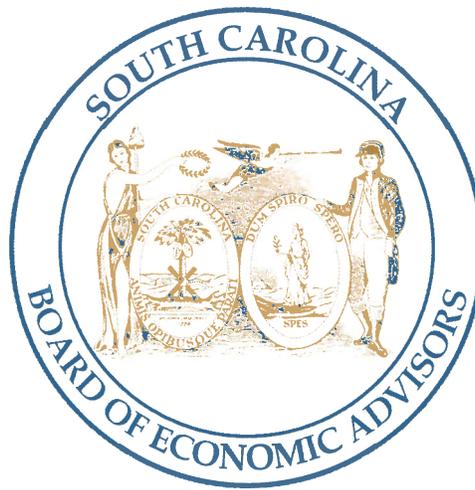


**Fiscal Impacts of Legislation
Affecting Revenue Collections
Fiscal Year 2015-16**



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

August 24, 2015

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

**Summary of Legislation Affecting Revenue Collections
Fiscal Years 2015-16 to 2016-17**

Line No	Bill Number	Primary Sponsor	Description	Estimated General Fund Revenue Impact		Line No
				FY2015-16	FY2016-17	
1	Total Net Impact of Legislation Signed By the Governor					1
2						2
3	153	Shealy	Surviving spouse of veteran allowed one tax exemption on one private passenger vehicle for lifetime	\$0		3
4	379	Courson	Technical changes to property taxes, county auditors, delinquent taxes, forfeited lands, et al.	\$0		4
5	3304	Branson	Create the Landrum Fire and Rescue District in Greenville and Spartanburg counties	\$0		5
6	3568	G.R. Smith	Exempt construction materials used by a 503(c)(3) organization to build or repair home for family in need	(\$812,206)	(\$1,624,412)	6
7	3725	J.E. Smith	Allow a tax credit for a state-owned abandoned building	\$200,000	\$200,000	7
8						8
9	Total Net Impact of Legislation Signed By the Governor			(\$612,206)	(\$1,424,412)	9
10						10
11	Total Net Impact of Provisos Included in FY2015-16 Appropriation Act and Supplemental Appropriation Act					11
12						12
13	4230	Section 7	Transfer of General Fund non-tax revenue to SC Transportation Infrastructure Fund	(\$50,000,000)		13
14	4230	Sec. 9(D)(1)(a)	Tax credits for "exceptional needs" scholarships	(\$4,000,000)		14
15						15
16	Total Net Impact of Provisos Included in FY2015-16 Appropriation Act			(\$54,000,000)	\$0	16
17						17
18						18
19	Total Net Impact of Legislation Affecting FY2015-16 to FY2016-17 Revenue Collections			(\$54,612,206)	(\$1,424,412)	19
20						20
21						21
22				Estimated Other Funds Revenue Impact		22
23				FY2015-16	FY2016-17	23
24						24
25	Total Net Impact of Legislation Signed By the Governor					25
26						26
27	153	Shealy	Surviving spouse of veteran allowed one tax exemption on one private passenger vehicle for lifetime	\$0		27
28	379	Courson	Technical changes to property taxes, county auditors, delinquent taxes, forfeited lands, et al.	\$0		28
29	3304	Branson	Create the Landrum Fire and Rescue District in Greenville and Spartanburg counties	\$0		29
30	3568	G.R. Smith	Exempt construction materials used by a 503(c)(3) organization to build or repair home for family in need	(\$406,104)	(\$812,208)	30
31	3725	J.E. Smith	Allow a tax credit for a state-owned abandoned building	\$0	\$0	31
32						32
33	Total Net Impact of Legislation Signed By the Governor			(\$406,104)	(\$812,208)	33
34						34
35						35
36				Estimated Local Funds Revenue Impact		36
37				FY2015-16	FY2016-17	37
38						38
39	Total Net Impact of Legislation Signed By the Governor					39
40						40
41	153	Shealy	Surviving spouse of veteran allowed one tax exemption on one private passenger vehicle for lifetime	(\$625,000)		41
42	379	Courson	Technical changes to property taxes, county auditors, delinquent taxes, forfeited lands, et al.	(\$100,000)		42
43	3304	Branson	Create the Landrum Fire and Rescue District in Greenville and Spartanburg counties	\$250,000		43
44	3568	G.R. Smith	Exempt construction materials used by a 503(c)(3) organization to build or repair home for family in need	\$0	\$0	44
45	3725	J.E. Smith	Allow a tax credit for a state-owned abandoned building	\$0	\$0	45
46						46
47	Total Net Impact of Legislation Signed By the Governor			(\$475,000)	\$0	47

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



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Bill Number: S. 0078 As signed by the Governor on June 4, 2015
Author: Massey
Requestor: Senate Finance
Date: June 11, 2015
Subject: Forfeited Lands Emergency Development Act
RFA Analyst(s): Jolliff and Wren

Estimate of Fiscal Impact

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

Fiscal Impact Summary

This bill will have a minimal impact on expenditures for the Department of Revenue that can be absorbed within the agency's current funding. The bill is not expected to significantly impact local expenditures as long as proceeds from the sale of forfeited lands are sufficient to cover payments on any issued special revenue bonds. For those counties that do elect to use the provisions of the bill, sales of forfeited lands may be accelerated but would not likely alter the total local revenue impact for a county over time. Due to the permissive nature of the bill and the many uncertain factors that could potentially alter the timing of the local revenue impact, we are unable to determine if there will be any accelerated local revenue impact as a result of the bill.

Explanation of Fiscal Impact

Explanation of Amendment (May 27, 2015) – By the House of Representatives

State Expenditures

The amendment changes the body to which a county's forfeited lands commission must apply for the authority to use the provisions outlined in the bill from the county's legislative delegation to the Department of Revenue. The department indicates that the amendment would have a minimal impact on expenditures that can be absorbed by the agency for reviewing the petitions.

State Revenue

N/A

Local Expenditures

The impact of the bill as amended on local expenditures is unchanged from the bill as filed.

Local Revenues

The impact of the bill as amended on local revenues is unchanged from the bill as filed.

Explanation of Amendment (February 12, 2015) – By the Senate

The amendment to the bill adds the cost of site cleanup to the list of expenses for which a forfeited land commission expend funds in order to make a property saleable. Additionally, the amendment adds a section to specify that a family member of a county forfeited lands commission member may not purchase land from the commission unless the sale is through a competitive bid process or open to the public. The impact of the bill as amended is unchanged from the bill as filed.

Explanation of Bill Filed on January 13, 2015**State Expenditure**

N/A

State Revenue

N/A

Local Expenditure

The Revenue and Fiscal Affairs Office contacted twenty-five county governments concerning the impact of this bill. Charleston, Florence, and Richland Counties responded and indicate there would be no significant impact to county governments as long as proceeds from the sale of forfeited lands are sufficient to cover payments on any issued special revenue bonds.

Local Revenue

This bill creates the Forfeited Lands Emergency Development Act, which would allow local governments special provisions for disposing of properties held by the counties' forfeited lands commissions. In order for a county to use the provisions of this bill, the county council and the county's forfeited land commission must petition its legislative delegation and show that the properties bid into the commission have a significant adverse effect on county ad valorem tax and a significant adverse effect on economic development. If the delegation approves the petition, the forfeited land commission would then be able to establish a revolving fund to pay for legal and other expenses as follows: compensation of a secretary to the commission, payment of legal expenses to accept or reject a property and to obtain clear title to properties, payment of a real estate commission, and advertising the sale of the forfeited lands. The county council would also be permitted to issue special revenue bonds for the purpose of the initial funding of the revolving fund. Payment of the revenue bonds would be from the sale of the forfeited lands.

The impact of this bill on local revenue will depend upon the number of counties that elect to use this provision, the value of land bid into the forfeited land commission for those counties, and the ultimate sale of the forfeited lands. Currently, counties have the ability to dispose of properties held by the forfeited land commission. Based upon a limited number of responses, few counties anticipate using the provisions of this bill. For those counties that do elect to use these

provisions, the bill may accelerate the sale of forfeited lands but would not likely alter the total revenue impact for a county over time. Due to the permissive nature of the bill and the many uncertain factors that could potentially alter the revenue impact, we are unable to determine the timing of any accelerated revenue impact as a result of the bill.



Frank A. Rainwater, Executive Director



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Bill Number: S. 0153 As signed by the Governor on June 1, 2015
 Author: Shealy
 Requestor: Senate
 Date: June 11, 2015
 Subject: Disabled veteran tax exemption
 RFA Analyst(s): Jolliff

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	N/A	N/A
Other and Federal	N/A	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	N/A	N/A
Other and Federal	N/A	N/A
Local Expenditure	N/A	N/A
Local Revenue	\$49,000 to \$625,000	N/A

Fiscal Impact Summary

This bill is not expected to impact State expenditures or revenues.

The bill is expected to lower local property tax revenue beginning in FY 2015-16 by \$49,000. If all 3,365 taxpayers previously denied the exemption applied and were approved in the first year, the maximum local revenue reduction for FY 2015-16 would be approximately \$625,000.

Explanation of Fiscal Impact

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

The bill extends the current private passenger vehicle property tax exemption for disabled veterans to a surviving spouse. Under Section 12-37-220(B)(3), two vehicles owned or leased by a disabled veteran are exempt from local property taxes. The bill would extend the exemption for one vehicle to a surviving spouse of a disabled veteran and would go into effect immediately upon approval by the Governor. Department of Revenue records report that the agency denied

793 exemptions for surviving spouses over three years from 2012 through 2014 for an annual average of 264. Cumulatively, DOR reports 3,365 denials for all available records. Based upon these figures, we anticipate that in an average year, an additional 264 vehicle exemptions for surviving spouses would be allowed under this provision. Based upon an average vehicle value of \$9,400 and an average millage rate of 329.2, we estimate that the annual property tax reduction for local jurisdictions would be \$49,000 beginning in FY 2015-16. If all 3,365 taxpayers previously denied exemptions applied and were approved in the first year, the maximum local revenue reduction for FY 2015-16 would be approximately \$625,000.



Frank A. Rainwater, Executive Director



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Bill Number: S. 0179 As signed by the Governor on June 5, 2015
Author: L. Martin
Requestor: Senate Judiciary
Date: June 10, 2015
Subject: Definition of Alcoholic Liquors
RFA Analyst(s): Gardner, Shealy, and Wren

Estimate of Fiscal Impact

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

Fiscal Impact Summary

Senate Bill 0179 is not expected to significantly impact state expenditures or revenues. All agencies surveyed indicated that either the costs associated with the bill would be minimal and could be absorbed, or there would be no cost to the agency.

Explanation of Fiscal Impact

State Expenditure

This bill changes the definition of “alcoholic liquors” so as to include powdered or crystalline alcohols that have been hydrolyzed and to prohibit the possession, use, sale or purchase of powdered or crystalline alcohol that has been hydrolyzed and to provide for exceptions.

Judicial Department. The Department reports that this bill will have a minimal impact on the State’s General Fund, which the agency can absorb at their current level of funding.

Department of Corrections. The Department reports that this bill will have a minimal impact on the State’s General Fund, which the agency can absorb at their current level of funding.

Department of Revenue. The Department of Revenue indicates this bill will have no expenditure impact on the General Fund, Federal, or Other Funds.

