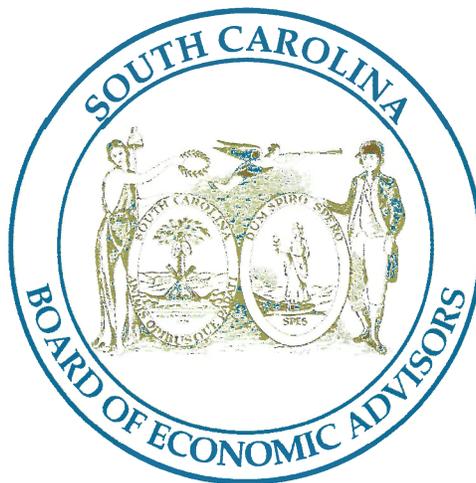


**Fiscal Impacts of Legislation  
Affecting Revenue Collections  
Fiscal Year 2019-20**



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

November 15, 2019

State of South Carolina  
South Carolina Revenue and Fiscal Affairs Office  
Board of Economic Advisors  
Rembert Dennis Building, Suite 421  
Columbia, SC 29201  
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**Status of Legislation Affecting Revenue Collections  
Fiscal Years 2018-19 to 2023-24**

Line No	Bill Number	Primary Sponsor	Description	Estimated General Fund Revenue Impact				
				FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24
1	<b>Total Net Impact of Legislation Signed By the Governor</b>							
2								
3	132	Davis	Enact the "Physician's Assistant" Act; duties and educational requirements	4,522	4,387	4,387	4,387	
4	314	Alexander	To allow an income tax credit for each clinical rotation served by a physician, advanced practical nurse, and others		(227,000)	(671,000)	(1,114,000)	(1,558,000)
5	329	Cromer	To provide that tax credits for the purchase of geothermal machinery and equipment shall be repealed on January 1, 2022	(1,978,351)	(2,024,843)	(2,127,300)		
6	439	Leatherman	To increase the maximum amount of tax credits for a port cargo volume increase; to provide for a port transportation cost tax credit	(1,000,000)	(2,000,000)	(3,000,000)	(3,000,000)	
7	3595	Elliott	To increase the annual aggregate credit amount of the Industry Partnership Fund	(1,000,000)	(1,000,000)	(1,000,000)		
8	3916	Murphy	Relating to penalties for failure to register a motor vehicle; fines	69				
9	4133	Weeks	To allow a tax credit of 50 percent of any cash donation to a community development corporation or community development financial institutic	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	
10	4243	Simrill	To provide the job tax credit for a professional sports team (Carolina Panthers)	0	(7,600,000)	(18,722,200)	(29,619,400)	(40,516,000)
11	4287	Lucas	JR To provide that the PSA Evaluation and Recommendation Committee; evaluate a potential sale of Santee Cooper	Pending				
12								
13	4000	Proviso 109.13	Sales & use tax exemption - clothing used in perishable prepared food manufacturing industry	(12,000)	0	0	0	0
14								
15	<b>Total Net Impact of Legislation Affecting General Fund Revenue Collections</b>			<b>(7,985,761)</b>	<b>(16,847,456)</b>	<b>(29,516,113)</b>	<b>(37,729,013)</b>	<b>(42,074,000)</b>
16								
17								
18								
19								
20								
21	<b>Total Net Impact of Legislation Signed By the Governor</b>							
22								
23	21	Hutto	Allow changes to child's birth certificates after a paternity determination	(52,500)				
24	359	Gambrell	To establish a license requirement for pharmacy benefits managers	0	20,000	10,000	10,000	
25	514	Alexander	Issuance of Clemson University 2018 Football National Champions special license plates	13,600				
26	575	Campsen	To amend costs, requirements, length of season for wild turkey hunting	603,850				
27	3036	McCravy	To enact "Dylan's Law"; require neonatal testing for certain genetic disorders and diseases	537,017				
28	3145	Ott	To provide that the Office of Regulatory Staff is vested with the authority to conduct audits of electric cooperatives	3,500				
29	3383	Ott	Exclude the proceeds from land rentals and wildlife management area payments from the proceeds to be shared with counties	13,053				
30	3639	Taylor	To expand the categories of dependents covered of military personnel entitled to pay in-state tuition without regard to length of residency	(266,292)				
31	3750	Hewitt	To revise the number of antlerless deer tags that may be issued by DNR; minimum number of antlerless days in state's game zones	(644,435)				
32	3760	Sandifer	To merge the SC Medical Malpractice Liability Joint Underwriting Association with the Patients Compensation Fund	(546,500)	(546,500)			
33	3916	Murphy	Relating to penalties for failure to register a motor vehicle; fines	362				
34								
35	4000	Proviso 109.13	Sales & use tax exemption - clothing used in perishable prepared food manufacturing industry	(3,000)	0	0	0	0
36								
37	<b>Total Net Impact of Legislation Affecting Other Funds Revenue Collections</b>			<b>(341,346)</b>	<b>(526,500)</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>
38								
39								
40								
41								
42								
43	<b>Total Net Impact of Legislation Signed By the Governor</b>							
44								
45	160	Allen	Allow the Department of Revenue to implement a system of filing and indexing tax liens; accessible to public over internet	(562,130)				
46	3383	Ott	Exclude the proceeds from land rentals and wildlife management area payments from the proceeds to be shared with counties	(13,053)				
47	3916	Murphy	Relating to penalties for failure to register a motor vehicle; fines	400				
48								
49	4000	Proviso 109.13	Sales & use tax exemption - clothing used in perishable prepared food manufacturing industry	(3,000)	0	0	0	0
50								
51	<b>Total Net Impact of Legislation Affecting Local Funds Revenue Collections</b>			<b>(577,783)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Other Funds Revenue Impact				
FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24

Estimated Local Funds Revenue Impact				
FY2019-20	FY2020-21	FY2021-22	FY2022-23	FY2023-24

Sources: South Carolina Board of Economic Advisors; Legislative Printing and Information Technology Resources, Columbia, SC





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**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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<b>Bill Number:</b>	S. 0021	Signed by Governor on May 16, 2019
<b>Author:</b>	Hutto	
<b>Subject:</b>	Birth Certificates	
<b>Requestor:</b>	Senate	
<b>RFA Analyst(s):</b>	Mitchell, Griffith, and Gardner	
<b>Impact Date:</b>	May 29, 2019	

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### **Fiscal Impact Summary**

The bill will increase Other Fund expenditures by \$268,947 for the Department of Health and Environmental Control in FY 2019-20, and \$266,759 each year thereafter to accommodate the processing of 14,000 court orders and administrative decisions.

This bill will decrease Other Funds revenue by \$52,500 for the Department of Health and Environmental Control due to the loss of amendment fees for updated birth certificates.

The bill will have no impact on the General Fund, Other Funds, or Federal Funds for the Department of Social Services and the Judicial Department.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on May 16, 2019**

##### **State Expenditure**

This bill amends the requirements of family court orders determining that a putative father is the natural father of a child by ordering that the birth certificate be amended to include the father's name. Upon entry of a court order or administrative determination specifying that the putative father is the legal father of a child, the clerk of court shall send a report to the registrar of the Division of Vital Statistics at the Department of Health and Environmental Control (DHEC) showing the information necessary to amend a birth certificate. Further, the bill stipulates that orders modifying, vacating, or amending paternity orders are to be handled in the same manner. The bill also clarifies language surrounding the amendment of birth certificates to state that if the surname of a child is not decreed by the court, the surname must not be changed.

**Department of Social Services.** The Department of Social Services (DSS) processes approximately 14,000 paternity orders and administrative determinations each year. After receiving a family court order or administrative determination, individuals who desire an amended birth certificate consult with the Department of Health and Environmental Control. The department indicates that the provisions of the bill do not materially or fiscally alter the processes or operations of its programs. As such, the bill will not impact the General Fund, Other Funds, or Federal Funds for the department.

**Department of Health and Environmental Control.** The bill requires DHEC to issue a new birth certificate upon receipt of a court order or administrative determination that the putative father is the legal father of a child. In order to accommodate the increased volume of birth

certificates requiring amendment, DHEC anticipates the need to hire 4 new program assistants to process reports, issue certified copies of vital events, and provide timely consultation to customers. DHEC indicates additional recurring expenditures of \$242,606 for salary and fringe and \$24,153 for office space, supplies, and contractual employee costs. Non-recurring expenditures associated with the addition of 4 program assistants total \$2,188 for computer equipment. Therefore, this bill will increase Other Fund expenditures by \$268,947 in FY 2019-20, and \$266,759 each year thereafter.

Further, the bill requires DHEC to provide to the Maternal Morbidity and Mortality Review Committee certain information regarding maternal and fetal deaths contained within the State Registrar of vital statistics. DHEC maintains the State Registrar and indicates that any costs associated with providing information and data can be managed within its existing appropriations. Therefore, there is no expenditure impact on the General Fund, Other Funds, or Federal Funds for these requirements.

**Judicial Department.** The bill amends the requirements of family court orders to include a new provision in certain paternity orders, and adds the requirement that a clerk of court must send a report to the Registrar of the Division of Vital Records containing information necessary in order to amend a birth certificate. The department indicates that the additional provision will not result in increased expenditures for family court judges. As such, there is no expenditure impact on the General Fund, Other Funds, or Federal Funds for the department.

#### **State Revenue**

Prior to May 16, 2019, when DHEC received an application for an amended birth certificate, the individual would remit a fee of \$27 to the Division of Vital Statistics. This fee included a \$12 search fee and a \$15 amendment fee. This bill requires courts to send paternity orders and administrative determinations directly to DHEC. Court orders and administrative determinations sent directly to DHEC by the courts or the Department of Social Services are not subject to the \$27 fee. DSS and DHEC report that an average of 14,000 paternity orders and administrative determinations will be sent directly to the Division of Vital Statistics. As in past years, DHEC and DSS expect that approximately 3,500 of the 14,000 court orders and administrative decisions will result in the distribution of an amended birth certificate.

DHEC specifies that if an individual wishes to receive a copy of the new birth certificate after amendment by court order, DHEC would assess a \$12 search fee. Based on historical data of paternity orders, DHEC may experience a reduction in revenue of \$52,500 (3,500 x \$15) in amendment fees under the provisions of this bill. Revenue generated by search fees can be used to offset the expenditures associated with the addition of new FTEs.

#### **Local Expenditure**

N/A

#### **Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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<b>Bill Number:</b>	S. 0132	Signed by Governor on May 13, 2019
<b>Author:</b>	Davis	
<b>Subject:</b>	PA Act of 2019	
<b>Requestor:</b>	Senate	
<b>RFA Analyst(s):</b>	A. Martin	
<b>Impact Date:</b>	May 28, 2019	

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### **Fiscal Impact Summary**

This bill makes changes to the responsibilities and scope of practice requirements for Physician Assistants. This bill will increase Other Funds expenditures by \$45,217 in FY 2019-20 and \$43,867 each year thereafter for 1 additional FTE. This bill will increase Other Funds expenditures by an undetermined amount for an increase in the number of meetings of the Board of Medical Examiners and the Physician Assistant Committee. The board and committee are under the regulation of the Department of Labor, Licensing and Regulation (LLR).

This bill will reduce Other Funds revenue by an insignificant amount because it reduces the fee for license reactivation for Physician Assistants.

This bill will increase General Fund revenue by at least \$4,522 in FY 2019-20 and \$4,387 each year thereafter because LLR is required to remit an amount equal to 10 percent of board expenditures to the General Fund.

### **Explanation of Fiscal Impact**

**Signed by Governor on May 13, 2019**

#### **State Expenditure**

This bill expands the duties and responsibilities of the role of a Physician Assistant (PA) and makes changes to the requirements for PA licensure. PAs are licensed by the Board of Medical Examiners (board), which is under the regulation of LLR. A PA's scope of practice must be reviewed by the PA Committee, which serves as an advisory committee for the board. The scope of practice establishes the medical aspects of care to be provided by the PA.

LLR anticipates that it will need 1 additional Program Assistant or Administrative Assistant to assist with these expanded responsibilities. This will increase Other Funds expenditures by \$43,867 for salary and fringe, as well as an additional \$1,350 for infrastructure costs associated with the position. Therefore, this bill will increase Other Funds expenditures by \$45,217 in FY 2019-20 and \$43,867 each year thereafter. In addition, LLR indicates that this bill will increase the number of meetings required by the board. Board meeting costs include a per diem of \$35 and mileage reimbursement of 58 cents per mile for board members. In addition, court reporter fees average \$2,156 per meeting. The average cost for a meeting of the Board of Medical Examiners is \$2,300, however the number of board meetings that will be required is unknown. Therefore, the total increase in Other Funds expenditures is unknown. Licensure fees borne by applicants are expected to offset these anticipated expenditures.

**State Revenue**

This bill makes changes to certain fees charged to PAs. PAs must report to the board if there is a change in their supervising physician or if they are adding another supervising physician to their scope of practice. Currently, the board is allowed to collect a fee of \$150 for each change. The bill removes these fees. The board reports that it has received no funds from the change or addition of a PA supervisor over the past few years. Therefore, it does not anticipate that this portion of the bill will have a revenue impact on the board.

This bill also changes the fee for the reactivation of a PA license from \$160 to \$150. The board cannot estimate the number of licensees that will seek to reactivate an inactive license. However, since the difference in the current fee and the proposed fee is only \$10, the board anticipates that the reduction in fees collected will be insignificant.

In addition, the Board of Medical Examiners falls under the Division of Professional and Occupational Licensing. Pursuant to Proviso 81.3 of the FY 2018-19 Appropriations Act, LLR is required to remit annually to the General Fund an amount equal to 10 percent of expenditures. Therefore, this bill will increase General Fund revenue by at least \$4,522 in FY 2019-20 and \$4,387 each year thereafter due to expenditures for 1 additional Program Assistant or Administrative Assistant. The increase in expenditures for additional board meetings is unknown. Because the total increase of expenditures is unknown, the total revenue increase to the General Fund is undetermined.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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<b>Bill Number:</b>	S. 0160	Signed by Governor on March 28, 2019
<b>Author:</b>	Allen	
<b>Subject:</b>	Tax Liens	
<b>Requestor:</b>	Senate	
<b>RFA Analyst(s):</b>	Mitchell	
<b>Impact Date:</b>	May 17, 2019	

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### **Fiscal Impact Summary**

This bill will have an undetermined expenditure impact on the Department of Revenue, as the expenditures associated with the implementation of a new system for filing and indexing tax liens are unknown.

