

REPORT OF THE ECONOMIC DEVELOPMENT SUBCOMMITTEE

(Caskey, Hosey, Whitmire, Lowe, & Weeks – Staff Contact: Abby Berquist)

SENATE BILL 1021

S. 1021 – Senators Davis, Matthews and Campsen. TO EXTEND THE PROVISIONS OF THE SOUTH CAROLINA ABANDONED BUILDINGS REVITALIZATION ACT TO 2035; AND TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-67-140, RELATING TO THE ABANDONED BUILDINGS TAX CREDIT, SO AS TO INCREASE THE AMOUNT OF THE MAXIMUM TAX CREDIT THAT MAY BE EARNED.

Received by Ways and Means: March 21, 2024

Summary of Bill:

This bill prevents the sunset of the Abandoned Buildings Revitalization Act by extending the repeal date to December 31, 2035. The bill also increases the maximum abandoned buildings tax credit from \$500,000 per taxpayer in a taxable year to \$700,000 per taxpayer in a taxable year for buildings rehabilitated for income-producing purposes. The maximum credit applies to each unit or parcel certified as an abandoned building site, and the credit earned must be taken in equal installments over three years.

Estimated Revenue Impact:

This bill is expected reduce the General Fund by \$133,400 beginning in FY 2024-2025 and by approximately \$7,733,400 beginning in FY 2026-2027. Once the extension expires in FY 2035-2036, no new credits may be earned, and the impact will decline.

Subcommittee Action/Explanation:

S. 1021 received favorable report as amended (5-0). The amendment included language passed last year (dates updated) in H. 3737, a bill to create a 50% income tax credit for replacement or reconstruction of qualified class II or class III railroad expenditures. The credit is capped at \$5,000 per track mile owned or leased by a short line railroad.

Full Committee Action/Explanation:

Other Notes/Comments:

SOUTH CAROLINA
HOUSE AMENDMENT

AMENDMENT NO. _____

David Good
April 16, 2024

ADOPTED	REJECTED	TABLED	ADJOURN DEBATE	RECONSIDERED	ROO
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Clerk of the House

ADOPTION NO. _____

BILL NO: S. 1021

(Reference is to the original version)

The Economic Development Subcommittee proposes the following amendment (LC-1021.DG0001H):

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

SECTION X.A. Article 25, Chapter 6, Title 12 of the S.C. Code is amended by adding:

Section 12-6-3810.(A) As used in this section:

- (1) "Department" means the South Carolina Department of Commerce.
- (2) "Eligible taxpayer" means any railroad owner located in this State that is classified by the United States Surface Transportation Board as a Class II or Class III railroad.
- (3) "Qualified railroad reconstruction or replacement expenditures" means gross expenditures for maintenance, reconstruction or replacement of railroad infrastructure, including

track, roadbed, bridges, industrial leads and sidings, and track-related structures owned or leased by a Class II or Class III railroad located in this State.

(4) “Eligible transferee” means any taxpayer subject to tax under Section 12-6-510, 12-6-530, 12-11-20, or 38-7-20.

(B)(1) There is allowed a credit against the tax imposed pursuant to Section 12-6-510, 12-6-530, 12-11-20, or 38-7-20 equal to fifty percent of an eligible taxpayer’s qualified railroad reconstruction or replacement expenditures.

(2) For qualified railroad reconstruction or replacement expenditures the amount of the credit may not exceed five thousand dollars multiplied by the number of miles of railroad track owned or leased within this State by the eligible taxpayer as of the close of the taxable year.

(C)(1) Following the completion of qualified railroad reconstruction or replacement expenditures, the eligible taxpayer shall submit to the Department of Commerce a verification of qualified expenditures on a form provided for that purpose by the Department of Commerce. The verification must include a statement certifying:

- (a) the status of the owner or lessee of the railroad as an eligible taxpayer;
- (b) certification of the miles of railroad track owned or leased in this State;
- (c) the qualified railroad reconstruction or replacement work completed; and
- (d) a description of the amount of qualified railroad reconstruction or replacement expenditures paid or incurred.

Within thirty days after receipt and approval of the foregoing documentation from the eligible taxpayer, the department shall issue a tax credit certificate in an amount equivalent to the amount of the qualified railroad reconstruction or replacement expenditures incurred by the eligible taxpayer, not to exceed the amount of the tax credits reserved for the project.

(2) At the end of each year, the department shall furnish to the Department of Revenue a list of all eligible taxpayers who have qualified for the credit along with the amount of the credit authorized.

(3) Section 12-54-240 may not apply to any information exchanged between the Department

of Commerce and the Department of Revenue relating to the credit allowed pursuant to this section.

(D) The department may adopt rules to implement and administer this section and to enable the certification of the income tax credit amount earned by each eligible taxpayer.

(E) In order to obtain a credit against any state income tax due, an eligible taxpayer shall file the tax credit certificate with the taxpayer's South Carolina state income tax return.

(F) Any tax credit generated pursuant to the provisions of this section, to the extent not used, may be carried forward for each of the five years following the year of qualification.