State Revenue

This bill amends Section 61-6-20 by defining powdered and crystalline alcohol. Additionally, Section 61-6-4157 is amended by adding crystalline alcohol as an illegal form of alcohol. Violations related to this Section are unchanged. The Department of Revenue (DOR) reports they do not provide licensing for crystalline alcohol. Therefore, DOR states there will be no revenue impact on the State's General Fund, Federal, or Other Funds.

Local Expenditure

N/A

Local Revenue

N/A



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Bill Number: S. 0211 As signed by the Governor on June 9, 2015
Author: Campsen
Requestor: House Education and Public Works
Date: June 11, 2015
Subject: Golf cart paths
RFA Analyst(s): Wren and Shealy

Estimate of Fiscal Impact

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

Fiscal Impact Summary

The Department of Motor Vehicles reports this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds. Additionally, the local expenditure impact of this bill will depend upon the number of political subdivisions that elect to create separate golf cart paths within their jurisdictions. Due to the permissive nature of this bill, we are unable to determine the expenditure impact on local jurisdictions.

Explanation of Fiscal Impact

State Expenditure

This bill amends Section 56-2-105(E), which allows political subdivisions to create separate golf cart paths on primary highways, secondary highways, streets, and roads within the jurisdiction of the political subdivision. Political subdivisions must obtain the necessary approval to create the golf cart paths and may not amend the current restrictions placed on the operation of permitted golf carts.

Department of Motor Vehicles. The Department of Motor Vehicles states that no additional expenditures or savings are expected as there is no fiscal impact to departmental operational funds or the General Fund.

State Revenue

N/A

Local Expenditure

The local expenditure impact of this bill will depend upon the number of political subdivisions that elect to create separate golf cart paths within their jurisdictions. Therefore, due to the permissive nature of this bill, we are unable to determine the expenditure impact on local jurisdictions.

Local Revenue

N/A



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Bill Number: S. 0225 As signed by the Governor on March 9, 2015
 Author: Cromer
 Requestor: Senate Finance
 Date: June 15, 2015
 Subject: State Health Plan
 RFA Analyst(s): Fulmer, Shealy

Estimate of Fiscal Impact

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

Fiscal Impact Summary

This joint resolution is not expected to have any expenditure impact on the General Fund, Federal Funds, or Other Funds.

Explanation of Fiscal Impact

State Expenditure

This is a proposed joint resolution relating to reimbursement rates paid to pharmacies that are participating in the State Health Plan. This joint resolution would suspend Proviso 105.15 of the FY 2014-15 Appropriations Act beginning January 1, 2015. Proviso 105.15 required the Public Employees Benefit Authority (PEBA) to reimburse all pharmacies participating in the State Health Plan on an equal and uniform per-product basis.

Public Employees Benefit Authority. PEBA does not anticipate the adoption of Senate Bill 225 to have any expenditure impact on the General Fund or Other Funds. PEBA reports that suspending Proviso 105.15 of Part 1B of the 2014-15 General Appropriations Act, as proposed would maintain the status quo by allowing the current reimbursement and pricing schedules for pharmacies participating the State Health Plan's pharmacy benefit network to remain in place for 2015. Conversely, if the proviso remains in effect, PEBA expects that reimbursement changes could require a modification of the State Health Plan's contract with its pharmacy benefit manager. PEBA reports a modification could potentially be on terms less favorable to the State Health Plan.

State Revenue
N/A

Local Expenditure
N/A

Local Revenue
N/A



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Bill Number: S. 0301 As signed by the Governor on June 3, 2015
 Author: Alexander
 Requestor: Senate Labor, Commerce, and Industry
 Date: June 10, 2015
 Subject: SC Board of Accountancy
 RFA Analyst(s): Stein

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	N/A	N/A
Other and Federal	\$5,000	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	N/A	N/A
Other and Federal	N/A	N/A
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

This bill would have no expenditure impact on the General Fund or Federal Funds. The \$5,000 expenditure impact on Other Funds would be offset by license and administrative fee revenues authorized by the bill.

Explanation of Fiscal Impact

State Expenditure

Senate Bill 301 amends Chapter 2, Title 40 relating to the regulation of public accountants and Certified Public Accountants. The bill increases the number of Board members from nine to eleven by adding two Certified Public Accountants, and requires that one of the public members must be an attorney. The bill requires both state and federal criminal background checks for licensure, and imposes additional continuing education and experience requirements for certain applicants. The bill requires only a majority (not a super majority) be CPAs licensed by a state in order to register as a CPA firm. The bill moves the annual license renewal date from January to February.

Department of Labor, Licensing and Regulation. The Department indicates that the required criminal record checks may cost an estimated \$5,000. These costs may be offset by license fees or other administrative fees (Other Funds) authorized by Section 6 item (H)(3) of the bill. Otherwise, this bill would have no expenditure impact on the General Fund or Federal Funds. The expenditure impact on Other Funds would be offset by fees collected by the agency.

State Revenue

N/A

Local Expenditure & Revenue

N/A



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Bill Number: S. 0342 As signed by the Governor on March 9, 2015
 Author: Hayes
 Requestor: Senate Banking and Insurance
 Date: June 15, 2015
 Subject: Annual Enterprise Risk Report
 RFA Analyst(s): Stein and Shealy

Estimate of Fiscal Impact

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

Fiscal Impact Summary

This bill is expected to have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

Explanation of Fiscal Impact

State Expenditure

Senate Bill 342 amends Chapter 21, Title 38 relating to the Insurance Holding Company Regulatory Act. In general, the bill specifies improved reporting requirements for insurance companies so as to insure compliance and conformity with the requirements of the National Association of Insurance Commissioners. The amended guidelines are intended to facilitate insurance company monitoring by the Department of Insurance.

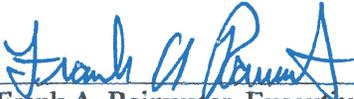
The Department of Insurance, the Attorney General's Office, and the Administrative Law Court report that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

State Revenue

N/A

Local Expenditure & Revenue

N/A


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Bill Number: S.0350 As signed by the Governor on June 3, 2015
 Author: Campbell
 Requestor: Senate
 Date: June 11, 2015
 Subject: SC Community Economic Development Act
 RFA Analyst(s): Martin

Estimate of Fiscal Impact

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

Fiscal Impact Summary

This bill would have no effect on General Fund income, bank, or insurance premium tax revenues in FY2015-16.

Explanation of Fiscal Impact

State Expenditure

N/A

State Revenue

This bill would amend Section 4 of Act 314 of 2000, as last amended by Act 248 of 2010 to extend the provision of the South Carolina Community Economic Development Act through June 30, 2020. After this date, all laws and regulations dealing with community development corporations and community development financial institutions would be repealed. 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. Pursuant to Act 314 of 2000 and Section 12-6-3530, a taxpayer is allowed a tax credit against South Carolina income tax, bank tax, or insurance premium tax equal to thirty-three (33) percent of the investment in a community development corporation or community

development financial institution. The total credit that may be claimed by all taxpayers is \$1,000,000 in one calendar year and \$5,000,000 for all calendar years. Any unused credit may be carried forward and must be used before the taxable year that begins on or after ten (10) years from the date of the acquisition of stock or other equity interest that is the basis for the credit. The provisions of this credit terminate on June 30, 2015. This bill extends the termination date by five years to June 30, 2020, and is a continuation of programs and services that are currently in place.

Local Expenditure

N/A

Local Revenue

N/A



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Bill Number: S. 0361 As signed by the Governor on June 1, 2015
Author: Hayes
Requestor: Senate Banking and Insurance
Date: June 10, 2015
Subject: Automobile Insurance Rate Reductions
RFA Analyst(s): Stein and Shealy

Estimate of Fiscal Impact

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

Fiscal Impact Summary

The Department of Insurance and Department of Transportation report that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

Explanation of Fiscal Impact

State Expenditure

Senate Bill 361 requires private automobile insurers to offer a discounted premium rate to non-youthful operators who successfully complete a driver training course approved by the Department of Motor Vehicles. The bill reduces the number of classroom hours required in training courses from six to four. The bill allows each insurer to determine the amount of the discount based on certain criteria and specifies that the discount must be granted for a three-year period.

The Department of Insurance reports that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds. Additionally, this bill is not expected to significantly reduce the insurance premium tax revenue remitted to the General Fund.

The Department of Transportation reports that this bill would have minimal or no expenditure impact on the General Fund, Federal Funds, or Other Funds. It would require some changes to internal policies and procedures.

State Revenue

N/A

Local Expenditure
N/A

Local Revenue
N/A



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Bill Number: S.0375 As signed by the Governor on June 1, 2015
 Author: Hayes
 Requestor: Senate Finance
 Date: June 11, 2015
 Subject: Local Government
 RFA Analyst(s): Wren and Fulmer

Estimate of Fiscal Impact

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

Fiscal Impact Summary

The Municipal Association reports this bill will have no expenditure or revenue impact on municipalities. We did not receive a response from the thirteen counties contacted. The Department of Education reports that there would be no expenditure or revenue impact on school districts.

Explanation of Fiscal Impact

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

This bill amends Section 6-5-15 to allow local governments to invest surplus funds in an account with a qualified public depository that would then be deposited on behalf of the local government into separate accounts so that the entire account balance is insured by the Federal Deposit Insurance Corporation (FDIC). Deposits by local governments must be FDIC insured. Due to the \$250,000 limit on insurance for deposits, any amount above the limit must be collateralized. This new option for investing would allow the local government entity to deposit funds in a single qualifying bank, and the bank would then deposit the funds into several FDIC insured, qualifying accounts on behalf of the local government. Local governments are not

required to participate. The Revenue and Fiscal Affairs Office surveyed the Municipal Association of South Carolina and thirteen county governments. We received a response from the Municipal Association and no county responses. The Municipal Association reports this bill will have no expenditure impact on municipalities. The Department of Education reports that there would be no expenditure impact on school districts.

Local Revenue

The Revenue and Fiscal Affairs Office surveyed the Municipal Association of South Carolina and thirteen county governments. We received a response from the Municipal Association and no county responses. The Municipal Association reports this bill will have no revenue impact on municipalities. The Department of Education reports that there would be no revenue impact on school districts.



Frank A. Rainwater, Executive Director



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Bill Number: S. 0379 As signed by the Governor on June 11, 2015
Author: Courson
Requestor: House of Representatives
Date: June 15, 2015
Subject: County tax officials
RFA Analyst(s): Jolliff, Shealy, and Wren

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	N/A	N/A
Other and Federal	Minimal	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	N/A	N/A
Other and Federal	N/A	N/A
Local Expenditure	N/A	N/A
Local Revenue	(Less than \$100,000)	N/A

Fiscal Impact Summary

The Department of Motor Vehicles indicates that the bill will have a minimal impact on Other Funds for reprogramming costs, which can be absorbed by the department. The Department of Revenue has not indicated that the bill will have an expenditure impact. Based upon contact with local officials, the bill makes technical changes to conform to current practices and is not expected to impact local expenditures. The impact, if any, on local property tax revenues is expected to be a reduction of less than \$100,000 statewide due to simplification of the refund process.

Explanation of Fiscal Impact

Explanation of Amendment (June 3, 2015)-By the House of Representatives

The amendment modifies Section 12-39-220 relating to property taxes for properties that were omitted from the property tax rolls due to an error on the part of the county. The section is amended to specify that a county may only collect property taxes for three prior tax years before the discovery of the error. This change does not impact the time period for recovery of taxes in the event that the taxpayer committed fraud. The SC Association of Auditors, Treasurers and Tax Collectors (SCATT) has indicated that it is current practice to collect only three prior years for taxes that were not charged or paid due to an error by the county. Based upon this, we do not anticipate that this amendment will impact local revenues or expenditures. The impact of the bill as amended is unchanged from the bill as filed.