The bill will decrease local revenue by \$562,130 in FY 2019-20, as counties will no longer receive tax lien filing fees from the Department of Revenue.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on March 28, 2019**

#### **State Expenditure**

This bill allows the Department of Revenue (DOR) to implement a system of filing and indexing tax liens for public access through the internet or other means as the department considers appropriate. This system would replace the practice of tax lien notices being filed with the county clerks of court. A lien, once filed, is effective statewide from the date and time it is recorded and encumbers all the taxpayer's property and rights to property regardless of the property's location.

Until July 1, 2019, DOR will continue to file tax lien notices with the county in which the warrant for distraint applies. As such, DOR will remit a \$10 filing fee to the county each time a lien notice is filed. DOR indicates that 56,213 lien notices were filed in FY 2017-18. This bill allows DOR to be the repository for liens, rather than the respective counties. As such, the bill could reduce DOR expenditures by \$562,130 in FY 2019-20.

Further, the bill allows DOR to implement a new system for filing and indexing tax liens for public access. The implementation of a new system would increase General Fund expenditures. DOR indicates that additional expenditures associated with a new system can be managed within existing appropriations, and would not exceed \$562,130 saved from not filing the liens with the county clerks of court. The amount of expenditures required to implement a new filing and indexing system is not known. As such, the expenditure impact of this bill on the General Fund, Other Funds, or Federal Funds is undetermined.

#### **State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

This bill will result in a loss of revenue to counties in South Carolina. Until July 1, 2019, DOR will continue to remit a \$10 fee to the county clerk of court for each lien notice filed. The bill allows DOR to act as the repository for all tax liens. As such, counties will no longer receive revenue from filing fees after July 1, 2019. DOR paid counties a total of \$562,130 in FY 2017-18. Therefore, the bill could decrease local revenue by \$562,130 in FY 2019-20.



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Frank A. Rainwater, Executive Director



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**Bill Number:** S. 0314 Signed by Governor on May 16, 2019  
**Author:** Alexander  
**Subject:** Preceptor Tax Credit  
**Requestor:** Senate  
**RFA Analyst(s):** Jolliff  
**Impact Date:** May 17, 2019

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### **Fiscal Impact Summary**

The bill is not expected to impact expenditures for the Department of Revenue (DOR), as the agency has processes in place to implement the new tax credit and complete the required reports. The bill is expected to reduce General Fund individual income tax revenue by up to \$227,000 in FY 2020-21, \$671,000 in FY 2021-22, \$1,114,000 in FY 2022-23, \$1,558,000 in FY 2023-24, \$2,002,000 in FY 2024-25, \$2,218,000 in FY 2025-26, and \$1,084,000 in FY 2026-27 for the remaining 50 percent of credits earned in tax year 2025 and claimed in tax year 2026. The impact by fiscal year may shift to future years, as the credits may be carried forward for up to ten years, and taxpayers may not reduce their liability by more than 50 percent.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on May 16, 2019**

#### **State Expenditure**

The bill creates an individual income tax credit for each clinical rotation for which a physician serves as the preceptor for a medical school required clinical rotation. It also creates a credit for each clinical rotation an advanced practice nurse or physician assistant serves as the advanced practice nurse or physician assistant preceptor for a required clinical rotation. The bill applies to clinical rotations for public teaching institutions and independent institutions of higher learning. The tax credit applies to tax years 2020 to 2025. Taxpayers are allowed a credit for a maximum of four rotations and may take a deduction equal to the amount of the credit for any additional six rotations. However, the bill phases-in the amount of the credit in five equal installments. The bill also requires DOR to report by March thirty-first of each year to the Senate Finance Committee, the House Ways and Means Committee, and the Governor the number of taxpayers claiming the credit, the total amount of credits allowed, and the number of hours the recipient taxpayers served as preceptors. The report must provide the information disaggregated by type of preceptor.

DOR will create a specific tax credit form to capture the detail required for the report to the Senate Finance Committee, the House Ways and Means Committee, and the Governor. The first report would be available following the first tax year for which the credits are claimed. The report on tax year 2020 filings, which would be completed by the filing extension date in October 2021, would be reported by March 31, 2022. The department has procedures and systems in place to create the new forms and track the required information. As such, the bill is not expected to impact expenditures for the General Fund, Federal Funds, or Other Funds.

## **State Revenue**

The bill creates an individual income tax credit for each clinical rotation for which a physician, advanced practice nurse, or physician assistant serves as the preceptor for a required clinical rotation. The preceptor must provide a minimum of two required clinical rotations within a calendar year. The preceptor may claim a tax credit for up to four rotations and a tax deduction for up to six additional rotations, for a total of ten rotations. Each clinical rotation must include a minimum of one hundred sixty hours of instruction, and the preceptor must not otherwise be compensated for providing the instruction. The tax credit applies to tax years 2020 to 2025 and is phased-in in equal and cumulative installments over five years.

A taxpayer may earn up to four credits for qualifying rotations. The total amount of credits claimed in a year may not exceed 50 percent of the taxpayer's liability after all other credits. Additionally, 50 percent of the credit may be claimed in the year earned and the remaining amount claimed in the subsequent tax year. Any unused credit may be carried forward for a maximum of ten tax years.

After earning the maximum credits for four rotations, the taxpayer may claim a deduction for each additional rotation, up to a maximum of six additional rotations, equal to the credit amount that the rotation would have earned if the taxpayer had not already claimed the maximum amount of credits.

For physicians, the amount of the credit varies depending upon the percentage of patients seen by the physician's practice who are Medicaid insured, Medicare insured, or self-pay. The credit is disallowed if less than 30 percent of the practice's patients are Medicaid, Medicare, or self-pay. The credit is \$750 if the physician's practice consists of at least 30 percent Medicaid, Medicare, or self-pay and increases to \$1,000 if the practice consists of at least 50 percent Medicaid, Medicare, or self-pay patients.

For advanced practice nurses and physician assistants, the credit is disallowed if less than 30 percent of the practice's patients are Medicaid, Medicare, or self-pay. The credit is \$500 if the practice consists of at least 30 percent Medicaid, Medicare, or self-pay and increases to \$750 if the practice consists of at least 50 percent Medicaid, Medicare, or self-pay patients.

The clinical rotations must be for the students enrolled in a South Carolina public teaching institution or independent institution of higher learning. The Coalition for Increasing Access to Primary Care (CIAPC) includes members from Clemson University, Francis Marion University, Medical University of South Carolina (MUSC), and University of South Carolina (USC). CIAPC provided us with data regarding the number of preceptors and rotations for all public university programs in the state that are expected to qualify for these tax credits in 2020. South Carolina Independent Colleges and Universities (SCICU) provided data in 2017 on the number of qualifying clinical rotations expected at independent nonprofit colleges and universities as of 2020.

**ESTIMATED CLINICAL PRECEPTORS FOR 2020**

	Physician (MD or DO)	Advanced Practice Nurse (NP)	Physician Assistant (PA)
USC School of Medicine Greenville	61	0	0
Clemson College of Nursing	69	123	0
Francis Marion College of Nursing	64	62	10
Francis Marion (PA)	47	10	13
MUSC College of Medicine	44	0	0
MUSC College of Nursing	26	43	3
MUSC College of Health Professions (PA)	63	2	40
USC School of Medicine Columbia	156	0	0
USC College of Nursing	123	232	7
USC PA	57	3	24
Anderson University	5	2	0
North Greenville University	2	0	2
Charleston Southern University	3	0	2
Presbyterian College	2	0	2

In order to estimate the distribution of Medicaid insured, Medicare insured, and self-pay patients, we used a national study by the Kaiser Family Foundation, *Primary Care Physicians Accepting Medicare: A Snapshot* from October 30, 2015. This study surveyed 1,257 non-pediatric primary care physicians accepting new and current Medicare patients. The survey found:

- 25 percent of practices consist of less than 25 percent Medicare patients
- 41 percent consist of 25 to 49 percent Medicare patients
- 32 percent are 50 percent or more Medicare patients
- 2 percent are unknown due to nonresponse

Based upon these figures and distributing the non-reporting 2 percent across the categories, we would estimate that national practices are distributed as follows:

- 32 percent of practices consist of less than 30 percent Medicare
- 35 percent would be 30 to 49 percent Medicare patients
- 33 percent are 50 percent or more Medicare patients

Further, the Kaiser Family Foundation reports in *Health Insurance Coverage of the Total Population, 2015*, Medicaid, Medicare, and uninsured patients compose 43 percent of the population nationally, whereas they compose 46 percent of South Carolina’s population, a 6.97 percent increase. As such, we have further adjusted up the distribution of practices to reflect the higher concentration of Medicaid, Medicare, and uninsured patients in South Carolina compared to the nation.

With this adjustment, we would estimate South Carolina practices are distributed as follows:

- 28 percent of practices would fall under 30 percent Medicare
- 37 percent would be 30 to 49 percent Medicare
- 35 percent are 50 percent or more Medicare patients

While these figures are specific to Medicare, a study by the Centers for Disease Control and Prevention, *Acceptance of New Patients with Public and Private Insurance by Office-based Physicians: United States, 2013*, found more physicians accept new Medicare patients than Medicaid, by 83.7 percent accepting new Medicare patients compared to 68.9 percent accepting new Medicaid patients. Since the tax credit applies if the practice is any combination of Medicare, Medicaid, or self-pay, we anticipate that the national Medicare distribution adjusted to account for South Carolina's patient differences will provide a sufficient proxy for all of these categories as a whole.

We then applied this distribution to the preceptors expected to provide clinical rotations. Preceptors must provide at least two rotations and are allowed a maximum of ten rotations under this bill. Our analysis is based upon actual rotations per preceptor based upon expectations by CIAPC. We then applied an average number of rotations based upon the data reported by CIAPC to the expected preceptors for independent colleges and universities to determine the total expected rotations. The bill does not specify a setting for rotations, and we assume that rotations provided in a hospital or clinic will qualify. The amount of the credit or deduction for rotations provided in a hospital or clinic would be based upon the practitioner's determination of his practice's insurance composition and any direction provided by DOR in administering the tax credit.

The credits must be claimed 50 percent in the year earned and 50 percent in the following year, subject to the phase-in amounts. We assume that these taxpayers have higher income tax liabilities than average and will have sufficient taxable income to utilize all allowable credits. However, taxpayers may not reduce their tax liability by more than 50 percent in a given year. To the extent that a taxpayer's liability is insufficient to claim the total allowable credits, the impact in a tax year may shift since credits may be carried forward to the following tax year for up to ten years.

Based upon the expected preceptors and rotations, the bill is expected to reduce General Fund individual income tax revenue by up to \$227,000 in FY 2020-21, \$671,000 in FY 2021-22, \$1,114,000 in FY 2022-23, \$1,558,000 in FY 2023-24, \$2,002,000 in FY 2024-25, \$2,218,000 in FY 2025-26, and \$1,084,000 in FY 2026-27 for the remaining 50 percent of credits earned in tax year 2025 and claimed in tax year 2026. These estimates, as shown in the tables below, would change should colleges and universities add additional qualifying programs not included in the current projections.

**TAX CREDIT AND TAX DEDUCTION ESTIMATES  
(BASED UPON FULL AMOUNTS AFTER PHASE-IN)**

Percentage of Patients on Medicaid, Medicare, or Self-pay		0%-29%	30%-49%	50%-100%	Total
Estimated Percentage of Practices in SC		28%	37%	35%	100%
Physician	Credit Amount	\$0	\$750	\$1,000	n/a
	Number of Preceptors	202	267	253	722
	Rotations from 2 to 4 per Preceptor	632	835	790	2,258
	Total Credits	\$0	\$626,595	\$790,300	\$1,416,895
	Additional Rotations	334	441	417	1,192
	Tax Deduction	\$0	\$330,780	\$417,200	\$747,980
	Liability Reduction at 5.4% Tax Rate	\$0	\$17,862	\$22,529	\$40,391
Advanced Practice Nurse	Credit Amount	\$0	\$500	\$750	n/a
	Number of Preceptors	134	176	167	477
	Rotations from 2 to 4 per Preceptor	388	512	485	1,385
	Total Credits	\$0	\$256,225	\$363,563	\$619,788
	Additional Rotations	94	124	118	336
	Tax Deduction	\$0	\$62,160	\$88,200	\$150,360
	Liability Reduction at 5.4% Tax Rate	\$0	\$3,357	\$4,763	\$8,119
Physician Assistant	Credit Amount	\$0	\$500	\$750	n/a
	Number of Preceptors	29	38	36	103
	Rotations from 2 to 4 per Preceptor	83	109	103	295
	Total Credits	\$0	\$54,575	\$77,438	\$132,013
	Additional Rotations	14	19	18	51
	Tax Deduction	\$0	\$9,435	\$13,388	\$22,823
	Liability Reduction at 5.4% Tax Rate	\$0	\$509	\$723	\$1,232
Total Credits	Total Credits Earned	\$0	\$937,395	\$1,231,300	\$2,168,695
Total Deductions	Total Liability Reduction from Deductions	\$0	\$21,728	\$28,015	\$49,743
Total Annual Tax Credits and Deductions Earned when Fully Phased-in (Before 50% Limitation on Credits Claimed)		\$0	\$959,123	\$1,259,315	\$2,218,438

**GENERAL FUND REVENUE IMPACT ESTIMATES WITH PHASE-IN**

<b>Fiscal Year</b>	<b>Tax Year (Phase In Year)</b>	<b>Phase In Percent</b>	<b>Credits Earned (with Phase-in Before 50% Limit)</b>	<b>Credits Allowed (50% of Current Plus 50% of Prior Year)</b>	<b>Tax Deduction (with Phase-in)</b>	<b>General Fund Revenue Impact</b>
FY 2020-21	2020 (Year One)	20%	\$433,739	\$216,870	\$9,949	\$227,000
FY 2021-22	2021 (Year Two)	40%	\$867,478	\$650,609	\$19,897	\$671,000
FY 2022-23	2022 (Year Three)	60%	\$1,301,217	\$1,084,348	\$29,846	\$1,114,000
FY 2023-24	2023 (Year Four)	80%	\$1,734,956	\$1,518,087	\$39,794	\$1,558,000
FY 2024-25	2024 (Year Five)	100%	\$2,168,695	\$1,951,826	\$49,743	\$2,002,000
FY 2025-26	2025	100%	\$2,168,695	\$2,168,695	\$49,743	\$2,218,000
FY 2026-27 (Credit Residual)	2026	0%	\$0	\$1,084,348	\$0	\$1,084,000

*(Impact rounded to the nearest \$1,000)*

**Local Expenditure**

N/A

**Local Revenue**

N/A

Frank A. Rainwater, Executive Director



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<b>Bill Number:</b>	S. 0329	Signed by Governor on May 16, 2019
<b>Author:</b>	Cromer	
<b>Subject:</b>	Tax Credits	
<b>Requestor:</b>	Senate	
<b>RFA Analyst(s):</b>	Gallagher	
<b>Impact Date:</b>	May 20, 2019	

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### **Fiscal Impact Summary**

This bill will reduce General Fund income tax revenue by \$1,978,351 in FY 2019-20, \$2,024,843 in FY 2020-21, and \$2,127,300 in FY 2021-22, at which time the credit will be repealed. This is due to the extension of the sunset provision from January 1, 2019, to January 1, 2022, for the income tax credit for the purchase and installation of geothermal machinery and equipment.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on May 16, 2019**

##### **State Expenditure**

This bill will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds for the Department of Revenue. Section 12-6-3587 allows a 25 percent income tax credit for the costs incurred by the taxpayer in the purchase and installation of specific residential renewable energy equipment, including geothermal machinery and equipment. As the tax credit is already in place, extending the sunset provision will not have an operational or fiscal impact on the agency.

