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. 4164 Introduced on March 6, 2025
Subject:	Community Development Corporation Tax Credit
Requestor:	House Ways and Means
RFA Analyst(s):	Manic
Impact Date:	March 19, 2025

Fiscal Impact Summary

This bill reinstates the Community Development Tax Credit against taxpayers' income tax, bank tax, or premium tax liability in the amount of 33 percent of all amounts invested in a community development corporation or in a community development financial institution. Additionally, the bill increases the aggregate limit of the tax credit for all taxpayers for all tax years by $6,000,000 from $9,000,000 to $15,000,000 and sets the annual aggregate limit to $3,000,000 per tax year. Further, the bill allows taxpayers to carry forward unused tax credits for up to three years from the date of the investment of funds.

The bill specifies that qualifying taxpayers must obtain a certificate from the South Carolina Department of Commerce (Commerce) certifying that the entity into which funds are invested is either a community development corporation or a community development financial institution. The bill also requires Commerce to authorize the tax credits on a first-come, first-served basis and to certify that the allocated tax credits to taxpayers do not exceed the annual aggregate limit for all credits. The bill takes effect upon approval by the Governor and first applies to tax year 2025.

Both Commerce and the Department of Revenue (DOR) indicate that the bill will have no expenditure impact as the agencies expect to handle the requirements of the bill with existing staff and resources.

Commerce indicates that in the past this credit has been consistently claimed up to the maximum amount allowed per year, and as of tax year 2023, the aggregate credit limit of $9,000,000 was reached. As such, Commerce anticipates there will be sufficient demand for this credit to meet the maximum annual cap of $3,000,000. Therefore, this bill will decrease General Fund revenue from individual income, corporate income, bank, insurance premium taxes, or any combination thereof, by $3,000,000 a year in FY 2025-26 for tax year 2025 and FY 2026-27 for tax year 2026, when the aggregate $6,000,000 increase will have been claimed. The timing of the impact may vary if taxpayers carry forward any excess credits for the allowable 3 years.

Explanation of Fiscal Impact

Introduced on March 6, 2025
State Expenditure
This bill reinstates the Community Development Tax Credit against taxpayers' state income tax, bank tax, or premium tax liability in the amount of 33 percent of all amounts invested in a community development corporation or in a community development financial institution. Additionally, the bill increases the aggregate limit of the tax credit for all taxpayers for all tax years by $6,000,000 from $9,000,000, the limit reached when the tax credit expired on June 30, 2023, to $15,000,000 and sets the annual aggregate limit to $3,000,000 per tax year. Further, the bill allows taxpayers to carry forward unused tax credits for up to three years from the date of the investment of funds.

The bill specifies that qualifying taxpayers must obtain a certificate from Commerce certifying that the entity into which funds are invested is either a community development corporation or a community development financial institution. The bill also requires Commerce to authorize tax credits on a first-come, first-served basis and to certify that the allocated tax credit for a taxpayer does not exceed the annual aggregate limit for all credits. Further, the bill requires that a single community development corporation or a community development financial institution may not receive more than 25 percent of the total annual authorized credits. Additionally, 25 percent of annual tax credits are required to be held in a reserve account during the first three quarters of each tax year and made available exclusively to small, rural-based, community development corporations. Also, the bill specifies that an individual community development corporation or a community development financial institution must not be authorized to receive more than 15 percent of the statewide total annual credits during the first three quarters of the tax year, while during the fourth quarter of the tax year all remaining tax credits are available to all certified community development corporations or community development financial institutions.

The bill applies to credits earned and certificates issued beginning in tax year 2025. Any credits earned and certificates issued before 2025 must be claimed in accordance with the provisions of Section 12-6-3530 as it existed on June 30, 2023. In addition, any credits earned and certificates issued before 2025 must count toward the $15,000,000 aggregate limit for all taxpayers in all tax years.

Commerce and DOR indicate that the bill will have no expenditure impact as the agencies will be able to administer the tax credits with existing staff and resources.

State Revenue
This bill reinstates the Community Development Tax Credit against taxpayers' state income tax, bank tax, or premium tax liability in the amount of 33 percent of all amounts invested in a community development corporation or in a community development financial institution. Additionally, the bill increases the aggregate limit of the tax credit for all taxpayers for all tax years by $6,000,000 from $9,000,000 to $15,000,000 and sets the annual aggregate limit to $3,000,000 per tax year. Further, the bill allows taxpayers to carry forward unused tax credits for up to three years from the date of the investment of funds.

The bill applies to credits earned and certificates issued beginning in tax year 2025. Any credits earned and certificates issued before 2025 must be claimed in accordance with the provisions of Section 12-6-3530 as it existed on June 30, 2023. In addition, any credits earned and certificates issued before 2025 must count toward the $15,000,000 aggregate limit for all taxpayers in all tax years.

Commerce indicates that in the past this credit has been consistently claimed up to the maximum amount allowed per year, and as of tax year 2023, the aggregate credit limit of $9,000,000 was reached. With the proposed reinstatement of the tax credit and the increase in the aggregate limit by $6,000,000 to a total of $15,000,000 for all taxpayers for all tax years, Commerce anticipates there will be sufficient demand for this credit to meet the maximum annual cap of $3,000,000 permitted in this bill. Therefore, this bill will decrease General Fund revenue from individual income, corporate income, bank, insurance premium taxes, or any combination thereof, by $3,000,000 a year in FY 2025-26 for tax year 2025 and FY 2026-27 for tax year 2026, when the aggregate $6,000,000 increase will have been claimed. The timing of the impact may vary if taxpayers carry forward any excess credits for the allowable 3 years.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director