



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** S.1019 Introduced on February 15, 2018  
**Author:** Reese  
**Subject:** Tax credit  
**Requestor:** Senate Finance  
**RFA Analyst(s):** R. Martin  
**Impact Date:** February 24, 2018

**Estimate of Fiscal Impact**

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

**Fiscal Impact Summary**

This bill would not affect state General Fund revenue in FY2018-19, or any fiscal year thereafter. This bill would also not affect Federal Funds or Other Fund revenue in FY2018-19.

**Explanation of Fiscal Impact**

**Introduced on February 15, 2018**

**State Expenditure**

The Department of Revenue has indicated that this bill would have no expenditure impact on the General Fund, Federal Funds, and Other Funds.

**State Revenue**

This bill amends the manner in which income tax credits may transfer from one taxpayer to another taxpayer for qualified investments in the revitalization of an abandoned building and for making qualified rehabilitation expenditures in a certified historic structure.

**Section 1.** The South Carolina Abandoned Buildings Revitalization Act was enacted in Act 57 of 2013 and has been amended since that time. 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 individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof. 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 three-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. The South Carolina Abandoned Buildings Revitalization Act is repealed on December 31, 2019. Any credit carryforward will continue to be allowed until the five-year time period is completed. Through FY2015-16, the latest year for which there is data, a total of 125 taxpayers have claimed \$3,770,622 in nonrefundable tax credits.

This section makes two changes to the SC Abandoned Building Revitalization Act:

- Any unused portion of the tax credit may be carried forward for the succeeding five years at the individual, partnership, or limited liability company level
- If the taxpayer is a partnership or limited liability company taxed as a partnership, the credit, including any unused credit amount carried forward, may be passed through to “any” partner or member who was a member or partner at any time in the year in which the credit or unused carryforward is allocated

This section would amend Section 12-67-140(B)(3)(a) to allow any unused portion of the tax credit may be carried forward for the succeeding five years at the individual, partnership, or limited liability company level. This section would also amend Section 12-67-140(B)(6) to allow any unused credit amount carried forward may be passed through to any partner or member who was a member or partner at any time in the year in which the credit or unused carryforward is allocated instead of just one member or partner at any time during the year. These changes would not affect state General Fund revenue in FY2018-19, or any fiscal year thereafter.

**Section 2.** The income tax credit for making qualified rehabilitation expenditures for a certified historic structure was enacted in Act 229 of 2002. A taxpayer is allowed an income tax or license tax credit equal to ten percent of the qualified rehabilitation expenditures for a certified historic structure located in South Carolina that qualifies for the federal rehabilitation credit provided in IRS Code Section 47. A taxpayer may elect a twenty-five percent tax credit in lieu of the ten percent tax credit, not to exceed \$1,000,000 for each certified historic structure. If a taxpayer is not eligible for the federal tax credit may take an income tax credit equal to twenty-five percent of the rehabilitation expenses. The credit is claimed in equal amounts over a three year period beginning with the year that the property is placed in service. Any unused credit may be carried forward for the succeeding five years. Through FY2015-16, the latest year for which there is data, a total of 843 taxpayers have claimed \$17,407,204 in nonrefundable tax credits.

This section makes two changes to the certified historic structure tax credit:

- Any unused portion of the tax credit may be carried forward for the succeeding five years at the individual, partnership, or limited liability company level
- If the taxpayer is a partnership or limited liability company taxed as a partnership, the credit, including any unused credit amount carried forward, may be passed through to “any” partner or member who was a member or partner at any time in the year in which the credit or unused carryforward is allocated

This section would amend Section 12-6-3535(C) to allow any unused portion of the tax credit may be carried forward for the succeeding five years at the individual, partnership, or limited liability company level. This section would also allow any unused credit amount carried forward may be passed through to any partner or member who was a member or partner at any time in the year in which the credit or unused carryforward is allocated instead of just one member or partner at any time during the year. These changes would not affect state General Fund revenue in FY2018-19, or any fiscal year thereafter.

**Section 3.** This act takes effect upon approval by the Governor and first applies to projects placed in service after 2016 and for all tax years for which final returns have not been filed before May 1, 2018.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director