



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0463	Introduced on January 13, 2021
Author:	Alexander	
Subject:	Expiration of tax credits for purchase of geothermal machinery and equipment	
Requestor:	Senate Finance	
RFA Analyst(s):	Gallagher	
Impact Date:	February 5, 2021	

Fiscal Impact Summary

This bill deletes the sunset provision related to the 25 percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment, which is currently set to be repealed as of January 1, 2022. This bill will not have an expenditure impact for the Department of Revenue as the tax credit is already in place.

Without the deletion of the sunset provision, no additional tax credits for geothermal machinery and equipment would be expected following tax year 2021, thereby increasing General Fund revenues. Therefore, while there is no General Fund revenue impact in FY 2021-22, the deletion of the sunset provision is expected to reduce General Fund individual income tax revenue by \$2,534,000 and corporate income tax revenue by \$237,000 a year beginning in FY 2022-23, for a total reduction of \$2,771,000.

Explanation of Fiscal Impact

Introduced on January 13, 2021

State Expenditure

Section 12-6-3587 allows a twenty-five percent income tax credit for the costs incurred by the taxpayer for the purchase and installation of specific residential renewable energy equipment, including geothermal machinery and equipment. Currently, this tax credit is set to repeal as of January 1, 2022. This bill deletes this provision. This bill will not have an expenditure impact for the Department of Revenue because the tax credit is already in place, and removing the sunset provision will not have an operational or fiscal impact on the agency.

State Revenue

This bill deletes the sunset provision related to the twenty-five percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment. Based on data from the Department of Revenue's 2018-2019 Annual Report, 5,610 individuals claimed \$18,468,028 and 29 corporations claimed \$1,296,877 in FY 2018-19 for the Solar Energy System Credit. This results in a total claimed amount of \$19,764,905. The tax credit information available from South Carolina state income tax forms reports the combined total for solar, small hydropower, and geothermal machinery and equipment systems. According to the U.S. Energy Information Administration's (EIA) Monthly Energy Review, geothermal energy consumption accounts for approximately 13.7 percent of total residential and 18.3 percent of total commercial renewable energy from solar and geothermal sources. Utilizing these figures, we estimate that 770

individuals claimed approximately \$2,534,000 and 5 corporations claimed \$237,000 in FY 2018-19 for the geothermal machinery and equipment tax credit. This results in a total estimated claim amount of \$2,771,000.

Without the deletion of the sunset provision, no additional tax credits for geothermal machinery and equipment would be expected following tax year 2021, thereby increasing General Fund revenues. Based upon the Annual Energy Outlook 2021 by EIA, geothermal energy production is not expected to change significantly through the period, and we anticipate credits will remain stable. Therefore, the deletion of the sunset provision is expected to reduce General Fund individual income tax revenue by \$2,534,000 and corporate income tax revenue by \$237,000 a year beginning in FY 2022-23, for a total reduction of \$2,771,000.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director