



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0756 Introduced on January 9, 2018
Author: Reese
Subject: Disabled Self-Employment Development Trust Fund
Requestor: Senate Medical Affairs
RFA Analyst(s): Kokolis and Jolliff
Impact Date: January 25, 2018

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
State Expenditure		
General Fund	\$150,000	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	See Below	0.00
State Revenue		
General Fund	(\$5,000,000)	\$0
Other and Federal	\$5,012,000	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

The bill will have an expenditure impact on the General Fund of \$150,000 for personnel and operating expenses to fund 2 vacant FTEs to administer the program. The bill will have no expenditure impact on Other Funds or Federal Funds. The bill is not expected to impact expenditures for the Department of Revenue. This assumes that if the amount of tax credits exceeds the limitation, the Department of Revenue is able to determine the contributors to the Disabled Self-employment Development Trust Fund and notify those individuals of the credit amount that can be claimed since the credit must be reduced on a pro-rata basis. Due to timing, this information would not be included on tax forms.

The bill would reduce General Fund income tax revenue by \$5,000,000 and increase Other Funds revenue for the Disabled Self-Employment Development Trust Fund by \$5,012,000 in FY 2018-19.

Explanation of Fiscal Impact

Introduced on January 9, 2018

State Expenditure

The bill creates the Disabled Self-employment Development Trust Fund to provide assistance to individuals with disabilities to pursue entrepreneurship and self-employment opportunities and provide business development grants for the startup, expansion, or acquisition of a business operated within the state. The fund shall consist of appropriations and donations, contributions, bequests, or other gifts. Earnings and interest on this fund remain with the fund, and any balance at the end of the fiscal year carries forward in the succeeding fiscal year. The Department of

Disabilities and Special Needs shall establish and administer the program that awards grants to qualifying residents with physical or mental impairments who start, expand, or acquire an in-state business.

The bill provides a tax credit against income tax liability for contributions to the fund. The total amount of credits allowed may not exceed an aggregate of \$5,000,000 for all taxpayers in one calendar year. If the total amount of tax credits which may be claimed by all taxpayers exceeds \$5,000,000, the allowable credits must be determined on a pro rata basis by the Department of Revenue (DOR). This tax credit is nonrefundable, and if the amount of the credit exceeds the taxpayer's liability for the applicable taxable year any unused credit may be carried forward and claimed in the five succeeding taxable years. Additionally, a taxpayer may contribute to the Disabled Self-employment Development Trust Fund through a new check-off on a state individual income tax return.

Department of Disabilities and Special Needs. This bill requires the department to establish and administer the program that awards grants to qualifying residents with physical or mental impairments who start, expand, or acquire an in-state business. The agency expects to fill 2 vacant FTEs at a recurring expenditure cost of \$150,000 for personnel and operating expenditures annually. The agency does not have sufficient funds currently to fund these vacancies. Therefore, the bill will increase General Fund expenditures by \$150,000 beginning in FY 2018-19 to administer the program.

Department of Revenue. The Department of Revenue is required to administer the tax credit for contributions to the Disabled Self-employment Development Trust Fund. In order to administer a pro-rata tax credit, the department would need to implement new procedures to ensure that the amount claimed does not exceed the limitation. DOR would need information regarding the total amount of contributions and contributors in order to determine a reduced credit amount if contributions exceed \$5,000,000. They would then notify the contributors of the amount that may be claimed. Since contributions may continue until December 31 of a calendar year, the department would need to tally the credits and notify taxpayers in January for April filings. This would preclude the department from including the information on tax forms which are developed prior to the end of the year. Administering the credit through this procedure may impact taxpayers due to uncertainty and the timing of determining the credit, but would not significantly impact expenditures. Based upon this administrative procedure, the bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue

The bill provides a non-refundable tax credit against income tax liability for contributions to the Disabled Self-employment Development Trust Fund. The total amount of credits allowed may not exceed an aggregate of \$5,000,000 for all taxpayers in one calendar year. We assume that the tax credit is a dollar-for-dollar credit for contributions to the fund and would apply for tax year 2018.

Based upon similar credits for contributions to the Educational Credit for Exceptional Needs Children Fund, we estimate that the full \$5,000,000 will be claimed. This would reduce General

Fund income tax revenue by \$5,000,000 in FY 2018-19 and increase Other Funds revenue for the Disabled Self-Employment Development Trust Fund by \$5,000,000.

The bill also allows taxpayers to contribute to the fund on the individual income tax return. From the Department of Revenue's FY 2015-16 Annual Report, the average amount contributed to each fund through individual income tax returns was approximately \$12,000. This would increase Other Funds revenue for the Disabled Self-Employment Development Trust Fund by \$12,000 in FY 2018-19.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director