

REPORT OF THE ECONOMIC DEVELOPMENT SUBCOMMITTEE MEETING

(Caskey, Whitmire, Lowe, Weeks, Dillard - Staff: Abby Forster)

HOUSE BILL 4134 HIGH GROWTH SMALL BUSINESS JOB CREATION ACT EXTENSION

Summary of Bill:

This bill prevents the sunset of the High Growth Small Business Job Creation Act by authorizing an extension of angel investor tax credits and carryforward credits for ten years until December 31, 2035. Additionally, the bill renames the act "High Growth Small Business Job Creation Act – Angel Investor Tax Credit Act" for clarity.

Estimated Fiscal Impact:

The bill is expected to decrease the General Fund income tax revenue by up to \$5,000,000 annually from fiscal year 2026-27 through fiscal year 2035-36.

Subcommittee Action/Explanation:

The Economic Development Subcommittee gave the bill favorable report as amended. The amendment requested by the Department of Revenue and the South Carolina Secretary of State ensures that corporations, LLCs, or limited partnerships must be on file with the South Carolina Secretary of State and be in good standing to be registered as qualified businesses. Additionally, it clarifies the roles of the Secretary of State and the Department of Revenue in administering the program.

Full Committee Action/Explanation:

N/A

Other Notes/Comments:

The High Growth Small Business Job Creation Act of 2013 (extended to December 31, 2025) created tax incentives to encourage angel investors to fund early-stage, high-growth businesses in South Carolina.

Key incentives:

- Angel investors receive a 35% nonrefundable income tax credit for qualified investments
- 50% of the credit is applicable in the year of investment, with 50% carried forward
- Credits can be carried forward for up to 10 years, and maximum annual credit per investor is \$100,000
- Total credits capped at \$5 million annually across all taxpayers
- Credits are transferable, sellable, and can be passed to heirs

Qualifying businesses must:

- Be headquartered in South Carolina and have been organized within the last 5 years
- Employ 25 or fewer people in South Carolina and have less than \$2 million in annual gross income
- Primarily engage in manufacturing, processing, software development, IT services, R&D, or specified services
- Not substantially engage in retail, real estate, professional services, gambling, resource extraction, financial services, or entertainment

The act supports economic development by increasing early-stage capital availability, creating high-quality jobs, expanding the state's economy, and commercializing technology from South Carolina's higher education institutions.

Act 80 of 2013 passed the House with a vote of 94-10. Act 138 of 2020, which authorized the extension from 2019-2025, passed the House with a vote of 109-2.

SOUTH CAROLINA
HOUSE AMENDMENT

AMENDMENT NO. _____

David Good
March 25, 2025

ADOPTED	REJECTED	TABLED	ADJOURN DEBATE	RECONSIDERED	ROO

Clerk of the House

ADOPTION NO. _____

BILL NO: H. 4134

(Reference is to the original version)

The Ways and Means Economic Development Subcommittee proposes the following amendment (LC-4134.DG0001H):

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

SECTION X. Section 11-44-30 of the S.C. Code is amended to read:

Section 11-44-30. For purposes of this chapter:

(1) “Angel investor” means an accredited investor as defined by the United States Securities and Exchange Commission, who is:

(a) an individual person who is a resident of this State or a nonresident who is subject to taxes imposed by Chapter 6, Title 12; or

(b) a pass-through entity which is formed for investment purposes, has no business operations,

does not have committed capital under management exceeding five million dollars, and is not capitalized with funds raised or pooled through private placement memoranda directed to institutional investors. A venture capital fund or commodity fund with institutional investors or a hedge fund does not qualify as an angel investor.

(2) “Department” means the South Carolina Department of Revenue.

~~(2)~~(3) “Headquarters” means the facility or portion of a facility where corporate staff employees are physically employed, and where the majority of the company's or company business unit's financial, personnel, legal, planning, information technology, or other headquarters-related functions are handled.

~~(3)~~(4) “Net income tax liability” means South Carolina state income tax liability reduced by all other credits allowed under Titles 11, 12, and 48.

~~(4)~~(5) “Pass-through entity” means a partnership, an S-corporation, or a limited liability company taxed as a partnership.

