~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

January 19, 2017

**S. 67**

Introduced by Senator Hutto

S. Printed 1/19/17--S.

Read the first time January 10, 2017.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 67) to amend Section 12-10-88, as amended, Code of Laws of South Carolina, 1976, relating to redevelopment fees, so as to specify to whom redevelopment, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, SECTION 1, page 2, by striking Section 12‑10‑88(E) and inserting:

/ (E) For purposes of this section ‘closed or realigned ~~military~~ federal installation’ means:

(1) until January 1, 2021, a federal defense site in which permanent employment was reduced by three thousand or more jobs ~~after~~ from the level of such jobs on December 31, 1990, or a federal military base or installation which ~~is~~ has been closed or realigned under:

~~(1)~~(a) the Defense Base Closure and Realignment Act of 1990;

~~(2)~~(b) Title 11 of the Defense Authorization Amendments and Base Closure and Realignment Act; or

~~(3)~~(c) Section 2687 of Title 10, United States Code; and

(2) from January 1, 2021, and until January 1, 2026, a federal site in which permanent employment has been reduced by three thousand or more jobs from the level of such jobs on December 31, 1996.” /

Amend the bill further, by striking SECTION 3 and inserting:

/SECTION 3. Section 31‑12‑70(A) of the 1976 Code is amended by adding an appropriately numbered item at the end to read:

“( ) to use the redevelopment fees provided pursuant to Section 12‑10‑88 for the administration and implementation of the redevelopment authority’s redevelopment plans which may include programs to reduce unemployment or increase the property tax base in the area served by the authority, including without limitation, by permitting the use of the fees by multicounty economic development not‑for‑profit corporations whose members include one or more counties that contain some or all of the area of operation of the redevelopment authority for their administration and operating costs;” /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Prefiled on December 13, 2016**

**State Expenditure**

Senate Bill 67 requires the Department of Revenue to continue allocating individual income tax withholdings to the Savannah River Site redevelopment authority after January 1, 2021. These activities are a continuation of existing agency responsibilities and will not have an expenditure impact on the general fund, federal funds, or other funds.

State Revenue

**Section 1**. This bill extends current redevelopment fee allocations of individual income tax withholdings to a federal site in which permanent employment has been reduced by three thousand or more jobs from the level of such jobs on December 31, 1996. Based on these specifications, we expect that redevelopment fees allocated the Savannah River Site Redevelopment Authority may continue after January 1, 2021. Allocations to the Charleston Naval Complex and the Myrtle Beach Air Force Base redevelopment authorities are expected to sunset on January 1, 2021, as specified in Section 12-10-88(C).

Under the current sunset provisions, we expect general fund withholding tax revenue to increase by $10,685,120 beginning in January 2021, the amount of the redevelopment authority allocations remitted in FY 2014-15. This revenue increase would be realized over two fiscal years since the continuation of the allocations begins in the middle of a state fiscal year. As this bill extends the Savannah River Site redevelopment authority allocations past January 1, 2021, the general fund would not realize the anticipated withholding tax increases from the sunset of the Savannah River Site allocations. This would reduce the expected increase in general fund individual income tax withholding revenue by $1,925,713, which is the amount of the Savannah River Site allocation in FY 2014-15.

Specifically, we estimate the continued allocation of the Savannah River Site redevelopment fees for January 2021 through June 2021 will decrease general fund withholding tax revenue $962,856 in FY 2020-21. The continued allocations for July 2021 through December 2021 will decrease withholding tax revenue by an additional $962,857 in FY 2021-22, for a total decrease in general fund withholding tax revenue of $1,925,713.

**Section 2**. This section modifies the definition of a redevelopment project to include projects outside the redevelopment project area if designated as a Promise Zone.

**Section 3.** This section allows the use of redevelopment authority fees by multicounty economic development not-for-profit corporations. While Sections 2 and 3 expand the permitted uses of the redevelopment fees, we expect that total amount of revenue and expenditures from the fees will not change since the amount of the redevelopment fees may not exceed the amount allocated in FY 2014-15.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 12-10-88, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO REDEVELOPMENT FEES, SO AS TO SPECIFY TO WHOM REDEVELOPMENT FEES MAY BE REMITTED; TO AMEND SECTION 31-12-30, RELATING TO DEFINITIONS FOR PURPOSES OF THE REDEVELOPMENT OF CERTAIN FEDERAL INSTALLATIONS, SO AS TO DEFINE “REDEVELOPMENT PROJECT”; AND BY ADDING SECTION 31-12-70 SO AS TO AUTHORIZE A REDEVELOPMENT AUTHORITY TO USE REDEVELOPMENT FEES ON CERTAIN OPERATING COSTS.

