



# 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.*

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**Bill Number:** H. 3464 Introduced on January 14, 2025  
**Subject:** Income Tax Credit  
**Requestor:** House Ways and Means  
**RFA Analyst(s):** Manic  
**Impact Date:** January 15, 2025

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### Fiscal Impact Summary

This bill creates an income tax credit for small businesses that purchase a generator for their operations beginning in tax year 2025. The credit is for 100 percent of the cost of the generator not to exceed \$10,000. Small business is defined as a business with 25 employees or less that sells unprepared food, prepared food, home improvement supplies, prescription drugs, medical supplies, gas, diesel, or propane. The bill specifies any unused credit can be carried forward for three years.

The bill will have no expenditure impact for the Department of Revenue (DOR) as the agency anticipates any expenses to administer this tax credit to be minimal and can be managed with existing staff and resources.

This bill is expected to reduce General Fund revenue from individual and corporate income taxes by approximately \$22,010,000 beginning in FY 2025-26. The impact by fiscal year may vary if taxpayers do not have sufficient tax liability to claim the full amount of the credit in the first year and carryforward any unused amount. This estimate is based on an average cost ranging from \$1,850 for a portable generator to \$6,500 for a commercial standby generator. We have assumed 77,000 small businesses, or 75 percent, may use generators in their operations with an average replacement schedule of 20 years for standby generators and 7.5 years for portable generators.

### Explanation of Fiscal Impact

#### Introduced on January 14, 2025

##### State Expenditure

This bill creates an income tax credit for small businesses that purchase a generator for their operations beginning in tax year 2025. DOR will be responsible for administering this tax credit. The agency indicates that the bill will not have an expenditure impact since it can administer the new income tax credit with existing staff and resources.

##### State Revenue

This bill creates an income tax credit for generators purchased by a small business beginning in tax year 2025. The credit is for 100 percent of the cost of the generator not to exceed \$10,000. The bill defines small business as a business with 25 employees or less that sells unprepared

food, prepared food, home improvement supplies, prescription drugs, medical supplies, gas, diesel, or propane. Any unused credit may be carried forward for three years.

Based on our analysis of generators and wattage needed for a business, for this analysis, we have assumed small businesses may either purchase a small portable generator capable of generating up to 15 kW of electricity or a commercial-grade standby generator with an output between 10 kW and 20 kW. Based on pricing from home improvement stores, portable generators with an output of 7.5 to 15kW cost between approximately \$1,200 and \$2,500. Additionally, according to information published by the supplier of power generation products and services Worldwide Power Products, a commercial standby generator suitable for small- or medium-sized business with an output between 10 kW and 20 kW costs between \$3,000 and \$10,000 to install.<sup>1</sup> For purposes of this analysis, we have used the average costs of \$1,850 for a portable generator and \$6,500 for a commercial standby generator. Both averages are below the \$10,000 maximum allowed for the credit.

Depending on the type of generator and the level of maintenance, standby generators typically have a life span of 15 to 30 years,<sup>2</sup> whereas portable generators last up to ten years.<sup>3</sup> We assume that standby generators will be replaced every 20 years and portable generators every 7.5 years. This is equivalent to an annual replacement rate of 0.05 standby generators and 0.133 portable generators.

Limited data are available to identify small businesses that will meet the requirements to qualify for this credit. We focused on the number of employees to identify small businesses. Based on the latest County Business Patterns (CBP) data from the US Census Bureau, there were a total of 120,769 establishments in SC in 2022, out of which 103,131 had 19 or fewer employees, which we anticipate will be close to the number of businesses with 25 or fewer employees that will qualify for the credit. A report published by the National Energy Technology Laboratory estimates that approximately 75 percent of commercial businesses purchase a backup generator with an average size of 18 kW.<sup>4</sup> Applying 75 percent to the number of small businesses, we estimate that approximately 77,000 establishments may use generators in their operations. Further, we assume that approximately half of these businesses may rely on standby commercial generators and the other half on portable generators.

The annual amount spent by small businesses on generators is estimated by multiplying the number of businesses by the unit cost of a generator and by the annual replacement rate of the respective generator. As a result, we have estimated that approximately \$12,513,000 may be claimed annually by small businesses purchasing a standby generator and approximately

<sup>1</sup> Worldwide Power Products, *Generator Installation in Commercial Buildings*, Retrieved Jan. 2025 <https://www.wpowerproducts.com/blog/backup-power/genset-install-commercial-buildings/>

<sup>2</sup> Peaden Air Conditioning, Plumbing & Electrical, *What is the Average Lifespan of a Generator*, Retrieved Jan. 2025 <https://www.peaden.com/blog/electrical/what-is-the-average-lifespan-of-a-generator/>

<sup>3</sup> Sanford, *Understanding Generator Lifespan*, Retrieved Jan. 2025 <https://choosesanford.com/how-many-hours-will-a-generator-last/>

<sup>4</sup> National Energy Technology Laboratory, *The Untapped Value of Backup Generation*, Retrieved Jan. 2025 [https://netl.doe.gov/sites/default/files/Smartgrid/Value-of-Standby-Generation-08-29-08-AZ--2-APPROVED\\_2008\\_09.pdf](https://netl.doe.gov/sites/default/files/Smartgrid/Value-of-Standby-Generation-08-29-08-AZ--2-APPROVED_2008_09.pdf)

\$9,497,000 by small businesses purchasing a portable generator. Therefore, the bill may reduce General Fund revenue from individual and corporate income taxes by approximately \$22,010,000 beginning in FY 2025-26. The timing of the impact may be impacted if taxpayers do not have sufficient tax liability to claim the full amount of the credit and carryforward unused credits within the three-year carryforward period.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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