



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** S.0446 Introduced on February 21, 2017  
**Author:** Leatherman  
**Subject:** Industry Partnership Fund tax credit  
**Requestor:** Senate Finance  
**RFA Analyst(s):** Martin  
**Impact Date:** March 15, 2017

**Estimate of Fiscal Impact**

	FY 2017-18	FY 2018-19
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$1,000,000)	(\$1,000,000)
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$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 FY2017-18, 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 revenues or Federal Fund revenues.

**Explanation of Fiscal Impact**

**Introduced on February 21, 2017**

**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, 2016 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**

<b>Tax Year</b>	<b>Maximum Credit Single Taxpayer</b>	<b>Aggregate Credit All Taxpayers</b>	<b>Aggregate Credits Claimed By All Taxpayers</b>
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	\$5,551,151
2015	\$2,000,000	\$6,000,000	N/A
2016	\$2,000,000	\$6,000,000	N/A
<b>2017 &amp; beyond</b>	<b>\$2,000,000</b>	<b>\$12,000,000</b>	<b>N/A</b>
<b>Historical Total</b>			<b>\$38,221,088</b>

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 six 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 FY2017-18, 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 2016.

**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director