
6. Inflation adjustment: The inflation adjustment is modified from the current indexation based upon the Department of Labor's Consumer Price Index for All Urban Consumers (CPI-U) to the Chained Consumer Price Index for All Urban Consumers (C-CPI-U). The C-CPI-U measures the changes in prices over time but also accounts for the ability of individuals to alter consumption patterns in response to price changes. This will lower the inflation adjustment amounts compared to CPI-U over time.
 - a. The inflation adjustment applies to the basic standard deduction, additional standard deduction for aged and blind, thresholds for the earned income credit, and IRA contribution limits and deductible amounts, among other items.
 - b. The provision retains the current inflation adjustments based upon CPI-U for all inflation adjusted tax parameters through tax year 2017 and begins adjusting based upon C-CPI-U for tax year 2018 forward.

The bill as amended further amends the state income tax bracket inflation adjustment in Section 12-6-520 from half to full inflation beginning in tax year 2019 using the new C-CPI-U with the tax year 2018 brackets as the base.

7. Pass-through deduction for qualified business income: Business income from partnerships, S corporations, and sole proprietorships taxed as pass-through income on the individual income tax return is eligible for a 20 percent deduction subject to limitations. The deduction applies to qualified business income and the limitation on specified service businesses and the wage limit are phased-in for incomes over the threshold amounts of \$157,500 for single filers and \$315,000 for joint filers. This provision is specifically not adopted in this bill.
8. Pass-through loss limitation: This provision limits the amount of business losses a taxpayer may claim. Any net business loss in excess of \$250,000 for single filers or \$500,000 for married filers may not be claimed in the current year but may be carried forward.
9. Section 179 expensing: This section allows a taxpayer to immediately expense the cost of any qualifying property placed in service subject to limitations. TCJA increases the amount that a taxpayer may expense to \$1,000,000 and increases the phase-out threshold

to \$2,500,000. The amounts are indexed for inflation. TCJA also expands the definition of qualified real property.

10. Simplified small business accounting: TCJA simplifies the accounting requirements for small businesses with gross receipts of less than \$25 million. These taxpayers may use the cash method of accounting, are exempt from the requirement to account for inventories under §471, are exempt from the UNICAP rules, and exempt from the requirement to use the percentage of completion accounting method for long-term construction contracts.
11. Limitation on business interest expense deduction: TCJA limits the deduction for net interest expense incurred by a business. The provision does not apply to businesses with average annual gross receipts of \$25 million or less. This provision is specifically not adopted in this bill.
12. Net operating loss deduction: A net operating loss (NOL) deduction is the amount by which a taxpayer's current year business deductions exceed its gross income. Currently, these losses may not be deducted in the year generated but may be carried back two years and forward twenty under federal law. TCJA limits the deduction to 80 percent of taxable income and requires that amounts carried to other years be adjusted to account for the limitation for losses, and losses may be carried forward indefinitely. TCJA also eliminates carrybacks, but S.C. does not currently allow carrybacks.
13. Deduction for foreign-source portion of dividends: The new law provides a 100 percent deduction for the foreign-source portion of dividends received from specified 10 percent owned foreign corporations by domestic corporations that are 10 percent shareholders of those foreign corporations.
14. Treatment of deferred foreign income: TCJA imposes a one-time mandatory tax on post-1986 accumulated foreign earnings. The provision requires any U.S. shareholder of a specified foreign corporation to include in income its pro-rata share of the accumulated post-1986 deferred foreign income of the corporation. This provision is specifically not adopted in this bill.

State Specific Modifications. Proposed state specific modifications to Section 12-6-50 contained in the bill include non-conforming to the following:

- federal limits on interest expense deductions to 30 percent of adjusted taxable income
- new rules on foreign income deductions related to foreign-derived intangible income and amounts paid pursuant to a hybrid transaction or paid by or to a hybrid entity
- federal deduction of up to 20 percent of income from partnerships, sole proprietorships, and other pass-through businesses
- federal provision that eliminated tax deductions for insurance premiums paid to the FDIC by banks and savings and loan institutions.

