



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H.4942
Author:	Smith
Subject:	Income Tax Credit
Requestor:	House Ways and Means
RFA Analyst(s):	Dunbar
Impact Date:	May 18, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
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	(\$200,000)
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill would reduce General Fund individual income tax revenue by an estimated \$200,000 in FY 2017-18 from extending the eligible time period for the income tax credit. The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill.

Explanation of Fiscal Impact

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

Section 1. Currently, the qualified plug-in vehicle income tax credit was enacted in Act 83 of 2007 and is scheduled to end before the beginning of tax year 2017. The nonrefundable tax credit is \$667, plus \$111 if the vehicle has at least five kilowatt hours of battery capacity, plus an additional \$111 for each kilowatt hour of battery capacity in excess of five kilowatt hours. The maximum credit allowed is \$2,000 per taxpayer. Based on the latest data from the South Carolina Department of Revenue, 150 taxpayers have claimed \$312,211 in tax credits since the inception of the tax credit. All of the tax credits have been claimed against individual income taxes – none have been claimed against corporate income taxes.

This bill would amend Section 12-6-3376 to make the following statutory changes:

- Extend the termination date of the tax credit by five years from before tax year 2017 to before tax year 2022
- Extend the nonrefundable tax credit for in-state purchases or leases of a qualified new pure battery electric vehicle
- Defines a pure battery electric vehicle as one that is propelled by an electric motor which draws electricity from a battery which has a capacity of not less than four kilowatt hours

Since the passage of Act 83 of 2007, the Board of Economic Advisors (BEA) has recognized the qualified plug-in hybrid vehicle tax credit in its official General Fund revenue forecast each year. This tax credit is scheduled to cease December 31, 2016, at which time, the BEA will no longer reduce the income tax revenue estimate after FY2016-17. This bill would extend the sunset date of the qualified plug-in hybrid vehicle tax credit from through December 31, 2016 to December 31, 2021. The current tax credit would remain in effect for an additional five fiscal years through December 31, 2021.

This bill would amend Section 12-6-3376 to extend the eligibility period for an income tax credit to taxpayers who purchase a new plug-in hybrid vehicle for tax years 2017 through 2021. Based upon the most recent data from the Department of Revenue from individual income tax returns, \$169,515 of income tax credits were claimed in tax year 2014 for purchases of qualified plug-in hybrid vehicles. Based upon growth in actual tax credit claim activity during the past three tax years and recent trends in the electric vehicle market, we estimate that \$297,804 of income tax credits could be claimed in FY2017-18 as a result of extending the eligibility time period. However, the maximum amount of tax credits allowed by all taxpayers may not exceed \$200,000 in a single tax year. Therefore, the reduction in income tax revenue could not exceed the statutory limit of \$200,000 in FY 2017-18. Since the BEA had planned for the reduction of income tax revenue to cease after December 31, 2016, this bill would cause a reduction in General Fund individual income tax revenue of an estimated \$200,000 in FY2017-18.

This bill also amends Section 12-6-3376 to extend the qualified plug-in vehicle income tax credit to taxpayers who purchase a pure battery electric vehicle. The credit is equal to six hundred sixty-seven dollars, plus one hundred eleven dollars if the vehicle has at least five kilowatt hours of battery capacity and for each kilowatt hour in excess of five kilowatt hours for a maximum credit of two thousand dollars. Based upon figures of the latest electric vehicle sales in the United States and a review of electric vehicle registrations per state, we estimate that twenty-six additional pure electric battery vehicles will be purchased in FY 2016-17. Because we believe that the \$200,000 maximum aggregate credit limit for all taxpayers will be reached in FY 2016-17, the addition of a nonrefundable income tax credit for purchasing a pure electric battery vehicle would have no additional revenue reduction. Eligible claimants must apply for the tax credit and would be served on a first-come, first-served basis as determined by the Department of Revenue.

Section 2. This act takes effect upon approval by the Governor and applies to in-state purchases and leases made on or after the first day of the calendar month beginning at least thirty days after the effective date of this act.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director