Explanation of Bill Filed on January 28, 2015

State Expenditure

Department of Motor Vehicles. The department has indicated that this bill will have a minimal expenditure impact on Other Funds for reprogramming costs, which can be absorbed by the department.

Department of Revenue. The Department of Revenue has not indicated that the bill will have an expenditure impact.

State Revenue

N/A

Local Expenditure

Based upon contact with local officials, the bill makes technical changes to conform to current practices and is not expected to impact local expenditures.

Local Revenue

The bill makes numerous changes to sections in Title 12 relating to property taxes to conform the Code to current practices, to remove outdated references, and to update sections of the Code to reflect recent legislative amendments.

Section 19 of the bill amends Section 12-37-2725 to allow Form 5051 issued by the Department of Motor Vehicles to substitute for the license plate and registration certificate when applying for a prorated property tax refund on a vehicle when the owner moves out of state. The impact, if any, on local property tax revenues is expected to be a reduction of less than \$100,000 statewide due to simplification of the refund process. We do not anticipate a local revenue impact from the other technical changes in the bill.



Frank A. Rainwater, Executive Director



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Bill Number: S0389 As signed by the Governor on June 4, 2015
Author: Lourie
Requestor: Senate
Date: June 11, 2015
Subject: Business Development Corporations
RFA Analyst(s): Martin

Estimate of Fiscal Impact

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

Fiscal Impact Summary

This bill, as amended, is not expected to affect General Fund, Federal Fund, or Other Fund revenue in FY2015-16.

Explanation of Fiscal Impact

Explanation of Amendment (May 14, 2015) – By the House LCI Committee

State Expenditure

This bill is not expected to change state expenditures for any state, federal, or other agency.

State Revenue

This amendment would amend Section 33-37-10(2) by deleting the item in its entirety and inserting an amended definition of “area or operation” in which the business development corporation is authorized to transact business as the areas that comprise the Federal Reserve Districts Five and Six. According to the Board of Governors of the Federal Reserve System, the Fifth Federal Reserve District consists of Virginia, Maryland, North Carolina, South Carolina, the District of Columbia, and most of West Virginia. The Sixth Federal Reserve District consists of Alabama, Florida, Georgia, and portions of Louisiana, Mississippi, and Tennessee. The amended definition of “area of operation” allows the business development corporation a broader geographical region in which to operate. This amendment is not expected to affect General Fund revenue in FY2015-16.

A business development corporation (BDC), created by Congress as an amendment to the Investment Company Act of 1940, is a form of publically registered company in the United States that make loans to, and/or invest in small, developing, or financially troubled companies. They've stepped into a role that commercial banks vacated during the financial crisis, lending to companies that may not otherwise get financing. The yields are routinely above eight percent. These high payouts reflect the rewards of the sort of risky investments that many banks no longer can make. BDC's are similar in some sense to private equity or venture capital firms.

BDC, a privately owned, non-bank, term commercial lending organization was organized in 1958 by the South Carolina State Legislature as a non-governmental source of loan capital to promote business and industry in the state. The BDC specializes in the Small Business Administration (SBA) 7(a) loan guaranty program. These loans help small, for-profit, businesses secure financing with a demonstrated ability repay the loan.

This legislation also provides for banks in South Carolina to become members of BDC and to make lines of credit available to BDC. BDC partners with banks and other financial institutions to provide another arm of financing to small businesses which are unable to obtain financing through traditional lending sources. BDC can lend to most business operations, including industrial and manufacturing as well as retail, service, wholesale and contracting organizations. BDC is a term lender only and does not make short-term loans or provide lines of credit. Through the various SBA and other economic development programs, BDC can facilitate project financing for up to \$5 million, and in some cases, more.

Certified Development Corporation of SC (CDC), a sister corporation of BDC, has participated in providing financial assistance to businesses since 1994. CDC is a private, non-profit corporation associated with BDC and is a statewide certified development company that can arrange 100% government-guaranteed debenture financing under the SBA 504 lending program – all of which are limited to the state of South Carolina. The SBA 504 lending program provides financing for major fixed assets such as equipment and real estate. Since 1958, BDC and CDC have approved more than 3,000 loans totaling in excess of \$1.4 billion. Both BDC and CDC serve a unique role primarily by providing promising businesses a source for commercial loans not usually undertaken by traditional lending institutions.

This bill amends Chapter 37 of Title 33 to amend sections throughout relating to the organization, regulation, and operation of business development corporations. This bill would make the following changes:

- This amended bill would amend Section 33-37-10 to add the term “area of operation” to include the geographical area in which the corporation is authorized to transact business pursuant to this chapter as the areas that comprise the Federal Reserve Districts Five and Six. According to the Board of Governors of the Federal Reserve System, the Fifth Federal Reserve District consists of Virginia, Maryland, North Carolina, South Carolina, the District of Columbia, and most of West Virginia. The Sixth Federal Reserve District consists of Alabama, Florida, Georgia, and portions of Louisiana, Mississippi, and Tennessee.

- Section 33-37-30 would be deleted to allow a business development corporation to receive and hold money on deposit with the corporation.
- Section 33-37-40 would be deleted to no longer set aside at least ten percent of its net earnings for the preceding fiscal year as earned surplus. This surplus would be equal to one-half of the amount paid in on the capital stock then outstanding. This action would remove the reserve requirement of the BDC and remove any safety factor should the BDC have to absorb any losses from bad loans. This section would provide more funds for lending, but would increase the risk exposure of the overall portfolio from outstanding loan balances. This section is not expected to affect state General Fund revenue in FY2015-16.

Overall, this bill would expand the area of operation of the BDC to outside the state of South Carolina. This will expand the loan servicing area of the BDC and promote the growth of future loans. By eliminating the reserve requirement, the BDC will have an increased lending ability; however, the loans that a BDC make are inherently more risky, and the BDC will have to exercise considerable caution in weighing loan risk versus the return on loanable funds. Overall, this bill is not expected to affect General Fund revenue in FY2015-16.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Bill Filed January 29, 2015

State Expenditure

This bill is not expected to change state expenditures for any state, federal, or other agency.

State Revenue

A business development corporation (BDC), created by Congress as an amendment to the Investment Company Act of 1940, is a form of publically registered company in the United States that make loans to, and/or invest in small, developing, or financially troubled companies. They've stepped into a role that commercial banks vacated during the financial crisis, lending to companies that may not otherwise get financing. The yields are routinely above eight percent. These high payouts reflect the rewards of the sort of risky investments that many banks no longer can make. BDC's are similar in some sense to private equity or venture capital firms.

BDC, a privately owned, non-bank, term commercial lending organization was organized in 1958 by the South Carolina State Legislature as a non-governmental source of loan capital to promote business and industry in the state. The BDC specializes in the Small Business Administration (SBA) 7(a) loan guaranty program. These loans help small, for-profit, businesses secure financing with a demonstrated ability repay the loan.

This legislation also provides for banks in South Carolina to become members of BDC and to make lines of credit available to BDC. BDC partners with banks and other financial institutions to provide another arm of financing to small businesses which are unable to obtain financing through traditional lending sources. BDC can lend to most business operations, including industrial and manufacturing as well as retail, service, wholesale and contracting organizations. BDC is a term lender only and does not make short-term loans or provide lines of credit. Through the various SBA and other economic development programs, BDC can facilitate project financing for up to \$5 million, and in some cases, more.

Certified Development Corporation of SC (CDC), a sister corporation of BDC, has participated in providing financial assistance to businesses since 1994. CDC is a private, non-profit corporation associated with BDC and is a statewide certified development company that can arrange 100% government-guaranteed debenture financing under the SBA 504 lending program – all of which are limited to the state of South Carolina. The SBA 504 lending program provides financing for major fixed assets such as equipment and real estate. Since 1958, BDC and CDC have approved more than 3,000 loans totaling in excess of \$1.4 billion. Both BDC and CDC serve a unique role primarily by providing promising businesses a source for commercial loans not usually undertaken by traditional lending institutions.

This bill amends Chapter 37 of Title 33 to amend sections throughout relating to the organization, regulation, and operation of business development corporations. This bill would make the following changes:

- This bill would amend Section 33-37-10 to add the term “area of operation” to include the geographical area in which the corporation is authorized to transact business pursuant to this chapter which includes, but is not limited to, South Carolina, North Carolina, Georgia, Florida, Alabama, Virginia, and Tennessee. Previously, the South Carolina Business Development Corporation was restricted to activities and operation with the boundaries of the state.
- Section 33-37-30 would be deleted to allow a business development corporation to receive and hold money on deposit with the corporation.
- Section 33-37-40 would be deleted to no longer set aside at least ten percent of its net earnings for the preceding fiscal year as earned surplus. This surplus would be equal to one-half of the amount paid in on the capital stock then outstanding. This action would remove the reserve requirement of the BDC and remove any safety factor should the BDC have to absorb any losses from bad loans. This section would provide more funds for lending, but would increase the risk exposure of the overall portfolio from outstanding loan balances. This section is not expected to affect state General Fund revenue in FY2015-16.

Overall, this bill would expand the area of operation of the BDC to outside the state of South Carolina. This will expand the loan servicing area of the BDC and promote the growth of future loans. By eliminating the reserve requirement, the BDC will have an increased lending ability;

however, the loans that a BDC make are inherently more risky, and the BDC will have to exercise considerable caution in weighing loan risk versus the return on loanable funds. Overall, this bill is not expected to affect General Fund revenue in FY2015-16.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director



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Bill Number: S. 0397 As signed by the Governor on March 27, 2015
 Author: Leatherman
 Requestor: Senate Finance
 Date: June 11, 2015
 Subject: 2014 Internal Revenue Code Conformity
 RFA Analyst(s): Shuford and Shealy

Estimate of Fiscal Impact

	FY 2014-15	FY 2015-16
State Expenditure		
General Fund	\$0	N/A
Other and Federal	\$0	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$196,281	N/A
Other and Federal	N/A	N/A
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

This bill would have no expenditure impact to the General Fund, Federal Funds, or Other Funds.

This bill would increase General Fund income tax revenue by \$196,281 in FY 2014-15 due to the expiration of the refinery property provision.

Explanation of Fiscal Impact

Explanation of Amendment (February 19, 2015) – By the Senate

The amendment would adopt expired provisions of the Internal Revenue Code previously adopted by the State in the event any of these expired sections are extended, but not otherwise amended, by the federal government in 2015. This amendment proactively adopts these expired provisions in the event Congress retroactively reinstates these enhanced deductions and exclusions from income. This amendment is not expected to impact state revenue or expenditures, and the impact of the bill as amended is unchanged from the bill as filed.

Explanation of Bill Filed on February 3, 2015

State Expenditure

The Department of Revenue anticipates that this bill would have no expenditure impact to the General Fund, Federal Funds, or Other Funds.

State Revenue

This bill updates South Carolina's conformity to the Internal Revenue Code (IRC) through December 31, 2014. Research by the Department of Revenue reports the only significant federal tax legislation enacted in 2014 was the Tax Increase Prevention Act of 2014. This legislation retroactively restored over fifty federal tax provisions that expired at the end of 2013. Of these extended provisions, twenty-four directly impact South Carolina taxpayers. The attached table provides a brief summary of the twenty-four provisions including the year they were first enacted.

