COMMITTEE REPORT

April 23, 2015

**H. 3568**

Introduced by Reps. G.R. Smith, Duckworth, Burns, Goldfinch, Clemmons, Yow, Kirby, Spires, Norrell, Cobb‑Hunter, Daning, Parks, Mitchell, Robinson‑Simpson, Bamberg, Limehouse, Sottile, Cole, Corley, Felder, Finlay, Funderburk, Gagnon, Hamilton, Hardee, Hardwick, Henderson, McCoy, McKnight, Nanney, Sandifer, Tallon, Wells, Willis, Dillard and Stavrinakis

S. Printed 4/23/15--H.

Read the first time February 11, 2015.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 3568) to amend Section 12‑36‑2120, Code of Laws of South Carolina, 1976, relating to exemptions from the state sales tax, so as to exempt construction materials, etc., respectfully

**REPORT:**

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

W. BRIAN WHITE for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Fiscal Impact Summary**

This bill would reduce sales and use tax revenue by an estimated $135,000 in FY2015-16. Of this total, general fund revenue would be reduced by $90,000, the E.I.A. would be reduced by $22,500, and the Homestead Exemption Fund would be reduced by $22,500 in FY2015-16. In FY2016-17, and each fiscal year thereafter, sales and use tax revenue would be reduced by an estimated $270,000 annually. Of this total, general fund revenue would be reduced by $180,000, the E.I.A. would be reduced by $45,000, and the Homestead Exemption Fund would be reduced by $45,000 annually.

**Explanation of Fiscal Impact**

**State Expenditure**

Since this legislation makes no substantive changes to existing programs or resources, the Department of Revenue can administer the legislative changes with existing resources.

**State Revenue**

This bill would amend Section 12-36-2120 allow a sales and use tax exemption for building materials purchased by a nonprofit tax exempt entity to build, rehabilitate, or repair a home for the benefit of an individual or family in need. This would include organizations such as Habitat for Humanity. This organization is organized and operated to build and sell single family houses to selected buyers to promote home ownership and build a sense of community. This is done through the assistance of thirty-four affiliates located throughout the state. The Board of Economic Advisors has been advised by Habitat for Humanity that their goal for 2016 is to complete 150 new single family homes statewide. At an estimated cost of materials of $30,000 per home and applying a six percent sales tax rate, sales and use tax revenue would be reduced by an estimated $270,000 annually. Since the effective date of this bill is January 1, 2016, sales and use tax revenue would be reduced by one-half of a full fiscal year, or an estimated $135,000 in FY2015-16. Of this total, general fund revenue would be reduced by $90,000, the E.I.A. would be reduced by $22,500, and the Homestead Exemption Fund would be reduced by $22,500 in FY2015-16. In FY2016-17, sales and use tax revenue would be reduced by an estimated $270,000 annually. Of this total, general fund revenue would be reduced by $180,000, the E.I.A. would be reduced by $45,000, and the Homestead Exemption Fund would be reduced by $45,000 in FY2016-17, and each fiscal year thereafter.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 12‑36‑2120, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO EXEMPTIONS FROM THE STATE SALES TAX, SO AS TO EXEMPT CONSTRUCTION MATERIALS USED BY AN ENTITY ORGANIZED UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE AS A NONPROFIT ORGANIZATION TO BUILD, REHABILITATE, OR REPAIR A HOME FOR THE BENEFIT OF AN INDIVIDUAL OR FAMILY IN NEED.

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

SECTION 1. Section 12‑36‑2120 of the 1976 Code is amended by adding an appropriately numbered item at the end to read:

“( ) construction materials used by an entity organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit corporation to build, rehabilitate, or repair a home for the benefit of an individual or family in need.”

SECTION 2. This act takes effect January 1, 2016.

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