##### **State Revenue**

This bill extends the sunset provision related to the 25 percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment from January 1, 2019, to January 1, 2022. The bill further clarifies that this credit applies to tax years beginning after 2018 and that individuals who earned the credit previously can continue to claim it.

Based on individual income tax data from the Department of Revenue, the number of state taxpayers claiming residential renewable energy tax credits was 2,281 in 2016 for a total of \$8,911,537. The tax credit on the 2016 state income form reports the combined total for solar, small hydropower, and geothermal machinery and equipment systems. According to the U.S. Energy Information Administration's (EIA) Monthly Energy Review, geothermal energy consumption accounts for approximately 20.6 percent of total residential renewable energy from solar and geothermal sources. Utilizing this figure, we estimate that the credit for geothermal machinery and equipment totaled \$1,835,820 for 470 credits in tax year 2016, an average tax credit of \$3,906.

The EIA's Monthly Energy Review reports that geothermal energy consumption increased by approximately 6 percent in 2016 and 2017, and 5 percent in 2018. The EIA's Annual Energy

Outlook Report projects similar growth in the sector in upcoming years. Applying the EIA’s growth projections in Table 1, the amount of geothermal credits is estimated to remain fairly consistent from FY 2019-20 through FY 2021-22.

ESTIMATE OF TOTAL CREDIT AMOUNT					
Fiscal Year	Tax Year	Growth Rate	Credits	Average tax credit	Credit Amount
FY 2016-17	TY 2016	-	470	\$3,906	\$1,835,820
FY 2017-18	TY 2017	5.93%	498	\$3,906	\$1,944,684
FY 2018-19	TY 2018	5.04%	523	\$3,906	\$2,042,696
FY 2019-20	TY 2019	-3.15%	506	\$3,906	\$1,978,351
FY 2020-21	TY 2020	2.35%	518	\$3,906	\$2,024,843
FY 2021-22	TY 2021	5.06%	545	\$3,906	\$2,127,300

Source: U.S. Energy Information Administration growth rates and RFA estimates

Without this extension, no additional tax credits would be expected, thereby increasing General Fund revenues. Therefore, extending the tax credit is expected to reduce General Fund individual tax revenue by \$1,978,351 in FY 2019-20, \$2,024,843 in FY 2020-21, and \$2,127,300 in FY 2021-22, at which time the credit will be repealed.

**Local Expenditure**

N/A

**Local Revenue**

N/A

Frank A. Rainwater, Executive Director



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**Bill Number:** S. 0359 Signed by Governor on May 16, 2019  
**Author:** Gambrell  
**Subject:** Pharmacy Benefits Managers  
**Requestor:** Senate  
**RFA Analyst(s):** Miller and Shuford  
**Impact Date:** June 4, 2019

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### **Fiscal Impact Summary**

This bill will increase non-recurring Other Funds expenditures of the Department of Insurance (DOI) by \$20,000 for office set up and IT software development in FY 2019-20. Furthermore, this bill will increase recurring Other Funds expenditures by \$143,000, for salaries, employer benefits, and operating expenses for 2.00 FTEs for DOI beginning in FY 2019-20.

This bill will not have an expenditure impact on the State Health Plan administered by the Public Employee Benefits Authority (PEBA) because the Pharmacy Benefit Manager currently engaged by PEBA complies with the requirements of this bill regarding maximum allowable cost lists.

This bill will increase Other Funds license fee revenue for DOI by a total of \$20,000 in initial license fees in FY 2020-21 for the annual license fee of \$1,000 for the expected 20 pharmacy benefit managers. The annual renewal fee of \$500 multiplied by 20 pharmacy benefits managers totals \$10,000 beginning in FY 2021-22 for the annual renewals.

Additionally, the revenue impact from the PBMs who are subject to administrative penalties of \$15,000 for violations of state or federal insurance law and \$30,000 for a willful violation of state or federal insurance laws is undetermined. Since PBMs are newly added to those subject to administrative penalties, the increase in Other Funds revenue for DOI for the increase in penalties collected is unknown, beginning in FY 2020-21.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on May 16, 2019**

##### **State Expenditure**

This bill repeals the current Pharmacy Benefit Managers (PBMs) statutes in Article 20 of Chapter 71, Title 38. The bill requires all pharmacy benefits managers to be licensed with the Director of DOI. The fee for the license is \$1,000 for the initial application and \$500 for annual renewal.

Additionally, this bill provides that PBMs may not prohibit, restrict, or penalize a pharmacy or pharmacist from disclosing health care information to an insured. This health care disclosure may include alternative treatment, the process used to authorize or deny coverage, and financial incentives and structures used by the insurer. Further, a pharmacy may provide an insured information on the total cost for pharmacist services for a prescription drug and may sell a more affordable alternative to the insured if available. This bill takes effect on January 1, 2021.

**Department of Insurance (DOI).** This bill requires DOI to establish a new regulatory framework for PBMs, which will impact non-recurring Other Funds expenditures by \$20,000 for office set up and IT software development in FY 2019-20. Furthermore, this bill will increase recurring Other Funds expenditures by \$143,000, for salaries, employer benefits, and operating expenses for 2.00 FTEs for DOI beginning in FY 2019-20.

**Public Employee Benefits Authority (PEBA).** The requirements of this bill regarding maximum allowable cost lists will apply to the PBM utilized by the State Health Plan (SHP) administered by PEBA. As the PBM currently engaged by PEBA complies with the requirements of this bill regarding these lists, PEBA indicates that the bill will not have an expenditure impact.

**State Revenue**

This bill repeals the current PBMs statutes in Article 20 of Chapter 71, Title 38. The bill requires all pharmacy benefits managers to be licensed with the Director of DOI. The fee for the license is \$1,000 for the initial application and \$500 for annual renewal.

DOI anticipates approximately 20 pharmacy benefits managers will receive a license. The fee for the license is \$1,000 for the initial application and \$500 for annual renewal. The initial license fee of \$1,000 multiplied by 20 pharmacy benefit managers total \$20,000 in initial license fees in FY 2020-21. The annual renewal fee of \$500 multiplied by 20 pharmacy benefits managers, totals \$10,000 each year thereafter for the annual renewals.

Additionally, this bill adds PBMs to those who are subject to administrative penalties of \$15,000 for violations of state or federal insurance law and \$30,000 for a willful violation of state or federal insurance laws. As PBMs are newly added to those subject to administrative penalties, the increase in revenue for DOI for the increase in penalties collected is undetermined, beginning in FY 2020-21.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** S. 0439 Signed by Governor on May 13, 2019  
**Author:** Leatherman  
**Subject:** Port Cargo Volume Tax Credit  
**Requestor:** Senate  
**RFA Analyst(s):** R. Martin  
**Impact Date:** June 3, 2019

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### **Fiscal Impact Summary**

This bill reduces General Fund individual and corporation income taxes and individual income tax withholdings by an estimated \$1,000,000 in FY2019-20, an estimated \$2,000,000 in FY2020-21, and an estimated \$3,000,000 in FY2021-22, and each fiscal year thereafter until a port is opened and is accepting shipments in Jasper County. This bill would not affect Other Fund revenues or Federal Fund revenues.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on May 13, 2019**

##### **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**

Previously, a taxpayer was allowed a nonrefundable tax credit if the taxpayer engaged in manufacturing, warehousing, or distribution that used South Carolina port facilities and increased port cargo volume at these facilities by at least five percent in a calendar year over its base year port cargo volume. The maximum amount of tax credits allowed to all qualifying taxpayers pursuant to this section may not exceed \$8,000,000 for each calendar year. A qualifying taxpayer may not receive more than \$1,000,000 for each calendar year except as provided in Section 12-6-3375(B)(2). The amount of the credit is determined by the Coordinating Council for Economic Development (Council) of the Department of Commerce upon application by the taxpayer. The Council has sole discretion in allocating credits provided by this section, taking into consideration the following factors:

- (a) the amount of base year port cargo volume;
- (b) the total and percentage increase in port cargo volume; and
- (c) factors related to the economic benefit of the State or other factors.

Any unused tax credits may be carried forward and claimed against income taxes in the next five succeeding taxable years.

**Section 1.** This section amends Section 12-6-3375(A)(2) to increase the maximum amount of tax credits allowed to all qualifying taxpayers pursuant to this section from \$8,000,000 for each

calendar year to \$15,000,000 for each calendar year. As shown in the table below, the aggregate tax credit limitation for all taxpayers has not changed since the effective date of the tax credit in tax year 2006. In fact, the \$8,000,000 maximum aggregate limitation allowed all qualifying taxpayers in a calendar year has never been challenged. By raising the maximum aggregate tax credit limitation to \$15,000,000 for all taxpayers, and by expanding the geographic footprint of where qualified port distribution facilities may locate as mentioned in Section 2 below, the port distribution facilities may be able to attract additional capital investment and hire additional workers to be employed at its facilities.

**South Carolina Port Cargo Volume Tax Credit  
Program Limitations and Tax Credits Claimed**

<b>Tax Year</b>	<b>Fiscal Year</b>	<b>Maximum Credit Single Taxpayer</b>	<b>Maximum Credit All Taxpayers</b>	<b>Aggregate Credits Claimed By All Taxpayers</b>
2006	FY 2007	\$1,000,000	\$8,000,000	\$57,249
2007	FY 2008	\$1,000,000	\$8,000,000	\$153,508
2008	FY 2009	\$1,000,000	\$8,000,000	\$1,744,481
2009	FY 2010	\$1,000,000	\$8,000,000	\$4,298,067
2010	FY 2011	\$1,000,000	\$8,000,000	\$417,563
2011	FY 2012	\$1,000,000	\$8,000,000	\$2,132,125
2012	FY 2013	\$1,000,000	\$8,000,000	\$1,408,307
2013	FY 2014	\$1,000,000	\$8,000,000	\$812,308
2014	FY 2015	\$1,000,000	\$8,000,000	\$2,021,225
2015	FY 2016	\$1,000,000	\$8,000,000	\$423,159
2016	FY 2017	\$1,000,000	\$8,000,000	\$622,026
2017	FY 2018	\$1,000,000	\$8,000,000	N/A
2018	FY 2019	\$1,000,000	\$8,000,000	N/A
2019	FY 2020	\$1,000,000	\$15,000,000	N/A
2020	FY 2021	\$1,000,000	\$15,000,000	N/A
2021	FY 2022	\$1,000,000	\$15,000,000	N/A
<b>Total Tax Credits Claimed</b>				<b>\$14,090,018</b>

Notes: N/A - Not Available.

Sources: Board of Economic Advisors, S.C. Department of Revenue, Columbia, S.C.

**Section 2.** This section adds an appropriately numbered subsection to allow a taxpayer engaged in a port distribution to claim a nonrefundable port transportation credit. The credit would be claimed against income taxes or as a credit against employee withholding for its transportation costs in an amount determined by the Council in its sole discretion. Transportation costs are defined as the costs of transporting freight, goods, and materials to and from port facilities in South Carolina.

The maximum amount of port transportation credits allowed to all qualifying taxpayers is limited to the following schedule:

- \$1,000,000 for the calendar year ending December 31, 2019
- \$2,000,000 for the calendar year ending December 31, 2020
- \$3,000,000 for all calendar years after December 31, 2020, until the port transportation credit expires pursuant to item (6).

Item (6) indicates that the port transportation credit expires effective at the end of the calendar year in which a port in Jasper County is opened and is accepting shipments. The amount of any port transportation credits claimed would be applied against the maximum aggregate amount of \$15,000,000 in tax credits allowed to all qualifying taxpayers in a calendar year. Any excess tax credit amounts may be carried forward and claimed against income taxes in the next five succeeding taxable years. Any excess tax credit amounts may also be carried forward and claimed against income tax withholding for the next twenty succeeding taxable quarters.

The South Carolina State Ports Authority processed more than 2,300,000 shipping containers in calendar year 2018, and has realized an average annual growth rate of 7.7 percent over the past five years. We expect this growth to continue into the future. By permitting a “distribution facility” to be defined as a “port facility” and thus being permitted to claim a nonrefundable port transportation tax credit, it is not unreasonable to expect that annual capital investments and the hiring of labor at a port distribution facility may increase in the future with taxpayers claiming an additional \$1,000,000 in port transportation tax credits per tax year. This bill, therefore, would reduce General Fund individual and corporation income taxes and individual income tax withholdings by an estimated \$1,000,000 in FY2019-20, an estimated \$2,000,000 in FY2020-21, and by an estimated \$3,000,000 in FY2021-22, and each fiscal year thereafter until a port is opened and is accepting shipments in Jasper County. This section would not affect Other Fund revenues or Federal Fund revenues.

**Section 3.** This section adds Section 12-36-2140 to define the term “distribution facility” as a port facility as defined in Section 12-6-3375. A “port facility” means any publicly or privately-owned facility located within this State through which cargo is transported by way of a waterborne ship or vehicle to or from destinations outside this State and which handles cargo owned by third parties in addition to cargo owned by the port facility’s owner.

**Section 4.** This act takes effect upon approval by the Governor.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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<b>Bill Number:</b>	S. 0514	Signed by Governor on April 26, 2019
<b>Author:</b>	Alexander	
<b>Subject:</b>	Special License Plates	
<b>Requestor:</b>	Senate	
<b>RFA Analyst(s):</b>	Griffith	
<b>Impact Date:</b>	May 15, 2019	

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### **Fiscal Impact Summary**

This bill will have no expenditure impact on the Department of Motor Vehicles (DMV) because the agency is not required to bear the cost of the production and distribution of the two special license plates.