South Carolina has proactively adopted the twenty-four extended federal tax provisions that impact South Carolina taxpayers pursuant to §12-6-40(A)(1)(c), as added in Act 126 of 2014. This new subsection adopted these expired provisions of the federal IRC for South Carolina income tax purposes in the event any of these expired sections were extended, but not otherwise amended, by the federal government in 2014.

These twenty-four temporary provisions have generally been in the Internal Revenue Code for years and are routinely extended as they were most recently extended in the Tax Increase Prevention Act of 2014. While Congress extended these provisions in 2014, this is a one-year extension that expires at the end of 2014. Additional federal legislation is necessary to continue their effectiveness for 2015 and beyond.

Given the continuing nature of these twenty-four provisions, proactively adopted under the South Carolina income tax code, we expect no revenue impact from the continuation of the extended provisions.

One provision that impacts South Carolina taxpayers was not extended for 2014. This provision allows taxpayers to expense 50 percent of the cost of qualified refinery property when placed in service. Normally, this type of property is depreciated over a ten-year time frame. Qualified refinery property includes assets used in the refining of liquid fuels, including biomass or biodiesel. The federal provision was originally enacted as part of the Energy Policy Act of 2005. It was extended through 2013 as part of the Emergency Economic Stabilization Act of 2008. Based on U.S. revenue estimates of extending this provision by the U.S. Joint Committee on Taxation and adjusting for South Carolina taxpayers only, we expect that the expiration of this provision will increase income tax revenue by \$196,281 in FY 2014-15 when the impacted taxpayers file their 2014 tax returns.

The Tax Increase Prevention Act of 2014 also created the Achieving a Better Life Experience Act (ABLE) tax-favored savings accounts for individuals with disabilities for tax years after 2014. The ABLE Act authorizes states to create an ABLE program similar to Code Section 529 college savings accounts. Any revenue impact from this authorization will be determined when the South Carolina enabling legislation is introduced.

Local Expenditure and Revenue

N/A



Frank A. Rainwater, Executive Director



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Bill Number: S. 0526 As signed by the Governor on June 8, 2015
 Author: Leatherman
 Requestor: Senate Finance
 Date: June 11, 2015
 Subject: Tax Amnesty
 RFA Analyst(s): Shuford and Shealy

Estimate of Fiscal Impact

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

Fiscal Impact Summary

This bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds since all revenue collection processes and procedures at the Department of Revenue are currently in place.

Given the permissive nature of this legislation as to when an amnesty program may be implemented, if at all, we do not estimate any appreciable increase in revenue from the enactment of this bill. If an amnesty period is announced, the revenue impact will depend upon the details and conditions existing at that time.

Explanation of Fiscal Impact

State Expenditure

This bill adds Section 12-4-397 to allow the Department of Revenue (DOR) to designate an amnesty period from time to time as determined by DOR. DOR may waive a portion or all penalties and interest for taxpayers who voluntarily file delinquent returns and pay all taxes owed. DOR must inform the General Assembly at least 60 days before the commencement of the amnesty period. DOR must be reimbursed five percent of the amounts collected through amnesty for administrative costs. Overdue tax debt, defined as tax debt that remains unpaid one hundred twenty days or more after a notice of assessment has been issued by DOR, may be subject to an additional ten percent collection assistance fee. The current collection assistance fee pursuant to Section 12-55-60 is twenty percent of the overdue tax.

This bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds since all revenue collection processes and procedures at the Department of Revenue are currently in place.

State Revenue

Given the permissive nature of this legislation as to when an amnesty program may be implemented, if at all, we do not estimate any appreciable increase in revenue from the enactment of this bill. If an amnesty period is announced, the estimated revenue impact will be based upon the details and conditions at that time. These details include the type of tax revenue affected and the impact the amnesty program has upon regular enforcement activity and collections for that fiscal year. The timing of an amnesty program will significantly impact revenue due to the cyclical nature of tax collections. Adjustments for potential increased revenue collections in one year may need to be offset with a potential decrease in the next year. Offsets for increased DOR administrative cost reimbursements and additional collection assistance fees will also require analysis. Currently, insufficient data exists to provide a concise estimate.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director



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Bill Number: S. 0590 As signed by the Governor on June 1, 2015
 Author: L. Martin
 Requestor: Senate Judiciary
 Date: June 11, 2015
 Subject: Interlock Device
 RFA Analyst(s): Shealy

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	\$ 0	N/A
Other and Federal	\$36,000	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	N/A	N/A
Other and Federal	N/A	N/A
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

This bill is expected to have an expenditure impact of \$36,000 to the Department of Motor Vehicles. This bill will have no impact on the General Fund or Federal Funds.

Explanation of Fiscal Impact

Explanation of Amendment (May 20, 2015) – By the House of Representatives

This bill as amended requires that the Department of Probation, Parole, and Pardon Services purge all photographic images collected by the ignition interlock device no later than twelve months from the date of the person’s completion of the Ignition Interlock Device Program except for information that is relevant for pending legal matters. The amendment makes it unlawful to conduct a running test on the device while the vehicle is in operation and for another person to engage an ignition interlock device on behalf of a person. The Department of Motor Vehicles has reported that the changes will cost \$36,000 to reprogram computer systems to reflect the law and that they will need six months to reprogram, test, and develop the business process to implement these changes.

Explanation of Bill as Filed on March 24, 2015

State Expenditure

This bill allows a person required to operate a motor vehicle only with an ignition interlock device who does not own a vehicle, cannot obtain a vehicle owner’s permission to have an ignition interlock device installed on a vehicle, will not be driving a vehicle other than one owned by the person’s employer and will not own a vehicle during the interlock period, may

petition the department, for issuance of an ignition interlock restricted license. This license shall permit the person to operate a vehicle specified by the employer during the days and hours specified in the employer's statement without having to show that an ignition interlock device has been installed. The South Carolina Department of Motor Vehicles reports that this bill will have no impact on the General Fund, Federal Funds, or Other Funds.

State Revenue

N/A

Local Expenditure and Local Revenue

N/A



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Bill Number: H. 3154 As signed by the Governor on June 11, 2015
 Author: J. E. Smith
 Requestor: House of Representatives
 Date: June 21, 2015
 Subject: S.C. Uniform Military and Overseas Voters Act
 RFA Analyst(s): Fulmer and Wren

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	\$50,000	N/A
Other and Federal	N/A	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	N/A	N/A
Other and Federal	N/A	N/A
Local Expenditure	Undetermined	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

The bill will have a nonrecurring \$50,000 expenditure impact on the General Fund and no expenditure impact on Federal Funds or Other Funds. Due to the limited number of responses from the counties surveyed, the Revenue and Fiscal Affairs Office is not able to determine the expenditure impact of this bill on county governments.

Explanation of Fiscal Impact

Explanation of Amendment (June 4, 2015) – By the Conference Committee

The conference report amended Section 7-13-350 to require candidates for President and Vice President be certified no later than the first Tuesday following the first Monday in September. The conference report further amends Section 7-15-20, which adds Article 9, South Carolina Uniform Military and Overseas Voters Act. This amendment is not expected to impact state expenditures, and the impact of this bill as amended is unchanged from the bill as amended on April 28, 2015.

Explanation of Amendment (April 28, 2015) – By the House of Representatives

State Expenditure

The bill enacts the South Carolina Uniform Military and Overseas Voters Act to provide registration and absentee voting alternatives for certain military and overseas voters as defined by this bill.

The State Election Commission (SEC) will ensure that the election commission's electronic transmission system is capable of accepting both a federal postcard application and any other

approved electronic registration application sent to the appropriate election official. SEC indicates that changes would need to be made to the statewide Voter Registration Election Management System in order to comply with the bill. The agency estimates a nonrecurring General Fund expenditure impact of \$50,000 to upgrade the system.

State Revenue

N/A

Local Expenditure

The Revenue and Fiscal Affairs Office contacted twenty-three county governments regarding the expenditure impact of this bill. Richland County reports that this bill will have no impact as the county is currently following the guidelines introduced in the bill. Due to the limited number of responses from the counties surveyed, our office is not able to determine the expenditure impact of this bill on county governments.

Local Revenue

N/A



Frank A. Rainwater, Executive Director



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Bill Number: H. 3264 As signed by the Governor on June 3, 2015
Author: Taylor
Requestor: House Education and Public Works
Date: June 16, 2015
Subject: Special license plates
RFA Analyst(s): Shealy

Estimate of Fiscal Impact

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

Fiscal Impact Summary

This bill would have no expenditure or revenue impact on the General Fund, Federal Funds, or Other Funds.

Explanation of Fiscal Impact

Explanation of Amendment (May 26, 2015) – By the House Education and Public Works
State Expenditure

The amendment to the bill states that The Department of Motor Vehicles shall imprint the special license plates with the distinctive Red Cross emblem approved by the American Red Cross along with the words or text, Proud Supporter of the American Red Cross written at the top of the special license plates.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A

**Explanation of Bill (December 18, 2014) – By the House Education and Public Works
State Expenditure**

This bill provides for the issuance of American Red Cross special motor vehicle license plates. Pursuant to Section 56-3-8000, the Red Cross will deposit a \$6,800 application fee used by the Department of Motor Vehicles to defray the initial cost of producing the special license plate. The biennial fee for these license plates is the regular registration fee set forth in statute plus an additional fee requested by the organization. Any fees collected in excess of the cost of producing the plates must be distributed to the organization. Since both the initial cost of producing the special license plate and the regular license fees are collected, we anticipate no impact on State expenditures or revenue.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director



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Bill Number: H. 3304 As signed by the Governor on June 3, 2015
 Author: Brannon
 Requestor: Senate
 Date: June 10, 2015
 Subject: Landrum Fire and Rescue District
 RFA Analyst(s): Jolliff and Wren

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	N/A	N/A
Other and Federal	N/A	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	N/A	N/A
Other and Federal	N/A	N/A
Local Expenditure	\$250,000	N/A
Local Revenue	\$250,000	N/A

Fiscal Impact Summary

This bill as amended is not expected to impact state expenditures or revenues. Based upon information provided by the City of Landrum, local expenditures for the Landrum Fire and Rescue District are expected to increase by \$250,000 above the current expenditures of the City of Landrum for fire service to the city and surrounding areas. The city also indicates local revenues from property tax millage imposed by the Landrum Fire and Rescue District are expected to increase by \$250,000 to a total of \$500,000 each fiscal year.

Explanation of Fiscal Impact

Explanation of Amendment (May 9, 2015) – By the Senate

The amendment to the bill adds a sentence to Section 4-23-1200(A) to allow the Spartanburg County Council and the Greenville County Council to change the boundaries of the Landrum Fire and Rescue District located within their respective counties pursuant to the provisions of Article 3 of Chapter 11 of Title 6 relating to special purpose districts. This amendment is not expected to impact local revenues or expenditures, and the impact of the bill as amended is unchanged from the bill as filed.

Explanation of Amendment (April 21, 2015) – By the House of Representatives

The amendment to the bill codifies the language included in the bill as filed and makes changes to the introduction of the bill. The impact of the bill as amended is unchanged from the bill as filed.

Explanation of Bill Filed on January 13, 2015

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

This bill creates the Landrum Fire and Rescue District comprised of the City of Landrum, the Landrum Community Fire Service Area in Spartanburg County, and a portion of the Foothills Fire Service Area in Greenville County. Currently, the City of Landrum provides fire service for these areas through a contract with Spartanburg and Greenville counties.

