



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 4077 Signed by Governor on May 18, 2018
Author: G.R. Smith
Subject: Income Tax Credit
Requestor: House of Representatives
RFA Analyst(s): Shuford
Impact Date: June 19, 2018

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds of the Department of Revenue and the Education Oversight Committee from the continuation and expansion of oversight and administrative responsibilities and related tax credits for the Educational Credit for Exceptional Needs Children’s Fund.

The codification of the two exceptional needs child tax credits will have no additional General Fund revenue impact on individual and corporate income and bank tax revenue since the revenue impact of this bill is reflected in the Board of Economic Advisors forecast for FY 2018-19 and as a reduction in the revenue available for expenditure in the FY 2018-19 Annual Appropriations Act.

Explanation of Fiscal Impact

Signed by Governor on May 18, 2018

State Expenditure

This bill codifies existing oversight and administrative responsibilities for the Educational Credit for Exceptional Needs Children’s Fund contained in a budget provision and further expands these responsibilities.

Department of Revenue. This bill requires the Department of Revenue (DOR) to continue to administer the two exceptional needs child tax credits. DOR shall also provide administrative duties for the public charity including the keeping of records, management of accounts, and disbursement of the grants. The department indicates that continuing their administrative

responsibilities for the public charity and the related tax credits will have no expenditure impact on the General Fund, Federal Funds, or Other Funds of the department.

Education Oversight Committee. The Education Oversight Committee (EOC) is required to determine the eligibility of an independent school to receive grants from the nonprofit public charity that awards scholarships to exceptional needs children. Additionally, the EOC is required to issue an annual report to the General Assembly documenting the impact of the Educational Credit for Exceptional Needs Children's Fund on student achievement. The committee indicates that compiling this report will require additional expenditures to hire a vendor to provide a secure data portal to allow the private schools to submit student test scores and other information. While the amount of the vendor contract has not been finalized, the EOC indicates that the additional expenditures can be managed within existing appropriations and allocations. Therefore, the bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds of the EOC.

State Revenue

This bill codifies the two existing exceptional needs child tax credits, which have been included in the annual appropriations act or similar bills since FY 2013-14. The first tax credit applies to individual and corporate income and bank taxes for contributions to the Educational Credit for Exceptional Needs Children's Fund. This credit is limited to 60 percent of the taxpayer's total tax liability for that year and is not refundable. Annually, this credit may not exceed a total of \$12,000,000.

The second tax credit applies to individual and corporate income tax for tuition payments for exceptional needs children within the taxpayer's custody or care. This tax credit is limited to a maximum of \$11,000 for each child and is refundable to the taxpayer. The total amount of the credit may not exceed a total of \$2,000,000 annually.

We estimate that these two tax credits will reduce General Fund individual and corporate income and bank taxes by the combined \$14,000,000 limit in FY 2018-19 since the amount of tax credits claimed in previous years reached the maximum limits set by the proviso. In April 2018 when the Board of Economic Advisors (BEA) set the final forecast for FY 2018-19, the forecast included \$13,000,000 for the revenue impact of these existing tax credits since they have been part of the income tax base since FY 2013-14.

Additionally, Proviso 109.10 of the FY 2018-19 Appropriations Act increases the tax credit for contributions to the Educational Credit for Exceptional Needs Children's Fund by \$1,000,000 for a total of \$12,000,000. The additional \$1,000,000 in allowable tax credits is reflected in a corresponding reduction in the General Fund individual income tax revenue available for expenditure in the House of Representatives and Senate versions of the FY 2018-19 Appropriations Act. Since the revenue impact of this bill is reflected in the BEA forecast base and as a reduction in the revenue available for expenditure in the FY 2018-19 Annual Appropriations Act, we expect that this bill will have no additional revenue impact on the General Fund, Other Funds, or Federal Funds.

Local Expenditure

N/A

Local Revenue

N/A

A handwritten signature in blue ink, reading "Frank A. Rainwater". The signature is stylized with a large initial 'F' and a long, sweeping underline.

Frank A. Rainwater, Executive Director