RECALLED

June 3, 2015

**H. 3874**

Introduced by Reps. Mitchell, Cobb‑Hunter, Merrill, Loftis, Dillard and Govan

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Read the first time May 4, 2015.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Fiscal Impact Summary**

This bill would reduce general fund income tax revenue by $3,125,628 in FY 2016-17. Additionally, general fund income tax revenue would be reduced by an additional $2,500,000 in FY 2017-18 and each year thereafter for a total of $38,125,628 in FY 2020-21.

**Explanation of Fiscal Impact**

**Updated on May 22, 2015 to Include Revised Analysis and Additional Revenue Impact**

**State Revenue**

The estimates represented in the table above have been updated to reflect the estimated total general fund income tax revenue reduction for renewable energy property tax credits in FY 2016-17 through FY 2020-21. The update is based on five businesses that will claim the tax credit in each of the fiscal years stated above. The previous estimates assumed the same five businesses would claim the tax credit in the stated time period.

The Department of Revenue reports that five businesses claimed the renewable energy property tax credit in 2013. Based upon our analysis of solar energy equipment tax credits for business purposes over the past three years, we estimate that five businesses will claim the tax credit in FY 2016-17 and each year thereafter through FY 2020-21. Since the credit for each installation of renewable energy property placed in service for a business purpose may not exceed $2,500,000 and must be taken in five equal installments, we estimate that this bill would reduce general fund income tax revenue by $2,500,000 in FY 2016-17 and each year thereafter for a total of $37,500,000 in FY 2020-21.

Based on data from the Department of Revenue, two hundred fifty-six taxpayers claimed the existing non-business solar energy tax credit for a total of $625,628 in 2013. Since the credit for non-business renewable energy property must be taken in the taxable year in which the property is placed in service and assuming a similar trend, we estimate this bill will reduce general fund income tax by $625,628 beginning in FY 2016-17.

In summary, this bill would reduce general fund income tax revenue by $3,125,628 in FY 2016-17. Additionally, general fund income tax revenue would be reduced by an additional $2,500,000 in FY 2017-18 and each year thereafter for a total of $38,125,628 in FY 2020-21.

The estimates represented above are for data on solar energy equipment. Data on real property eligible under the new renewable energy equipment credit is not available.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12‑6‑3770 SO AS TO PROVIDE FOR AN INCOME TAX CREDIT TO AN INDIVIDUAL OR BUSINESS THAT CONSTRUCTS, PURCHASES, OR LEASES RENEWABLE ENERGY PROPERTY AND PLACES IT IN SERVICE IN THIS STATE, AND TO PROVIDE A DEFINITION OF “RENEWABLE ENERGY PROPERTY”.

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

SECTION 1. Article 25, Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑3770. (A) A taxpayer that constructs, purchases, or leases renewable energy property located on the Environmental Protection Agency’s National Priority List, National Priority List Equivalent Sites, and related removal actions, located in the State of South Carolina and places it in service in this State during the taxable year is allowed an income tax credit equal to thirty‑five percent of the cost, including the cost of installation, of the property. A lessor shall give a taxpayer who leases renewable energy property from him a statement that describes the renewable energy property and states the cost of the property upon request. No credit is allowed under this section to the extent the cost of the renewable energy property is provided by public funds. For purposes of this section, ‘public funds’ does not include grants made under Section 1603 of the American Recovery and Reinvestment Tax Act of 2009.

(B) If the renewable energy property with respect to which the credit was claimed is disposed of, taken out of service, or moved out of the State in a year in which the installment of a credit accrues, then the credit expires and the taxpayer may not take any remaining installments of the credit.

(C) A credit for each installation of renewable energy property placed in service for a business purpose may not exceed two million five hundred thousand dollars. Renewable energy property is placed in service for a business purpose if the useful energy generated by the property is offered for sale or is used on‑site for a purpose other than providing energy to a residence.

(D) A taxpayer who claims any other credit allowed with respect to renewable energy property may not take the credit allowed in this section with respect to the same property. A taxpayer may not take the credit allowed in this section for renewable energy property the taxpayer leases from another unless the taxpayer obtains the lessor’s written certification that the lessor will not claim a credit under this section with respect to the property.

(E) For purposes of this section, ‘renewable energy property’ means any of the following machinery and equipment or real property:

(1) biomass equipment that uses renewable biomass resources for biofuel production of ethanol, methanol, and biodiesel, anaerobic biogas production of methane utilizing agricultural and animal waste or garbage, or commercial thermal or electrical generation. The term also includes related devices for converting, conditioning, and storing the liquid fuels, gas, and electricity produced with biomass equipment;

(2) combined heat and power system property as defined in 26 U.S.C. Section 48;

(3) geothermal equipment that either:

(a) is a heat pump that uses the ground or groundwater as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure; or

(b) uses the internal heat of the earth as a substitute for traditional energy for water heating or active space heating or cooling;

(4) hydroelectric generators located at existing dams or in free‑flowing waterways and related devices for water supply and control and converting, conditioning, and storing the electricity generated;

(5) solar energy equipment that uses solar radiation as a substitute for traditional energy for water heating, active space heating and cooling, passive heating, daylighting, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat. The term also includes related devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy;

(6) wind equipment required to capture and convert wind energy into electricity or mechanical power and related devices for converting, conditioning, and storing the electricity produced or relaying the electricity by cable from the turbine motor to the power grid.”

SECTION 2. This act takes effect in income tax years beginning after 2015. The provisions of this act are repealed on December 31, 2016.

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