- amend current non-conforming statute to adopt the federal Opportunity Zone tax benefits. This federal provision allows investors to defer (up to 9 years) paying tax on gains if those gains are invested in Qualified Opportunity Funds that in turn invest in economically distressed communities designated by the governor.

Tax Year 2017.

The federal tax changes affected a number of provisions for tax year 2017. The Bipartisan Budget Act extended eleven provisions that expired on December 31, 2016, affecting approximately \$11,790,000 in tax revenue. (These provisions are discussed in our impact statement for S. 250 of 2017.) In November 2017 when the Board of Economic Advisors set the initial forecast for FY 2018-19, the expectation was that Congress would extend these expiring federal tax provisions. The General Fund forecast included the revenue impact of extending these provisions as part of the income tax base since most of these provisions have been in effect for many years. Therefore, extending these provisions will have no effect on the revenue estimate. Three other miscellaneous new provisions added by the act are included in this analysis.

Further, TCJA lowered the adjusted gross income threshold for medical deductions for individuals under age 65 retroactively for tax year 2017. Based upon timing for the changes during tax year 2017 filings due in April 2018, we anticipate that taxpayers may have claimed many of these federal tax provisions since South Carolina typically conforms to them, even though technically the state has not adopted conformity. However, there may be taxpayers who will file for tax year 2017 refunds in FY 2018-19 if these provisions are adopted. At this time we do not have sufficient data to estimate the amount that may be refunded but do not expect this to have a material impact on tax collections.

Tax Year 2018 and 2019.

Table 1 outlines the impact of conforming to the federal tax changes as outlined above before the proposed additional changes to state tax law in the bill as amended. Adoption of these federal tax changes and the state non-conforming items would result in a \$253,000,000 increase in General Fund individual income tax collections and no net revenue change to corporate income tax collections in FY 2018-19.

The bill as amended eliminates this potential \$253,000,000 revenue impact by implementing dependent exemptions. Under current law, taxpayers receive a federal personal exemption for each tax filer and dependent on a return. TCJA set this amount to \$0, effectively eliminating personal exemptions at the federal level. The bill as amended implements a state dependent exemption of \$4,110 for each dependent, including both qualifying children and relatives, claimed on a tax return. This dependent exemption does not apply to tax filers, only dependents. Under current law, taxpayers also receive an additional state exemption for dependents under age 6 equal to the amount of the federal personal exemption. TCJA effectively eliminates the additional state exemption for each dependent under age 6. However, the bill as amended provides an additional \$4,110 exemption for dependents under age 6, yielding total exemptions of \$8,220 for dependents under age 6.

The bill as amended further amends the state income tax bracket inflation adjustment in Section 12-6-520 from half to full inflation not to exceed 4 percent beginning in tax year 2019 using the new C-CPI-U with the tax year 2018 brackets as the base.

In summary, this bill as amended is not expected to impact General Fund revenue in FY 2018-19. Table 2 provides the individual income tax impact on taxpayers by adjusted gross income range for tax year 2018. Adjusting the tax brackets for full inflation beginning in tax year 2019 will decrease General Fund individual income tax revenue by approximately \$4,000,000 in FY 2019-20.

Local Expenditure

N/A

Local Revenue

N/A

Provisos Contained in the FY2018-19 Appropriations Act

The following provisions of law were ratified in the FY2018-19 Appropriations Act. The listing contains the proviso section and title, the estimated revenue impact on General Fund revenue in FY2018-19, and the text of the proviso.

Section / Title: 50.20. (CMRC: Distribution Facility)

Revenue Impact: (\$1,416,000) in FY2018-19

Proviso Text: The Navy Base Intermodal Facility owned by Palmetto Railways, a division of the Department of Commerce, shall be considered a distribution facility for the purpose of sales tax exemptions associated with the purchase of equipment and construction materials.

