



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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|                        |                                                 |                                 |
|------------------------|-------------------------------------------------|---------------------------------|
| <b>Bill Number:</b>    | S.1043                                          | Introduced on February 22, 2018 |
| <b>Author:</b>         | Turner                                          |                                 |
| <b>Subject:</b>        | SC Abandoned Buildings and Revitalization Act   |                                 |
| <b>Requestor:</b>      | Senate Finance                                  |                                 |
| <b>RFA Analyst(s):</b> | R. Martin                                       |                                 |
| <b>Impact Date:</b>    | March 7, 2018 - Updated for Revised Information |                                 |

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**Estimate of Fiscal Impact**

|                                  | <b>FY 2018-19</b> | <b>FY 2019-20</b> | <b>FY 2020-21</b> |
|----------------------------------|-------------------|-------------------|-------------------|
| <b>State Expenditure</b>         |                   |                   |                   |
| General Fund                     | \$0               | \$0               | \$0               |
| Other and Federal                | \$0               | \$0               | \$0               |
| Full-Time Equivalent Position(s) | 0.00              | 0.00              | 0.00              |
| <b>State Revenue</b>             |                   |                   |                   |
| General Fund                     | \$0               | \$0               | (\$1,540,000)     |
| Other and Federal                | \$0               | \$0               | \$0               |
| <b>Local Expenditure</b>         | \$0               | \$0               | \$0               |
| <b>Local Revenue</b>             | \$0               | \$0               | \$0               |

**Fiscal Impact Summary**

If the scheduled repeal date of the abandoned building tax credit is extended from December 31, 2019, to December 31, 2025, state General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof will be reduced by an estimated \$1,540,000 in FY2020-21, and each fiscal year thereafter, until the tax credit would be repealed on December 31, 2025. This fiscal impact statement has been updated based on additional tax credit data from the Department of Revenue.

**Explanation of Fiscal Impact**

**Introduced on February 22, 2018**

**Updated for Revised Information**

**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**

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.

Since the abandoned buildings revitalization tax credit is scheduled to be repealed on December 31, 2019, the Board of Economic Advisors (BEA) is not expecting any further additional revenue reductions in the state General Fund revenue beginning in FY2020-21 from this tax credit. If the scheduled repeal date of the abandoned building tax credit is extended, by six years, from December 31, 2019, to December 31, 2025, state General Fund revenue will be affected.

The table below describes a summary of the abandoned building tax credit showing the number of taxpayers claiming the nonrefundable tax credit and the value of the tax credits claimed over the first four years of actual data filed by taxpayers. Through FY2016-17, the latest year for which there is data, a total of 288 taxpayers have claimed \$11,038,274 in nonrefundable tax credits.

#### History of the Abandoned Building Tax Credit

| Fiscal Year  | Tax Year | Taxpayers  | Credits Claimed     | Avg. Credits Claimed Per Taxpayer |
|--------------|----------|------------|---------------------|-----------------------------------|
| FY2013-14    | TY2013   | 19         | \$390,135           | \$20,533                          |
| FY2014-15    | TY2014   | 27         | \$1,127,443         | \$41,757                          |
| FY2015-16    | TY2015   | 79         | \$2,253,044         | \$28,520                          |
| FY2016-17    | TY2016   | 163        | \$7,267,652         | \$44,587                          |
| <b>Total</b> |          | <b>288</b> | <b>\$11,038,274</b> | <b>\$38,327</b>                   |

Source: Board of Economic Advisors from data provided by the SC Department of Revenue

Based on the collection pattern of actual nonrefundable tax credits claimed and adjusting for any eligible tax credit carryforwards that taxpayers are entitled and may claim in future tax years, the abandoned building revitalization tax credits increase by an average of \$1,540,000 per tax year for all taxpayers.

If the scheduled repeal date of the abandoned building tax credit is extended from December 31, 2019, to December 31, 2025, state General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof will be reduced by an estimated \$1,540,000 in FY2020-21, and each fiscal year thereafter, until the tax credit would be repealed on December 31, 2025.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Introduced on February 22, 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**

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.

Since the abandoned buildings revitalization tax credit is scheduled to be repealed on December 31, 2019, the Board of Economic Advisors (BEA) is not expecting any further additional revenue reductions in the state General Fund revenue beginning in FY2020-21 from this tax credit. If the scheduled repeal date of the abandoned building tax credit is extended, by six years, from December 31, 2019, to December 31, 2025, state General Fund revenue will be affected.

The table below describes a summary of the abandoned building tax credit showing the number of taxpayers claiming the nonrefundable tax credit and the value of the tax credits claimed over the first three years of actual data filed by taxpayers. 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.

### History of the Abandoned Building Tax Credit

| Fiscal<br>Year | Tax<br>Year | Taxpayers  | Credits<br>Claimed |
|----------------|-------------|------------|--------------------|
| FY2013-14      | TY2013      | 19         | \$390,135          |
| FY2014-15      | TY2014      | 27         | \$1,127,443        |
| FY2015-16      | TY2015      | 79         | \$2,253,044        |
| <b>Total</b>   |             | <b>125</b> | <b>\$3,770,622</b> |

Source: Board of Economic Advisors from data provided by the SC Department of Revenue

Based on the collection pattern of actual nonrefundable tax credits claimed and adjusting for any eligible tax credit carryforwards that taxpayers are entitled and may claim in future tax years, the abandoned building revitalization tax credits increase by an average of \$350,000 per tax year for all taxpayers.

If the scheduled repeal date of the abandoned building tax credit is extended from December 31, 2019, to December 31, 2025, state General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof will be reduced by an estimated \$350,000 in FY2020-21, and each fiscal year thereafter, until the tax credit would be repealed on December 31, 2025.

#### Local Expenditure

N/A

#### Local Revenue

N/A



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Frank A. Rainwater, Executive Director