The Revenue and Fiscal Affairs Office contacted the City of Landrum, Greenville County, and Spartanburg County regarding the expenditure impact of this bill. We received a response from the City of Landrum. Based on information provided by the city, this bill would increase local expenditures by \$250,000 to fund additional services by the Landrum Fire and Rescue District. The increased expenditures are to employ full-time fire service personnel and for equipment and infrastructure upgrades. Although our office did not receive responses from Greenville or Spartanburg, we do not anticipate this bill would have an expenditure impact to either of the counties.

Local Revenue

Based upon information provided by the City of Landrum, local revenue to fund the new service district is expected to increase by \$250,000 to a total of \$500,000 to fund the additional costs of employing full-time personnel and investments in equipment and infrastructure upgrades. The service district will be funded through property tax millage at the millage rate necessary to fund the increased services as determined by the Landrum Fire and Rescue District Commission.



Frank A. Rainwater, Executive Director



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Bill Number: H.3568 As signed by the Governor on June 9, 2015
 Author: G.R. Smith
 Requestor: House of Representatives
 Date: June 11, 2015
 Subject: Sales tax exemptions
 RFA Analyst(s): Martin

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	(\$812,206)	(\$1,624,412)
Other and Federal	(\$406,104)	(\$812,208)
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

This bill, as further amended, would reduce sales and use tax revenue by an estimated \$1,218,310 in FY2015-16. Of this total, General Fund revenue would be reduced by \$812,206, the E.I.A. fund would be reduced by \$203,052, and the Homestead Exemption Fund would be reduced by \$203,052 in FY2015-16. In FY2016-17, and each fiscal year thereafter, sales and use tax revenue would be reduced by an estimated \$2,436,620 annually. Of this total, General Fund revenue would be reduced by \$1,624,412, the E.I.A. would be reduced by \$406,104, and the Homestead Exemption Fund would be reduced by \$406,104 annually.

Explanation of Fiscal Impact

Explanation of Amendment (May 26, 2015) – By the Senate

State Expenditure

Since this legislation makes no substantive changes to existing programs or resources, the Department of Revenue can administer the legislative changes with existing resources.

State Revenue

This amendment adds language from H.3062 to include a sales tax exemption for children’s clothing sold to a private charitable organization exempt from federal and state income tax, except for private schools, for the sole purpose of distribution by that organization to needy children. This sales and use tax exemption is discussed in Section 3 of the revenue impact statement. The following is a section-by-section analysis of the amended bill.

Section 1. This section would amend Section 12-36-2120 allow a sales and use tax exemption for building materials purchased by a nonprofit tax exempt entity to build, rehabilitate, or repair a home for the benefit of an individual or family in need. This would include organizations such as Habitat for Humanity. This organization is organized and operated to build and sell single family houses to selected buyers to promote home ownership and build a sense of community. This is done through the assistance of thirty-four affiliates located throughout the state. The Board of Economic Advisors has been advised by Habitat for Humanity that their goal for 2016 is to complete 150 new single family homes statewide. At an estimated cost of materials of \$30,000 per home and applying a six percent sales tax rate, sales and use tax revenue would be reduced by an estimated \$270,000 annually.

Since the effective date of this bill is January 1, 2016, sales and use tax revenue would be reduced by one-half of a full fiscal year, or an estimated \$135,000 in FY2015-16. Of this total, General Fund revenue would be reduced by \$90,000, the E.I.A. would be reduced by \$22,500, and the Homestead Exemption Fund would be reduced by \$22,500 in FY2015-16. In FY2016-17, sales and use tax revenue would be reduced by an estimated \$270,000 annually. Of this total, General Fund revenue would be reduced by \$180,000, the E.I.A. would be reduced by \$45,000, and the Homestead Exemption Fund would be reduced by \$45,000 in FY2016-17, and each fiscal year thereafter.

Section 2. This section would amend Section 12-36-2120(52) to strike “owned by or leased to the federal government or commercial air carriers” for those types of air carriers that would be eligible for a sales and use tax exemption on parts and supplies used by businesses that repair or recondition aircraft. This change would allow a sales and use tax exemption on all parts and supplies used to repair or recondition aircraft for all types of aircraft. This amendment would now include private general aviation aircraft previously excluded from the exemption.

Based on information from the General Aviation Manufacturer’s Association and the Federal Aviation Administration, Washington, D.C., there are 2,855 general aviation aircraft registered and/or hangered in South Carolina. Multiplying 2,855 general aviation aircraft by an estimated \$4,400 annual maintenance expenditures and applying a six percent sales and use tax rate yields a reduction of sales and use tax revenue of an estimated \$753,720 annually.

Since the effective date of this bill is January 1, 2016, sales and use tax revenue would be reduced by one-half of a full fiscal year, or an estimated \$376,860 in FY2015-16. Of this total, General Fund revenue would be reduced by \$251,240, the E.I.A. would be reduced by \$62,810, and the Homestead Exemption Fund would be reduced by \$62,810 in FY2015-16. In FY2016-17, sales and use tax revenue would be reduced by an estimated \$753,720 annually. Of this total, General Fund revenue would be reduced by \$502,480, the E.I.A. would be reduced by \$125,620, and the Homestead Exemption Fund would be reduced by \$125,620 in FY2016-17, and each fiscal year thereafter.

Section 3. This section would add a sales and use tax exemption on the sale of children’s clothing sold to a private charitable organization exempt from federal and state income tax, except for private schools, for the sole purpose of distributing the clothing to needy children. According to the amendment, the definition of “clothing” would be the same as that in Section

12-36-2120(57)(a)(i) and (iii) to include clothing and footwear only, and “needy children” would be defined as those children eligible for free meals under the National School Lunch Program of the United States Department of Agriculture.

The few states that have similar sales and use tax exemptions have done so to give low income parents of underprivileged children assistance with obtaining school uniforms where local school districts require mandatory dress codes for class attendance. Although the scope of this bill goes beyond required school uniforms, this bill seeks to create another avenue to assist underprivileged children in obtaining several articles of clean clothing to attend school.

The number of private charities with state and federal income tax exemption designations is very large. Essentially, any organization structured as a 501(c) for tax purposes could qualify. This could include any civic league, social welfare organizations, churches, homeowner associations, and others. Also, there is no clear definition of “sole purpose” for an organization. The generally accepted unwritten rule is that as long as 50.1 percent of an organization’s efforts go toward promoting the common good and general welfare of the people it is acceptable. If these definitions, however, are interpreted more broadly, the fiscal impact could be significantly higher.

According to the latest data from the U.S. Department of Agriculture, Food and Nutrition Service, National School Lunch Program, there are 481,534 school age children participating in the free lunch program in South Carolina. Multiplying 481,534 needy children by an average clothing donation of \$50 and applying a six percent sales and use tax rate yields a reduction in sales and use tax revenue of an estimated \$1,444,600 in FY2015-16. Of this amount, General Fund sales and use tax revenue would be reduced by \$963,066, the EIA fund would be reduced by \$240,767, and the Homestead Exemption Fund would be reduced by \$240,767 in FY2015-16.

This section would also not permit a sales and use tax exemption for children’s clothing sold to a private charitable organization that in turn donates the clothing to needy children that attend a private school. Based upon the latest data from the South Carolina Revenue and Fiscal Affairs Office, Division of Research, there are an estimated 50,796 private school children in South Carolina. According to the latest data from the U.S. Department of Education, National Center for Education Statistics and the U.S. Department of Agriculture, Food and Nutrition Service, National School Lunch Program, nearly twenty-one percent of private school children in grades K-12 are participating in the free lunch program in South Carolina. Multiplying 50,796 needy private school children by a nearly twenty-one percent participation rate and by an average clothing donation of \$50 and applying a six percent sales and use tax rate yields sales and use tax revenue of an estimated \$31,700 in FY2015-16. Of this amount, General Fund sales and use tax revenue would amount to \$21,134, the EIA fund would amount to \$5,283, and the Homestead Exemption Fund would amount to \$5,283 in FY2015-16. Collective, the net effect of this section would be to reduce sales and use tax revenue by an estimated \$1,412,900 in FY2015-16. Of this amount, General Fund sales and use tax revenue would be reduced by \$941,932, the EIA Fund would be reduced by \$235,484, and the Homestead Exemption Fund would be reduced by \$235,484 in FY2015-16.

Since the effective date of this bill is January 1, 2016, sales and use tax revenue would be reduced by one-half of a full fiscal year, or an estimated \$706,450 in FY2015-16. Of this total, General Fund revenue would be reduced by \$470,966, the E.I.A. would be reduced by \$117,742, and the Homestead Exemption Fund would be reduced by \$117,742 in FY2015-16. In FY2016-17, sales and use tax revenue would be reduced by an estimated \$1,412,900 annually. Of this total, General Fund revenue would be reduced by \$941,932, the E.I.A. would be reduced by \$235,484, and the Homestead Exemption Fund would be reduced by \$235,484 in FY2016-17, and each fiscal year thereafter.

Section 4. This act takes effect January 1, 2016.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Amendment (May 20, 2015) – By the Senate Finance Committee

State Expenditure

Since this legislation makes no substantive changes to existing programs or resources, the Department of Revenue can administer the legislative changes with existing resources.

State Revenue

This amendment would remove the phrase “area median income” and replace it with “county median income”. This change would require an individual or family in need to have an income less than eighty percent of the county median income in order for a non-profit entity to receive a sales and use tax exemption on the necessary building materials required to build, rehabilitate, or repair a home. This amendment would not affect General Fund revenue in FY2015-16.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Amendment (April 29, 2015) – By the House of Representatives

State Expenditure

Since this legislation makes no substantive changes to existing programs or resources, the Department of Revenue can administer the legislative changes with existing resources.

State Revenue

This amendment would include an amendment to Section 12-36-2120(52) to strike “owned by or leased to the federal government or commercial air carriers” for those types of air carriers that would be eligible for a sales and use tax exemption on parts and supplies used by businesses that repair or recondition aircraft. This change would allow a sales and use tax exemption on all parts

and supplies used to repair or recondition aircraft for all types of aircraft. This amendment would now include private general aviation aircraft previously excluded from the exemption.

Based on information from the General Aviation Manufacturer's Association and the Federal Aviation Administration, Washington, D.C., there are 2,855 general aviation aircraft registered and/or hangered in South Carolina. Multiplying 2,855 general aviation aircraft by an estimated \$4,400 annual maintenance expenditures and applying a six percent sales and use tax rate yields a reduction of sales and use tax revenue of an estimated \$753,720 annually.

Since the effective date of this bill is January 1, 2016, sales and use tax revenue would be reduced by one-half of a full fiscal year, or an estimated \$376,860 in FY2015-16. Of this total, General Fund revenue would be reduced by \$251,240, the E.I.A. would be reduced by \$62,810, and the Homestead Exemption Fund would be reduced by \$62,810 in FY2015-16. In FY2016-17, sales and use tax revenue would be reduced by an estimated \$753,720 annually. Of this total, General Fund revenue would be reduced by \$502,480, the E.I.A. would be reduced by \$125,620, and the Homestead Exemption Fund would be reduced by \$125,620 in FY2016-17, and each fiscal year thereafter.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Bill Filed February 11, 2015

State Expenditure

Since this legislation makes no substantive changes to existing programs or resources, the Department of Revenue can administer the legislative changes with existing resources.

