



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** S. 0440 Signed by Governor on May 16, 2019  
**Author:** Talley  
**Subject:** SC Textiles Communities Revitalization Act  
**Requestor:** Senate  
**RFA Analyst(s):** R. Martin  
**Impact Date:** June 18, 2019

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### **Fiscal Impact Summary**

This bill is not expected to affect state General Fund revenue, Other Funds revenue, or Federal Funds in FY2019-20 or any fiscal year thereafter.

### **Explanation of Fiscal Impact**

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

##### **State Expenditure**

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

##### **State Revenue**

The Textile Communities Revitalization Act was first enacted in 2005. Currently, pursuant to Section 12-65-30, a taxpayer is allowed a tax credit against income taxes, corporate license tax, or insurance premium taxes, or any combination of them, or a property tax credit for the renovation, improvement, and redevelopment of abandoned textile mills in South Carolina. The income, license, and/or premium tax credit is equal to 25 percent of the qualified rehabilitation expenses. The credit is claimed in equal installments over a 5 year period beginning with the year the property is placed in service. Any unused credit may be carried forward for 5 years. The tax credit is limited in use to 50 percent of a taxpayer's income tax liability, 50 percent of a taxpayer's corporate license fees, and/or 50 percent of a taxpayer's insurance premium license taxes in a taxable year. A taxpayer may claim this credit in addition to the credit for rehabilitation of a certified historic structure allowed pursuant to Section 12-6-3535. The real property tax credit is equal to 25 percent of the qualified rehabilitation expenses made to the eligible site up to 75 percent of the real property taxes due on the site each year. The municipality or the county must determine the eligibility of the site and the proposed project. The ordinance shall allow the property tax credit to be taken against up to 75 percent of the real property taxes due on the site each year not to exceed 8 years. The credit vests in the taxpayer in the year in which the eligible site is placed in service. The credit may be carried forward up to 8 years. According to the latest data from the Department of Revenue, 676 taxpayers have claimed a total of \$28,045,882 of nonrefundable tax credits since passage of the Textiles Communities Revitalization Act in 2005.

**Section 1.** During the 2018 legislative session, the Textile Communities Revitalization Act was amended to redefine the definition of a qualified textile mill site and the definition of qualified textile mill rehabilitation expenses. Pursuant to Act 265 of 2018, only those qualified textile mill sites would allow an eligible taxpayer to claim a nonrefundable tax credit for the renovation, improvement, and redevelopment of abandoned textile mills in South Carolina.

This section further defines a qualified “textile mill site” to include “ancillary uses”. The definition of a qualified textile mill site is defined as the textile mill together with the land and other improvements on it which were used directly for textile manufacturing operations “or ancillary uses”. This section reinstates existing statutory language in Section 12-65-20. Since this section does not change any additional taxes or fees, this section is not expected to affect state General Fund revenue, Other Funds revenue, or Federal Funds in FY2019-20 or any fiscal year thereafter.

This bill restructures the enumerated sections of Section 12-65-20(4) and Section 12-65-20(8) by making technical corrections to existing statutory law. The changes do not affect state General Fund revenue, Other Funds revenue, or Federal Fund revenue. This bill amends existing language contained in Section 12-65-20(4) by dividing it into subitem (a) and subitem (b).

This bill also amends Section 12-65-20(8) by dividing it into subitem (a) and subitem (b). This bill removes language from subitem (a) and rewrites and adds the language to a newly created subitem (b) for clarification. Subitem (b) is amended to include,

“Notwithstanding subitem (a), for the purpose of calculating the credit with regard to new or rehabilitated buildings on ‘contiguous parcels’ pursuant to item (4)(b), ‘rehabilitation expenses’ do not include expenses that increase the amount of square footage of the buildings that existed on that contiguous parcel immediately preceding the time at which the textile mill became abandoned by more than two hundred percent.”

This amended language reinforces the limitation that there is a cap on the amount of square footage that would be included in calculating the abandoned textile mill revitalization tax credit. The amendment does allow a qualified site to be at least 200 percent larger than the original footprint of the abandoned textile mill, but no more than 200 percent. The revenue impact from this change enacted last year was incorporated into the Board of Economic Advisors’ General Fund revenue forecast made on February 14, 2019. Since this bill does not change any additional taxes or fees, this bill is not expected to affect state General Fund revenue, Other Funds revenue, or Federal Funds in FY2019-20 or any fiscal year thereafter.

**Section 2.** This section extends the placed in service date for rehabilitated abandoned buildings meeting specific requirements. If a taxpayer files a notice of intent to rehabilitate and has been rehabilitating an abandoned building continuously for the preceding year and is more than 60 percent complete, then the taxpayer must be allowed to extend the placed in service date until 90 days after completion of construction, provided construction continues diligently until that date. The taxpayer may not earn a tax credit until the applicable phase or portion of the building site is placed in service.

Also, pursuant to Section 1 in Act 265 of 2018, the provisions of Chapter 67, Title 12 (Abandoned Buildings Revitalization Act) are repealed on December 31, 2021. Any carryforward credits shall continue to be allowed until the 5 or 8 year time period in Section 12-67-140 is completed. This section will not affect state General Fund revenue, Other Funds revenue, or Federal Funds in FY2019-20 or any fiscal year thereafter.

**Section 3.** This act takes effect upon approval by the Governor and first applies to tax years beginning after 2017.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director