This bill will increase Other Funds revenue of the Department of Transportation (DOT) by at least \$13,600 for the production and distribution of the two special license plates. It will increase Other Funds of Clemson University by an undetermined amount because the number of plates that will be requested is unknown.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on April 26, 2019**

##### **State Expenditure**

This bill authorizes DMV to issue a Clemson University 2018 Football National Champions special license plate for both motorcycles and private passenger motor vehicles. Because the individual or organization seeking issuance of the special license plate must bear the \$6,800 cost for production and distribution of each plate, there is no expenditure impact to DMV.

##### **State Revenue**

This bill allows the agency to collect the regular registration fee pursuant to Article 5, Chapter 3, of Title 56, plus an additional \$70 fee. Of the \$70 additional fee, \$30 must be placed into the State Highway Fund, while the remaining amount not used for producing and distributing the plate must be distributed to a fund for the University. DMV reports that it costs approximately \$10.82 to produce and distribute a special license plate; thus, approximately \$29.18 from the issuance of each plate would be distributed to the University's fund for academic scholarships.

Because the amount of these special license plates that will be requested is unknown, the amount of revenue increase from the \$70 fee to the State Highway Fund (which are Other Funds of DOT) and to Other Funds of Clemson University is also unknown.

The funds received for the production and distribution of each special license plate will be distributed to the State Highway Fund. Therefore, Other Funds revenue of DOT will increase by at least \$13,600.

##### **Local Expenditure**

N/A

**Local Revenue**

N/A



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**Bill Number:** S. 0575 Signed by Governor on May 16, 2019  
**Author:** Campsen  
**Subject:** Hunting and Taking of Wild Turkey  
**Requestor:** Senate  
**RFA Analyst(s):** Gallagher and Gardner  
**Impact Date:** September 9, 2019

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### **Fiscal Impact Summary**

This bill will increase the Department of Natural Resources' (DNR) recurring Other Funds revenue by \$665,770 through the issuance of a fee for wild turkey transportation tags. This revenue will be used for wild turkey scientific research, improving habitat and hunting opportunities on public lands, predator control, and enforcement of wild turkey laws and regulations. Revenue funds will be deposited in the Fish & Wildlife Protection Fund - Turkeys. Of these funds, DNR anticipates it will expend \$60,000 on tag fulfillment and \$68,000 on turkey research in FY 2020-21. The use of tag receipts to support tag fulfillment and research will allow approximately \$98,000 in federal grants to be reprogrammed to fund wildlife management research for other species in FY 2020-21.

This bill will increase DNR's non-recurring and recurring General Fund expenses by an undetermined amount, contingent upon responses to the department's request for proposals for the development and implementation of an electronic turkey harvest reporting system. Additional information is expected to be available in December 2019 regarding these expenses.

This bill will have no impact on the Judicial Department's General Fund, Federal Funds, or Other Funds. The department indicates that the misdemeanor created in this bill will be handled in magistrate and municipal courts, as such it is not expected to have an expenditure impact on the Judicial Department.

This bill will have an undetermined impact on magistrate and municipal courts' expenditures. The misdemeanor created in this bill is expected to increase the caseload within these courts. However, as this bill creates a new offense, there is no data available upon which to estimate the number of hearings or trials that may be initiated.

### **Explanation of Fiscal Impact**

**Signed by Governor on May 16, 2019**

#### **State Expenditure**

This bill establishes a fee for wild turkey tags, amends the season for hunting male wild turkey, limits the seasonal number of wild turkey tags to three for residents and two for nonresidents, and limits the daily bag limit for male wild turkeys to one. The bill further states that it is unlawful to take a female wild turkey, changes regulations regarding Youth Turkey Day, and requires fees collected for wild turkey tags to be used for specific research and conservation purposes as well as the printing and mailing of the wild turkey tags.

**Department of Natural Resources.** This bill requires DNR to provide an annual report on wild turkey resources to the Chairman of the Senate Fish, Game and Forestry Committee and the Chairman of the House Agriculture and Natural Resources Committee. Further, DNR is tasked with implementing an electronic harvest reporting system in order to document the harvest of wild turkeys and to assist with the enforcement of seasons, methods of harvest, and bag limits. An individual who harvests a wild turkey must report the harvest to the electronic harvest reporting system as prescribed by the department. Further, any individual who violates the laws enumerated in this bill, including failure to report a harvest to DNR's electronic harvest reporting system, is guilty of a misdemeanor.

DNR anticipates this bill will increase non-recurring Other Funds expenses by an undetermined amount, contingent upon responses to the department's request for proposals for the development and implementation of the wild turkey electronic harvest reporting system. Additional information is expected to be available in December 2019 regarding these expenses.

**Judicial Department.** This bill creates a new misdemeanor offense for individuals who violate provisions established by DNR for electronic harvest reporting and imposes a fine of up to \$25. The department indicates that the offenses in this bill will be handled in magistrate and municipal courts and is expected to increase the caseload within those courts. As such, this bill is not expected to have an expenditure impact on the Judicial Department.

#### **State Revenue**

**Department of Natural Resources.** This bill establishes a fee for wild turkey transportation tags, and requires that any fees collected for these tags be used for specific wild turkey research and conservation purposes. The fee is \$5 per resident for three tags, and \$100 per nonresident for two tags. Of these fees, \$1 may be retained by the license sales vendor. Youth under 16, lifetime licensees, and gratis licensees are exempt from paying the fee. The department estimates this fee would result in a recurring Other Funds revenue increase of \$665,770 based upon an estimated 33,535 resident and 5,370 nonresident annual tag requests. This value assumes that each license sales vendor will retain \$1 of these fees. These funds will be deposited into the Fish & Wildlife Protection Fund - Turkey account. Of this revenue, the department expects to expend \$60,000 for tag fulfillment and \$68,000 for turkey research in FY 2020-21. The use of turkey tag receipts to support tag fulfillment and research will allow approximately \$98,000 in federal grants to be reprogrammed to fund wildlife management research for other species in FY 2020-21.

**Judicial Department.** This bill creates a new misdemeanor offense for individuals who violate provisions established by DNR for electronic harvest reporting and imposes a fine of up to \$25. These cases would be heard in magistrate courts. As there is no data with which to estimate the potential increase in caseloads for these courts, the revenue impact resulting from this fine cannot be determined.

#### **Local Expenditure**

**Magistrate and Municipal Courts.** The offense created by this bill will be handled in magistrate and municipal courts, and is expected to increase the caseload within those courts. However, as this bill creates a new offense, there is no data available upon which to estimate the

number of hearings or trials that may be initiated. As such, the expenditure impact of this bill on magistrate and municipal courts is undetermined.

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 3036 Signed by Governor on May 16, 2019  
**Author:** McCravy  
**Subject:** Dylan's Law  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Shuford  
**Impact Date:** May 22, 2019

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### **Fiscal Impact Summary**

This bill will increase Department of Health and Environmental Control (DHEC) General Fund expenditures by \$537,017 in FY 2019-20 due to the additional neonatal screenings for lysosomal storage disorders. Of this total, recurring General Fund expenditures for salaries and fringe benefits will increase by \$247,146 and 3.00 FTEs, and other operating expenditures will increase by \$289,871. Implementation of this act is contingent upon available funding from public sources.

While DHEC bills hospitals and physicians to fund a portion of the existing newborn screening program, they indicate that increased reimbursements may not be available since the additional screenings are not included on the recommended uniform screening panel of disorders specified by the U.S. Secretary of the Department of Health and Human Services. As such, these additional tests may not be reimbursed by health plans. Additionally, DHEC indicates that they work with hospitals in advance of adding new tests to determine fee increases and current agreements may preclude a fee increase until 2020. Therefore, additional reimbursements may not be available to offset the additional expenditures.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on May 16, 2019**

#### **State Expenditure**

This bill requires DHEC to add tests for 3 neonatal genetic disorders and diseases to the existing newborn screening program. These additional tests for lysosomal storage disorders will be conducted in accordance with the existing newborn screening program statutes and regulations. Expenditures for the existing newborn screening program totaled \$8,100,000 in FY 2017-18, while reimbursements from hospitals and physicians totaled \$6,944,000. This resulted in General Fund appropriations offsetting the deficit of \$1,156,000 in FY 2017-18.

DHEC indicates that the additional neonatal testing for Krabbe disease, Pompe disease, and Hurler syndrome will require additional General Fund expenditures for salaries and fringe benefits of \$247,146 and 3.00 FTEs for the Newborn Screening Program to provide the following services:

- 1.00 FTE for a Program Coordinator II to collaborate with the state laboratory, primary care providers, hospitals, and medical geneticists regarding newborn screening policies and procedures with emphasis on protocols related to lysosomal storage disorders, and to

notify hospital neonatal intensive care units and physician offices regarding patients with abnormal lab results.

- 1.00 FTEs for a Laboratory Technologist II position to perform newborn screening tests for lysosomal storage disorders using tandem mass spectrometry and other ancillary equipment.
- 1.00 FTE for a Laboratory Technologist III position to supervise and train the other technologists on the lysosomal storage disorder testing methodology.

Additional recurring General Fund operating expenditures of \$289,871 in FY 2019-20 include testing reagents, other testing supplies, confirmatory testing, and a medical consultant. Total recurring General Fund expenditures in FY 2019-20 for salaries, fringe benefits, and other operating expenses will total \$537,017.

### **State Revenue**

While DHEC bills hospitals and physicians to fund a portion of the existing newborn screening program, they indicate that increased reimbursements may not be available since the additional screenings are not included on the recommended uniform screening panel of disorders specified by the U.S. Secretary of the Department of Health and Human Services. As such, these additional tests may not be reimbursed by health plans. Additionally, DHEC indicates that they work with hospitals in advance of adding new tests to determine fee increases, and current agreements may preclude a fee increase until 2020. Since additional reimbursements from hospitals and physicians may not be available to offset the additional expenditures, DHEC indicates that the department will require additional General Fund resources of \$537,017 to administer the additional tests.

### **Local Expenditure**

N/A

### **Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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<b>Bill Number:</b>	H. 3145	Signed by Governor on May 16, 2019
<b>Author:</b>	Ott	
<b>Subject:</b>	Electrical Coops, Audits	
<b>Requestor:</b>	House of Representatives	
<b>RFA Analyst(s):</b>	Gallagher	
<b>Impact Date:</b>	May 29, 2019	

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### **Fiscal Impact Summary**

This bill will not impact the Public Service Commission's (PSC) Other Funds. The agency anticipates that it can accomplish the duties enumerated in this bill within existing resources and appropriations.

This bill will increase the Office of Regulatory Staff's (ORS) Other Funds expenditures by \$3,500 a year for additional travel expenses. As ORS' Other Funds are provided for by the entities the agency regulates, these travel expenses will be offset by a charge to the audited electric cooperative. This will result in an increase to Other Funds revenue of \$3,500 to offset the expenditure.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on May 16, 2019**

##### **State Expenditure**

This bill vests ORS with the authority and jurisdiction to make inspections, audits, and examinations of electric cooperatives, pursuant to current provisions relating to the compliance of electric cooperatives. Following the completion of an authorized inspection, audit, or examination, ORS must report its findings to the management and board of the electric cooperative and attempt to resolve any identified compliance issues with management and the board of trustees. Any individual aggrieved by a violation of Section 33-49-255, which dictates when an electric cooperative may and may not disrupt service to residential customers, must make a complaint to ORS for redress.

This bill amends voting restrictions for electrical cooperative members and enacts time requirements for polling stands to be open in the case of a trustee election. Further, when a race for a cooperative trustee is contested, cooperatives must determine a method for members to vote in the election before the annual meeting day and with reasonable accommodations for working, elderly, disabled, and infirmed members. By May 15 of each year, the board of trustees is required to visibly disclose all compensation and benefits paid to or provided for board members during the previous calendar year on its website.

This bill adds time and visibility requirements for the reporting of board of trustees and cooperative membership meetings. Further, this bill puts restrictions on who can become a trustee and expressly prohibits a trustee from using their position for economic or personal gain.

This bill recognizes the organization of an association formed by several electric cooperatives to represent the interests of State electric cooperatives. The bill places certain restrictions on compensation and benefits paid to the association's trustees and qualifies reporting requirements regarding trustee's compensation and benefits information and total association revenue and expenses.

The provisions of this bill referring to the vested authority of ORS to conduct inspections, audits, and examinations of electric cooperatives take effect January 1, 2020. Provisions regarding visible disclosure of all compensation and benefits paid to or provided for board members during the previous calendar year on the electric cooperative's websites take effect May 1, 2020. Provisions regarding time and visibility requirements for the reporting of board of trustees and cooperative membership meetings and restrictions on who can become a trustee take effect on the first day of the fifteenth calendar month after the month of signature by the Governor. All other provisions of this bill take effect upon approval by the Governor.

**Public Service Commission.** This bill gives PSC the authority and jurisdiction to resolve any disputed issues arising from an inspection, audit, or examination conducted by ORS. This bill will not have an expenditure impact on PSC's Other Funds. The Commission is an adjudicative body whose existing authority includes resolving investor-owned public utility disputes. The enactment of this bill would expand PSC's already existing role as an adjudicator. PSC does not anticipate that the caseload resulting from the implementation of this bill would result in a significant increase in the number of hearings held by the PSC. As such, the agency does not anticipate an expenditure impact as a result of implementing this bill.

**Office of Regulatory Staff.** As a result of this bill, ORS anticipates it will audit, inspect, or examine one-third of electric cooperatives a year. This will result in additional Other Funds expenditure of \$3,500 annually for travel expenses. As ORS' Other Funds are provided for by the entities they regulate, these expenses will be offset by a charge to the audited cooperative. Further, ORS anticipates billing audited cooperatives \$117,012 for the direct involvement of ORS staff, including the Deputy Director of Utility Rates and a Utility Rates Analyst, Attorney, and Auditor. As ORS charges the entities they regulate a proportion of their expenses arising from this regulation, billing electric cooperatives for staff involvement will shift the source of ORS' Other Funds revenue but not add additional Other Funds revenue.

#### **State Revenue**

As a result of conducting audits, examinations, and inspections of electric cooperatives, ORS will incur \$3,500 in travel related expenses. As ORS' Other Funds are provided for by the entities the agency regulates, these travel expenses will be offset by a charge to the audited cooperative. This will result in an increase in Other Funds revenue of \$3,500 to offset the expenditure.

