**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12‑6‑3586 SO AS TO ALLOW AN INCOME AND OTHER SPECIFIED TAX CREDITS FOR TWENTY‑FIVE PERCENT OF THE TOTAL COST OF A SOLAR ENERGY SYSTEM PLACED IN SERVICE IN 2013 THROUGH 2018, TO PROVIDE CEILINGS ON THE AMOUNT OF THE CREDIT THAT MAY BE CLAIMED IN ONE YEAR AND PROVIDE FOR THE TIMING OF CREDITS, TO PROVIDE FOR THE ALLOCATION OF THE CREDIT IN THE CASE OF CERTAIN PASS‑THROUGH ENTITIES, AND TO REQUIRE THE TAXPAYER TO ELECT THE CREDIT TO APPLY IN THE CASE OF OVERLAPPING CREDITS.

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

SECTION 1. Article 25, Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑3586. (A) As used in this section:

(1) ‘Solar energy system’ is equipment that uses solar radiation as a substitute for traditional energy for water heating, active space heating and cooling, daylighting, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat. The term also includes related devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy.

(2) ‘Tax liability’ includes income taxes imposed pursuant to this chapter, license taxes imposed pursuant to Chapter 20 of this title, bank and building and loan taxes imposed pursuant to Chapters 11 and 13 of this title, and premium taxes imposed pursuant to Title 38.

(B) If a taxpayer that has constructed, purchased, or leased a solar energy system places it in service in this State during a taxable year beginning in 2013 through 2018, the taxpayer is allowed a credit against the taxpayer’s tax liability equal to twenty five percent of the total cost of the system.

(C)(1) For nonresidential solar energy systems, the total credit allowed pursuant to subsection (B) must be claimed in three equal installments over three years beginning with the year the system is placed in service.

(2) If, in one of the years in which the installment of a credit accrues, the solar energy system with respect to which the credit was claimed is disposed of, taken out of service, or moved out of State, the credit expires and the taxpayer may not take any remaining installment of the credit.

(D) The total credit allowed pursuant to this section may not exceed the applicable ceilings provided in this subsection.

(1) A ceiling of one million dollars for each installation applies to solar energy systems placed in service for any purpose other than residential.

(2) The following ceilings apply to solar energy systems placed in service for residential purposes:

(a) three thousand five hundred dollars for each dwelling unit for solar energy systems for domestic water heating, including pool heating;

(b) thirty five thousand dollars for each dwelling unit for solar energy systems for electrical generation, active space heating, combined active space and domestic hot water systems;

(c) one million dollars for each installation for any other solar energy systems for residential purposes.

(3) If the taxpayer leases the solar energy system, or part of the solar energy system, the taxpayer may transfer any applicable remaining credit associated with the solar energy system expenses incurred with respect to that part of the solar energy system lessee of the solar energy system. The provisions of this item apply to a lessee that is an entity taxed as a partnership or limited liability company.

(4) To the extent that the taxpayer is a partnership or limited liability company, the credit may be passed through to the partners or members and may be allocated by the taxpayer among any of its partners or members on an annual basis including, without limitation, an allocation of the entire credit to any partner or member who was a member or partner at any time during the year the credit is allocated.

(5) This credit is in no way to imply or allow the third party sale of electricity between parties and lessee simply refers to the financial structuring of the payment for the ‘solar energy system’.

(E) The credits allowed by this section are in lieu of any other applicable income or other tax credits or abatements allowed by state law for related purposes, and if there is an overlap or conflict in available credits or abatements to a taxpayer, the taxpayer must elect the credit or abatement the taxpayer desires in the manner prescribed by the Department of Revenue to the extent the credits or abatements conflict or overlap.”

SECTION 2. This act takes effect upon approval by the Governor and applies for installations of solar energy systems placed in service in taxable years beginning after 2012 and ending in 2018.

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