~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

March 17, 2021

**S. 463**

Introduced by Senators Alexander, Cromer, Grooms, Scott and Loftis

S. Printed 3/17/21--S.

Read the first time January 13, 2021.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 463) to delete Section 2.B. of Act 134 of 2016, relating to the expiration of tax credits for the purchase of geothermal machinery and equipment, etc., respectfully

**REPORT:**

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

Amend the bill, as and if amended, by striking SECTION 1 and inserting:

/ SECTION 1. SECTION 2.B. of Act 134 of 2016, as amended by Act 47 of 2019, is amended to read:

B. The provisions contained in this section related to geothermal machinery and equipment are repealed January 1, ~~2022~~ 2032. /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**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.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO DELETE SECTION 2.B. OF ACT 134 OF 2016, RELATING TO THE EXPIRATION OF TAX CREDITS FOR THE PURCHASE OF GEOTHERMAL MACHINERY AND EQUIPMENT.

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

SECTION 1. SECTION 2.B. of Act 134 of 2016, as last amended by Act 47 of 2019, is deleted.

SECTION 2. This act takes effect upon approval by the Governor.

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