**South Carolina General Assembly**

125th Session, 2023-2024

**H. 3964**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. W. Jones, Dillard, Cobb-Hunter, Ott, G.M. Smith, Hyde, Weeks, Kilmartin, Leber and Collins

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Introduced in the House on February 15, 2023

Currently residing in the House

Summary: Tax credit

**HISTORY OF LEGISLATIVE ACTIONS**

 Date Body Action Description with journal page number

 2/15/2023 House Introduced and read first time (House Journal‑page 7)

 2/15/2023 House Referred to Committee on **Ways and Means** (House Journal‑page 7)

 3/8/2023 House Member(s) request name added as sponsor: Kilmartin

 6/7/2023 House Member(s) request name added as sponsor: Leber

 2/29/2024 House Member(s) request name added as sponsor: Collins

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**VERSIONS OF THIS BILL**

[02/15/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/3964_20230215.docx)

A bill

TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY ADDING SECTION 12‑6‑3805 SO AS TO PROVIDE A TAX CREDIT for A TAXPAYER THAT contracts with A SMALL BUSINESS WHICH NECESSITATES THE SMALL BUSINESS HIRING ADDITIONAL FULL‑TIME EMPLOYEES.

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

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

 Section 12‑6‑3805. (A)(1) There is allowed an income tax credit to any taxpayer that contracts with a small business headquartered in this State to complete projects or perform services if the contract of the small business results in the small business hiring additional full‑time employees to perform the services. A contract must be for a duration of no less than three years to qualify for the credit. In the first year in which the credit is earned pursuant to subsection (D), the amount of the credit is three thousand dollars for each additional employee. If the employee remains employed and otherwise meets the requirements of this section thereafter, the credit is two thousand five hundred dollars in the second year, and one thousand dollars in the third year. The credit may not be claimed beyond the third year.

 (2) The taxpayer only qualifies for the credit if the average annual receipts of the taxpayer exceed the maximum amount in order to be considered a small business.

 (B) The credit allowed pursuant to this section may be taken against the income taxes imposed pursuant to this chapter, the bank tax imposed pursuant to Chapter 11 of this title, the savings and loan association tax imposed pursuant to Chapter 13 of this title, the corporate license tax imposed pursuant to Chapter 20 of this title, and insurance premium taxes imposed pursuant to Chapter 7, Title 38.

 (C)(1) The total amount of the tax credit for a taxable year may not exceed the taxpayer’s tax liability. Any unused credit may be carried forward for the next three tax years.

 (2) A taxpayer may not claim the credit for more than twenty employees in the first three years after entering into the contract, and the taxpayer may not claim this credit in any year for any employee after the first three years after entering into the contract. However, nothing in this item may be construed to restrict credits upon entering into a new contract or renewing a qualifying contract except that the credits could only be earned on additional full‑time employees that supplement, and not supplant, employees for which a credit was previously claimed under the previous contract.

 (D) The tax credit is earned in the year in which the additional employee of the small business first completes the twelfth consecutive month of employment with the small business. The credit is earned in the same manner and on the same schedule in the second and third year of employment. If the contract is terminated before the twelfth consecutive month of employment, then the credit may not be claimed.

 (E) The department may prescribe forms and promulgate regulations necessary to implement the provisions of this section, including requiring the contract and other necessary documentation to prove eligibility which must include a statement from the small business that the additional employees were hired as a result of the taxpayer’s engagement with the small business.

 (F) For the purposes of this section:

 (1) “Full‑time employee” has the same meaning as provided in Section 12‑3‑3360.

 (2) “Small business” has the same meaning as defined by the Small Business Administration and the North American Industry Classification System (NAICS). The determination of whether a business qualifies as a small business occurs at the time immediately prior to the hiring that resulted in the tax credit.

SECTION 2. This act takes effect upon approval by the Governor and applies to employees hired after the Governor’s approval.

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