**South Carolina General Assembly**

119th Session, 2011-2012

**S. 808**

**STATUS INFORMATION**

General Bill

Sponsors: Senators Setzler, Leatherman, Knotts and Cromer

Document Path: l:\council\bills\bbm\10156htc11.docx

Companion/Similar bill(s): 4091

Introduced in the Senate on April 13, 2011

Currently residing in the Senate

Summary: Requirement for creating a nexus with S.C. for sales and use tax purposes

**HISTORY OF LEGISLATIVE ACTIONS**

Date Body Action Description with journal page number

4/13/2011 Senate Introduced and read first time ([Senate Journal‑page 6](file:///h:\sj%20archive\2011\04-13-11.docx))

4/13/2011 Senate Referred to Committee on **Finance** ([Senate Journal‑page 6](file:///h:\sj%20archive\2011\04-13-11.docx))

4/20/2011 Senate Committee report: Favorable with amendment **Finance** ([Senate Journal‑page 9](file:///h:\sj%20archive\2011\04-20-11.docx))

**VERSIONS OF THIS BILL**

[4/13/2011](file:///p:\pprever\2011-12\808_20110413.docx)

[4/20/2011](file:///p:\pprever\2011-12\808_20110420.docx)

COMMITTEE REPORT

April 20, 2011

**S. 808**

Introduced by Senators Setzler, Leatherman, Knotts and Cromer

S. Printed 4/20/11--S.

Read the first time April 13, 2011.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 808) to amend the Code of Laws of South Carolina, 1976, by adding Section 12‑36‑2691 so as to provide that owning or utilizing a distribution facility within South Carolina, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by adding an appropriately numbered SECTION to read:

/ SECTION \_\_\_. A. Chapter 6 of Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑61. (A) Notwithstanding another provision of this chapter, whether or not a person has nexus with South Carolina for income tax and corporate license fee purposes, is determined without regard to whether the person:

(1) owns or utilizes a distribution facility within South Carolina;

(2) owns or leases property at a distribution facility within South Carolina that is used at, or distributed from, that facility; or

(3) sells property shipped or distributed from a distribution facility within South Carolina.

(B) The distribution facility is not considered to be a fixed place of business in South Carolina for the purposes of nexus.

(C) For purposes of this section, a distribution facility is defined in Section 12‑6‑3360.

(D) This section no longer applies on January 1, 2016.”

B. Notwithstanding the general effective date of this act, this SECTION takes effect January 1, 2011. /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This bill, as amended, is not expected to impact state general fund revenue in FY2011-12.

**Explanation of Amendment (April 19, 2011) – By the Senate Finance Committee**

This amendment would add an unnumbered section to add Section 12-6-61 to define the treatment of nexus for distribution facilities in the state. This bill would reenact the provisions of Section 12-6-60, which expired January 1, 2011, for another five taxable years until January 1, 2016. Nexus is considered to be a situation in which a business has a presence in a state where the selling of goods and services takes place and is responsible for remitting taxes for the privilege of doing business in the state. This amendment would not allow a distribution facility to be considered a fixed place of business in South Carolina for the purposes of nexus. A distribution facility is defined in Section 12-6-3360 as an establishment where shipments of tangible personal property are processed for delivery to customers. The term does not include an establishment where retail sales of tangible personal property are made to retail customers on more than twelve days a year except for a facility which processes customer sales orders by mail, telephone, or electronic means, if the facility also processes shipments of tangible personal property to customers and if at least seventy‑five percent of the dollar amount of goods sold through the facility are sold to customers outside of South Carolina. Because a distribution facility meeting these criteria would not have nexus in the state, there would be no basis for collecting sales tax. This section also exempts the taxpayer who owns or leases the establishment from corporate income taxes and corporate license fees. Since this bill would be a continuation of existing legislation and would not change the revenue forecast of the Board of Economic Advisors, this bill, therefore, is not expected to affect general fund revenue in FY2011-12. This unnumbered section takes effect January 1, 2011.

