**South Carolina General Assembly**

125th Session, 2023-2024

**H. 3824**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. B. Newton, W. Newton, Ballentine, Wetmore, Tedder, Carter, Pope, Pendarvis, M.M. Smith, Bauer, Hyde, Guest, Stavrinakis and Caskey

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Introduced in the House on January 26, 2023

Introduced in the Senate on May 11, 2023

Currently residing in the Senate Committee on **Finance**

Summary: Alternative Fuel Tax Credit

**HISTORY OF LEGISLATIVE ACTIONS**

Date Body Action Description with journal page number

1/26/2023 House Introduced and read first time ([House Journal‑page 7](h:\hj\20230126.docx))

1/26/2023 House Referred to Committee on **Ways and Means** ([House Journal‑page 7](h:\hj\20230126.docx))

2/7/2023 House Member(s) request name added as sponsor: Pope,
Pendarvis

2/9/2023 House Member(s) request name added as sponsor: M.M. Smith

2/15/2023 House Member(s) request name added as sponsor: Bauer

2/22/2023 House Member(s) request name added as sponsor: Hyde, Guest

4/26/2023 House Member(s) request name added as sponsor: Stavrinakis

5/4/2023 House Committee report: Favorable **Ways and Means** ([House Journal‑page 4](h:\hj\20230504.docx))

5/9/2023 House Debate adjourned ([House Journal‑page 23](h:\hj\20230509.docx))

5/10/2023 House Member(s) request name added as sponsor: Caskey

5/10/2023 House Member(s) request name removed as sponsor: Haddon

5/10/2023 House Read second time ([House Journal‑page 29](h:\hj\20230510.docx))

5/10/2023 House Roll call Yeas-92 Nays-16 ([House Journal‑page 29](h:\hj\20230510.docx))

5/11/2023 House Read third time and sent to Senate ([House Journal‑page 21](h:\hj\20230511.docx))

5/11/2023 Senate Introduced and read first time ([Senate Journal‑page 9](h:\sj\20230511.docx))

5/11/2023 Senate Referred to Committee on **Finance** ([Senate Journal‑page 9](h:\sj\20230511.docx))

View the latest  [legislative information](https://www.scstatehouse.gov/billsearch.php?billnumbers=3824&session=125&summary=B)  at the website

**VERSIONS OF THIS BILL**

[01/26/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/3824_20230126.docx)

[05/04/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/3824_20230504.docx)

Indicates Matter Stricken

Indicates New Matter

Committee Report

May 4, 2023

H. 3824

Introduced by Reps. B. Newton, W. Newton, Haddon, Ballentine, Wetmore, Tedder, Carter, Pope, Pendarvis, M. M. Smith, Bauer, Hyde, Guest and Stavrinakis

S. Printed 05/04/23--H.

Read the first time January 26, 2023

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The committee on House Ways and Means

To who was referred a Bill (H. 3824) to amend the South Carolina Code of Laws by amending Section 12‑6‑3695, relating to the alternative fuel property income tax credit, so as to provide for certain, etc., respectfully

Report:

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

BRUCER BANNISTER for Committee.

statement of estimated fiscal impact

Explanation of Fiscal Impact

State Expenditure

This bill provides that taxpayers who lease eligible property used for distribution, dispensing, or storing alternative fuel at a new or existing fuel distribution or dispensing facility are allowed an income tax credit equal to 25 percent of the cost to the taxpayer of purchasing, constructing, and installing the eligible property. The bill also adds electrical equipment to the definition of “eligible property” and adds electricity to the definition of “alternative fuel”.

DOR indicates that any expenditure impact due to administering the credit changes will be minimal and can be managed within existing appropriations. However, the department notes that as leasing is added to the statute, it will need to ensure that the credit is not claimed by both the taxpayer constructing or purchasing the qualifying equipment and the taxpayer leasing the equipment.

State Revenue

This bill amends the alternative fuel property income tax credit in Section 12-6-3695. The credit allows taxpayers who purchase or construct, install, and place in service eligible property used for distribution, dispensing, or storing alternative fuel at a new or existing fuel distribution or dispensing facility to claim an income tax credit equal to 25 percent of the cost of the property. Currently, alternative fuel is defined as compressed natural gas, liquefied natural gas, or liquefied petroleum gas, dispensed for use in motor vehicles and compressed natural gas, liquefied natural gas, or liquefied petroleum gas, dispensed by a distributor or facility. The bill expands the credit to add that the taxpayer may lease the property and adds individuals to the definition of taxpayer. The bill also adds electrical equipment to the definition of “eligible property” and adds electricity to the definition of “alternative fuel”. The credit is available for property or a facility placed in service before January 1, 2026. The credit must be claimed in three annual installments, and any unused credit may be carried forward for ten succeeding tax years. Further, if the credit is earned by the State or any agency or instrumentality, authority, or political subdivision, including municipalities, that political entity may transfer the credit.

The following table provides the recent history of claims for this tax credit. Many corporate taxpayers do not have a sufficient tax liability to claim the amount earned. In recent years, the amount taken for individual and corporate income taxpayers has averaged about $106,000.