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

SECTION 1. Section 12‑10‑88, of the 1976 Code, as last amended by Act 255 of 2016, is further amended to read:

“Section 12‑10‑88. (A) Subject to the conditions provided in subsection (B), South Carolina individual income tax withholding equal to five percent of all South Carolina wages paid with respect to employees that are employed by a federal employer at a closed or realigned ~~military~~ federal installation must be remitted by the department to the redevelopment authority vested with authority under Section 31‑12‑40(A) to oversee the closed or realigned ~~military~~ federal installation. The amounts of withholding collected and remitted to the applicable redevelopment authority are referred to as ‘redevelopment fees’.

(B) The department shall remit the redevelopment fees during the period described in subsection (C) for each calendar quarter for which the redevelopment authority provides the department with a timely statement from the federal employer that employs the employees working at the closed or realigned ~~military~~ federal installation setting forth the number of employees employed at the installation, the total wages paid to these employees, and the total amount of South Carolina withholding withheld from the employees for each quarter. In order to receive the redevelopment fees for the applicable quarter, the redevelopment authority shall submit the statement within thirty days of the later of the date that the federal employer’s South Carolina withholding tax return is due or the date the federal employer files the withholding tax return. The department may extend the time for submission of the statement at its discretion.

(C) Redevelopment fees may be remitted to the applicable redevelopment authority for ~~a period~~ any quarter beginning ~~with~~ on or after the date that the applicable redevelopment authority first submits the information described in subsection (B) to the department ~~and ending fifteen years later or January 1, 2021, whichever occurs last~~. If the redevelopment authority fails to provide the department with the required statement within the requisite time limits, no redevelopment fees must be remitted for that quarter. Notwithstanding subsection (A), the redevelopment fee remitted by the department in any fiscal year may not exceed the amount remitted in Fiscal Year 2014‑2015.

(D) Neither the federal employer nor the applicable redevelopment authority is required to meet the requirements of Section 12‑10‑50 for subsection (A) to apply and the restrictions contained in Section 12‑10‑80(C) do not apply to redevelopment fees.

(E) For purposes of this section ‘closed or realigned ~~military~~ federal installation’ means:

(1) until January 1, 2021, a federal defense site in which permanent employment was reduced by three thousand or more jobs ~~after~~ from the level of such jobs on December 31, 1990, or a federal military base or installation which ~~is~~ has been closed or realigned under:

~~(1)~~(a) the Defense Base Closure and Realignment Act of 1990;

~~(2)~~(b) Title 11 of the Defense Authorization Amendments and Base Closure and Realignment Act; or

~~(3)~~(c) Section 2687 of Title 10, United States Code; and

(2) from and after January 1, 2021, a federal site in which permanent employment has been reduced by three thousand or more jobs from the level of such jobs on December 31, 1996.”

SECTION 2. Section 31-12-30(6) of the 1976 Code is amended to read:

“(6) ‘Redevelopment project’ means buildings, improvements, including street improvements, water, sewer and storm drainage facilities, parking facilities, and recreational facilities. A project or undertaking authorized under Section 6‑21‑50 also may qualify as a redevelopment project under this chapter. All such projects may be owned by the authority, the municipality, the county, or other appropriate public body. This term includes portions of the redevelopment project located outside the redevelopment project area so long as they provide needed infrastructure support for the redevelopment project area that had been, as of January 1, 2017, designated by the United States Department of Housing and Urban Development or by the United States Department of Agriculture as a ‘Promise Zone’.”

SECTION 3. Section 31-12-70(A) of the 1976 Code is amended by adding an appropriately numbered item at the end to read:

“( ) to use the redevelopment fees provided pursuant to Section 12‑10‑88 for the administration and implementation of the redevelopment authority’s redevelopment plans, including without limitation, by permitting the use of the fees by multicounty economic development not‑for‑profit corporations whose members include one or more counties that contain some or all of the area of operation of the redevelopment authority for their administration and operating costs;”

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

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