



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** S. 520 Introduced on February 14, 2019  
**Author:** Goldfinch  
**Subject:** Livable Homes Tax Credit Act  
**Requestor:** Senate Finance  
**RFA Analyst(s):** Jolliff  
**Impact Date:** March 4, 2020

**Fiscal Impact Summary**

This bill is not expected to impact expenditures for the Department of Revenue (DOR). Updates to forms and instructions for taxpayers to claim the tax credit will be performed during the annual update to tax credits and forms.

The bill will decrease General Fund individual income tax revenue as follows through FY 2024-25. In subsequent years, the impact will be the annual additional decrease of \$88,067 through FY 2028-29, at which point the impact will be fully implemented in the revenue stream.

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2028-29
<b>Total General Fund Impact by Fiscal Year</b>	<b>(\$489,402)</b>	<b>(\$624,074)</b>	<b>(\$715,058)</b>	<b>(\$785,254)</b>	<b>(\$873,321)</b>	<b>(\$1,225,589)</b>
<b>Annual Additional Impact</b>	<b>\$0</b>	<b>(\$134,672)</b>	<b>(\$90,984)</b>	<b>(\$70,196)</b>	<b>(\$88,067)</b>	<b>(\$88,067)</b>

**Explanation of Fiscal Impact**

**Introduced on February 14, 2019**

**State Expenditure**

This bill establishes a new tax credit under the “Livable Homes Tax Credit Act.” DOR will be required to develop forms and instructions for taxpayers to claim the tax credit. This action will be performed during the annual update to tax credits and forms. Therefore, we anticipate that DOR will be able to accomplish this requirement within existing appropriations, and that the bill will have no expenditure impact.

**State Revenue**

This bill establishes a new individual income tax credit under the “Livable Homes Tax Credit Act” for an individual who purchases a new residence or retrofits an existing residence to improve accessibility or provide universal visitability. In both instances, the tax credit is \$10,000 and may not exceed the taxpayer’s individual income tax liability for the tax year. The credit may be carried forward for ten years from the year in which it is earned. The tax credit is nonrefundable based upon S.C. Code of Laws §12-6-3310, which specifies that all credits are nonrefundable unless otherwise provided. The bill also specifies that DOR may not issue more than one tax credit for the same retrofitting, renovation, or construction project.

The bill provides that a new residence must meet one of the following categories to qualify for the credit:

1. Universal visitability with at least one zero-step entrance allowing access into the residence; an accessible bathroom on the same floor as the zero-step entrance; doors with at least thirty-two inches of clear width; and hallways or passages of at least thirty-six inches of clear width to the accessible bathroom and eating area;
2. An accessible route to at least one zero-step entrance allowing access into the residence with at least two of the following features:
  - a. accessible light switches, electrical outlets, and environmental controls;
  - b. an accessible bathroom on the main floor; or
  - c. accessible and useable kitchen facilities; or
3. Homes that carry the Certified Universal Living home certification, or any other third-party verified certification that includes all items listed in items (1) and (2). Proof of certification must be provided by the homeowner to DOR.

Eligible costs for retrofitting an existing residential unit may include modifications that become a permanent part of the structure and provide:

1. accessible route to a zero-step entrance into the residence;
2. zero-step entrance into the residence;
3. doors with at least thirty-two inches of clear width;
4. hallways and passages with at least thirty-six inches of clear width;
5. accessible light switches, electrical outlets, and environmental controls;
6. accessible bathroom;
7. accessible and useable kitchen facilities;
8. chair lifts;
9. sensory modifications; and
10. elevators.

Currently the State of Virginia provides a livable home tax credit for a taxpayer who constructs or retrofits a house to improve accessibility or visitability with similar requirements to the proposed South Carolina credit. Virginia's credit may not exceed \$5,000 for the purchase or construction of a new residence or 50 percent of the total amount expended up to \$5,000 for retrofitting or renovating a residence, structure, or unit. Further, Virginia also limits the total credits to \$1,000,000 for all applicants in a tax year. If total applications exceed \$1,000,000, then taxpayers are allotted a pro-rated tax credit amount by the Virginia Department of Housing and Community Development (VDHCD), which oversees the credit. Data reported by VDHCD indicate that the credit requests have reached \$1,000,000 in almost every year since 2011.

