~~Indicates Matter Stricken~~

Indicates New Matter

AMENDED

April 14, 2011

**H. 3506**

Introduced by Reps. Loftis, Allison, J.R. Smith, White, Bowen, Ott, Cobb‑Hunter, Pitts and Henderson

S. Printed 4/14/11--H.

Read the first time January 27, 2011.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This amended bill is expected to reduce state corporate license tax revenue by an estimated $600,000 in FY2011-12. Also, this bill is expected to reduce state general fund income taxes by an estimated $1,617,000 in FY2012-13 and each fiscal year thereafter through FY2016-17.

**Explanation of Amendment (March 31, 2011) – By the House Ways & Means Committee**

This amendment would strike Section 2 of the bill in its entirety and insert language to allow a qualifying company to claim a credit against its license tax liability for amounts paid in cash to include site preparation costs, but not limited to clearing, grubbing, grading, and storm water retention. The amendment also adds eligible items to include the “refurbishment of buildings that are owned or controlled by a county or municipality and are used exclusively for economic development purposes”. We expect that two firms will meet the amended criterion each fiscal year. This section, therefore, is expected to reduce state corporate license tax revenue by an estimated $600,000 in FY2011-12.

**Explanation of Bill filed January 27, 2011**

**Section 1.**

This bill would amend Section 12-6-3360(M)(14) to amend the definition of “technology intensive facility” to include companies engaged in research and development in biotechnology (NAICS code 541711) and research and development in physical, engineering, and life sciences (NAICS code 541712). These companies would be eligible to apply a jobs tax credit and a job development fee for each new job. According to the latest data available from the S.C. Department of Workforce and Employment, there are currently 218 companies employing 2,347 persons in these fields of research. Employment has increased by an annual compound rate of 9.4 percent over the past eight calendar years. It is expected that this pace of new jobs creation in these sectors will continue in FY2011-12, but with this bill, these companies will receive the credit. Multiplying an estimated 462 new jobs by an average job tax credit of $3,500 per new job created, it is estimated that this section of the bill would reduce ongoing collections of taxes by an estimated $1,617,000 in FY2012-13 as this credit is claimed one year after jobs are created. The taxpayer may obtain a credit for those new jobs for five years following the year in which the job is created.

**Section 2.**

This bill would amend Section 12-20-105(C) to allow a taxpayer that is subject to a corporate license tax to claim a credit against its license tax liability for amounts paid in cash to provide infrastructure for an eligible project. The maximum aggregate credit that may be claimed in any tax year by a single company is $300,000. This section would allow a qualifying company to include site preparation costs, but are not limited to clearing, grubbing, grading, and storm water retention. This section would limit the tax credits to projects used exclusively for economic development and is owned or constructed by a county, political subdivision, or agency of this State. We expect that one firm will meet this criterion each fiscal year. This section, therefore, is expected to reduce state corporate license tax revenue by an estimated $300,000 in FY2011-12.

**Section 3.**

This bill would amend Section 12-44-30(21) to allow the sponsor of a fee-in-lieu of property tax agreement involving an enhanced investment to apply to the county before the termination date of the fee agreement for an extension of the termination date beyond the thirty-ninth year for up to an additional ten years. Because this decision is left to the county council and this bill does not affect any tax, fee, or license revenue, this section is not expected to affect state general fund revenue in FY2011-12.

**Section 4.**

This act takes effect upon approval by the Governor.

*Approved By:*

William C. Gillespie

Board of Economic Advisors

1/ This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

**A** **BILL**

TO AMEND SECTION 12‑6‑3360, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE JOB TAX CREDIT, SO AS TO REVISE THE DEFINITION OF A “TECHNOLOGY INTENSIVE FACILITY”; TO AMEND SECTION 12‑20‑105, AS AMENDED, RELATING TO THE TAX CREDIT FOR INFRASTRUCTURE IMPROVEMENTS FOR WATER, WASTEWATER, HYDROGEN FUEL, SEWER, GAS, STEAM, ELECTRIC ENERGY, AND COMMUNICATION SERVICES, SO AS TO INCLUDE CERTAIN SITE PREPARATION COSTS WITHIN THE DEFINITION OF INFRASTRUCTURE IMPROVEMENTS WHICH GIVE RISE TO THE CREDIT; AND TO AMEND SECTION 12‑44‑30, AS AMENDED, RELATING TO FEES IN LIEU OF TAXES, SO AS TO REVISE THE DEFINITION OF “TERMINATION DATE”.

Amend Title To Conform

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

SECTION 1. Section 12‑6‑3360(M)(14) of the 1976 Code, as last amended by Act 290 of 2010, is further amended to read:

“(14) ‘Technology intensive facility’ means:

(a) a facility at which a firm engages in the design, development, and introduction of new products or innovative manufacturing processes, or both, through the systematic application of scientific and technical knowledge. Included in this definition are the following North American Industrial Classification Systems, NAICS, Codes published by the Office of the Management and Budget of the federal government:

(i) 5114 database and directory publishers;

(ii) 5112 software publishers;

(iii) 54151 computer systems design and related services;

(iv) 541511 custom computer programming services;

(v) 541512 computer systems design services;

(vi) 541710 scientific research and development services;

(vii) 541711 research and development in biotechnology; 2007 NAICS;

(viii) 541712 research and development in physical, engineering, and life sciences; 2007 NAICS;

(ix) 9271 space research and technology; or

(b) a facility primarily used for one or more activities listed under the 2002 version of the NAICS Codes 51811 (Internet Service Providers and Web Search Portals).”

SECTION 2. Section 12‑20‑105(C) of the 1976 Code, as last amended by Act 290 of 2010, is further amended by adding an item to read:

“(6) for a qualifying project pursuant to subsection (B)(2), site preparation costs include, but are not limited to:

(a) clearing, grubbing, grading, and stormwater retention; and

(b) refurbishment of buildings that are owned or controlled by a county or municipality and are used exclusively for economic development purposes.”

SECTION 3. Section 12‑44‑30(21) of the 1976 Code, as last amended by Act 290 of 2010, is further amended to read:

“(21) ‘Termination date’ means the date that is the last day of a property tax year that is no later than the twenty‑ninth year following the first property tax year in which an applicable piece of economic development property is placed in service. A sponsor may apply to the county prior to the termination date for an extension of the termination date beyond the twenty‑ninth year up to ten years. The county council of the county shall approve an extension by resolution upon a finding of substantial public benefit. A copy of the resolution must be delivered to the department within thirty days of the date the resolution was adopted. With respect to a fee agreement involving an enhanced investment, the termination date is the last day of a property tax year that is no later than the thirty‑ninth year following the first property tax year in which an applicable piece of economic development property is placed in service. A sponsor may apply to the county before the termination date for an extension of the termination date beyond the thirty‑ninth year up to ten years. If the fee agreement is terminated in accordance with Section 12‑44‑140, the termination date is the date the agreement is terminated.”

SECTION 4. This act takes effect upon approval by the Governor.

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