Section / Title: 109.10. (DOR: Educational Credit for Exceptional Needs Children)

Revenue Impact: (\$1,000,000) in FY2018-19

Proviso Text: (A) *As used in this proviso:*

(1) *"Eligible school" means an independent school including those religious in nature, other than a public school, at which the compulsory attendance requirements of Section 59-65-10 may be met, that:*

(a) *offers a general education to primary or secondary school students;*
(b) *does not discriminate on the basis of race, color, or national origin;*
(c) *is located in this State;*
(d) *has an educational curriculum that includes courses set forth in the state's diploma requirements, graduation certificate requirements (for special needs children), and where the students attending are administered national achievement or state standardized tests, or both, at progressive grade levels to determine student progress;*

(e) *has school facilities that are subject to applicable federal, state, and local laws;*

(f) *is a member in good standing of the Southern Association of Colleges and Schools, the South Carolina Association of Christian Schools, the South Carolina Independent Schools Association, or Palmetto Association of Independent Schools; and*

(g) *provides a specially designed program or learning resource center to provide needed accommodations based on the needs of exceptional needs students or provides onsite educational services or supports to meet the needs of exceptional needs students, or is a school specifically existing to meet the needs of only exceptional needs students with documented disabilities.*

(2) *"Exceptional needs child" means a child:*

(a) *who has been evaluated in accordance with this state's evaluation criteria, as set forth in S.C. Code Ann. Regs. 43-243.1, and determined eligible as a child with a disability who needs special education and related services, in accordance with the requirements of Section 300.8 of the Individuals with Disabilities Education Act; or*

(b) *who has been diagnosed within the last three years by a licensed speech-language pathologist, psychiatrist, or medical, mental health, psychoeducational, or other comparable licensed health care provider as having a neurodevelopmental disorder, a substantial sensory or physical impairment such as deaf, blind, or orthopedic disability, or some other disability or acute or chronic condition that significantly impedes the student's ability to learn and succeed in school without specialized instructional and associated supports and services tailored to the child's unique needs.*

(3) *"Independent school" means a school, other than a public school, at which the compulsory attendance requirements of Section 59-65-10 may be met and that does not discriminate based on the grounds of race, color, religion, or national origin.*

(4) *"Parent" means the natural or adoptive parent or legal guardian of a child.*

(5) *"Qualifying student" means a student who is an exceptional needs child, a South Carolina resident, and who is eligible to be enrolled in a South Carolina secondary or elementary public school at the kindergarten or later year level for the applicable school year.*

(6) *"Resident public school district" means the public school district in which a student resides, or in the case of dependents of active military personnel, the public school district which the student may attend.*

(7) *"Transportation" means transportation to and from school only.*

(8) *"Tuition" means the total amount of money charged for the cost of a qualifying student to attend an independent school including, but not limited to, fees for attending the school, textbook fees, and school-related transportation.*

(9) *"Department" means the Department of Revenue.*

(B) (1) *There is created the Educational Credit for Exceptional Needs Children Fund that is separate and distinct from the State general fund. The fund shall be organized by the department as a public charity as defined by the Internal Revenue Code under sections 509(a)(1) through 509(a)(4) and consist solely of contributions made to the fund. The fund may not receive an appropriation of public funds. The fund shall receive and hold all contributions intended for it as well as all earnings until disbursed as provided in this chapter. Monies received in the fund shall be used to provide scholarships to exceptional needs children attending eligible schools.*

(2) *The amounts on deposit in the fund do not constitute public funds nor are the deposits property of the State. Amounts on deposit in the fund must not be commingled with public funds and the State shall have no claim to or interest in the amounts on deposit. Agreements or contracts entered into by or on behalf of the fund do not constitute a debt or obligation of the State.*

(3) *The public charity shall be governed by five directors, two appointed by the Chairman of the House Ways and Means Committee, one of which is based upon the recommendation of the South Carolina Association of Christian Schools and one which is based upon the recommendation of the Diocese of Charleston, two appointed by the Chairman of the Senate Finance Committee based upon the recommendations of the South Carolina Independent Schools Association and one appointed by the Governor based upon the recommendation of the Palmetto Association of Independent Schools. The directors of the*

public charity, along with the Director of the Department of Revenue, shall designate an executive director of the public charity.