**State of Virginia Livable Home Tax Credit**

<b>Tax Year</b>	<b>Applications</b>	<b>Amount*</b>	<b>Average Amount Per Return</b>	<b>Virginia Population 65 and Over</b>	<b>Percent of 65 and Over Population Claiming Credit</b>
2011	233	\$ 1,000,000	\$4,292	1,010,653	0.023%
2012	232	\$ 1,000,000	\$4,310	1,062,090	0.022%
2013	257	\$ 1,000,000	\$3,891	1,105,437	0.023%
2014	275	\$ 1,000,000	\$3,636	1,147,985	0.024%
2015	280	\$ 998,674	\$3,567	1,188,929	0.024%
2016	272	\$ 1,000,000	\$3,676	1,230,472	0.022%
2017	252	\$ 1,000,000	\$3,968	1,272,166	0.020%
<b>Average</b>	<b>257</b>	<b>\$ 999,811</b>	<b>\$3,886</b>		<b>0.023%</b>

Data Source: Virginia Department of Housing and Community Development; U.S. Census Bureau Population Estimates

*\*Virginia caps total credits at \$1,000,000 per year*

Based upon the experience in Virginia, we estimate the number of tax credits for South Carolina in the table below. The credit may be claimed for purchases or retrofits made after July 1, 2019. Therefore, we anticipate that in the first year of claims, tax year 2020, taxpayers will claim credits for six months of 2019 and all of 2020, totaling 325 tax credits. In future years, the number of tax credits is expected to be approximately 219 per year.

**Estimated Claims for South Carolina Livable Homes Tax Credit**

	<b>Estimated Percentage of 65+ Population Claiming Credit</b>	<b>Projected S.C. Population 65 and Over</b>	<b>Estimated Number of Credits</b>
2019 e*	0.023%	938,170	106*
2020 e	0.023%	973,690	219
<b>Total</b>			<b>325</b>

*\*Credit applies to purchases or retrofits made after July 1, 2019. 2019 estimate reflects six months of 2019.*

Qualifying expenditures for the Virginia tax credit are similar to those of the proposed South Carolina tax credit. New structures must include three features of universal visitability or include at least three accessibility features. Retrofitting an existing residential unit must include at least one accessibility feature that must be a permanent part of the structure, the list of which includes the same features that would qualify for the South Carolina credit. The South Carolina credit, however, is for up to \$10,000 and is not limited in the aggregate.

The amount of the proposed credit for purchasing a home is based upon the value added by the design, up to \$10,000. Quantifying this increase may be difficult for taxpayers and we have assumed that taxpayers may claim the full \$10,000, pending further guidance.

For retrofitting a residence, the credit is for the cost incurred by the taxpayer up to \$10,000. Visitability.org reports that the cost to retrofit a house to add a zero-step entrance averages \$3,300, and the average cost of widening one interior door is \$700. RetirementLiving.com reports estimated costs for a number of remodeling projects designed to improve accessibility. For example, installing a walk-in tub or shower can average \$5,000, adding a ramp at entrance averages \$1,113, installing an elevator averages \$50,000, and remodeling a bathroom is estimated to average \$14,000. Given these potential costs, we have estimated the potential credit impact based upon the experience in Virginia but have assumed a \$10,000 credit claim per tax return.

Taxpayers may not have sufficient tax liability to claim the full credit amount in the year earned. Since the credit may be carried forward for ten years, we would anticipate that part of the impact may be delayed to later fiscal years. Based upon the distribution of tax liability after credits, we have projected the potential impact by range of tax liability. Detailed calculations are included in Figure 1 attached. In summary, we estimate that this bill will decrease General Fund individual income tax revenue as follows through FY 2024-25. In subsequent years, the impact will be the annual additional decrease of \$88,067 through FY 2028-29, at which time the revenue impact will be fully implemented.

