



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.

| | | |
|------------------------|----------------------|--------------------------------|
| Bill Number: | H. 3489 | Introduced on January 14, 2025 |
| Subject: | IRC Conformity | |
| Requestor: | House Ways and Means | |
| RFA Analyst(s): | Jolliff | |
| Impact Date: | February 5, 2025 | |

Fiscal Impact Summary

This bill updates South Carolina's conformity to the Internal Revenue Code (IRC) through December 31, 2024, including any expired provisions of the federal code that are extended, but not otherwise amended, by congressional enactment during 2025.

The Department of Revenue (DOR) will administer the changes to income tax provisions with existing staff and resources. Therefore, the bill is not expected to impact expenditures for the agency.

Based on information provided by DOR and our analysis, we do not anticipate that conforming to the changes will have a significant impact on South Carolina. Therefore, the bill is not expected to impact state revenue.

Explanation of Fiscal Impact

Introduced on January 14, 2025

State Expenditure

This bill updates South Carolina's conformity to the IRC through December 31, 2024. DOR will administer the changes to income tax provisions with existing staff and resources. Therefore, the bill is not expected to impact expenditures for the agency.

State Revenue

This bill updates South Carolina's conformity to the IRC through December 31, 2024, including any expired provisions of the federal code that are extended, but not otherwise amended, by congressional enactment during 2025. Research by DOR identified one federal tax law enacted by Congress that impacts South Carolina's conformity through December 31, 2024:

- Federal Disaster Tax Relief Act of 2023 (Pub. Law 118-148; enacted Dec. 12, 2024)

To estimate the impact of conforming to the IRC changes, Revenue and Fiscal Affairs (RFA) utilized U.S. estimates by the Joint Committee on Taxation and adjusted those estimates to project the impact of adopting these federal provisions on South Carolina. Based on information provided by DOR and our analysis, we do not anticipate that conforming to the changes will have a significant impact on South Carolina. The Federal Disaster Tax Relief Act of 2023

includes three provisions with revenue effects. South Carolina did not adopt Section 304(b) of the Taxpayer Certainty and Disaster Tax Relief Act of 2020. Therefore, the extension of rules for treatment of certain disaster-related personal casualty losses provision does not impact the state. Further, DOR anticipates that the provisions allowing taxpayers to exclude compensation for certain wildfire losses and East Palensine disaster relief payments will have minimal impact in South Carolina. Therefore, the bill is not expected to impact state revenue.

| Provision | Impact |
|---|----------------------|
| Extension of rules for treatment of certain disaster-related personal casualty losses | Not applicable to SC |
| Exclusion from gross income for compensation for losses or damages resulting from certain wildfires | Minimal |
| East Palestine disaster relief payments | Minimal |

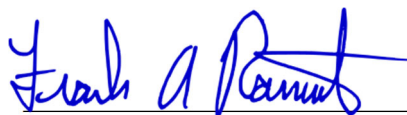
For information, DOR identified one provision for 2024 that would impact 2025 if extended. The provision is an exemption for telehealth services from certain high deductible health plan rules. The provision was first enacted in the CARES Act of 2020 and was estimated to have an impact on South Carolina of approximately \$160,000. This provision was extended in the Telehealth Expansion Act of 2023. As this provision impacts health insurance policies, the provision will impact South Carolina regardless of conformity.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director