(4) In concert with the public charity directors, the Department of Revenue shall administer the public charity, including, but not limited to, the keeping of records, the management of accounts, and disbursement of the grants awarded pursuant to this proviso. The public charity may expend up to two percent of the fund for administration and related costs. Neither the department or the public charity may expend public funds to administer the program.

Information contained in or produced from a tax return, document, or magnetically or electronically stored data utilized by the Department of Revenue or the public charity in the exercise of its duties as provided in this proviso shall remain confidential and is exempt from disclosure pursuant to the Freedom of Information Act. Personally identifiable information, as described in the Family Educational Rights and Privacy Act and individual health records, or the medical or wellness needs of children applying for or receiving grants shall remain confidential and are not subject to disclosure pursuant to the Freedom of Information Act.

(5) By June thirtieth of the current fiscal year, the Department of Revenue must report to the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee and the Governor:

(a) the number and total amount of grants issued to eligible schools in the fiscal year;

(b) for each grant issued to an eligible school in the fiscal year, the identity of the school and the amount of the grant;

(c) an itemization and detailed explanation of any fees or other revenues obtained from or on behalf of any eligible schools;

(d) a copy of a compilation, review, or audit of the fund's financial statements, conducted by a certified public accounting firm and;

(e) the criteria and eligibility requirements for scholarship awards.

(C) (1) Grants may be awarded in an amount not exceeding eleven thousand dollars or the total annual cost of tuition, whichever is less, to a qualifying student at an eligible school. Tuition charged to qualifying students by eligible schools receiving grants may not exceed tuition charged to non-participating students.

(2) Before awarding any grant, the public charity must receive written documentation from the qualifying student's parent or guardian documenting that the qualifying student is an exceptional needs child. Upon approving the application, the public charity must issue a check to the eligible school in the name of the qualifying student within either thirty days upon approval of the application or thirty days of the start of the school's semester.

(3) In the event that the qualifying student leaves or withdraws from the school for any reason before the end of the semester or school year and does not reenroll within thirty days, then the eligible school must return a prorated amount of the grant to the public charity based on the number of days the qualifying student was enrolled in the school during the semester or school year within sixty days of the qualifying student's departure.

(4) The public charity may not award grants solely for the benefit of one school.

(5) The department or the public charity may not release any personally identifiable information pertaining to students or donors or use information collected about donors, students, or schools for financial gain.

(6) The public charity shall develop a process to prioritize the awarding of grants to eligible incumbent grant recipients at eligible schools.

(D) (1) (a) Tax credits authorized by subsection (H)(1) and subsection (I) of this proviso annually may not exceed cumulatively a total of twelve million dollars for contributions to the Educational Credit for Exceptional Needs Children Fund.

(b) Tax credits authorized pursuant to subsection (H)(2) of this proviso annually may not exceed cumulatively a total of two million dollars for tuition payments made on behalf of qualifying students.

(c) If the department determines that the total of the credits claimed by all taxpayers exceeds either limit amount as contained in items (a) or (b), it shall allow credits only up to those amounts on a first come, first served basis.

(2) (a) The department shall establish an application process to determine the amount of credit available to be claimed. The receipt of the application by the department shall determine priority for the credit. Subject to the provisions of subitem (e), contributions must be made annually on or before June thirtieth, in order to claim the credit. The credit must be claimed on the return for the tax year that the contribution is made.

(b) A taxpayer may not claim more than sixty percent of his total tax liability for the year in contribution toward the tax credit authorized by subsection (H)(1) or subsection (I). This credit is not refundable.

(c) If a taxpayer deducts the amount of the contribution on his federal return and claims the credit allowed by subsection (H)(1) or subsection (I), then he must add back the amount of the deduction for purposes of South Carolina income taxes.