#### **Local Expenditure**

N/A

#### **Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 3383 Signed by Governor on May 16, 2019  
**Author:** Ott  
**Subject:** State Forest Land Revenues Shared with Counties  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Gallagher  
**Impact Date:** May 17, 2019

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### **Fiscal Impact Summary**

This bill will increase the Forestry Commission's Other Funds revenue by \$13,053 per year following the implementation of this bill. These funds will be used by the commission for miscellaneous operations and land maintenance.

This bill will reallocate funds from counties, resulting in a net decrease in local revenue of \$13,053. These funds are currently paid to counties as a percentage of proceeds garnered from land rentals on the county's state forest lands.

### **Explanation of Fiscal Impact**

**Signed by Governor on May 16, 2019**

**State Expenditure**

N/A

**State Revenue**

In prior law, twenty-five percent of gross proceeds from the sale of timber, pulpwood, poles, gravel, land rentals, and any other privileges on state forest lands are transferred from the State Forestry Commission to the county containing the respective state forest. These funds are used for general school purposes in the school district where the state forest resides. This bill excludes proceeds from land rentals from these funds.

Using data from FY 2008-09 to FY 2017-18 to determine average annual revenue, the Forestry Commission receives approximately \$52,211 per year from land rentals. Of this amount, \$13,053 is currently paid to the counties where the land is located. As a result of this bill, the Forestry Commission's Other Funds revenue will increase by approximately \$13,053 per year. These funds will be used for miscellaneous operations and land maintenance.

**Local Expenditure**

N/A

**Local Revenue**

This bill will reallocate funds from counties to the Forestry Commission. Using data from FY 2008-09 to FY 2017-18 to determine the average annual revenue to counties resulting from land rentals, county revenue will decrease by the following amounts per year:

Average Annual Payments to Counties FY 2008-09 to FY 2017-18	
County	Land Rental Proceeds
Sumter County	\$9,539
Clarendon County	\$1,941
Jasper County	\$1,055
Richland County	\$270
Darlington County	\$152
Chesterfield County	\$95
Kershaw County	\$1
Williamsburg County	\$0
Georgetown County	\$0
Oconee County	\$0
Pickens County	\$0
Total	\$13,053

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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 3595 Signed by Governor on March 28, 2019  
**Author:** Elliott  
**Subject:** Industry Partnership Fund Tax Credit  
**Requestor:** House of Representatives  
**RFA Analyst(s):** R. Martin  
**Impact Date:** May 29, 2019

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### **Fiscal Impact Summary**

This bill reduces corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes by an estimated \$1,000,000 in FY2019-20, and each fiscal year thereafter, until the maximum aggregate tax credits claimed reaches the maximum cap of \$9,000,000 in the future. This bill would not affect Other Fund revenues or Federal Fund revenues.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on March 28, 2019**

##### **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.** The Industry Partnership Fund was first available to taxpayers in tax year 2006. Pursuant to Section 12-6-3585, a taxpayer is allowed a nonrefundable credit against corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes, or any combination of them equal to 100 percent of the taxpayer's qualified contributions to the Industry Partnership Fund at the South Carolina Research Authority, or a Research Authority designated affiliate, or both. Any unused credit may be carried forward for 10 years from the end of the tax year in which the qualifying contribution is made. The credit is subject to the following limitations:

- For tax year 2006, the maximum credit is \$650,000 for a single taxpayer, and \$2,000,000 for all taxpayers,
- For tax year 2007, the maximum credit is \$1,300,000 for a single taxpayer, and \$4,000,000 for all taxpayers, and
- For tax years beginning after December 31, 2007, the maximum credit is \$2,000,000 for a single taxpayer, and \$6,000,000 for all taxpayers.

This bill amends Section 12-6-3585(A) of the Industry Partnership Fund program limitations and maximum aggregate credit limitations for each tax year beginning after tax year 2018 up to a

maximum credit of \$250,000 for a single taxpayer, not to exceed an aggregate credit of \$9,000,000 for all taxpayers for each tax year. The table below describes the Industry Partnership Fund program limitations and the aggregate tax credits claimed by all taxpayers in each tax year of the fund's history.

**South Carolina Industry Partnership Fund  
Program Limitations and Tax Credits Claimed**

<b>Tax Year</b>	<b>Maximum Credit Single Taxpayer</b>	<b>Maximum Credit All Taxpayers</b>	<b>Aggregate Credits Claimed By All Taxpayers</b>
2006	\$650,000	\$2,000,000	\$843,997
2007	\$1,300,000	\$4,000,000	\$2,862,707
2008	\$2,000,000	\$6,000,000	\$3,717,351
2009	\$2,000,000	\$6,000,000	\$3,422,718
2010	\$2,000,000	\$6,000,000	\$4,602,476
2011	\$2,000,000	\$6,000,000	\$5,509,008
2012	\$2,000,000	\$6,000,000	\$5,981,826
2013	\$2,000,000	\$6,000,000	\$5,729,854
2014	\$2,000,000	\$6,000,000	\$5,551,151
2015	\$2,000,000	\$6,000,000	\$5,439,654
2016	\$2,000,000	\$6,000,000	\$5,625,126
2017	\$2,000,000	\$6,000,000	N/A
2018	\$2,000,000	\$6,000,000	N/A
2019	\$250,000	\$7,000,000	N/A
2020	\$250,000	\$8,000,000	N/A
2021 & beyond	\$250,000	\$9,000,000	N/A
<b>Historical Total</b>			<b>\$49,285,868</b>

Notes: N/A - Not Available

Sources: Board of Economic Advisors; S.C. Department of Revenue, Columbia, SC

After the first tax year the tax credit was made available, the aggregate tax credit limitation for all taxpayers was increased the next two tax years to \$6,000,000 by tax year 2008. The aggregate tax credit limitation for all taxpayers has not changed since tax year 2008. Over the next seven tax years, the aggregate tax credits claimed by all taxpayers have approached the maximum tax credit limitation of \$6,000,000. By raising the maximum aggregate tax credit limitation to \$9,000,000 for all taxpayers, the Industry Partnership Fund will be able to attract additional investment for use at the South Carolina Research Authority or its affiliates. The maximum tax credit available for a single taxpayer, however, would be reduced from \$2,000,000 per taxpayer to \$250,000 per taxpayer beginning in tax year 2019. The lowering of the maximum tax credit available for a single taxpayer will limit the amount that each taxpayer may invest in the Industry Partnership Fund before reaching the aggregate maximum tax credit limitation. This limitation, however, should not affect the total contributions to the fund.

The historical table above suggests that it takes some time for aggregate tax credits claimed to reach a new maximum tax credit cap; therefore, it is not unreasonable to expect that annual contributions may increase in the future with taxpayers claiming an additional \$1,000,000 in tax credits per tax year. This bill, therefore, would reduce corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes by an estimated \$1,000,000 in FY2019-20, and each fiscal year thereafter, until the maximum aggregate tax credits claimed reaches the maximum cap of \$9,000,000 in the future.

This bill amends Section 12-6-3585(E) to change the definition of “taxpayer” to disallow any member of the South Carolina Research Authority board of trustees or the SC Launch!, Inc. board of directors from claiming a tax credit against state taxes for qualified contributions to the Industry Partnership Fund.

This bill amends Section 12-6-3585(F) to require a taxpayer who is certified by the South Carolina Research Authority as having priority entitlement to the tax credit for an applicable tax year must make a commitment to making a qualified contribution to the Industry Partnership Fund during the year no later than April 1<sup>st</sup>.

This bill adds sub-item (B) to indicate that the increased maximum tax credit amount shall be phased in in three equal and cumulative installment amounts beginning in tax years beginning after 2018. Notwithstanding the provisions of Section 12-6-3585, the maximum aggregate tax credit amount allowed by all taxpayers shall be \$7,000,000 in tax year 2019, \$8,000,000 in tax year 2020, and \$9,000,000 in tax year 2021 and each tax year thereafter, as shown in the table above.

**Section 2.** This section adds an appropriately numbered item to Section 12-6-3585 to require the South Carolina Research Authority to issue a report to the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and the Governor by March fifteenth of each year. The report shall detail the amount contributed to the Industry Partnership Fund in the previous tax year, the taxpayers that received the tax credits, and the manner in which the tax credits were expended, or expected to be expended. The report must be reported in a conspicuous place on the website maintained by the South Carolina Research Authority.

**Section 3.** This act takes effect upon approval by the Governor and applies to tax years beginning after 2018, except that the Section 1 amendment to Section 12-6-3585(F) and Section 2 shall not take effect until January 1, 2020.

**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director



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**Bill Number:** H. 3639 Signed by Governor on March 20, 2019  
**Author:** Taylor  
**Subject:** In-State Tuition for Military  
**Requestor:** House of Representatives  
**RFA Analyst(s):** A. Martin  
**Impact Date:** May 20, 2019

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### **Fiscal Impact Summary**

This bill amends state law in order to maintain compliance with a recently revised federal law concerning tuition for veterans with service-connected disabilities. By complying with revised federal mandates, public institutions of higher learning will experience an annual reduction in Other Funds revenue of \$251,292 to \$266,292 beginning in FY 2019-20 because the amount of tuition and fees collected will be reduced.

This bill will have no expenditure impact on the Commission of Higher Learning (CHE) or the State Board of Technical and Comprehensive Education (SBTCE) because it does not materially alter the oversight or regulatory duties of these agencies.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on March 20, 2019**

##### **State Expenditure**

This bill amends state law in order to maintain compliance with a recently revised federal law. Federal law now requires that certain veterans with service-connected disabilities be eligible for in-state tuition and fees at public institutions of higher education, regardless of the length of time the individual has resided in the state. This bill allows South Carolina to be in compliance with the recent amendments to 38 U.S.C. §3679.

**Commission on Higher Education.** This bill will have no expenditure impact on CHE because it does not materially alter the oversight or regulatory duties of the agency.

**State Board of Technical and Comprehensive Education.** This bill will have no expenditure impact on SBTCE because it does not materially alter the oversight or regulatory duties of the agency.

##### **State Revenue**

This bill will increase the number of out-of-state students who qualify for in-state tuition, thereby reducing the total amount of tuition collected by public institutions of higher learning. CHE surveyed the public institutions of higher learning regarding the impact of this bill and received a response from University of South Carolina (USC) and their branch campuses, the College of Charleston, Coastal Carolina, Clemson University, Francis Marion University, and the Medical University of South Carolina (MUSC). USC, the College of Charleston, and Coastal Carolina anticipate an annual reduction in revenue of \$103,410, \$57,546, and \$45,336 respectively. These

totals are based on the current number of out-of-state students that fit the criteria of this bill. Clemson estimates a reduction in revenue of \$45,000 to \$60,000 each year. Francis Marion, MUSC, and the branch campuses of USC expect this bill to have a minimal impact on revenue.

SBTCE reports that this bill will have minimal impact on revenue for public technical colleges, as 95 percent of students are in-state residents.

For the institutions of higher learning, in total, this bill will reduce Other Funds revenue annually by a range of \$251,292 to \$266,292 beginning in FY 2019-20.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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<b>Bill Number:</b>	H. 3750	Signed by Governor on April 3, 2019
<b>Author:</b>	Hewitt	
<b>Subject:</b>	Deer Hunting	
<b>Requestor:</b>	House of Representatives	
<b>RFA Analyst(s):</b>	Gallagher	
<b>Impact Date:</b>	May 17, 2019	

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### **Fiscal Impact Summary**

This bill will decrease Other Funds revenue by \$644,435 to the Department of Natural Resources' (DNR) Fish and Wildlife Protection Deer Fund by replacing the currently allotted eight date specific individual antlerless deer tags with two non-date specific individual antlerless deer tags when residents purchase a South Carolina hunting license and big game permit.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on April 3, 2019**

##### **State Expenditure**

This bill replaces the allowance of eight date specific individual antlerless deer tags with two non-date specific individual antlerless deer tags when residents purchase a South Carolina hunting license and big game permit. This bill also deletes the requirement that DNR must establish a minimum number of antlerless days. The bill requires the department to perform activities that will be conducted in the normal course of agency business. As a result, this bill does not have an expenditure impact on the General Fund, Other Funds, or Federal Funds.

##### **State Revenue**

This bill replaces the allowance of eight date specific individual antlerless deer tags with two non-date specific individual antlerless deer tags when residents purchase a South Carolina hunting license and big game permit. Each tag currently costs \$5 for residents, and residents are currently permitted to purchase up to four non-date specific antlerless deer tags. Assuming that, as a result of this legislation, individuals who previously purchased one or two tags will no longer purchase tags, individuals who previously purchased three tags will now purchase one, and those who purchased four tags will now purchase two. As such, the revenue loss to DNR's Fish and Wildlife Protection Deer Fund is estimated to be \$644,435. The table below provides information regarding the number of tags resident hunters purchased in 2018, as well as the estimated revenue loss among each faction.

RESIDENT DEER TAG DATA				
Tags	Resident Hunters Purchasing	Tags Purchased	Total Revenue	Revenue Loss
1	7,875	7,875	\$39,375	\$39,375
2	25,050	50,100	\$250,500	\$250,500
3	3,235	9,705	\$48,525	\$32,350
4	32,221	128,884	\$644,420	\$322,210
Total	68,381	196,564	\$982,820	\$644,435

Table 1: DNR and RFA estimates

**Local Expenditure**

N/A

**Local Revenue**

N/A

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**Bill Number:** H. 3760 Signed by Governor on May 16, 2019  
**Author:** Sandifer  
**Subject:** Medical Malpractice Association  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Miller  
**Impact Date:** May 20, 2019

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### **Fiscal Impact Summary**

This bill will have no expenditure impact on Department of Insurance (DOI) because the department anticipates being able to manage any additional oversight responsibilities within existing appropriations.

This bill will result in a decrease of Other Funds expenditures totaling \$546,500 in FY 2019-20, and an additional decrease of \$546,500 in FY 2020-21, for a total decrease in Other Funds expenditures of \$1,093,000 beginning in FY 2020-21, because the Patients' Compensation Fund (PCF) is being merged into the Medical Malpractice Association as of January 1, 2020. Additionally, PCF is concerned that this bill may result in a non-recurring undetermined increase in General Fund expenditures due to the potential legal expenses arising from contractual issues in FY 2019-20.