~~(5)~~(6) “Qualified business” means a registered business that:

(a) is either a corporation, limited liability company, or a general or limited partnership located in this State and has its headquarters located in this State at the time the investment was made and has maintained these headquarters for the entire time the qualified business benefitted from the tax credit provided for pursuant to this section. A business that is either a corporation, limited liability company, or limited partnership must be on file with the South Carolina Secretary of State and in good standing for the duration of its registration as a qualified business;

(b) was organized no more than five years before the qualified investment was made;

(c) employs twenty-five or fewer people in this State at the time it is registered as a qualified business;

(d) has had in any complete fiscal year before registration gross income as determined in accordance with the Internal Revenue Code of two million dollars or less on a consolidated basis;

(e) is primarily engaged in manufacturing, processing, warehousing, wholesaling, software development, information technology services, research and development, or a business

providing services set forth in Section 12-6-3360(M)(13), other than those described in subitem (f); and

(f) does not engage substantially in:

(i) retail sales;

(ii) real estate or construction;

(iii) professional services;

(iv) gambling;

(v) natural resource extraction;

(vi) financial brokerage, investment activities, or insurance;

(vii) entertainment, amusement, recreation, or athletic or fitness activity for which an admission or fee is charged.

A business is substantially engaged in one of the activities defined in subitem (f) if its gross revenue from an activity exceeds twenty-five percent of its gross revenues in a fiscal year or it is established pursuant to its articles of incorporation, articles of organization, operating agreement, or similar organizational documents to engage as one of its primary purposes such activity.

~~(6)~~(7) “Qualified investment” means an investment by an angel investor of cash in a qualified business for common or preferred stock or an equity interest or a purchase for cash of subordinated debt in a qualified business. Investment of common or preferred stock or an equity interest or purchase of subordinated debt does not qualify as a qualified investment if a broker fee or commission or a similar remuneration is paid or given directly or indirectly for soliciting an investment or a purchase.

~~(7)~~(8) “Registered” or “registration” means that a business has been certified by the Secretary as a qualified business at the time of application to the Secretary.

~~—(8) “Secretary” means the Secretary of State.~~

SECTION X. Section 11-44-60 of the S.C. Code is amended to read:

Section 11-44-60. (A) A qualified business shall register with the ~~Secretary~~department for purposes of this chapter. Approval of this registration constitutes certification by the ~~Secretary~~department for twelve months after being issued. A business is permitted to renew its registration with the ~~Secretary~~department so long as, at the time of renewal, the business remains a qualified business. Upon approval of qualified business's registration, the department shall transmit a copy of the certification of registration to the South Carolina Secretary of State. The Secretary of State shall then publish an electronic copy of the certification of registration on its website.

(B) If the ~~Secretary~~department finds that any information contained in an application of a business for registration under this chapter is false, the ~~Secretary~~department shall revoke the registration of the business. The ~~Secretary~~department shall not revoke the registration of a business only because it ceases business operations for an indefinite period of time, as long as the business renews its registration. Upon revocation of qualified business's registration, the department shall transmit a copy of the revocation of registration to the South Carolina Secretary of State. The Secretary of State shall then publish an electronic copy of the revocation of registration on its website.

(C) A registration as a qualified business may not be sold or otherwise transferred, except that, if a qualified business enters into a merger, conversion, consolidation, or other similar transaction with another business and the surviving company would otherwise meet the criteria for being a qualified business, the surviving company retains the registration for the twelve-month registration period without further application to the ~~Secretary~~department. In this case, the qualified business shall provide the ~~Secretary~~department with written notice of the merger, conversion, consolidation, or similar transaction and other information as required by the ~~Secretary~~department.

(D) By January thirty-first each year, the ~~Secretary~~department shall report to the House Ways and Means Committee, the Senate Finance Committee, and the Governor, a list of the businesses that have registered with the ~~Secretary~~department as a qualified business. The report must include, by county, the name and address of each business, the location of its headquarters, a

description of the type of business in which it engages, the amount of capital it has raised including the amount of qualified investment as defined by this chapter, the number of full-time, part-time, and temporary jobs created by the business during the period covered by the report, and the average wages paid by these jobs. An aggregated statewide report containing the number of businesses, the amount of capital raised by the businesses including the amount of qualified investment as defined by this chapter, the number of full-time, part-time and temporary jobs created by the businesses, and the average wages paid by these jobs also must be made available in a conspicuous place on the ~~Secretary's~~ department's website. The report must be updated annually.

Renumber sections to conform.
Amend title to conform.