State Revenue

This bill would amend Section 12-36-2120 allow a sales and use tax exemption for building materials purchased by a nonprofit tax exempt entity to build, rehabilitate, or repair a home for the benefit of an individual or family in need. This would include organizations such as Habitat for Humanity. This organization is organized and operated to build and sell single family houses to selected buyers to promote home ownership and build a sense of community. This is done through the assistance of thirty-four affiliates located throughout the state. The Board of Economic Advisors has been advised by Habitat for Humanity that their goal for 2016 is to complete 150 new single family homes statewide. At an estimated cost of materials of \$30,000 per home and applying a six percent sales tax rate, sales and use tax revenue would be reduced by an estimated \$270,000 annually.

Since the effective date of this bill is January 1, 2016, sales and use tax revenue would be reduced by one-half of a full fiscal year, or an estimated \$135,000 in FY2015-16. Of this total, General Fund revenue would be reduced by \$90,000, the E.I.A. would be reduced by \$22,500, and the Homestead Exemption Fund would be reduced by \$22,500 in FY2015-16. In FY2016-17, sales and use tax revenue would be reduced by an estimated \$270,000 annually. Of this total,

General Fund revenue would be reduced by \$180,000, the E.I.A. would be reduced by \$45,000, and the Homestead Exemption Fund would be reduced by \$45,000 in FY2016-17, and each fiscal year thereafter.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3725 As signed by the Governor on June 9, 2015
Author: J.E. Smith
Requestor: House of Representatives
Date: June 11, 2015
Subject: State-Owned Abandoned Buildings
RFA Analyst(s): Martin, Shealy, and Wren

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17	FY 2017-18
State Expenditure			
General Fund	\$0	\$0	\$0
Other and Federal	\$0	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00	0.00
State Revenue			
General Fund	\$200,000	\$200,000	\$200,000
Other and Federal	N/A	N/A	N/A
Local Expenditure	N/A	N/A	N/A
Local Revenue	N/A	N/A	N/A

Fiscal Impact Summary

This bill, as amended, is expected to reduce the amount of income and insurance premium tax credits claimed against the General Fund by an estimated \$200,000 in FY2015-16, FY2016-17, and FY2017-18.

Explanation of Fiscal Impact

Explanation of Amendment (April 28, 2015) – By the House of Representatives

The bill is amended by striking all after the enacting words, inserting amended language, and renumbering the sections of the bill to conform. All language pertaining to solar energy system income tax credits has been deleted.

State Expenditure

Since this legislation makes no substantive changes to existing programs or resources, the Department of Revenue can administer the legislative changes with existing resources. There would be no impact on the General Fund, Federal Funds, or Other Funds.

State Revenue

The following is a section-by-section description of the changes made by the amendment to the original bill.

Section 1. This section amends Section 12-6-3535 to amend language pursuant to the certified historic rehabilitation credit. The following changes are offered:

- Does not permit the certified historic rehabilitation tax credit to be claimed against insurance taxes pursuant to Title 38.
- The certified historic rehabilitation tax credit is to be taken in equal installments over three tax years instead of in equal installments over two tax years. This would spread the payback period of any tax credits over a longer time period reducing the annual effect on state General Fund revenue.
- A taxpayer that elects a twenty-five percent tax credit instead of a ten percent tax credit is limited to claim no more than \$1,000,000 for each certified historic structure.

Section 2. This section amends the definition of a state-owned abandoned building pursuant to Section 12-67-120.

- The amendment increases the aggregate square footage of a state-owned abandoned building from 40,000 square feet to 50,000 square feet from the original legislative language.

Section 3. This section amends Section 12-67-140(A) and (B) to incorporate the following changes from the original legislation.

- The abandoned building revitalization tax credit is to be taken in equal installments over three tax years instead of in equal installments over two tax years. This would spread the payback period of any tax credits over a longer time period reducing the annual effect on state General Fund revenue. Currently, taxpayers must claim this credit in equal installments over five tax years.
- An income tax limitation of \$500,000 claimed for any taxpayer in a tax year for each abandoned building site has been restored from a \$1,000,000 limitation in the original legislative language.

Section 4. This section is not amended from the original version of the bill.

- The amendment makes no changes from the original legislative language. If a taxpayer decides to elect the property tax credit option, the property value determination would be at the discretion of the county assessor. The amount of the property tax credit would be calculated once the property value is determined.

As a result, this amendment alters language in two statutes – the certified historic structure tax credit and the abandoned building revitalization tax credit. The following table summarizes the net changes affecting the tax credits regarding the changes the proposed amendment has on the original legislative language of the bill.

**Table 1. Analysis of Abandoned Building and Certified Historic Structure Tax Credits
Proposed \$60,000,000 Rehabilitation Project**

Abandoned Buildings Revitalization Tax Credit					
	Year 1	Year 2	Year 3	Year 4	Year 5
Current Law					
State (25%) 1/ Limitation 2/	\$3,000,000 \$500,000	\$3,000,000 \$500,000	\$3,000,000 \$500,000	\$3,000,000 \$500,000	\$3,000,000 \$500,000
H.3725 (amended) Proposal Limitation 2/	\$5,000,000 \$500,000	\$5,000,000 \$500,000	\$5,000,000 \$500,000	\$0	\$0
Difference	\$0	\$0	\$0		
Tax Credit for a Certified Historic Structure					
	Year 1	Year 2	Year 3	Year 4	Year 5
Current Law					
Federal (20%) 3/ State (10%) 4/ Total Tax Credits	\$2,400,000 \$1,200,000 \$3,600,000	\$2,400,000 \$1,200,000 \$3,600,000	\$2,400,000 \$1,200,000 \$3,600,000	\$2,400,000 \$1,200,000 \$3,600,000	\$2,400,000 \$1,200,000 \$3,600,000
H.3725 (amended) Proposal					
Federal (20%) 3/ State (25%) Limitation Total Tax Credits	\$2,400,000 \$5,000,000 \$1,000,000 \$3,400,000	\$2,400,000 \$5,000,000 \$1,000,000 \$3,400,000	\$2,400,000 \$5,000,000 \$1,000,000 \$3,400,000	\$2,400,000 \$0 \$2,400,000	\$2,400,000 \$0 \$2,400,000
Difference	-\$200,000	-\$200,000	-\$200,000		
TOTAL DIFFERENCE	-\$200,000	-\$200,000	-\$200,000		

Notes:

- 1/ Section 12-67-140(B)(2), (3)(a)
- 2/ Section 12-67-140(B)(3)(b)
- 3/ 26 USC Sec. 47(a)(2)
- 4/ Section 12-6-3535(A), (C)(1)

Based on the amended language in H.3725, this amended bill is expected to reduce the amount of income and insurance premium tax credits claimed against the General Fund by an estimated \$200,000 in FY2015-16, FY2016-17, and FY2017-18. Because the tax credits may be earned and subsequently claimed in the taxable year in which the applicable phase or portion of the building site is placed in service and any unused tax credits may be carried forward, it would be possible for multiple qualified sites for a specific project to be extended past the three year limitation.

Section 5. This act takes effect upon approval by the Governor.

Explanation of Bill Filed February 25, 2015

State Expenditure

Since this legislation makes no substantive changes to existing programs or resources, the Department of Revenue and the State Energy Office can administer the legislative changes with existing resources.

State Revenue

The following is a section-by-section analysis of the bill.

Section 1. This section would amend Section 12-67-120 to add the definition of a “state-owned abandoned building”. The definition consists of one or more abandoned buildings that total more than 40,000 square feet, have been abandoned for more than five years, and not less than half of the property were recently owned by the State, or an agency, instrumentality, or political subdivision of the State, prior to a taxpayer’s acquisition of the property.

Section 2. The South Carolina Abandoned Buildings Revitalization Act was enacted in Act 57 of 2013. Currently, a taxpayer may claim a nonrefundable state income tax credit equal to twenty-five percent of actual rehabilitation expenses of an abandoned building. The tax credit may be applied against income taxes, bank taxes, savings and loan taxes, corporate license fees, or a combination of them. The tax credit may also be applied against real property taxes as levied by local taxing entities. The tax credit must be taken in equal installments over a five-year period and may not exceed \$500,000 for any taxpayer in a tax year. The credit is earned in the tax year in which the applicable phase or portion of the building site is placed in service. Unused tax credits may be carried forward for five years.

This section would amend Section 12-67-140 to also allow a credit earned in connection with a state-owned abandoned building to be claimed over a two year period instead of over a five year period for other qualified abandoned buildings, while removing the annual tax limitation of \$500,000 for the rehabilitation of a state-owned abandoned building. These provisions would accelerate the use of the tax credit. This section would also allow the taxpayer to transfer all or part of any remaining tax credit to the purchaser of the portion of the building being rehabilitated or the building site.

Section 3. Currently, a taxpayer is allowed a nonrefundable state income tax credit equal to ten percent against qualifying rehabilitation expenditures of a certified historic structure if the taxpayer qualifies for the comparable federal income tax credit. If the taxpayer is not eligible for the federal income tax credit, the taxpayer is eligible to claim a nonrefundable state income tax credit equal to twenty-five percent of qualifying rehabilitation expenditures. The state credit may be taken in equal installments over a five-year period and any unused credits may be carried forward for five years.

This section amends Section 12-6-3535 to allow a taxpayer that claims a federal income tax credit for qualified rehabilitation expenditures on a certified historic structure to claim a state nonrefundable tax credit against individual and corporate income taxes. This section would also allow a taxpayer who is allowed a federal income tax credit pursuant to IRS Code Section 47 to elect a twenty-five percent tax credit instead of the current ten percent tax credit. If a taxpayer elects a twenty-five percent tax credit the total amount that may be claimed shall not exceed \$1,000,000 for each certified historic structure. This limitation does not apply to credits claimed for qualified rehabilitation expenditures related to any state-owned abandoned building. This section, however, would also amend Section 12-6-3535(C)(1) to allow a credit earned in connection with a state-owned certified historic building to be claimed over a two year period instead of over a five year period for other qualified certified historic buildings, beginning with the year in which the property is placed in service. This provision would accelerate the use of the tax credit.

The most well-known example of a state-owned abandoned building is the Babcock Building located off Bull Street in Columbia, South Carolina. Built between 1858 and 1885, it was the home of the South Carolina State Hospital. On October 30, 1981, the Babcock Building was added to the National Register of Historic Places. The property was sold for \$15,000,000 in July 2013, and the total renovation costs of the Babcock Building and the ancillary out-buildings are estimated at \$60,000,000.

As a result, the Bull Street property would be eligible for two tax credits – the abandoned buildings revitalization tax credit and the certified historic building tax credit. This bill amends language in each statute. Table 1 summarizes the net changes affecting the tax credits regarding this property under current law and the tax credits under the amended language to current law.