This bill will result in a decrease of Other Funds revenue totaling \$546,500 in FY 2019-20, and an additional \$546,500 in FY 2020-21, for a total decrease in Other Funds revenue of \$1,093,000, beginning in FY 2020-21, because the Patients' Compensation Fund is being merged into the Medical Malpractice Association as of January 1, 2020.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on May 16, 2019**

##### **State Expenditure**

This bill creates the Medical Malpractice Association (Association), beginning January 1, 2020. PCF will merge with the Joint Underwriting Association, to become the Medical Malpractice Association, a non-state funded association. After January 1, 2020, the PCF will cease to exist, except as required by law for purposes of winding down its affairs. The Department of Insurance (DOI) will oversee the winding down of the PCF. Additionally, the director of DOI will ex-officio on the Board of Directors of the Association and will have additional oversight duties.

**Department of Insurance (DOI).** This bill grants DOI additional oversight duties for the newly created Association. Currently, DOI provides few oversight duties for the Joint Underwriting Association. DOI anticipates the additional duties can be managed within existing appropriations and with existing staff. Therefore, this bill will have no expenditure impact for DOI.

**Patients' Compensation Fund (PCF).** This bill will merge PCF with the Joint Underwriting Association to create the Medical Malpractice Association on January 1, 2020. The Medical Malpractice Association will be responsible for collecting assessments and surcharges from its members to clear the accumulated deficits of both the PCF and the Joint Underwriting Association.

PCF operates on Other Funds totaling \$1,093,000 in the FY 2018-19 Appropriations Act. These funds will shift from PCF to the Association in the form of membership dues and other assessments and surcharges from the members. As the merger occurs on January 1, 2020, approximately 50 percent of PCF's budgeted expenditures will have occurred. Therefore, this bill will result in a decrease of Other Funds expenditures totaling \$546,500 in FY 2019-20, and an additional decrease of \$546,500 in FY 2020-21, for a total decrease in Other Funds expenditures of \$1,093,000 beginning in FY 2020-21.

Further, the bill requires that all outstanding affairs and existing contractual obligations of the PCF will contemporaneously become the responsibilities of the Association. However, PCF has expressed concern that there may be legal issues arising from the transfer of these contractual obligations. Therefore, this bill may result in a non-recurring undetermined increase in General Fund expenditures due to the potential legal expenses arising from contractual issues in FY 2019-20.

#### **State Revenue**

This bill will merge PCF with the Joint Underwriting Association to create the Medical Malpractice Association on January 1, 2020. The Medical Malpractice Association will be responsible for collecting assessments and surcharges from its members to clear the accumulated deficits of both the PCF and the Joint Underwriting Association.

PCF operates on Other Funds totaling \$1,093,000 in the FY 2018-19 Appropriations Act. These funds will shift from PCF to the Association in the form of membership dues and other assessments and surcharges from the members. As the merger occurs on January 1, 2020, approximately 50 percent of PCF's budgeted revenues will have been collected. Therefore, this bill will result in a decrease of Other Funds revenue totaling \$546,500 in FY 2019-20, and an additional \$546,500 in FY 2020-21, for a total decrease in Other Funds revenue of \$1,093,000, beginning in FY 2020-21.

#### **Local Expenditure**

N/A

#### **Local Revenue**

N/A



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**Bill Number:** H. 3916 Signed by Governor on May 16, 2019  
**Author:** Murphy  
**Subject:** Vehicle Registration  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Gardner and Miller  
**Impact Date:** May 31, 2019

**Fiscal Impact Summary**

This bill increases the maximum fine for a person who fails to register a vehicle pursuant to §12-37-2610 to \$500.

This bill will increase General Fund revenue by \$68.50 and Other Fund revenue by \$361.50 for each conviction for failure to register a vehicle, due to the increased sum collected for the 107.5 percent surcharge on the fine, beginning in FY 2019-20.

This bill will increase local revenue by \$400 for each conviction for failure to register a vehicle, due to the increase of the fine from \$100 to \$500, beginning in FY 2019-20.

**Explanation of Fiscal Impact**

**Signed by Governor on May 16, 2019**

**State Expenditure**

N/A

**State Revenue**

This bill increases the maximum fine for a person who fails to register a vehicle pursuant to §12-37-2610 to \$500. Currently, the maximum fine is \$100 with assessment fees and local surcharge totaling \$30 and a state surcharge of 107.5 percent of the fine. The current total of the fine with all other applicable fees is \$237.50. The South Carolina Judicial Department reported in FY 2017-18, of the ten disputes brought for failure to register or falsely registering a vehicle, only one was convicted. Assuming only one conviction annually going forward, this bill will increase fines by \$400, beginning in FY 2019-20. The table below shows how the bill increases the fine and the other applicable fees and surcharges.

	Current Law	Bill	Increase
Fine	\$100	\$500	\$400
State Surcharge	\$107.50	\$537.50	\$430
Assessment Fee	\$25	\$25	\$0
Local Court Surcharge	\$5	\$5	\$0
<b>Totals</b>	<b>\$237.50</b>	<b>\$1,067.50</b>	<b>\$830</b>

As shown in the table on the previous page, this bill increases revenue by \$830, \$430 of which is remitted to the State Treasurer to be distributed as required by §14-1-207, which requires 15.93 percent, \$68.50, of the revenue to be deposited in the General Fund. The remaining 84.07 percent, \$361.50 will increase Other Funds to various state agencies as required by §14-1-207. Therefore, this bill increases General Fund revenue by \$68.50 and Other Funds revenue by \$361.50, beginning in FY 2019-20.

**Local Expenditure**

N/A

**Local Revenue**

This bill increases the maximum fine for a person who fails to register a vehicle pursuant to §12-37-2610 to \$500. Currently, the maximum fine is \$100 with a surcharge of 107.5 percent that must be remitted to the State Treasurer. As discussed above, this bill increases the fine by \$400 and the surcharge by \$430 for each party found guilty of failure to register his vehicle.

Any increase in fines will increase the revenue of the county in which the violation occurred. The South Carolina Judicial Department reported in FY 2017-18, of the ten disputes brought for failure to register or falsely registering a vehicle, only one was convicted. Assuming only one conviction annually going forward, this bill will increase fines by \$400 for local revenue in the county where the violation occurs, beginning in FY 2019-20.



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**Bill Number:** H. 4133 Signed by Governor on May 16, 2019  
**Author:** Weeks  
**Subject:** Community Development Corporation and Financial Institutions  
**Requestor:** House of Representatives  
**RFA Analyst(s):** R. Martin  
**Impact Date:** June 18, 2019

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### **Fiscal Impact Summary**

This bill reduces state General Fund individual and corporate income tax, bank tax, and insurance premium tax revenue (including retaliatory taxes), by an additional estimated \$1,500,000 in FY2019-20, and by an estimated \$1,500,000 in FY2020-21.

Furthermore, since the scheduled repeal date of the community development corporation and community development financial institutions tax credit was extended from June 30, 2020, to June 30, 2023, state General Fund individual and corporate income taxes, bank taxes, and insurance premium taxes (including retaliatory taxes), or any combination thereof will be reduced by an estimated \$1,500,000 in FY2021-22 through FY2023-24.

This bill also reduces General Fund income tax revenue by up to \$2,500,000 beginning in FY2019-20 as a result of the 25 percent tax credit for installation of non-residential solar energy equipment. Since the tax credits must be taken in five installments and unused credits may be carried forward, we expect General Fund income tax revenue will be reduced by up to \$2,500,000 through FY2025-26, when any carryforward credit will expire.

### **Explanation of Fiscal Impact**

#### **Signed by Governor on May 16, 2019**

##### **State Expenditure**

**Department of Commerce.** The Department of Commerce indicates that any additional workload related to the department's certification, authorization, and monitoring process for administering tax credits is not expected to require additional staffing or incur additional costs, and would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Department of Revenue.** The Department of Revenue indicates that any expenses for the modification of tax forms to be handled within the Department of Revenue's annual updates to tax forms can be administered with existing resources and would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

##### **State Revenue**

**Section 1.** A community development corporation is a nonprofit corporation which is tax exempt and has a primary mission of developing and improving low-income communities and neighborhoods through economic and related development. A community development financial institution is an organization that has a primary mission of promoting community development

by providing credit, capital, or development services to small businesses or home mortgage assistance to individuals. Previously, pursuant to Section 12-6-3530, a taxpayer was allowed a nonrefundable tax credit against South Carolina income tax, bank tax, or insurance premium tax equal to thirty-three percent of the investment in a community development corporation or community development financial institution. The total credit that could have been claimed by all taxpayers was \$1,000,000 in one calendar year and \$5,000,000 for all calendar years. Any unused credit could have been carried forward and used before the taxable year that begins on or after ten years from the date of the acquisition of stock or other equity interest that was the basis for the credit.

The table below describes the number of taxpayers and the amount of tax credits claimed against investments in community development corporations and community development financial institutions from tax year 2002 to tax year 2016, the latest year data is available. Over this period, 742 taxpayers have claimed \$3,767,458 in nonrefundable tax credits.

**History of CDC / CDFI Tax Credits Claimed**

<b>Tax Year</b>	<b>No. of Taxpayers Filing Credits</b>	<b>Amount of Tax Credits</b>
2002	12	\$2,957
2003	9	\$2,050
2004	12	\$22,539
2005	14	\$5,234
2006	16	\$14,001
2007	33	\$31,927
2008	41	\$113,354
2009	28	\$25,877
2010	32	\$275,545
2011	36	\$378,668
2012	38	\$173,263
2013	88	\$502,334
2014	112	\$287,865
2015	141	\$554,508
2016	130	\$1,377,336
<b>Total</b>	<b>742</b>	<b>\$3,767,458</b>

Note: N/A - Not Available.

Sources: Board of Economic Advisors; S.C. Department of Revenue

This bill makes several changes to the current statute and may be summarized as follows:

- A taxpayer may claim a tax credit equal to thirty-three percent of equity investments and may claim a tax credit equal to fifty percent of cash donations in a certified community development corporation or in a community development financial institution

- The aggregate limit for all taxpayers in all tax years is increased by \$1,000,000. This additional \$1,000,000 may only be used for credits earned and certificates issued for all taxpayers beginning after 2018
- The Department of Commerce must not authorize any tax credits after the annual aggregate limitation has been met as listed above
- The Department of Commerce shall authorize the tax credits each year on a first-come first-served basis
- Twenty-five percent of annual tax credits must be held in a reserve account during the first three quarters of each tax year and made available exclusively to small, rural based community development corporations. During the first three quarters of any tax year, an individual community development corporation or a community development financial institution must not be authorized to receive more than fifteen percent of the statewide total annual credits. During the fourth quarter of each tax year, all remaining tax credits are available to all certified community development corporations or community development financial institutions.

As shown in the table above, the \$1,000,000 annual limitation has only recently been achieved over the lifetime of the community development tax credit program. This section changes the allocation method of how the Department of Commerce awards tax credits for investments in community development corporations and community development financial institutions. This section also distinguishes between investments as an equity investment versus a cash donation. This section changes the tax credit percentage from thirty-three percent of all amounts invested to all equity investments in a certified community development corporation or in a community development financial institution. The language also adds a tax credit equal to fifty percent for all cash donations in a certified community development corporation or in a community development financial institution.

Using the latest data from the table above, there were \$1,377,336 in tax credits claimed by investors in community development corporations and community development financial institutions in tax year 2016. The number of taxpayers claiming the tax credit, the total amount of tax credits claimed, and the average tax credit claimed by each taxpayer has steadily risen over the latest seven tax years. Since more than one-third of all certified community development corporations and community development financial institutions are located in the Southeast, and market demand continues to be strong by serving areas where traditional financing is underrepresented, it is reasonable to expect that the amount of community development corporation and community development financial institution credits will continue to increase by FY2019-20. Future growth in the usage of the tax credits will depend on the availability of high-risk investment funds, the available housing stock, and the overall strength of the economy. Since the Southern region is one of the fastest growing housing regions in the United States, it would be reasonable to expect the maximum aggregate tax credit limit will be met each calendar year.

Previously, the total amount of credits that could have been claimed by all taxpayers was \$1,000,000 in one calendar year and \$5,000,000 for all calendar years. This bill increased the aggregate limit for all taxpayers in all tax years by \$1,000,000. Now, the total amount of credits that may be claimed by all taxpayers is \$2,000,000 in one calendar year and \$6,000,000 for all calendar years. The additional \$1,000,000 may only be used for credits earned and certificates issued for all taxpayers beginning after 2018.

Using an average aggregate amount of tax credits claimed per tax year of \$500,000 in the absence of this legislation, the difference in the maximum aggregate tax credits claimed in tax year 2019 (FY2019-20) of \$2,000,000 under this legislation and \$500,000 under the prior law reduces General Fund income, bank, or insurance premium tax revenues by an additional estimated \$1,500,000 in FY2019-20. Using the same analysis, this would reduce General Fund income, bank, or insurance premium tax revenues by an additional estimated \$1,500,000 in FY2020-21. The bill's revenue impact for FY2021-22 through FY2023-24 for the extension of the sunset date is discussed below.

**Section 2.** This section adds unnumbered sub-items to Section 12-6-3530 to insure that returns on investments in a certified community development corporation and a certified community development financial institution, including the value of any tax credits authorized pursuant to this section, may not exceed the total amount of the initial investment. This amount would be part of the aggregate annual limitation for all taxpayers in a calendar year.

**Section 3.** This section extends the sunset date of this tax credit by an additional three years to June 30, 2023, unless the provisions are reauthorized by the General Assembly before June 30, 2020. After this date, all laws and regulations dealing with community development corporations and community development financial institutions would be repealed.

Since the community development corporation and community development financial institutions tax credit was scheduled to be repealed on June 30, 2020, the Board of Economic Advisors (BEA) is not expecting any further additional revenue reductions in the state General Fund revenue beginning in FY2020-21 from this tax credit. Since the repeal date of the community development corporation and community development financial institutions tax credit was extended by three years, from June 30, 2020, to June 30, 2023, state General Fund revenue is affected. In this case, state General Fund individual and corporate income taxes, bank taxes, and insurance premium taxes (including retaliatory taxes), or any combination thereof will be reduced by an estimated \$3,000,000 in FY2021-22 through FY2023-24.

**Section 4.** This section adds Section 12-6-3775, which allows a solar energy property tax credit similar to the credit in Section 12-6-3770 that was repealed December 31, 2017. The bill allows a taxpayer who constructs, purchases, or leases solar energy property to claim an income tax credit equal to 25 percent of the cost, including the cost of installation of the property. The credit is limited to property that is located on the Environmental Protection Agency's (EPA) Priority List, National Priority List of Equivalent Sites, a list of related removal actions, as certified by the Department of Health and Environmental Control (DHEC), land that is subject to a Voluntary Cleanup Contract with DHEC as of December 31, 2017, land that is subject to corrective action

under the Federal Resource Conservation and Recovery Act of 1976, or land that is owned by the Pinewood Custodial Trust.