(G)(1) An eligible taxpayer may transfer any unused credit to any eligible transferee by written agreement, at any time during the five years following the tax year the qualified railroad reconstruction or replacement expenditures are incurred. Any eligible transferee is entitled to claim the credit only for any period remaining for the tax credit.

(2) The eligible taxpayer and the eligible transferee must file jointly a copy of the written transfer agreement with the Department of Revenue, within thirty days of the transfer. The written agreement must contain the name, address, and taxpayer identification number of the eligible taxpayer and the eligible transferee, the tax year the eligible taxpayer incurred the qualified railroad reconstruction or replacement expenditures, the amount of credit being transferred, and the tax year or years for which the credit may be claimed.

(H) The department shall report to the Senate Finance Committee and the House Ways and Means Committee by July 1, 2026, and annually thereafter for the duration of the existence of this program, on the use of the credit, including the number of tax credits applied for and the number of tax credits granted from the qualified railroad reconstruction or replacement expenditures for which tax credits have been allowed.

B. This SECTION takes effect upon approval by the Governor and first applies to income tax years beginning after December 31, 2023. The provisions of this act are repealed on December 31, 2028, except that if the credit allowed by Section 12-6-3810, as added by this act, is earned

before the repeal, then the provisions of Section 12-6-3810 continue to apply until the credits have been fully claimed.

Renumber sections to conform.

Amend title to conform.



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. 1021 Introduced on February 6, 2024
Author: Davis
Subject: Abandoned Buildings Tax Credit
Requestor: Senate Finance
RFA Analyst(s): Manic
Impact Date: February 20, 2024 - Updated for Revised Analysis and Fiscal Impact

Fiscal Impact Summary

This bill extends the provisions of the South Carolina Abandoned Buildings Revitalization Act in Chapter 67, Title 12 that is currently set to expire on December 31, 2025, through 2035 and increases the amount of the maximum tax credit that may be earned by a taxpayer in a tax year from \$500,000 to \$700,000.

The bill is not expected to impact expenditures for the Department of Revenue (DOR). As it is an extension of the existing credit, we anticipate that DOR will manage this extension with existing staff and resources.

This bill is expected to reduce General Fund revenue from individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes, or any combination thereof, by \$133,400 beginning in FY 2024-25 and a total of approximately \$7,733,400 per year beginning in FY 2026-27. Under the proposed legislation, the impact will continue through FY 2035-36 when the extension of the act expires. The impact will then begin to decline as no new credits may be earned and only existing installment and carryforward credits will be claimed. Please note, this estimate is based on available data for tax year 2022 as of October 2023 filings and estimates for returns that will be filed by February 15, 2024, under the extended filing deadline. If the final filings for tax year 2022 significantly affect these estimates, we will update this impact statement.

This impact statement has been revised to clarify the timing of the impact.

Explanation of Fiscal Impact

Introduced on February 6, 2024

State Expenditure

This bill extends the provisions of the South Carolina Abandoned Buildings Revitalization Act that is set to expire on December 31, 2025, through December 31, 2035. In addition, the bill increases the amount of the maximum tax credit that may be earned by a taxpayer in a tax year from \$500,000 to \$700,000. The bill is not expected to impact expenditures for DOR because the department can manage the extension with existing staff and resources.

State Revenue

This bill extends the provisions of the South Carolina Abandoned Buildings Revitalization Act that is set to expire on December 31, 2025, through December 31, 2035. In addition, the bill increases the amount of the maximum tax credit that may be earned by a taxpayer in a tax year from \$500,000 to \$700,000.

The act currently allows a taxpayer to claim a nonrefundable state tax credit equal to 25 percent of actual rehabilitation expenses of an abandoned building that is to be put into operation for income producing purposes. The tax credit may be applied against individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof. The tax credit may also be applied against real property taxes as levied by local taxing entities, although the Department of Revenue (DOR) is unaware of any claims against property taxes. The tax credit must be taken in equal installments over a three-year period and may not exceed \$500,000 for any taxpayer in a tax year. The credit is earned in the tax year in which the applicable phase or portion of the building site is placed in service. Unused state tax credits may be carried forward for five years. Currently, the act is to be repealed on December 31, 2025. As specified in Act 50 of 2019, any credit carryforward will continue to be allowed after the act is repealed until the period allowed in Section 12-67-140 is completed.

The table below provides the total tax credit amount claimed since inception as well as the estimated initial new claims per year based upon the three-year installment requirement. These figures do not include any tax credit carryforwards that may be claimed in succeeding tax years.

Abandoned Buildings Revitalization Tax Credits

Fiscal Year	Tax Year	Total Credits Claimed	Estimated Initial Claims Under Three-year Installment
FY 2013-14	2013	\$390,135	\$390,135
FY 2014-15	2014	\$1,127,443	\$737,308
FY 2015-16	2015	\$2,253,044	\$1,125,601
FY 2016-17	2016	\$7,414,442	\$5,551,533
FY 2017-18	2017	\$11,860,727	\$5,183,593
FY 2018-19	2018	\$16,616,591	\$5,881,465
FY 2019-20	2019	\$15,708,941	\$4,643,883
FY 2020-21	2020	\$16,666,164	\$6,140,816
FY 2021-22	2021	\$16,797,130	\$6,012,431
<i>FY 2022-23 (est.)</i>	2022	<i>\$24,590,000</i>	<i>\$12,436,753</i>

Source: S.C. Department of Revenue, S.C. Department of Insurance; Revenue and Fiscal Affairs estimates; FY 2022-23 is estimated based on tax returns through October 2023 with estimates for remaining returns to be filed and historical data.