**Table 1. Analysis of Abandoned Building and Certified Historic Structure Tax Credits
Proposed \$60,000,000 Rehabilitation Project**

Abandoned Buildings Revitalization Tax Credit					
	Year 1	Year 2	Year 3	Year 4	Year 5
Current Law					
State (25%) 1/ Limitation 2/	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
H.3725 Proposal	\$7,500,000	\$7,500,000	\$0	\$0	\$0
Limitation	None	None			
Difference	\$7,000,000	\$7,000,000			
Tax Credit for a Certified Historic Structure					
	Year 1	Year 2	Year 3	Year 4	Year 5
Current Law					
Federal (20%) 3/ State (10%) 4/ Total Tax Credits	\$2,400,000 \$1,200,000 \$3,600,000	\$2,400,000 \$1,200,000 \$3,600,000	\$2,400,000 \$1,200,000 \$3,600,000	\$2,400,000 \$1,200,000 \$3,600,000	\$2,400,000 \$1,200,000 \$3,600,000
H.3725 Proposal					
Federal (20%) 3/ State (25%) Limitation - Non State-Owned Limitation - State-Owned Total Tax Credits	\$2,400,000 \$7,500,000 \$1,000,000 None \$9,900,000	\$2,400,000 \$7,500,000 \$1,000,000 None \$9,900,000	\$2,400,000 \$0 \$2,400,000	\$2,400,000 \$0 \$2,400,000	\$2,400,000 \$0 \$2,400,000
Difference	\$6,300,000	\$6,300,000			
TOTAL DIFFERENCE	\$13,300,000	\$13,300,000			

Notes:

- 1/ Section 12-67-140(B)(2), (3)(a)
- 2/ Section 12-67-140(B)(3)(b)
- 3/ 26 USC Sec. 47(a)(2)
- 4/ Section 12-6-3535(A), (C)(1)

In general, this bill removes the \$500,000 tax credit limitation that each taxpayer may claim each year for a state-owned abandoned building, and accelerates the time period the tax credits may be claimed from five years down to two years. This amendment would also affect the amount of tax credits for renovating a certified historic structure. Pursuant to IRS Code 47, a taxpayer may claim a twenty percent federal tax credit against qualified rehabilitation expenditures. Current state law allows the same taxpayer that is eligible for the federal tax credit to also claim a ten percent state tax credit for rehabilitating a certified historic structure. This is a combined federal-state subsidy of thirty percent of the total cost of rehabilitation expenses. This bill would allow a

state taxpayer to claim a state tax credit of twenty-five percent in lieu of the current ten percent state tax credit. This amendment would increase the combined federal-state subsidy to forty-five percent of the total cost of rehabilitation expenses, and accelerates the time period the tax credits may be claimed from five years down to two years.

Although it is difficult to predict the exact timing of the completion of each phase of the redevelopment project, it is reasonable to expect that the majority of the project would be completed in the early years of development. After combining the net effects of the state-owned abandoned building tax credit and the tax credit for rehabilitation expenses of a certified historic structure, this bill would reduce General Fund individual income tax, corporate income tax, bank tax, savings and loan tax, and corporate license fees by an estimated \$13,300,000 in FY2016-17 and by an estimated \$13,300,000 in FY2017-18.

Section 4. This section would add Section 12-67-160 to allow a taxpayer of a rehabilitated abandoned building to apply to the municipality or county in which the abandoned building is located for a certification of the abandoned building site made by ordinance or binding resolution of the governing body of the municipality or county. The taxpayer should include a copy of the certification with the first tax return in which the credit is claimed to aid in determining the credit allowed. This section is not expected to affect state General Fund revenue in FY2015-16.

Section 5. This bill adds Section 12-6-3586, which grants an income and other specified tax credits for twenty-five percent of the cost of a non-residential solar energy system that uses solar radiation as a substitute for traditional energy used for 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 related devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy. The credit applies to systems placed in service beginning after 2015 and before 2019. The credit must be taken in three equal annual installments. The credit may not exceed three hundred thirty-three thousand dollars for each solar energy system installation and the credit may not exceed one million dollars for any taxpayer. The credit allowed pursuant to this section may not exceed one-half of the taxpayer's tax liability for a taxable year. The total amount of credits allocated for all taxpayers in a taxable year may not exceed five million dollars in the aggregate. The credit is allowed on a first come first serve basis and is monitored by the State Energy Office, with assistance from the Department of Revenue. Taxpayers wishing to claim the credit must submit an application fee equal to one percent of the credit applied for, but no more than two thousand five hundred dollars. The application fee will be credited to the State Energy Office and must be used to meet the requirements of this Section.

The Department of Revenue reports that five commercial firms claimed the solar energy tax credit in 2013. Based upon our analysis of solar energy equipment tax credits for non-residential purposes over the past three years, we estimate that five commercial firms will claim the tax credit in FY 2016-17, for a total of \$5,000,000. Adjusting for the fact that the tax credit is to be taken in three equal annual installments and applying the fifty percent tax liability limitation, it is estimated that this bill would reduce General Fund income tax, bank tax, license fees, or insurance premium tax revenue by an estimated \$833,333 in FY 2016-17. Also, since the

application fee is capped at two thousand five hundred dollars, Other Funds of the State Energy Office would increase by \$12,500 in FY 2016-17.

Section 6. Additionally, this bill amends Section 12-6-3587 by adding a subsection which applies to solar energy systems placed in service after tax year 2007 and before tax year 2019. Currently, Section 12-6-3587 allows for a credit not to exceed three thousand five hundred dollars for each facility, or fifty percent of the taxpayer's liability for that taxable year, whichever is less. If the amount of the credit exceeds three thousand five hundred dollars per facility, the taxpayer may carry forward the excess for up to ten years. Based on data from the Department of Revenue, two hundred fifty-six taxpayers claimed the existing solar energy tax credit for a total of \$625,628 in 2013. Assuming this trend continues, we expect a similar number of tax credits in 2019. We estimate fifty percent of these credits, or \$312,814 may be carried forward. Therefore, we expect an increase of \$312,814 in General Fund income tax revenue in FY 2019-20.

Section 7. Unless specified otherwise, this act takes effect upon approval by the Governor and applies for tax years beginning after 2015.



Frank A. Rainwater, Executive Director



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3852 As signed by the Governor on June 11, 2015
Author: Tallon
Requestor: Senate Judiciary
Date: June 25, 2015
Subject: Escheatment to the State of Unclaimed US Savings Bonds
RFA Analyst(s): Walling, Fulmer, and Shuford

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$109,475	\$59,475
Full-Time Equivalent Position(s)	1.00	1.00
State Revenue		
General Fund	N/A	N/A
Other and Federal	\$0	Minimal
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

This bill as amended has no impact on General Fund or Federal Fund expenditures. Additional Other Fund authorization will be required for the expected non-recurring and recurring expenditures of \$109,475 in FY 2015-16. Recurring expenditures of \$59,475 are anticipated for FY 2016-17 and each year thereafter.

We estimate that no revenue from payments by the US Treasury to South Carolina’s unclaimed property account for abandoned and unclaimed US savings bonds will be collected in FY 2015-16. Any payments in future years will increase Other Fund unclaimed property revenue by a minimal amount.

Explanation of Fiscal Impact

Explanation of Amendment (May 12, 2015) – By the House of Representatives

State Expenditure

This bill adds Section 27-18-75 to address procedures for abandoned and unclaimed US savings bonds registered to a person with a last known address in South Carolina to become property of the State. The abandoned and unclaimed bonds become property of the State five years after the maturity date, and the bonds no longer collect interest. The State Treasurer’s Office may be reimbursed for the expenditures required by this section. Additionally, the bill adds Section 27-18-76 to provide procedures related to a person making a claim for a US savings bond that has previously escheated to the State.

The State Treasurer's Office indicates they will need \$109,475 in additional Other Fund authorization in FY 2015-16 for non-recurring expenses of \$50,000 and recurring expenses of \$59,475. The non-recurring authorization is due to the expense of initiating an action to obtain custody of savings bonds in possession of the US Treasury. The recurring authorization for the ongoing administration of the program is due to the additional expense of \$51,475 for the salary and fringe of one additional FTE and \$8,000 in administrative operating costs.

State Revenue

This bill allows the State Treasurer's Office to commence civil actions in the court of common pleas in Richland County for a determination that abandoned and unclaimed US savings bonds shall escheat to the State. All property rights to the bonds upon this determination will vest solely with the State. Current US Department of the Treasury policy is that they will recognize claims where the States have legal ownership of the bonds pursuant to escheat proceedings. South Carolina, under current unclaimed property statutes, is considered more of a custodian of the abandoned securities, not the owner.

In other words, passage of this bill may allow the US Treasury to pay claims for payment of abandoned and unclaimed US saving bonds that escheat to South Carolina. The US Treasury's Bureau of Fiscal Services reports there are over \$16 billion matured and unredeemed savings bonds nationwide. Based on population, about \$240 million in bonds may belong to people with a last known address in South Carolina.

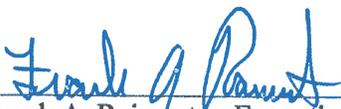
However, Kansas is currently the only state that has received payment from the US Treasury for claims for payment of abandoned and unclaimed US savings bonds, and the \$861,000 payment in 2014 was the result of a fourteen year lawsuit. The US Treasury is appealing this award. Based on the US Department of the Treasury's unwillingness to recognize state claims for the abandoned and unclaimed US savings bonds, we estimate that no revenue will be collected in FY 2015-16. Any payments in future years will increase Other Fund unclaimed property revenue by a minimal amount.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

**FY2015-16 Supplemental Appropriations Act
Sections Affecting State Revenue Collections**

The following sections contained in H.B.4230 were ratified in the FY2015-16 Supplemental Appropriations Act. The listing contains the section, the estimated revenue impact on General Fund revenue in FY2015-16, and the text of the section.

AN ACT TO MAKE SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 2015-2016, AND TO PROVIDE FOR OTHER RELATED MATTERS.

H.B.4230, Section 7. (Transfer of General Fund non-tax revenue to South Carolina Transportation Infrastructure Bank)

Revenue Impact: (\$50,000,000) in FY2015-16

SECTION 7. The State Treasurer shall transfer \$50,000,000 from general fund non-tax sources to the South Carolina Transportation Infrastructure Bank to be utilized solely to leverage bonds to finance bridge replacement, resurfacing, and rehabilitation projects, and expansion and improvements to existing mainline interstates. The Department of Transportation shall develop and submit a list of bridge and road projects to the bank for its consideration. Transferred funds may not be used for projects approved by the bank prior to July 1, 2015. The bank shall submit all projects proposed to be financed through this provision to the Joint Bond Review Committee for approval prior to financing any proposed project.

H.B.4230, Section 9. (Nonrefundable income tax credit for exceptional needs children)

Revenue Impact: (\$4,000,000) in FY2015-16 (The income tax credit allocation limit was increased from \$8,000,000 in FY2014-15 to \$12,000,000 in FY2015-16)

SECTION 9. (A) As used in this proviso:

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

- (a) offers a general education to primary or secondary school students;
- (b) does not discriminate on the basis of race, color, or national origin;

(c) is located in this State;

(d) has an educational curriculum that includes courses set forth in the state's diploma requirements and where the students attending are administered national achievement or state standardized tests, or both, at progressive grade levels to determine student progress;

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

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

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

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

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

(b) the child's parents or legal guardian believes that the services provided by the school district of legal residence do not sufficiently meet the needs of the child.