The credit is earned in the year in which the solar energy property is placed in service, but must be taken in five equal annual installments. Unused credits may be carried forward for five taxable years. A credit for each installation of solar energy property placed in service may not exceed \$2,500,000. The credit is allowed on a first-come, first-served basis, and the total amount of credits may not exceed \$2,500,000 for all taxpayers in a taxable year. A taxpayer who claims any other state credit allowed with respect to solar energy property may not take the credit allowed in this section with respect to the same property. The type of equipment is limited to non-residential solar energy equipment with a nameplate capacity of at least 1,900 kw AC that uses solar radiation as a substitute for traditional energy water heating, active space heating and cooling, passive heating, daylighting, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat. Also included are devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy. This bill takes effect in income tax years beginning after 2018. The provisions of the bill are repealed on December 31, 2021. However, if a credit is earned before the repeal, the provisions of the bill continue to apply until the credits have been fully claimed.

In 2016, there was significant interest in building a solar energy site at the former Arkwright Dump in Spartanburg County. Two companies submitted bids, however the city council voted against the measure in 2018. The Department of Revenue reports that no companies claimed the credit in 2016 or 2017.

However, we expect other projects qualifying for the tax credit may be implemented. According to DHEC, there are 630 potential site locations eligible for the credit. Given the costs associated with constructing, purchasing, and/or leasing solar energy property, taxpayers could potentially claim credits up to the \$2,500,000 threshold. Since the tax credits must be taken in five installments and unused credits may be carried forward, we expect General Fund income tax revenue will be reduced by up to \$2,500,000 beginning in FY 2019-20 through FY 2025-26, when any carryforward credit will expire.

**Section 5.** This act takes effect upon approval by the Governor and first applies to credits earned and certificates issued, and the administration thereof, after 2018. Any credits earned and certificates issued, and the administration thereof, before 2019 must be claimed in accordance with the provisions of Section 12-6-3530 as it existed on December 31, 2018. However, any credits earned and certificates issued before 2019 must count toward the aggregate credit limit for all taxpayers in all calendar years set forth in Section 12-6-3530(B).

**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director



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<b>Bill Number:</b>	H. 4243	Signed by Governor on May 22, 2019
<b>Author:</b>	Simrill	
<b>Subject:</b>	Professional Sports Team	
<b>Requestor:</b>	House of Representatives	
<b>RFA Analyst(s):</b>	R. Martin	
<b>Impact Date:</b>	June 3, 2019	

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### **Fiscal Impact Summary**

This bill would reduce General Fund individual income tax, corporate income tax, bank tax, and/or insurance premium tax revenue by an estimated \$7,600,000 in FY2020-21. The revenue loss would be increased to \$18,722,200 in FY2021-22, to \$29,619,400 in FY2022-23, to \$40,516,600 in FY2023-24, to \$51,413,800 in FY2024-25, and to \$62,311,000 in FY2025-26 when the job tax credits are fully utilized. The revenue reduction to the General Fund would be reduced to \$7,600,000 in FY2026-27 through FY2034-35 due to the timing of the tax credits. This bill would not affect Other Fund revenue, Federal Fund revenue, or local revenue.

### **Explanation of Fiscal Impact**

**Signed by Governor on May 22, 2019**

#### **State Expenditure**

This bill would affect state General Fund expenditures as noted below.

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

**Revenue and Fiscal Affairs Office.** The Revenue and Fiscal Affairs Office (RFA) indicates that the requirements of Section 7 would add a significant workload to the office and require additional staffing in order to produce a timely report without affecting its ability to respond to other legislative requests in a timely manner. In the past, the Department of Revenue had two staff to produce a tax expenditure report regarding the taxes it administered and RFA anticipates needing two or more staff to handle a broader range of taxes.

#### **State Revenue**

The Enterprise Zone Act was adopted in 1995 to provide economic incentives to attract capital investment in the state's rural and economically distressed counties in the state. A system of awarding tax credits to companies that creates new full-time jobs was developed using a combination of unemployment rates and county per capita incomes. The more economically distressed the county the higher the job tax credit that could be claimed for each new job created. Tax credits range from \$1,500 to \$8,000 per year for each job created depending on the county designation. Since the passage of the Enterprise Zone Act, a total of 7,394 taxpayers have claimed \$802,492,575 in nonrefundable tax credits.

**Section 1.** The Carolina Panthers are interested in a new indoor practice facility to replace an outdoor practice facility currently located near Bank of America Stadium in downtown Charlotte, NC. The Panthers are considering moving their football operations to South Carolina. The team is interested in moving the team's headquarters and training facilities to either York or Lancaster County based on media reports. The move would involve 150 or more employees, coaches, players, team executives, offices, parking, and the team's other departments.

This bill makes several changes to existing statutory law as follows:

- Amends Section 12-6-3360(A) to add professional sports teams as a qualified industry that may be allowed an annual jobs tax credit as provided in this section.
- Amends Section 12-6-3360(M) to amend the definition of a "new job" for a professional sports team to include all jobs located at the professional sports team park regardless of whether an employee previously worked at an existing location in this State before 2019 as an employee of the same professional sports team.
- Amends Section 12-6-3360(M)(4) to amend the definition of "full-time" job for a professional sports team to require a minimum of one hundred eighty days of an employee's time a year of which at least eighty percent of such days must be spent at a professional sports team park located in South Carolina.
- Adds Section 12-6-3360(M)(17) to define a professional sports team as a professional sports team or club included in a professional league, such as the National Football League, National Association for Stock Car Racing, or the National Basketball Association, primarily engaged in participating in live sporting events before a paying audience with an annual payroll for federal tax purposes of not less than \$190,000,000 and not less than 150 employees.
- Adds Section 12-6-3360(M)(18) to define a professional sports team park as a sports facility designed for use primarily as a professional park or stadium. Such a facility may include, with limitation, practice fields and features such as parking areas and facilities, office facilities for team use or other users of the facility as authorized by the professional sports team, and other ancillary facilities necessary for the sports facility. Such a facility also includes the landscaped grounds surrounding the park, stadium, and ancillary facilities.
- Adds Section 12-6-3360(M)(19) to define members of a professional sports team as active players, players on the disabled list, and any other persons required to travel and who do travel with and perform services on behalf of the professional sports team on a regular basis. This includes coaches, managers, and trainers.

A qualifying business is permitted a tax credit against income (corporate and individual) tax, bank tax, or insurance premium tax for creating new, full-time jobs in the state. Generally, a business may hire at least 10 employees at a single location to qualify for the credit. Tax credits range from \$1,500 to \$8,000 per year for each job created depending on the county designation.

The county designations are determined by the average ranking of the county's unemployment rate and per capita income for the latest 36-month period as of November 1<sup>st</sup> of each year. Tax credits may be claimed beginning in tax Years 2 through 6 after job creation in Year 1 for a total of five years. Tax credits may be carried forward for 15 years and are limited to 50 percent of tax liability of the company.

Since the possible relocation of the Carolina Panthers' practice facilities is still in the early stages of development and several potential sites are under consideration, this analysis assumes that the professional sports team will relocate its facilities to York County, SC. Pursuant to Section 12-6-3360(B), York County has a combination of the lowest unemployment rate and the highest per capita income based on the latest data available and is classified as a Tier I county. A Tier I county may receive an initial job tax credit of \$1,500 for each new full-time job created in the county. Multiplying no less than 150 employees of a professional sports team by a jobs tax credit of \$1,500 per each new full-time job yields a reduction in General Fund individual income tax, corporate income tax, bank tax, and/or insurance premium tax revenue by \$225,000 annually. Since it will take some time to construct the facility, it is not expected to be completed and placed in service until 2020. Since the job tax credit may not be applied until the second year after the professional sports team has achieved a minimum of 150 new full-time jobs, General Fund individual income tax, corporate income tax, bank tax, and/or insurance premium tax revenue would be reduced by an estimated \$225,000 in FY2021-22, and each fiscal year thereafter through FY2025-26.

The professional sports team is also eligible to claim a job development credit (JDC) against a qualified investment after creating a minimum number of new full-time jobs in South Carolina. The professional sports team must also provide a benefits package that includes health care to all full-time employees, enter into a revitalization agreement with the Coordinating Council for Economic Development with the Department of Commerce, and the Council must determine that the total benefits of the proposed project exceed the total costs to the public. The company must agree to create at least 10 new, full time jobs at the project within five years of the effective date of a revitalization agreement. The company remits qualified employee withholding taxes due to the State. Each quarter the company may claim a credit for the amount of allowable job development benefits based upon the hourly gross wage rate of the qualified employee pursuant to Section 12-10-80(B). The withholding overpayment is refunded to the company.

The Department of Commerce anticipates utilizing the job development credit as part of the incentive package for the Carolina Panthers. Under provisions in this bill and applying the standard formula for calculating the JDC, the maximum credits are estimated by multiplying the minimum qualifying payroll of \$190,000,000 by the 80 percent of time the employee must be in South Carolina and by the five percent bracket which would result in a maximum credit of \$7,600,000. (In discussions with the executive offices of the National Football League, allocation of income by place of earnings is a complicated formula.) The maximum credit allocated to a business may then be limited by a percentage based on the economic tier in which the county is ranked. In this estimate, York County is a Tier 1 county and the statute would limit the credit to a qualifying business to 55 percent of the maximum credit and remaining 45 percent would be redirected to the state Rural Infrastructure Fund under Section 12-10-85. Of the maximum credit, this provision would allocate \$4,180,000 to the Carolina Panthers and

\$3,420,000 to the Rural Infrastructure Fund. The statute further allows, however, an option for the Department of Commerce to grant a waiver of the 55 percent limit and allow a business to claim up to 95 percent of the maximum credit. Under this option, \$7,220,000 of the maximum credit could be allocated to Carolina Panthers and \$380,000 to the Rural Infrastructure Bank.

Based on this analysis, we expect General Fund Revenue for FY 2020-21 to be reduced by \$7,600,000 due to the qualifying JDC. This estimate, however, could be impacted by the exact terms and conditions negotiated in the Revitalization Agreement.

**Section 5.** This section adds an appropriately numbered subsection to Section 12-6-3660 to require the Department of Revenue to report the net number of new full-time jobs created in this State, the average cash compensation of the new full-time jobs, and the aggregated residency status of the employee or employees filling the new full-time jobs created by the professional sports team. The Department of Revenue shall provide the report to the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and Governor beginning on May 1<sup>st</sup> of the year immediately following the year in which the first new full-time job is created by the professional sports team. The report is to be issued annually by the department on May 1<sup>st</sup>. The Department of Revenue must comply with the provisions of Section 12-54-240(B)(1) to prevent the disclosure of individual taxpayer information in reporting statistics in this report. This section will have no impact to the state General Fund revenue, Other Funds revenue, or Federal Funds revenue in FY2019-20, or any fiscal year thereafter.

**Section 8.** Previously, pursuant to Section 12-6-3360, a qualifying business is permitted a tax credit against income (corporate and individual) tax, bank tax, or insurance premium tax for creating new, full-time jobs in the state. A business must be engaged in manufacturing, processing, tourism, warehousing, banking, distribution, or research and development, or must be a qualifying service-related facility, a corporate office facility, extraordinary retail establishment, or a technology intensive facility. Businesses engaged in construction, public utilities and state and local government are not eligible for a job tax credit. A unique feature of a Tier IV county is that specific retail facilities or service-related jobs are eligible for a jobs tax credit. Generally, a business may hire at least 10 employees at a single location to qualify for the credit. Tax credits range from \$1,500 to \$8,000 per year for each job created depending on the county designation. The county designations are determined by the average ranking of the county's unemployment rate and per capita income for the latest 36-month period as of November 1<sup>st</sup> of each year. Tax credits may be claimed beginning in tax Years 2 through 6 after job creation in Year 1 for a total of five years. Tax credits may be carried forward for 15 years and are limited to 50 percent of tax liability of the company.

This section amends Section 12-6-3660 to increase the job tax credit amount in a Tier III county from \$4,250 per new full-time job to \$20,250 for each new full-time job, and would increase the job tax credit amount in a Tier IV county from \$8,000 per new full-time job to \$25,000 for each new full-time job. Based on the latest three years of data from the South Carolina Department of Commerce, Coordinating Council for Economic Development, the average number of new full-time jobs created that were eligible to claim a job tax credit is 10,581 jobs, as shown in the table below. The average number of proposed jobs is distributed between Tiers I through Tier IV counties based on where the proposed capital investment project is located. These companies

would be eligible to claim an estimated \$33,691,250 in nonrefundable tax credits in future tax years.

**Analysis of Changing the Job Tax Credit Amount in Tier III and Tier IV Counties**

County Classification	Average Number Of Proposed Jobs	Job Tax Credit Amount	Job Tax Tax Credit	New Job Tax Credit Amount	Average Job Tax Credit	Increase in Job Tax Credits
Tier I	3,986	\$1,500	\$5,979,000	\$1,500	\$5,979,000	\$0
Tier II	3,266	\$2,750	\$8,981,500	\$2,750	\$8,981,500	\$0
Tier III	2,107	\$4,250	\$8,954,750	\$20,250	\$42,666,750	\$33,712,000
Tier IV	1,222	\$8,000	\$9,776,000	\$25,000	\$30,550,000	\$20,774,000
<b>Total</b>	<u>10,581</u>		<u>\$33,691,250</u>		<u>\$88,177,250</u>	<u>\$54,486,000</u>

Note: All calculations made by the Board of Economic Advisors.

Source: S.C. Coordinating Council for Economic Development

When the job tax credit amount is increased to \$20,250 in a Tier III county and to \$25,000 in a Tier IV county, and the same level of capital investment occurs, companies would be eligible to claim an estimated \$88,177,250 in nonrefundable tax credits in future tax years which would be an increase in credits of \$54,486,000. The job tax credit may not be applied until the second year after the company obtains the minimum number of new full-time jobs, which means the initial impact upon General Fund revenues may not be recorded until FY2021-22. The impact on General Fund revenue in the upcoming years is still under review as the use of these credits depend upon a company's tax liability and further research with the Department of Revenue will be conducted before the Board of Economic Advisors issues its forecast for FY2021-22. At this time, however, we anticipate an average use of 20 percent of these credits will be utilized each tax year resulting in an annual revenue loss of \$10,897,200 beginning in FY2021-22, and occurring each tax year until the tax credits are fully utilized by an estimated \$54,486,000 in FY2025-26. This section would not affect Other Fund revenue, Federal Fund revenue, or local revenue.