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2028-29
<b>General Fund Impact</b>	<b>(\$489,402)</b>	<b>(\$624,074)</b>	<b>(\$715,058)</b>	<b>(\$785,254)</b>	<b>(\$873,321)</b>	<b>(\$1,225,589)</b>
<b>Annual Additional Impact</b>	<b>(\$0)</b>	<b>(\$134,672)</b>	<b>(\$90,984)</b>	<b>(\$70,196)</b>	<b>(\$88,067)</b>	<b>(\$88,067)</b>

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Figure 1. Estimated Fiscal Year Impact for South Carolina Livable Homes Tax Credit through FY 2025-26**

Tax Liability Range	Percent of Returns	Credits Earned	Average Liability	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<b>Tax Year 2020 Credit Estimates</b>				<b>Carryforward Estimates</b>					
\$0	44%	142	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$1-\$3,000	38%	125	\$1,048	\$131,052	\$131,052	\$131,052	\$131,052	\$131,052	\$131,052
\$3,001-\$5,000	8%	25	\$3,883	\$97,076	\$97,076	\$55,849	\$0	\$0	\$0
\$5,001-\$10,000	7%	22	\$6,876	\$151,274	\$68,726	\$0	\$0	\$0	\$0
\$10,000 +	3%	11	\$21,979	\$110,000	\$0	\$0	\$0	\$0	\$0
<b>TY 2020*</b>	<b>100%</b>	<b>325</b>		<b>\$489,402</b>	<b>\$296,854</b>	<b>\$186,901</b>	<b>\$131,052</b>	<b>\$131,052</b>	<b>\$131,052</b>
<b>Tax Year 2021 Credit Estimates</b>				<b>Carryforward Estimates</b>					
\$0	44%	96	\$0		\$0	\$0	\$0	\$0	\$0
\$1-\$3,000	38%	84	\$1,048		\$88,067	\$88,067	\$88,067	\$88,067	\$88,067
\$3,001-\$5,000	8%	17	\$3,883		\$66,012	\$66,012	\$37,977	\$0	\$0
\$5,001-\$10,000	7%	15	\$6,876		\$103,142	\$46,858	\$0	\$0	\$0
\$10,000 +	3%	7	\$21,979		\$70,000	\$0	\$0	\$0	\$0
<b>TY 2021</b>	<b>100%</b>	<b>219</b>			<b>\$327,220</b>	<b>\$200,937</b>	<b>\$126,044</b>	<b>\$88,067</b>	<b>\$88,067</b>
<b>TY 2022</b>		<b>219</b>				<b>\$327,220</b>	<b>\$200,937</b>	<b>\$126,044</b>	<b>\$88,067</b>
<b>TY 2023</b>		<b>219</b>					<b>\$327,220</b>	<b>\$200,937</b>	<b>\$126,044</b>
<b>TY 2024</b>		<b>219</b>						<b>\$327,220</b>	<b>\$200,937</b>
<b>TY 2025</b>		<b>219</b>							<b>\$327,220</b>
<b>Total Impact by Fiscal Year</b>				<b>(\$489,402)</b>	<b>(\$624,074)</b>	<b>(\$715,058)</b>	<b>(\$785,254)</b>	<b>(\$873,321)</b>	<b>(\$961,388)</b>
<b>Annual Additional Impact</b>				<b>\$0</b>	<b>(\$134,672)</b>	<b>(\$90,984)</b>	<b>(\$70,196)</b>	<b>(\$88,067)</b>	<b>(\$88,067)</b>

Source: Distribution of income tax liability by range estimated by RFA based upon tax year 2018 Department of Revenue individual income tax returns.

\*TY 2020 credits include expenses from July 1, 2019 to December 31, 2020.



Frank A. Rainwater, Executive Director