



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	S. 0298	Signed by Governor on March 11, 2024
Author:	Bennett	
Subject:	Allocation and Apportionment	
Requestor:	Senate	
RFA Analyst(s):	Jolliff	
Impact Date:	May 16, 2024	

Fiscal Impact Summary

This bill amends the current statutes in Section 12-6-2320 dealing with apportionment of income and combined reporting for corporate income tax purposes. The bill applies to all open tax periods excluding assessments under judicial review by the South Carolina Administrative Law Court (ALC), Court of Appeals, or Supreme Court as of the date of the Governor's approval.

The bill outlines a new process for the Department of Revenue (DOR) to follow in determining taxable income for taxpayers that apportion income or have intercompany transactions. Although the bill may require additional training for staff and potentially hiring expert consultants, DOR expects to implement the changes with existing resources. Therefore, the bill will not impact expenditures for DOR.

Further, we anticipate that the bill may reduce the number of cases heard by the ALC or reduce the potential burden on the ALC based on the increased standards outlined in the bill for DOR. However, we do not anticipate the change will significantly impact the overall caseload or expenditures.

DOR anticipates that this bill may extend the process of analyzing corporate income tax filings for combined returns and delay the timing of collections and is likely to affect revenue by between \$10,000,000 to \$20,000,000 annually. Further, DOR noted that additional impacts could occur over time, but is not able to quantify an amount at this time. Therefore, this bill may reduce General Fund corporate income taxes by approximately \$15,000,000 beginning in FY 2024-25 as a result of the changes.

Explanation of Fiscal Impact

Signed by Governor on March 11, 2024

State Expenditure

This bill amends the current statutes in Section 12-6-2320 dealing with apportionment of income and combined reporting for corporate income taxes. The bill outlines a new process for DOR to follow in determining taxable income for taxpayers that apportion income or have intercompany transactions. Although the bill may require additional training for staff and potentially hiring

expert consultants, DOR expects to implement the changes with existing resources. Therefore, the bill will not impact expenditures for DOR.

Further, we anticipate that the bill may reduce the number of cases heard by the ALC or reduce the potential burden on court based on the new standards outlined in the bill for DOR. However, we do not anticipate the change will significantly impact the overall caseload or expenditures.

State Revenue

This bill amends the current statutes in Section 12-6-2320 dealing with apportionment of income for income tax purposes and combined reporting. The bill applies to all open tax periods excluding any assessments under judicial review by the ALC, Court of Appeals, or Supreme Court as of the date of the Governor's approval.

DOR reports that approximately \$138,000,000 has been generated in the last 3 to 4 years from 53 audits of companies under the current provisions regarding allocation and apportionment of income. Current law allows DOR to require companies to employ an alternative method to allocate and apportion income if the department determines that the methods used by the company do not fairly represent the extent of the taxpayer's business activity in the state.

DOR anticipates that this bill may extend the process of analyzing corporate income tax filings for combined returns and delay the timing of collections and is likely to affect revenue by between \$10,000,000 to \$20,000,000 annually. Further, DOR noted that additional impacts could occur over time, but is not able to quantify an amount at this time. Therefore, this bill may reduce General Fund corporate income taxes by approximately \$15,000,000 beginning in FY 2024-25 as a result of the changes.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director