Alternative Fuel Property Income Tax Credit - History

Year Individual Corporate Total

Returns Amount Returns Amount Earned Amount Taken Amount Taken

2020 19 $35,407 Less than 5 $93,717 $62,487 $97,894

2021 12 $114,326 Less than 5 $150,172 $0 $114,326

Source: S.C. Department of Revenue

DOR reports that determining whether certain properties qualify for the tax credit will depend on how “eligible property” and “facility” are interpreted with respect to electricity. Without knowing how these terms will be interpreted, a broad range of property could be determined to qualify for the credit. For example, DOR notes that both EV charging stations and public utilities may be able to claim the credit, depending on what parts of the property are used for dispensing the alternative fuel used in motor vehicles. Given these uncertainties, the potential impact could be broad. We have attempted to estimate the potential impact for EV charging stations; however, the impact may be much broader depending on how the credit is interpreted. As such, the overall General Fund revenue impact is undetermined.

Section 12-6-3695 provides that this credit is only available for property or facilities placed in service before January 1, 2026, and must be taken in three equal annual installments beginning with the tax year the property is placed in service. The provisions of the bill take effect upon approval by the Governor. We assume that the bill will be applicable beginning in tax year 2023 and will first impact income tax revenue in FY 2023-24.

The following table outlines the estimated credits with respect to EV charging stations by year of installation and the fiscal year of the impact based on the three annual installments. For this estimate, we assume that as the rate of EV ownership in South Carolina increases and demand for additional alternative fuel distribution or dispensing facilities such as EV charging stations will also increase. EV ownership in South Carolina continues to grow each year, although at a slower rate than the national average. As of 2021, there were 7,400 EVs and 4,700 plug-in hybrid electric vehicles (PHEVs) registered in the state. We estimate future EV sales for South Carolina using the U.S. Energy Information Agency (EIA) Annual Energy Outlook projections and the state’s share of the nationwide EV market. Please note that if the rate of future EV ownership in South Carolina or the growth is different, this will impact our estimates.

Fiscal Year Impact – Electric Vehicle Charging Only

Year of FY 23-24 FY 24-25 FY 25-26 FY 26-27 FY 27-28 Total

Installation

2023 $554,000 $554,000 $554,000 $1,661,000

2024 $649,000 $649,000 $649,000 $1,947,000

2025 $764,000 $764,000 $764,000 $2,292,000

Total $554,000 $1,203,000 $1,967,000 $1,412,000 $764,000 $5,900,000

We estimate that the bill will reduce General Fund individual and corporate income tax by at least $554,000 in FY 2023-24, increasing to $1,967,000 in FY 2025-26 before the credit sunsets. However, the unused portion of an unexpired credit may be carried forward for up to ten succeeding taxable years which may impact the timing of the impact.

Please note that this analysis does not account for replacing existing infrastructure and does not include any potential impact due to behavioral changes that may result from the ability to claim and alternative fuel property income tax credit. Furthermore, the analysis does not include property owned by public utilities. As noted above, the reduction in tax revenue may be significantly higher, depending on how the statute is interpreted for electricity property. Given these uncertainties, the potential General Fund revenue impact overall may be much larger than just the amounts estimated for EV charging stations and is undetermined.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

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A bill

TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12‑6‑3695, RELATING TO THE ALTERNATIVE FUEL PROPERTY INCOME TAX CREDIT, SO AS TO PROVIDE FOR CERTAIN LEASES, TO ADD ELECTRICAL EQUIPMENT TO THE DEFINITION OF “ELIGIBLE PROPERTY”, AND TO ADD ELECTRICITY TO THE DEFINITION OF “ALTERNATIVE FUEL”.

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

SECTION 1. Section 12‑6‑3695(A)(1) and (D) of the S.C. Code is amended to read:

(1) A taxpayer who purchases, leases, or constructs, installs, and places in service in this State eligible property that is used for distribution, dispensing, or storing alternative fuel specified in this subsection, at a new or existing fuel distribution or dispensing facility, is allowed an income tax credit equal to twenty‑five percent of the cost to the taxpayer of purchasing, constructing, and installing the eligible property.

(D) For purposes of this section:

(1) “Eligible property” includes pumps, compressors, storage tanks, electrical equipment, and related equipment that is directly and exclusively used for distribution, dispensing, or storing alternative fuel. The equipment used to store, distribute, or dispense alternative fuel must be labeled for this purpose and clearly identified as associated with alternative fuel.

(2) “Alternative fuel” means compressed natural gas, liquefied natural gas, electricity, or liquefied petroleum gas, dispensed for use in motor vehicles and compressed natural gas, liquefied natural gas, or liquefied petroleum gas, dispensed by a distributor or facility.

(3) “Taxpayer” means any individual, sole proprietor, partnership, corporation of any classification, limited liability company, or association taxable as a business entity. Also, the word “taxpayer” includes the State or any agency or instrumentality, authority, or political subdivision, including municipalities.

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

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