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COMMITTEE REPORT

March 23, 2016

**S. 1125**

Introduced by Senator Reese

S. Printed 3/23/16--S.

Read the first time February 25, 2016.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 1125) to amend Section 12‑65‑30, Code of Laws of South Carolina, 1976, relating to the textiles communities revitalization income tax credit, so as to delete, etc., respectfully

**REPORT:**

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

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Fiscal Impact Summary**

This bill would reduce general fund corporate and individual income taxes, corporate license fees, and insurance premium taxes by an estimated $774,416 in FY2016-17. This bill would not affect federal funds or other funds revenue in FY2016-17.

**Explanation of Fiscal Impact**

**State Expenditure**

The Department of Revenue indicates that there will be no expenditure impact to the general fund, federal funds, or other funds from this bill. The department can administer the legislative changes with existing resources.

**State Reve**n**ue**

**Section 1.** The Textile Communities Revitalization Act was first enacted in 2005. Currently, pursuant to Section 12-65-30, a taxpayer is allowed a tax credit against income taxes, corporate license tax, or insurance premium taxes, or any combination of them, or a property tax credit for the renovation, improvement, and redevelopment of abandoned textile mills in South Carolina. The income, license, and/or premium tax credit is equal to twenty-five (25) percent of the qualified rehabilitation expenses. The credit is claimed in equal installments over a five (5) year period beginning with the year the property is placed in service. Any unused credit may be carried forward for five (5) years. The tax credit is limited in use to fifty percent of a taxpayer’s income tax liability, fifty percent of a taxpayer’s corporate license fees, and/or fifty percent of a taxpayer’s insurance premium license taxes in a taxable year. A taxpayer may claim this credit in addition to the credit for rehabilitation of a certified historic structure allowed pursuant to Section 12-6-3535. The “real property tax credit” is equal to twenty-five (25) percent of the qualified rehabilitation expenses made to the eligible site up to seventy-five (75) percent of the real property taxes due on the site each year. The municipality or the county must determine the eligibility of the site and the proposed project. The ordinance shall allow the property tax credit to be taken against up to seventy-five (75) percent of the real property taxes due on the site each year not to exceed eight (8) years. The credit vests in the taxpayer in the year in which the eligible site is placed in service. The credit may be carried forward up to eight (8) years.

Based on the latest information from the South Carolina Department of Revenue, sixty-eight taxpayers claimed $2,821,446 of textile revitalization tax credits in FY2013-14. Also according to the Department of Revenue, corporate taxpayer’s carried forward $176,052 in textile revitalization tax credits to FY2014-15. The Department of Revenue has informed us that information for individual income taxpayer’s carry forwards is not available. The individual taxpayer’s tax credit carryforward can be estimated at the same proportion of the corporate taxpayer’s tax credit carryforward to the total amount of corporate tax credits claimed. The estimated individual taxpayer textile revitalization tax credits are an estimated $598,364 in FY2014-15. Total textile revitalization tax credits total an estimated $774,416 in FY2014-15. The table below summarizes this information.

**Analysis of Textile Revitalization Tax Credit Carryforwards**

**Fiscal Year 2013-14**

**Credits Carrie**

**Type of Number of Amount of Forward To**

**Taxpayer Taxpayers Tax Credits FY2014-15**

**(Number) (Dollars) (Dollars)**

**Corporate** 7 $641,414 $176,052

**Individual** 61 $2,180,032 $598,364 \*

**Total** 68 $2,821,446 $774,416

Note: \* - estimated

Source: South Carolina Department of Revenue

This bill would delete Section 12-65-30(C)(5) that limits the use of the tax credit to fifty percent of a taxpayer’s income tax liability for a taxable year against corporate and individual income taxes, corporate license fees, and insurance premium taxes. This bill would allow a taxpayer that claims a textile revitalization tax credit for income tax year 2016 to not limit the use of the tax credit to fifty percent of a taxpayer’s income tax liability, regardless of when the tax credit is earned. This change would accelerate the use of the tax credit and positively impact the cash flow of the taxpayer. The full impact of the tax credits earned would still remain, but the timing of the use of the tax credits would be shifted to earlier tax years. This bill would reduce general fund corporate and individual income taxes, corporate license fees, and insurance premium taxes by an estimated $774,416 in FY2016-17.

**Section 2.** This act takes effect upon approval by the Governor and first applies to credits claimed for income tax year 2016, regardless of when the credit was earned.

**Local Revenue**

Since the fifty percent limitation rule does not apply to the property tax credit for qualified textile mill revitalization expenses, this bill would have no impact on local revenue.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 12‑65‑30, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE TEXTILES COMMUNITIES REVITALIZATION INCOME TAX CREDIT, SO AS TO DELETE A PROVISION THAT LIMITS THE CREDIT TO FIFTY PERCENT OF CERTAIN LIABILITY.

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

SECTION 1. Section 12‑65‑30(C)(5) of the 1976 Code is amended to read:

“(5) ~~The credit allowed by this subsection is limited in use to fifty percent of each of the following:~~

~~(a)~~ ~~the taxpayer’s income tax liability for the taxable year if taxpayer claims the credit allowed by this section as a credit against income tax imposed pursuant to Chapter 6 or Chapter 11 of this title;~~

~~(b)~~ ~~the taxpayer’s corporate license fees for the taxable year if the taxpayer claims the credit allowed by this section as a credit against license fees imposed pursuant to Chapter 20; or~~

~~(c)~~ ~~the taxpayer’s insurance premium taxes imposed by Chapter 7, Title 38~~ Reserved.”

SECTION 2. This act takes effect upon approval by the Governor and first applies to credits claimed for income tax year 2016, regardless of when the credit was earned.

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