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

(4) "Nonprofit scholarship funding organization" means a charitable organization that:

(a) is exempt from federal tax pursuant to Section 501(a) of the Internal Revenue Code by being listed as an exempt organization in Section 501(c)(3) of the code;

(b) allocates, after its first year of operation, at least ninety-seven percent of its annual contributions and gross revenue received during a particular year to provide grants for tuition to children enrolled in an eligible school meeting the criteria of this proviso, and incurs administrative expenses annually, after its first year of operation, of not more

than three percent nor more than \$200,000 in the aggregate, whichever is less, of its annual contributions and revenue for a particular year to cover operational costs;

- (c) allocates all of its funds used for grants on an annual basis to children who are exceptional needs students;
 - (d) does not provide grants solely for the benefit of one school, and if the department determines that the nonprofit scholarship funding organization is providing grants to one particular school, the tax credit allowed by this proviso may be disallowed;
 - (e) does not have as a volunteer, contractor, consultant, fundraiser or member of its governing board any parent, legal guardian, or member of their immediate family who has a child or ward who is currently receiving or has received a scholarship grant authorized by this proviso from the organization within one year of the date the parent, legal guardian, or member of their immediate family became a board member;
 - (f) does not have as a member of its governing board or an employee, volunteer, contractor, consultant, or fundraiser who has been convicted of a felony;
 - (g) does not release personally identifiable information pertaining to students or donors or use information collected about donors, students or schools for financial gain; and
 - (h) must not place conditions on schools enrolling students receiving scholarships to limit the ability of the schools to enroll students accepting grants from other nonprofit scholarship funding organizations.
- (5) "Parent" means the natural or adoptive parent or legal guardian of a child.
 - (6) "Person" means an individual, partnership, corporation, or other similar entity.
 - (7) "Qualifying student" means a student who is an exceptional needs child, a South Carolina resident, and who is eligible to be enrolled in a South Carolina secondary or elementary public school at the kindergarten or later year level for the applicable school year.
 - (8) "Resident public school district" means the public school district in which a student resides.
 - (9) "Transportation" means transportation to and from school only.
 - (10) "Tuition" means the total amount of money charged for the cost of a qualifying student to attend an independent school including, but not limited to, fees for attending the school, textbook fees, and school-related transportation.
 - (11) "Department" means the Department of Revenue.

(B)(1) A person is entitled to a tax credit against income taxes imposed pursuant to Chapter 6, Title 12, or bank taxes imposed pursuant to Chapter 11, Title 12 for the amount of cash and the monetary value of any publicly traded securities the person contributes to a nonprofit scholarship funding organization up to the limits of this proviso if:

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

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

(2) An individual is entitled to a refundable tax credit against income taxes imposed pursuant to Chapter 6, Title 12, or bank taxes imposed pursuant to Chapter 11, Title 12 for the amount of cash and the monetary value of any publicly traded securities, not exceeding ten thousand dollars per child, the individual contributes as tuition for exceptional needs children within their custody or care and enrolled in eligible schools who qualify for these grants under the provisions of this proviso. The cumulative maximum total for credits authorized by this subitem may not exceed four million dollars. However, if a child within the care and custody of an individual receives a tuition scholarship from a nonprofit scholarship funding organization, then the individual only may claim a credit equal to the difference of ten thousand dollars or the cost of tuition, whichever is lower, and the amount of the scholarship.

(C) Grants may be awarded by a scholarship funding organization in an amount not exceeding ten thousand dollars or the total cost of tuition, whichever is less, for qualifying students with exceptional needs to attend an independent school. Before awarding any grant, a scholarship funding organization must receive written documentation from the parent documenting that the qualifying student is an exceptional needs child. Upon approving the application, the scholarship funding organization must issue a check to the eligible school in the name of the qualifying student. In the event that the qualifying student leaves or withdraws from the school for any reason before the end of the semester or school year and does not reenroll within thirty days, then the eligible school must return a prorated amount of the grant to the scholarship funding organization based on the number of days the qualifying student was enrolled in the school during the semester or school year within sixty days of the qualifying student's departure.

(D)(1)(a) The tax credits authorized by subsection (B) may not exceed cumulatively a total of twelve million dollars for contributions made on behalf of exceptional needs students. If the department determines that the total of such credits claimed by all taxpayers exceeds either limit amount, it shall allow credits only up to those amounts on a first come, first served basis.

(b) The department shall establish an application process to determine the amount of credit available to be claimed. The receipt of the application by the department shall determine priority for the credit. Subject to the provisions of item (5), contributions must be made on or before June 30, 2016, in order to claim the credit. The credit must be claimed on the return for the tax year that the contribution is made.

(2) A taxpayer may not claim more than sixty percent of their total tax liability for the year in contribution toward the tax credit authorized by subsection (B)(1). This credit is not refundable.

(3) If a taxpayer deducts the amount of the contribution on the taxpayer's federal return and claims the credit allowed by this proviso, then the taxpayer must add back the amount of the deduction for purposes of South Carolina income taxes.

(4) The department shall prescribe the form and manner of proof required to obtain the credit authorized by subsection (B). Also, the department shall develop a method of informing taxpayers if the credit limit is met at any time during Fiscal Year 2015-2016.

(5) A person only may claim a credit pursuant to subsection (B) for contributions made between July 1, 2015, and June 30, 2016.

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

(F) Except as otherwise provided, neither the Department of Education, the Department of Revenue, nor any other state agency may regulate the educational program of an independent school that accepts students receiving scholarship grants pursuant to this proviso.

(G)(1) By August 1, 2015, each independent school must apply to the Education Oversight Committee to be considered an eligible institution for which it may receive contributions from a nonprofit scholarship funding organization for which the tax credit allowed by this proviso is allowed. The Education Oversight Committee, as established in Chapter 6, Title 59, is responsible for determining if an eligible school meets the criteria established by subsection (A)(1), and shall publish an approved list of such schools meeting the criteria. If an independent school does not apply to be an eligible school, the independent school may not be published as an approved school, and contributions to that school shall not be allowed for purposes of the credit allowed by this proviso. The Education Oversight Committee must publish the approved list of schools on its website by September first of each year, and the list must include their names, addresses, telephone numbers, and, if available, website addresses. Also, the score reports and audits received by the Education Oversight Committee pursuant to items (2)(b) and (c) must be published with the list. The Education Oversight Committee shall summarize or redact the score reports if necessary to prevent the disclosure of personally identifiable information. For this purpose, it also shall promulgate regulations

further enumerating the specifics of this criteria. In performing this function, the Education Oversight Committee shall establish an advisory committee made up of not more than nine members, including parents, and representatives of independent schools and independent school associations. The advisory committee shall provide recommendations to the Education Oversight Committee on the content of these regulations and any other matters requested by the Education Oversight Committee.

(2) An independent school's application for consideration as an eligible institution must contain:

(a) the number and total amount of grants received from each nonprofit scholarship funding organization in the preceding fiscal year;

(b) student test scores, by category, on national achievement or state standardized tests, or both, for all grades tested and administered by the school receiving or entitled to receive scholarship grants pursuant to this proviso in the previous fiscal year;

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

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

(3) Any independent school not determined to be an eligible school pursuant to the provisions of this proviso may seek review by filing a request for a contested case hearing with the Administrative Law Court in accordance with the court's rules of procedure.

(4) The Education Oversight Committee, after consultation with its nine-member advisory committee, may exempt an independent school having students with exceptional needs who receive scholarship grants pursuant to this proviso from the curriculum requirements of subsection (A)(1)(d).

(H)(1) By August first of each year, each nonprofit scholarship funding organization must apply to the department to be considered an eligible organization for which its contributors are allowed the tax credit allowed by this proviso. If a nonprofit scholarship funding organization does not apply, the organization may not be published as an approved organization, and contributions to that organization shall not be allowed for purposes of the credit allowed by this proviso. A nonprofit scholarship funding organization's application must contain:

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

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

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

(d) a copy of the organization's Form 990 or other comparable federal submission that indicates the provisions of the Internal Revenue Code under which the organization has been granted exempt status for purposes of federal taxation;

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

(f) the criteria and eligibility requirements for scholarship awards; and

(g) a certification by the organization that it meets the definition of a nonprofit scholarship funding organization as that term is defined in subsection (A)(4) and that the report is true, accurate, and complete under penalty of perjury in accordance with Section [16-9-10](#).

(2) By receiving the application materials and approving the organization as an eligible organization pursuant to item (1), the department is not determining that the organization meets all of the requirements of a qualified nonprofit scholarship funding organization and the organization remains subject to examination as provided for pursuant to subsection (1).

(3) The department has authority to disclose the names of qualifying nonprofit scholarship funding organizations to the Education Oversight Committee. The department also may disclose to the Education Oversight Committee the names of organizations that applied but were not qualified by the department and those organizations whose eligibility has been revoked in accordance with subsection (1)(2), as well as the reason the application of the organization was not accepted or the reason its qualification was revoked.

(4) By September first of each year, the Education Oversight Committee must publish on its website a list of all qualifying nonprofit scholarship funding organizations, provided by the department, to include their names, addresses, telephone numbers, and, if available, website addresses. Also, the results of the audit required by item (1)(e) must be published with the list.

(1)(1) The department has authority to oversee, audit, and examine the nonprofit scholarship funding organizations, including determining whether the nonprofit scholarship funding organization is being operated in a manner consistent with the requirements for an IRC Section 501(c)(3) organization or is in compliance with any other provision of this proviso.

(2)(a) If at any time during the year, the department has evidence, through audit or otherwise, that a nonprofit scholarship funding organization is not being operated in a manner consistent with the requirements for operating an IRC Section 501(c)(3) organization or is not in compliance with any other provision of this proviso, the department immediately may revoke the organization's participation in the program and must notify the organization and the Education Oversight Committee in writing of the revocation.

(b) Notice of Revocation may be provided to the organization by personal delivery to the organization, by first class mail to the last known address of the organization, or by other means reasonably designed to provide notice to the organization.

(c) Any donations made following the date the notice of revocation is received by the organization or in the case of delivery by mail ten days after the notice of revocation was mailed, will not qualify for the credit and the donated funds must be returned to the donor by the organization. This proviso shall not limit the department's authority to deny any tax credit or other benefit provided by this proviso if the circumstances warrant.

(d)(i) Within thirty days after the day on which the organization is notified of the revocation, the organization may request a contested hearing before the Administrative Law Court. Within thirty days after a request for a contested case hearing is received by the Administrative Law Court, an administrative law judge shall hold the contested case hearing and determine whether the revocation was reasonable under the circumstances. The department has the burden of proof of showing that the revocation was reasonable under the circumstances. The revocation is "reasonable" if the department has some credible evidence to believe that the organization is not being operated in a manner consistent with the requirements for operating an IRC Section 501(c)(3) organization or is not in compliance with any other provision of this proviso. The decision made by the administrative law judge is final and conclusive and may not be reviewed by any court. If the organization does not request a contested case hearing within thirty days of the immediate revocation, the revocation shall become permanent.

(ii) If the administrative law judge determines that the revocation was reasonable, the administrative law judge shall remand the case to the department to issue a department determination for permanent revocation within the time period determined by the judge. The organization may appeal this department determination in accordance with Section [12-60-460](#). At the contested case hearing on the department determination, the parties can raise new issues and arguments in addition to those issues and arguments previously presented at the revocation hearing.

(iii) If the administrative law judge determines that immediate revocation is not reasonable, the revocation shall be lifted and the organization may resume accepting donations and award scholarships hereunder. The department may still issue a department determination in accordance with Section [12-60-450\(E\)\(2\)](#).

(iv) If at any time during the process, the department believes the organization is in compliance, the department, in its sole discretion, may reinstate the organization and notify the Education Oversight Committee.

(v) Following the permanent revocation of a nonprofit scholarship funding organization, the Education Oversight Committee has the authority to oversee the transfer of donated funds of the revoked organization to other nonprofit scholarship funding organizations.

(J) A nonprofit scholarship funding organization may transfer funds to another nonprofit scholarship funding organization, especially in the event that the organization cannot distribute the funds in a timely manner or if the organization ceases to exist. None of the funds that are transferred by one nonprofit scholarship funding organization to another may be considered by the former organization when calculating its administrative expenses.