(d) The department shall prescribe the form and manner of proof required to obtain the credit authorized by subsection (H)(1) or subsection (I). The department shall also develop a method of informing taxpayers if the credit limit is met at any time during the fiscal year.

(e) A taxpayer only may claim a credit pursuant to subsection (H)(1) and subsection (I) for contributions made during the fiscal year.

(3) A corporation or entity entitled to a credit under subsection (H)(1) and subsection (I) may not convey, assign, or transfer the credit authorized by this proviso to another entity unless all of the assets of the entity are conveyed, assigned, or transferred in the same transaction.

(E) (1) On or before August first, of the current fiscal year an independent school who participated in the program in the prior fiscal year and who desires to participate in the program in the current fiscal year must reapply to the Education Oversight Committee. The independent school must certify to the Education Oversight Committee that it continues to meet all program requirements and must provide to the committee student test score data from the prior school year by December thirty-first. If student test score data are not submitted by December thirty-first, then the Education Oversight Committee must remove the school from the program. The Education Oversight Committee must consult with the Southern Association of Colleges and Schools, the South Carolina Association of Christian Schools, the South Carolina Independent Schools Association, Palmetto Association of Independent Schools, or the Diocese of Charleston to verify that the school is still a member in good standing and that the school continues to serve exceptional needs children. An independent school who did not participate in the program in the prior fiscal year but desires to participate in the program in the current fiscal year must apply to the Education Oversight

Committee. The Education Oversight Committee shall develop an application to be completed by the independent schools which must contain at least:

(a) the number and total amount of grants received in the preceding fiscal year;

(b) student test scores, by category, on national achievement or state standardized tests, or both, for all grades tested and administered by the school receiving or entitled to receive scholarship grants pursuant to this chapter in the previous fiscal year. The school must also provide individual student test scores on national achievement or state standardized tests, or both, for any student in grades 1 through 12 who received a grant from the program during the prior school year. The information will be used to provide program level reports to determine whether students participating in the program have experienced measurable improvement. Students with disabilities for whom standardized testing is not appropriate are exempt from this requirement;

(c) a copy of a compilation, review, or compliance audit of the organization's financial statements as relating to the grants received, conducted by a certified public accounting firm; and

(d) a certification by the independent school that it meets the definition of an eligible school as that term is defined in subsection (A)(1) and that the report is true, accurate, and complete under penalty of perjury in accordance with Section 16-9-10.

(2) (a) The Education Oversight Committee may waive the August first deadline contained in subsection (E) upon good cause shown by an independent school.

(b) The Education Oversight Committee may waive some or all of the curriculum requirements contained in subsection (A)(1)(d) following consultation with the advisory committee.

(3) (a) By September 1, of the current fiscal year the Education Oversight Committee shall publish on its website a comprehensive list of independent schools certified as eligible institutions. The list shall include for each eligible institution:

(i) the institution's name, addresses, telephone numbers, and, if available, website addresses; and

(ii) the score reports and compliance audits received by the committee pursuant to subsection (E)(1)(b) and (c).

(b) The Education Oversight Committee shall summarize or redact the score reports identified in item (3)(a)(ii) if necessary to prevent the disclosure of personally identifiable information.

(4) An independent school that does not apply for certification pursuant to this subsection must not be included on the list of eligible schools and contributions to that school shall not be allowed for purposes of the tax credits permitted by this proviso.

(5) An independent school that is denied certification pursuant to this section may seek review by filing a request for a contested case hearing with the Administrative Law Court in accordance with the court's rules of procedure.

(6) Annually, the Education Oversight Committee will issue a report to the General Assembly documenting the impact of the Educational Credit for Exceptional Needs Children Program on student achievement. In addition, the report will include information on individual schools if at least 51 percent of the total enrolled students in the private school participated in the Educational Credit for Exceptional Needs Children Program in the prior school year. The report shall be according to each participating private school, and for

participating students, in which there are at least 30 participating students who have scores for tests administered. If the Education Oversight Committee determines that the 30 participating-student cell size may be reduced without disclosing personally identifiable information of a participating student, the Education Oversight Committee may reduce the participating-student cell size, but the cell size must not be reduced to less than 10 participating students.

