



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S.1125
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Subject:	Textile Communities Revitalization Income Tax Credit
Requestor:	Senate Finance
RFA Analyst(s):	Martin
Impact Date:	March 9, 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	(\$774,416)	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill would reduce General Fund corporate and individual income taxes, corporate license fees, and insurance premium taxes by an estimated \$774,416 in FY2016-17. This bill would not affect Federal Funds or Other Funds revenue in FY2016-17.

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. 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 twenty-five (25) percent of the qualified rehabilitation expenses. The credit is claimed in equal installments over a five (5) year period beginning with the year the property is placed in service. Any unused credit may be carried forward for five (5) years. The tax credit is limited in use to fifty percent of a taxpayer's income tax liability, fifty percent of a taxpayer's corporate license fees, and/or fifty 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 twenty-five (25) percent of the qualified rehabilitation expenses made to the eligible site up to seventy-five (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 seventy-five (75) percent of the real property taxes due on the site each year not to exceed eight (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 eight (8) years.

Based on the latest information from the South Carolina Department of Revenue, sixty-eight taxpayers claimed \$2,821,446 of textile revitalization tax credits in FY2013-14. Also according to the Department of Revenue, corporate taxpayer’s carried forward \$176,052 in textile revitalization tax credits to FY2014-15. The Department of Revenue has informed us that information for individual income taxpayer’s carry forwards is not available. The individual taxpayer’s tax credit carryforward can be estimated at the same proportion of the corporate taxpayer’s tax credit carryforward to the total amount of corporate tax credits claimed. The estimated individual taxpayer textile revitalization tax credits are an estimated \$598,364 in FY2014-15. Total textile revitalization tax credits total an estimated \$774,416 in FY2014-15. The table below summarizes this information.

**Analysis of Textile Revitalization Tax Credit Carryforwards
Fiscal Year 2013-14**

Type of Taxpayer	Number of Taxpayers (Number)	Amount of Tax Credits (Dollars)	Credits Carried
			Forward To FY2014-15 (Dollars)
Corporate	7	\$641,414	\$176,052
Individual	61	\$2,180,032	\$598,364 *
Total	68	\$2,821,446	\$774,416

Note: * - estimated

Source: South Carolina Department of Revenue

This bill would delete Section 12-65-30(C)(5) that limits the use of the tax credit to fifty percent of a taxpayer’s income tax liability for a taxable year against corporate and individual income taxes, corporate license fees, and insurance premium taxes. This bill would allow a taxpayer that claims a textile revitalization tax credit for income tax year 2016 to not limit the use of the tax credit to fifty percent of a taxpayer’s income tax liability, regardless of when the tax credit is earned. This change would accelerate the use of the tax credit and positively impact the cash flow of the taxpayer. The full impact of the tax credits earned would still remain, but the timing of the use of the tax credits would be shifted to earlier tax years. This bill would reduce General Fund corporate and individual income taxes, corporate license fees, and insurance premium taxes by an estimated \$774,416 in FY2016-17.

Section 2. This act takes effect upon approval by the Governor and first applies to credits claimed for income tax year 2016, regardless of when the credit was earned.

Local Expenditure

N/A

Local Revenue

Since the fifty percent limitation rule does not apply to the property tax credit for qualified textile mill revitalization expenses, this bill would have no impact on local revenue.



Frank A. Rainwater, Executive Director