**Explanation of Bill filed April 13, 2011**

Nexus is considered to be a situation in which a business has a presence in a state where the selling of goods and services takes place and is responsible for remitting taxes for the privilege of doing business in the state.This bill would add Section 12-36-2691 to state that owning or utilizing a distribution facility within South Carolina is not considered in determining whether a taxpayer has physical presence in South Carolina sufficient to establish nexus with South Carolina for sales and use tax purposes. As provided in this section, a “distribution facility” means an establishment where only shipments of tangible personal property are processed for delivery to customers and no retail sales are made. This section only applies to a taxpayer that meets the following criterion: places a distribution facility in service after December 31, 2010 and before July 1, 2012; makes a capital investment of at least $90,000,000 after December 31, 2010 and before July 1, 2012; and creates at least 1,249 full-time jobs, including a comprehensive health plan, after December 31, 2010 and before January 1, 2013. There is currently no facility within this State that meets this criterion. This provision would expire on January 1, 2016, or if the company fails to meet the minimum capital investment requirement and the full-time job threshold. A company meeting these requirements would be eligible for a jobs tax credit for each new, full-time job and also be able to withhold a percentage of each new job’s individual income tax withholdings through job development fees. These income tax credits and fees would be greater than the income tax the state would receive for each job. Also, because a distribution facility meeting these criteria would not have nexus in the state under this section, there would be no basis for the collection of sales taxes on the purchases of goods sold through the establishment. Since the enactment of this bill would not change the collection of revenues, it is not expected to impact general fund revenue in FY2011-12. This act takes effect upon approval by the Governor.

*Approved By:*

William C. Gillespie

Board of Economic Advisors

1/ This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12‑36‑2691 SO AS TO PROVIDE THAT OWNING OR UTILIZING A DISTRIBUTION FACILITY WITHIN SOUTH CAROLINA IS NOT CONSIDERED IN DETERMINING WHETHER THE PERSON HAS A PHYSICAL PRESENCE IN SOUTH CAROLINA SUFFICIENT TO ESTABLISH NEXUS WITH SOUTH CAROLINA FOR SALES AND USE TAX PURPOSES, AND TO PROVIDE THE APPLICABLE REQUIREMENTS AND DURATION.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Article 25, Chapter 36, Title 12 of the 1976 Code is amended by adding:

“Section 12‑36‑2691. (A) Notwithstanding another provision of this chapter, owning or utilizing a distribution facility within South Carolina is not considered in determining whether the person has a physical presence in South Carolina sufficient to establish nexus with South Carolina for sales and use tax purposes.

(B)(1) For purposes of this section, ‘distribution facility’ means an establishment where only shipments of tangible personal property are processed for delivery to customers and no retail sales are made. The definition of ‘distribution facility’ provided in Section 12‑6‑3360(M)(8) for purposes of the targeted jobs tax credit and its provisions allowing limited retail sales at such a facility specifically do not apply with respect to a ‘distribution facility’ as defined for purposes of this section.

(C) This section only applies to a taxpayer that:

(1) places a distribution facility in service after December 31, 2010, and before July 1, 2012;

(2) makes, or causes to be made through a third party, a capital investment of at least ninety million dollars after December 31, 2010, and before July 1, 2012;

(3) creates at least one thousand two hundred forty‑nine full‑time jobs which include a comprehensive health plan for those employees, after December 31, 2010, and before January 1, 2013. For purposes of this item, ‘full‑time’ and ‘new job’ have the same meaning as provided in Section 12‑6‑3360; and

(4) after meeting the requirements of item (3), maintains at least one thousand jobs until January 1, 2016.

(D) This section no longer applies on the earlier of:

(1) January 1, 2016;

(2) when the company fails to meet the requirements provided in subsection (C) of this section; or

(3) the effective date of a law enacted by the United States Congress that allows a state to require that its sales tax be collected and remitted even if the taxpayer does not have substantial nexus with that state.”

SECTION 2. This act takes effect upon approval by the Governor.

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