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

WWW.RFA.SC.GOV • (803)734-3793

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:	H. 4134	Amended by Ways and Means Economic Development Legislative Subcommittee on March 27, 2025
Subject:	High Growth Small Business Job Creation Act Extension	
Requestor:	House Ways and Means	
RFA Analyst(s):	Manic	
Impact Date:	March 31, 2025	

Fiscal Impact Summary

This bill as amended extends the sunset date of the High Growth Small Business Job Creation Act of 2013 from December 31, 2025, to December 31, 2035. Also, the bill changes the name of the act to "High Growth Small Business Job Creation Act of 2013 – Angel Investor Tax Credit Act." The total credit amount earned by an individual for one or more qualified investments in a tax year, either directly or allocated to a person by a pass-through entity, is limited to \$100,000. The aggregate value of credits is limited to \$5,000,000 for all taxpayers in a tax year. The credit is transferrable and may be sold, exchanged, or otherwise transferred and any unused credit may be carried forward for up to ten years. The bill as amended transfers responsibility for administering and managing the tax credit from the Secretary of State (SOS) to the Department of Revenue (DOR). Additionally, DOR is required to report by January 1st each year to the House Ways and Means Committee, the Senate Finance Committee, and the Governor information regarding these tax credits.

The bill is not expected to have an expenditure impact on DOR as we anticipate the agency will manage the tax credit and the additional requirements with existing staff and resources.

The bill is expected to decrease General Fund income tax revenue annually by up to \$5,000,000 in FY 2026-27 for tax year 2026 through FY 2035-36 for tax year 2035 due to the extension of the sunset provision. Any unused credits may be carried forward for up to ten years and the impact may vary if taxpayers do not have sufficient tax liability to use the full amount of the credit in the year earned.

Explanation of Fiscal Impact

Amended by Ways and Means Economic Development Legislative Subcommittee on March 27, 2025

State Expenditure

This bill extends the sunset date of the High Growth Small Business Job Creation Act of 2013 from December 31, 2025, to December 31, 2035. Also, the bill changes the name of the act to "High Growth Small Business Job Creation Act of 2013 – Angel Investor Tax Credit Act." Currently, an angel investor may claim a nonrefundable income tax credit of 35 percent of its qualified investment. Of the credit amount earned, 50 percent of the credit may be applied to the

angel investor's net income tax liability in the tax year during which the qualified investment is made, and 50 percent of the credit may be applied in the tax years after the investment is made. The credit may be carried forward for up to ten years.

The total credit amount earned by an individual for one or more qualified investments in a tax year, either directly or allocated to a person by a pass-through entity, is limited to \$100,000. The aggregate value of credits is limited to \$5,000,000 for all taxpayers in a tax year. The credit is transferrable and may be sold, exchanged, or otherwise transferred.

Additionally, the bill as amended transfers responsibility for managing oversight of the credit applications from SOS to DOR. The bill also requires qualifying businesses to be on file with the SOS and in good standing for the duration of the registration as a qualified business. Further, the bill requires DOR to transmit a copy of the approved certificate of registration to SOS who is also tasked to publish an electronic copy of the registration certificate on its website. If DOR finds that the information provided in the application by qualified businesses is false, the amended bill requires DOR to revoke the registration of the business, transmit a copy of the revocation to SOS, and tasks SOS to publish an electronic copy of the revocation of registration on its website.

In case of merger, conversion, consolidation, or other similar transaction, qualified businesses are required to provide a written notice of such events to DOR. The bill as amended further requires DOR to report to the House Ways and Means Committee, the Senate Finance Committee, and the Governor, the list of qualified businesses by January 31st of each year. In the report, DOR is required to include by county the name and contact information, location of the headquarters, description of the type of business the firm engages in, the amount of capital the firm raised, the amount of capital raised including the amount of qualified investment, the number of jobs created by the business during the period covered by the report, and the average wages paid by these jobs. Also, the amended bill requires DOR to publish and update the report annually on its website.

The bill is not expected to have an expenditure impact on DOR as we anticipate the agency will manage the tax credit and the additional requirements with existing staff and resources.

State Revenue

This bill as amended extends the sunset date of the High Growth Small Business Job Creation Act of 2013 from December 31, 2025, to December 31, 2035. Also, the bill changes the name of the act to "High Growth Small Business Job Creation Act of 2013 – Angel Investor Tax Credit Act." Under the current legislation, an angel investor is entitled to a nonrefundable income tax credit of 35 percent of its qualified investment. Of the credit amount earned, 50 percent of the credit may be applied to the angel investor's net income tax liability in the tax year during which the qualified investment is made, and 50 percent of the credit may be applied to the angel investor's net income tax liability in the tax years after the investment is made. The credit may be carried forward for up to ten years.

