



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S.1181
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Subject: Tax Credit
Requestor: Senate Finance
RFA Analyst(s): Martin
Impact Date: March 24, 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	(\$1,000,000)	(\$1,000,000)
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill would reduce corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes by an estimated \$1,000,000 in FY2016-17, and each fiscal year thereafter, until the maximum aggregate tax credits claimed reaches the maximum threshold of \$12,000,000 in the future. This bill would not affect Other Fund revenue or Federal Fund revenue.

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 Industry Partnership Fund was first available to taxpayers in tax year 2006. Pursuant to Section 12-6-3585, a taxpayer is allowed a nonrefundable credit against corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes, or any combination of them equal to one hundred (100) percent of the taxpayer's qualified contributions to the Industry Partnership Fund at the South Carolina Research Authority, or a Research Authority designated affiliate, or both. Any unused credit may be carried forward for ten (10) years from the end of the tax year in which the qualifying contribution is made. The credit is subject to the following limitations:

- For tax year 2006, the maximum credit is \$650,000 for a single taxpayer, and \$2,000,000 for all taxpayers,
- For tax year 2007, the maximum credit is \$1,300,000 for a single taxpayer, and \$4,000,000 for all taxpayers, and
- For tax years beginning after December 31, 2007, the maximum credit is \$2,000,000 for a single taxpayer and \$6,000,000 for all taxpayers.

This bill would amend the Industry Partnership Fund program limitations and maximum aggregate credit limitations for tax years beginning after December 31, 2015 up to a maximum credit of \$2,000,000 for a single taxpayer, not to exceed an aggregate credit of \$12,000,000 for all taxpayers for each tax year. The table below describes the Industry Partnership Fund program limitations and the aggregate tax credits claimed by all taxpayers in each tax year of the fund's history.

Industry Partnership Fund - Program Limitations and Tax Credits Claimed

Tax Year	Maximum Credit Single Taxpayer	Aggregate Credit All Taxpayers	Aggregate Credits Claimed By All Taxpayers
2006	\$650,000	\$2,000,000	\$843,997
2007	\$1,300,000	\$4,000,000	\$2,862,707
2008	\$2,000,000	\$6,000,000	\$3,717,351
2009	\$2,000,000	\$6,000,000	\$3,422,718
2010	\$2,000,000	\$6,000,000	\$4,602,476
2011	\$2,000,000	\$6,000,000	\$5,509,008
2012	\$2,000,000	\$6,000,000	\$5,981,826
2013	\$2,000,000	\$6,000,000	\$5,729,854
2014	\$2,000,000	\$6,000,000	N/A
2015	\$2,000,000	\$6,000,000	N/A
2016 & beyond	\$2,000,000	\$12,000,000	N/A
Historical Total			\$32,669,937

Notes: N/A - Not Available

Sources: Board of Economic Advisors; S.C. Department of Revenue

After the first tax year the tax credit was made available, the aggregate tax credit limitation for all taxpayers was increased the next two tax years to \$6,000,000 by tax year 2008. The aggregate tax credit limitation for all taxpayers has not changed since tax year 2008. Over the next five tax years, the aggregate tax credits claimed by all taxpayers have approached the maximum tax credit limitation of \$6,000,000. By raising the maximum aggregate tax credit limitation to \$12,000,000 for all taxpayers, the Industry Partnership Fund will be able to attract additional investment for use at the South Carolina Research Authority or its affiliates. The maximum tax credit available for a single taxpayer, however, would be unchanged at \$2,000,000 per taxpayer. The historical table above suggests that it takes some time for aggregate tax credits claimed to

reach a new maximum tax credit threshold; therefore, it is not unreasonable to expect that annual contributions may increase in the future with taxpayers claiming an additional \$1,000,000 in tax credits per tax year. This bill, therefore, would reduce corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes by an estimated \$1,000,000 in FY2016-17, and each fiscal year thereafter, until the maximum aggregate tax credits claimed reaches the maximum threshold of \$12,000,000 in the future.

Section 2. This act takes effect upon approval by the Governor and applies to tax years beginning after 2015.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director