In recent years, with the exception of FY 2019-20 during the pandemic, the amount of new tax credits claimed annually when accounting for the three-year installment requirement averaged approximately an additional \$7,600,000 each year. Extending the act would reduce revenue by this amount beginning in FY 2026-27 for tax year 2026 as taxpayers will be able to earn additional credits. The impact will continue through FY 2035-36 when the act is set to expire, at which time no new credits may be added. Please note, this estimate is based on available data for tax year 2022 as of October 2023 filings and estimates for returns that will be filed by February 15, 2024, under the extended filing deadline. If the final filings for tax year 2022 significantly affect these estimates, we will update this impact statement.

Further, the increase in the maximum credit amount that may be earned in a year may also increase the impact. This change is effective upon approval by the Governor. Since the credit must be taken in three installments, the additional \$200,000 could increase credits by approximately \$66,700 per taxpayer per year. However, a review of available data showed that very few returns claim the annual maximum currently. Based on this, we anticipate only 1 or 2 taxpayers will claim a larger credit due to the increase. The remaining additional credits earned may be carried forward for the five-year allowable period, which may extend the timing of the impact. Assuming 1 to 2 taxpayers claim the increase in a year, this change would potentially increase credits by approximately \$133,400 per fiscal year beginning in FY 2024-25. Based on these assumptions, the proposal would reduce General Fund revenue from individual and corporate income taxes, corporate license fees, bank taxes, insurance taxes, or a combination thereof, by \$133,400 beginning in FY 2024-25 and a total of approximately \$7,733,400 per year beginning in FY 2026-27. Under the proposed legislation, the impact will continue through FY 2035-36 when the extension of the act expires. The impact will then begin to decline as no new credits may be earned and only existing installment and carryforward credits will be claimed.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
125th Session, 2023-2024

S. 1021

STATUS INFORMATION

General Bill

Sponsors: Senators Davis, Matthews and Campsen

Document Path: LC-0320DG24.docx

Introduced in the Senate on February 6, 2024

Introduced in the House on March 21, 2024

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

Summary: Abandoned buildings tax credit

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
2/6/2024	Senate	Introduced and read first time (Senate Journal-page 4)
2/6/2024	Senate	Referred to Committee on Finance (Senate Journal-page 4)
2/28/2024	Senate	Committee report: Favorable Finance (Senate Journal-page 15)
3/1/2024		Scrivener's error corrected
3/19/2024	Senate	Read second time (Senate Journal-page 17)
3/19/2024	Senate	Roll call Ayes-42 Nays-0 (Senate Journal-page 17)
3/20/2024	Senate	Read third time and sent to House (Senate Journal-page 11)
3/21/2024	House	Introduced and read first time (House Journal-page 19)
3/21/2024	House	Referred to Committee on Ways and Means (House Journal-page 19)

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VERSIONS OF THIS BILL

02/06/2024

02/28/2024

03/01/2024

- 1 ~~Indicates Matter Stricken~~
- 2 Indicates New Matter
- 3
- 4 COMMITTEE REPORT
- 5 February 28, 2024
- 6

Introduced by Senator Davis

S. Printed 02/28/24--S.

[SEC 3/1/2024 9:57 AM]

Read the first time February 06, 2024

THE COMMITTEE ON SENATE FINANCE

To whom was referred a Bill (S. 1021) to extend the provisions of the South Carolina Abandoned Buildings Revitalization Act to 2035; and to amend the South Carolina Code of Laws by amending Section 12-67-140, etc., respectfully

REPORT:

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

HARVEY S. PEBLER, JR. for Committee.

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A BILL

11 TO EXTEND THE PROVISIONS OF THE SOUTH CAROLINA ABANDONED BUILDINGS
12 REVITALIZATION ACT TO 2035; AND TO AMEND THE SOUTH CAROLINA CODE OF LAWS
13 BY AMENDING SECTION 12-67-140, RELATING TO THE ABANDONED BUILDINGS TAX
14 CREDIT, SO AS TO INCREASE THE AMOUNT OF THE MAXIMUM TAX CREDIT THAT MAY
15 BE EARNED.

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

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19 SECTION 1. Notwithstanding SECTION 1.B. of Act 57 of 2013, the provisions of Chapter 67, Title
20 12 of the South Carolina Code are repealed on December 31, 2035.

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22 SECTION 2. Section 12-67-140(B)(3)(b) of the S.C. Code is amended to read:

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24 (b) The entire credit earned pursuant to this subsection may not exceed ~~five~~seven hundred thousand
25 dollars for any taxpayer in a tax year for each abandoned building site. The limitation provided in this
26 subitem applies to each unit or parcel deemed to be an abandoned building site.

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28 SECTION 3. This act takes effect upon approval by the Governor.

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