(F) (1) The Education Oversight Committee shall establish an advisory committee made up of not more than nine members, including parents, and representatives of independent schools and independent school associations.

(2) The advisory committee shall:

(a) consult with the Education Oversight Committee concerning requests for exemptions from curriculum requirements; and

(b) provide recommendations on other matters requested by the Education Oversight Committee.

(G) Except as otherwise provided, the Department of Education, the Education Oversight Committee, and the Department of Revenue, nor any other state agency may regulate the educational program of an independent school that accepts students receiving scholarship grants pursuant to this chapter."

(H) (1) A taxpayer is entitled to a tax credit against income taxes imposed pursuant to Chapter 6, Title 12 for the amount of cash and the monetary value of any publicly traded securities the taxpayer contributes to the Educational Credit for Exceptional Needs Children Fund up to the limits contained in subsection (D)(1)(a) of this proviso if:

(a) the contribution is used to provide grants for tuition to exceptional needs children enrolled in eligible schools who qualify for these grants under the provisions of this proviso; and

(b) the taxpayer does not designate a specific child or school as the beneficiary of the contribution.

(2) (a) A taxpayer is entitled to a refundable tax credit against income taxes imposed pursuant to Chapter 6, Title 12 for the amount of cash and the monetary value of any publicly traded securities, not exceeding eleven thousand dollars per child, for tuition payments to an eligible school for an exceptional needs child within his custody or care who would be eligible for a grant pursuant to this proviso up to the limits contained in subsection (D)(1)(b) of this proviso.

(b) If a child within the care and custody of taxpayer claiming a tax credit pursuant to this item also receives a grant from the Educational Credit for Exceptional Needs Children Fund, then the taxpayer may only claim a credit equal to the difference of eleven thousand dollars or the cost of tuition, whichever is lower, and the amount of the grant.

(c) A child within the care and custody of a taxpayer claiming a credit pursuant to this item may not be charged tuition in an amount that exceeds the tuition that is charged to non-participating students.

(I) A taxpayer is entitled to a tax credit against income taxes imposed pursuant to Chapter 11, Title 12 for the amount of cash and the monetary value of any publicly traded securities the taxpayer contributes to the Educational Credit for Exceptional Needs Children Fund up to the limits contained in subsection (D)(1)(a) of this proviso if:

(1) the contribution is used to provide grants for tuition to exceptional needs children enrolled in eligible schools who qualify for these grants under the provisions of this

proviso; and

(2) the taxpayer does not designate a specific child or school as the beneficiary of the contribution.

(J) The department shall conduct a comprehensive study of the Exceptional Needs Tax Credit program. The study shall examine the following:

(1) the allocation of scholarship funds and tax credits among students, including the effect of funding limitations on the addition of new participants; the demographic and socio-economic data of the participants and their families, including the distribution of scholarship funds by income ranges to be determined by the department of scholarship recipients, and/or their legal guardians, as applicable; and the geographical distribution of the participants. In reporting the information required by this sub-item, the department shall protect and shall not display, any personally identifiable information of scholarship recipients, their families or legal guardians, and/or taxpayers;

(2) the distribution of scholarship funds among all eligible schools;

(3) any other aspect of the program that the department determines would be relevant and useful in making future policy decisions in regard to the program and its continued existence or expansion.

The department shall submit a report of its study to the General Assembly no later than January 15, of the current fiscal year.

109.11. (DOR: Tourist Safety) Of the accommodation tax returned to any municipality in Horry County that has a Tourism Development Fee, up to fifty percent of the allocation designated under Section 6-4-10(3) of the 1976 Code may be set aside and used for direct policing purposes related to tourism. Direct policing purposes include temporary personnel, equipment, and the installation and maintenance of infrastructure related thereto. These funds may not exceed sixty-five percent of the total new funds dedicated to the additional policing purposes implemented. Each municipality utilizing this provision shall include expenditures and revenue sources in its annual report to the Tourism Expenditure Review Committee and shall submit copies of the report to the Governor, the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee.