The aggregate value of credits is limited to \$5,000,000 for all taxpayers in a tax year. The total credit amount earned by an individual for one or more qualified investments in a tax year, either directly or allocated to a person by a pass-through entity, is limited to \$100,000. The credit is transferrable and may be sold, exchanged, or otherwise transferred.

DOR indicates that the tax credit reached its annual cap of \$5,000,000 consistently up until 2022, when applications dropped by approximately 14 percent, and the agency authorized approximately \$3,260,000 in credits. Venture capital (VC) and angel investing activity decreased dramatically across the nation after 2021. An article by the Wall Street Journal (WSJ) reports that the value of angel transactions in the U.S. fell by approximately 33 percent in 2024.¹ The amount of tax credits approved further decreased to approximately \$560,000 in 2023 and \$601,000 in 2024 because of a decrease in the approval rate of applications. We also reached out to the SC Research Authority (SCRA) that is monitoring VC and angel investing activity in SC. SCRA indicates that the approval rate of angel tax credit applications has risen steadily since 2023 and that although the total amount of credits may be below the \$5,000,000 annual cap in 2025 and possibly 2026, the aggregate amount is expected to increase to the annual cap over time. Based on this information, we anticipate that the total credits in tax year 2026 and later will be closer to the historical levels. Therefore, the bill as amended will reduce General Fund income tax revenue by up to \$5,000,000 in FY 2026-27 for tax year 2026 through FY 2035-36 for 2035. Any unused credits may be carried forward for up to ten years, and the impact may vary if taxpayers do not have sufficient tax liability to use the full amount of the credit in the year earned.

Local Expenditure

N/A

Local Revenue

N/A

¹ Marc Vartabedia, Wall Street Journal, *Angel Investing Isn't What It Used to Be*, October 21, 2024, <https://www.wsj.com/articles/angel-investing-isnt-what-it-used-to-be-e643c862>



Frank A. Rainwater, Executive Director

South Carolina General Assembly
126th Session, 2025-2026

H. 4134

STATUS INFORMATION

General Bill

Sponsors: Reps. Robbins and B. Newton

Companion/Similar bill(s): 452

Document Path: LC-0177DG25.docx

Introduced in the House on March 5, 2025

Currently residing in the House Committee on **Ways and Means**

Summary: High Growth Small Business Job Creation Act extension

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
3/5/2025	House	Introduced and read first time (House Journal-page 37)
3/5/2025	House	Referred to Committee on Ways and Means (House Journal-page 37)

View the latest [legislative information](#) at the website

VERSIONS OF THIS BILL

03/05/2025

1
2
3
4
5
6
7
8
9 **A BILL**
10

11 TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING ACT 80 OF 2013,
12 RELATING TO THE "HIGH GROWTH SMALL BUSINESS JOB CREATION ACT," SO AS TO
13 AUTHORIZE THE EXTENSION FOR AN ADDITIONAL TEN YEARS; AND BY AMENDING
14 SECTION 11-44-10, RELATING TO THE CITATION OF THE ACT, SO AS TO RENAME THE
15 ACT THE "HIGH GROWTH SMALL BUSINESS JOB CREATION ACT OF 2013 - ANGEL
16 INVESTOR TAX CREDIT ACT."
17

18 Be it enacted by the General Assembly of the State of South Carolina:
19

20 SECTION 1. Section 1.B. of Act 80 of 2013, as last amended by Act 138 of 2020, is amended further
21 to read:
22

23 B. The provisions of Chapter 44, Title 11, contained in this act are repealed on December 31, ~~2025~~2035.
24 Any carry forward credits shall continue to be allowed until the ten-year time period in Section
25 11-44-40(B) is completed.
26

27 SECTION 2. Section 11-44-10 of the S.C. Code is amended to read:
28

29 Section 11-44-10. This chapter may be cited as the "High Growth Small Business Job Creation Act
30 of 2013 - Angel Investor Tax Credit Act."
31

32 SECTION 3. Chapter 44, Title 11 is retitled the "High Growth Small Business Job Creation
33 Act - Angel Investor Tax Credit Act."
34

35 SECTION 4. This act takes effect upon approval by the Governor.
36

----XX----