**Section 9.** This section adds Section 12-6-3660(O) to require that the provisions of Section 12-6-3660 only apply to a professional sports team with an annual payroll of not less than \$190,000,000 and creating not less than 150 new full-time jobs by July 1, 2022 in order to claim any tax incentives pursuant to this section. This subsection does not, however, apply to a professional sports team that entered into a revitalization agreement with the South Carolina Coordinating Council for Economic Development before July 1, 2022. Since this section is prospective, this section will have no impact to the state General Fund revenue, Other Funds revenue, or Federal Funds revenue in FY2019-20, or any fiscal year thereafter.

This section also states that as long as the job and payroll provisions of Section 12-6-3660(M)(17) and (O) continue to be met by the professional sports team, the provisions of Section 4-9-30 (county license fees and taxes), Section 5-7-30 (business license taxes), and Section 5-3-20 (municipalities right to annex real property) will apply. If the required minimum job and payroll provisions of the professional sports team drop below the levels stipulated in the revitalization agreement, the professional sports team will be required to remit county license

fees and taxes, business license taxes, and may have their real property subject to annexation by a municipality.

**Section 10.** This section would add Section 12-10-120 to state that no job development fees may be awarded to a qualified taxpayer until the minimum job requirement set forth in Section 12-6-3660(M)(17) has been fully met. The Coordinating Council for Economic Development may not award any partial credit if the same minimum job requirement is not fully met. The provisions of this section only apply to a professional sports team pursuant to Section 12-6-3660. This section will have no impact to the state General Fund revenue, Other Funds revenue, or Federal Funds revenue in FY2019-20, or any fiscal year thereafter.

**Section 11.** This section includes a severability clause.

**Section 12.** This act takes effect upon approval of the Governor.

### **Local Expenditure**

N/A

### **Local Revenue**

**Section 2.** This section amends Section 4-9-30(12) to state that no county license fees or taxes may be levied on a professional sports team as defined in Section 12-6-3360(M)(17). Since no professional sports team as defined in Section 12-6-3360(M)(17) is currently remitting any county license fees or taxes, there would be no loss of county license fees, taxes, or revenue as a result of this change in FY2019-20.

**Section 3.** This section amends Section 5-7-30 to state that a business engaged in operating a professional sports team as defined in Section 12-6-3360(M)(17) is not subject to the business license tax. Since no professional sports team as defined in Section 12-6-3360(M)(17) is currently remitting any business license tax revenue, there would be no loss of local business license tax revenue as a result of this change in FY2019-20.

**Section 4.** This section adds Section 5-3-20 to ensure that no municipality may annex any real property owned by a professional sports team as defined in Section 12-6-3360(M)(17) without prior written consent of the professional sports team. This section is not expected to affect state General Fund revenue, Other Funds revenue, Federal Fund revenue, or local revenue in FY2019-20.



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 4287 Amended by House Ways and Means on March 27, 2019  
**Author:** Lucas  
**Subject:** Offers to Purchase Assets  
**Requestor:** House Ways and Means  
**RFA Analyst(s):** Gallagher and Miller  
**Impact Date:** April 3, 2019

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### **Fiscal Impact Summary**

This bill will increase General Fund expenditures by \$2,500,000 for the General Assembly in FY 2019-20, as a result of hiring legal and technical experts to evaluate, negotiate, and receive a best price offer for the sale of the Public Service Authority (PSA).

This fiscal impact is pending, contingent upon a response from PSA.

### **Explanation of Fiscal Impact**

#### **Amended by House Ways and Means on March 27, 2019**

#### **State Expenditure**

The Public Service Authority Evaluation and Recommendation Committee (Committee), through the February 27, 2019 vote, is authorized to receive necessary information to evaluate current bids and receive a final written contractual offer for the purchase of part or all of PSA. This final offer must be determined to be in the best interest of the State and its taxpayers and ratepayers. Further, the Committee is tasked with submitting this offer to the General Assembly for approval. This bill recommends that any offer the Committee provides to the General Assembly include that:

- final approval of the contract is contingent upon approval by the General Assembly;
- the State and purchaser will comply with the obligations and covenants enumerated in Section 58-31-360, which dictate rate and charge obligations of PSA as well as protection provisions of those acquiring notes, bonds, and evidences of indebtedness of PSA;
- the purchaser agrees to provide long term resource planning and a diversified generation portfolio to prevent long term rate fluctuations;
- the purchaser agrees to provide suitable and reasonable protections to PSA employees and retirees;
- the proposed location for the purchaser's headquarters;
- the purchaser agrees to comply with federal and state environmental protections regarding the recreational assets of PSA, and maintain their present condition, quality, and accessibility; and
- the purchaser agrees to partner with the State for future economic development projects.

This bill permits the Committee to hire professional services to evaluate and negotiate on behalf of the Committee with qualified bidders. The evaluation of bids is required to include the following criteria:

- how the purchaser intends to resolve the debt repayment of the two abandoned reactors and how this proposed resolution would impact rates;
- how the aforementioned proposal may impact PSA's contract with Central Energy;
- the coordination with PSA for the provision of necessary documents so that the Committee can effectively evaluate proposals; and
- an assessment of the impact of these proposals on PSA bond covenants, as well as a recommendation as to whether bond counsel should be retained to analyze those bond covenants.

Following these negotiations and the Committee's determination of a best and final offer, the co-chairmen of the Committee will submit an estimate of the expenses associated with hiring the necessary experts to carry out the obligations of this bill to the Chairman of the House Ways and Means Committee and the Chairman of the Senate Finance Committee. The co-chairmen is also tasked with notifying the Speaker of the House of Representatives and the President of the Senate of their decision in writing, along with a copy of the contract and all supporting documents. If the General Assembly is in regular session when this notification is provided, it is required to remain in session until a decision regarding the contract has been made. If the General Assembly is not in regular session, the General Assembly is required to return in statewide session at the call of the Governor upon receipt of the Committee's recommendation.

If the contract is approved by both bodies, the Governor and any other appropriate officials will sign the contract of sale on behalf of the State and execute the deeds and any other necessary documents upon the closing of the sale. Net proceeds from the sale will be deposited in the General Fund, pending further action by the General Assembly.

**The House of Representatives and the Senate.** The Committee, consisting of 4 members from the House of Representatives, 4 members from the Senate, and 1 member appointed by the Governor, is authorized to receive the information needed to evaluate the current bids and receive a best and final written contractual offer to purchase assets and assume or satisfy all liabilities of PSA upon those terms and conditions as the Committee considers in the best interest of the State, and its taxpayers and ratepayers, after considering all other offers.

The bill outlines what the Committee should consider when reviewing offers. The Committee shall hire expert legal and technical experts to negotiate with qualified bidders on behalf of the Committee. The Clerk of the House of Representatives estimates the General Assembly's expenditures will increase by at least \$2,500,000 for the Committee to evaluate, negotiate, and receive a best and final written contractual offer. Therefore, this bill will increase non-recurring General Fund expenditures by \$2,500,000 for the General Assembly in FY 2019-20.

**Public Service Authority.** This bill would require PSA to provide necessary information and documentation to the Committee, for the effective evaluation of proposals. PSA has indicated this will result in an expenditure increase to the agency due to the technical nature of the

information, however PSA needs additional time to determine the fiscal impact. As such, the expenditure impact is pending, contingent upon a response from PSA.

**State Revenue**

This bill permits the Committee to negotiate, evaluate, and propose a contract of sale for PSA. Following approval by the Senate and House of Representatives, the Governor and any other appropriate officials will sign the contract of sale on behalf of the State and execute the deeds and any other necessary documents upon the closing of the sale. Net proceeds from the sale will be deposited in the General Fund, pending further action by the General Assembly.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director

## **Provisos Contained in the FY2019-20 Appropriations Act**

The following provisions of law were ratified in the FY2019-20 Appropriations Act. The listing contains the proviso section and title, the estimated revenue impact on General Fund revenue in FY2019-20, and the text of the proviso.

### **Section / Title: 109.13. (DOR: Food Manufacturing Equipment)**

**Revenue Impact: (\$18,000) in FY2019-20**

**Proviso Text:** Clothing required by Current Good Manufacturing Practices pursuant to 21 C.F.R. Section 111.10, as it may be amended, at perishable prepared food manufacturing facilities defined by the North American Industry Classification System 311991 to prevent health hazards, including outer garments, gloves of an impermeable material, hairnets, headbands, beard covers, caps, hair covers or other effective hair restraints, and other attire required pursuant to 21 C.F.R. Section 110.10 for persons working in direct contact with food, food contact services, and food packaging materials to protect against contamination of food in perishable prepared food manufacturing facilities shall be exempt from all sales and use taxes.

Note: This section was vetoed by the Governor on May 28, 2019. This veto was overridden by the General Assembly on June 25, 2019.



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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<b>Proviso Number:</b>	109.FME
<b>Author:</b>	Finlay
<b>Subject:</b>	Food Manufacturing Equipment
<b>Requestor:</b>	House Ways and Means
<b>RFA Analyst(s):</b>	Jolliff
<b>Impact Date:</b>	February 20, 2019

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### **Fiscal Impact Summary**

This proviso would reduce State sales and use tax revenue by an estimated \$18,000 in FY 2019-20 by exempting clothing required for use by perishable prepared food manufacturing facilities. Of this total, General Fund revenue would be reduced by \$12,000, the EIA would be reduced by \$3,000, and the Homestead Exemption Fund would be reduced by \$3,000 in FY 2019-20, and each fiscal year thereafter. Local sales tax revenue would be reduced by approximately \$4,200 beginning in FY 2019-20. Further, the exempted items are used widely in the restaurant industry, the commercial painting business, and other manufacturing industries. Without strict enforcement, the actual revenue impact of the proviso may be higher than the calculated amount.

### **Explanation of Fiscal Impact**

#### **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 proviso. The Department can administer the changes with existing resources.

#### **State Revenue**

This proviso would allow a state sales and use tax exemption on specific clothing items required at perishable prepared food manufacturing facilities. The perishable prepared food manufacturing industry includes the processing, packaging, and storage of food and food components. This industry now must operate and comply with the Food Safety Modernization Act of 2011. The United States Congress passed the Food Safety Modernization Act of 2011 to create a new food safety system to combat foodborne illnesses through broad prevention measures and a new system of food import oversight. The Act gives the U.S. Food and Drug Administration comprehensive preventive controls for food and feed facilities, mandated inspections frequency, mandatory food recalls, and requires imported food to meet the same food safety standards as those of U.S. producers.

This proviso would exempt from sales and use tax the clothing required by current Good Manufacturing Practices (cGMP) pursuant to 21 C.F.R. Section 111.10 at perishable prepared food manufacturing facilities as defined by the North American Industrial Classification System (NAICS) 311991. The federal regulation (21 C.F.R. Section 111.10) specifically requires a manufacturer, packager, labeler or holder of food to exclude from working in its operations any person who, by medical examination, the person's acknowledgement, or supervisory observation has an illness, open lesion, or any other abnormal source of microbial contamination that could

result in microbial contamination of components or supplements, or contact surfaces, until the health condition no longer exists. If a person works in a food processing operation, or comes in contact with food preparation surfaces, the person is required to use hygienic practices to protect against the contamination of food components, dietary supplements, or contact surfaces. These hygienic practices include the following:

- the person must wear protective outer garments to protect against the contamination of components, dietary supplements, or any contact surface,
- maintain adequate personal cleanliness,
- washing hands thoroughly in an adequate hand-washing facility,
- remove all unsecured jewelry and other objects that might fall into components, dietary supplements, equipment, or packaging, and removing hand jewelry that cannot be adequately sanitized during periods in which components or dietary supplements are manipulated by hand,
- maintaining gloves used in handling components or dietary supplements in an intact, clean, and sanitary condition. The gloves must be of an impermeable material,
- wearing hairnets, caps, beard covers, or other effective hair restraints,
- not storing clothing or other personal belongings in areas where components, dietary supplements, or any contact surfaces are exposed or where contact surfaces are washed,
- not eating food or chewing gum, drinking beverages, or using tobacco products in areas where components, dietary supplements, or any contact surfaces are exposed, or where contact surfaces are washed, and
- taking any other precautions necessary to protect against the contamination of components, dietary supplements, or contact surfaces with microbial contaminants, filth, or any other extraneous materials, including perspiration, hair, cosmetics, tobacco, chemicals, and medicines applied to the skin.

Based on information from the U.S. Bureau of the Census, the cost of material supplies other than manufactured parts and containers by the perishable prepared food manufacturing industry amounted to \$414,891,000 nationwide in calendar year 2012. Adjusting for inflation, the annual cost of supplies consumed would total \$465,000,000 in calendar year 2019.

Based on 2017 data from the U.S. Department of Labor, Bureau of Labor Statistics, there are currently sixteen perishable prepared food manufacturing companies operating in South Carolina with a primary NAICS code of 311991. This represents 1.30 percent of the total perishable prepared food manufacturing industry in the United States.

Multiplying \$465,000,000 by 1.30 percent and applying a 5 percent factor for direct consumption of protective hygienic workwear and a 6 percent state sales and use tax rate yields a reduction in sales and use tax of an estimated \$18,000 in calendar year 2019. Therefore, the exemption would reduce sales and use tax revenue by an estimated \$18,000 in FY 2019-20. Of this total, General Fund revenue would be reduced by \$12,000, the EIA would be reduced by \$3,000, and the Homestead Exemption Fund would be reduced by \$3,000 in FY 2019-20, and each fiscal year thereafter.

Although this proviso is written specifically for the perishable food manufacturing industry (NAICS 311991), we believe that the enforcement of the sales and use tax exemptions on these specific items, in this specific industry, will be difficult and challenging for the Department of Revenue to enforce. The abovementioned items are used widely in the restaurant industry, the commercial painting business, and other manufacturing industries. The Department of Revenue would have to issue sales tax exemption certificates specifically for those business establishments with a primary NAICS code of 311991 in order for those targeted companies to receive the sales tax exemption. Without strict enforcement, the actual revenue impact of the proviso may be higher than the calculated amount.

**Local Expenditure**

N/A

**Local Revenue**

The proviso would also reduce local sales tax revenue because of the exemption. Based upon the analysis included under the State Revenue section and applying an average local tax rate of 1.4 percent, local sales tax revenue would be reduced by approximately \$4,200 beginning in FY 2019-20. The impact on each local jurisdiction will depend on the local option sales taxes in effect for the various entities.