Please note: Text printed in italic, boldface indicates sections vetoed by the Governor on July 5, 2018.



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

Proviso Number: 50.df (Distribution Facility) - Amended
Author: Senate Finance Committee
Subject: Distribution Facility
Requestor: Senate Finance
RFA Analyst(s): R. Martin
Impact Date: March 21, 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	(\$1,416,000)	(\$1,680,000)
Other and Federal	(\$708,000)	(\$840,000)

Fiscal Impact Summary

This proviso would reduce sales and use tax by an estimated \$2,124,000 in FY2018-19. Of this amount, General Fund sales and use tax revenue would be reduced by \$1,416,000, the EIA Fund would be reduced by \$354,000, and the Homestead Exemption Fund would be reduced by \$354,000 in FY2018-19.

Explanation of Fiscal Impact

State Expenditure

The Department of Revenue has indicated that this proviso would have no expenditure impact on the General Fund, Federal Funds, and Other Funds.

State Revenue

A proposed proviso 50.df for inclusion in the Senate Finance Committee Appropriations Act for FY2018-19 would allow the Navy Base Intermodal Facility owned by Palmetto Railways to be considered a distribution facility for the purpose of sales and use tax exemptions associated with the purchase of equipment and construction materials.

The Navy Base Intermodal Facility is a state-of-the-art intermodal facility including the implementation of semi-automated technologies, railroad yard tracks, electric wide-span rail-mounted gantry cranes, container stacking areas, and administrative buildings. An intermodal facility optimizes three transportation modes - trains, ships and trucks - to move goods efficiently both domestically and internationally. Based on information provided by the South Carolina Department of Commerce, the Navy Base Intermodal Facility being constructed at the former Charleston Naval Complex in North Charleston will cost an estimated \$300,000,000 when the project is completed. This proviso would allow a sales and use tax exemption for the purchase of equipment and construction materials used in the construction of the facility.

Based upon data from the South Carolina Department of Commerce, the table below describes a timeline of projected capital investment at the Navy Base Intermodal Facility over the next five calendar years. The calendar year figures have been converted to state fiscal year figures over this time period.

Navy Base Intermodal Facility
Total Projected Investment = \$300,000,000

Calendar Year	Capital Investment	Fiscal Year	Capital Investment	Estimated Sales Tax
2018 ^{1/}	\$40,000,000	FY17-18	\$20,000,000	\$720,000
2019 ^{1/}	\$78,000,000	FY18-19	\$59,000,000	\$2,124,000
2020 ^{1/}	\$62,000,000	FY19-20	\$70,000,000	\$2,520,000
2021 ^{2/}	\$60,000,000	FY20-21	\$61,000,000	\$2,196,000
2022 ^{2/}	\$60,000,000	FY21-22	\$60,000,000	\$2,160,000
		FY22-23	\$30,000,000	\$1,080,000
Total	\$300,000,000		\$300,000,000	\$10,800,000

Notes: 1/ Figures from SC Department of Commerce
 2/ Projections made by Board of Economic Advisors

A typical construction project consists of forty percent of the value of the project is paid to labor and sixty percent is paid for materials and equipment. Multiplying an estimated capital investment expenditure of \$59,000,000 by sixty percent for the purchase of materials and equipment and applying a six percent sales and use tax yields a reduction of sales and use tax of an estimated \$2,124,000 in FY2018-19. Of this amount, General Fund sales and use tax revenue would be reduced by \$1,416,000, the EIA Fund would be reduced by \$354,000, and the Homestead Exemption Fund would be reduced by \$354,000 in FY2018-19. The table above describes the estimated reduction of sales and use tax during the remainder of the construction project. Once the Naval Base Intermodal Facility is completed, the total amount of sales and use tax that could have been received from the project is an estimated \$10,800,000.