

REPORT OF THE ECONOMIC DEVELOPMENT LEGISLATIVE SUBCOMMITTEE

SENATE BILL 271

S. 271 -- Senators Talley, Turner, Rice, Adams, Verdin, Setzler, M. Johnson, Kimbrell, McElveen, Climer, Garrett and Campsen: A BILL TO EXTEND THE PROVISIONS OF THE SOUTH CAROLINA ABANDONED BUILDINGS REVITALIZATION ACT, AS CONTAINED IN CHAPTER 67, TITLE 12 OF THE 1976 CODE, UNTIL DECEMBER 31, 2025.

Received by Ways and Means: February 11, 2021

Summary of Bill:

This bill extends the South Carolina Abandoned Buildings Revitalization Act in Chapter 67, Title 12 that is currently set to expire on December 31, 2021, until December 31, 2025. This provision refers to the following sites:

Abandoned buildings are routinely safety hazards that cost cities and towns precious resources by using additional fire and police services, while decreasing area property values. The Abandoned Buildings Revitalization Act, enacted in 2013, incentivizes the private sector to redevelop hazardous buildings.

Definition of abandoned buildings include:

- A building or structure with at least 60% of the space closed to business or nonoperational for income-producing purposes for at least five years immediately before the date the taxpayer files a Notice of Intent to Rehabilitate;
- May not be a single-family residence;
- A building listed on the National Register for Historic Places when used solely for storage or warehousing;
- Sites, which, on the date the notice of intent to rehabilitate is filed, is located in a distressed

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area of a county in this State, as designated by the applicable council of government.

Estimated Revenue Impact:

This bill is expected to reduce General Fund revenue from individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof, by an estimated additional \$5,200,000 in FY 2022-23, and each fiscal year thereafter until FY 2025-26 for tax credits for abandoned buildings revitalization.

Subcommittee Recommendation:

Favorable subcommittee report on 3/16/2021.



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	S. 0271	Introduced on January 12, 2021
Author:	Talley	
Subject:	Abandoned Buildings Credit	
Requestor:	Senate Finance	
RFA Analyst(s):	Jolliff	
Impact Date:	January 25, 2021	

Fiscal Impact Summary

This bill extends the South Carolina Abandoned Buildings Revitalization Act in Chapter 67, Title 12 that is currently set to expire on December 31, 2021, until December 31, 2025. The bill is not expected to impact expenditures for the Department of Revenue (DOR) because the department can administer the extension with existing resources.

This bill is expected to reduce General Fund revenue from individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof, by an estimated additional \$5,200,000 in FY 2022-23, and each fiscal year thereafter until FY 2025-26 for tax credits for abandoned buildings revitalization. The General Fund revenue impact will be reduced to approximately \$10,400,000 in FY 2026-27 and \$5,200,000 in FY 2027-28, with any carryforward credits remaining until FY 2030-31. Under current law, these credits are repealed in 2021, and projects completed after that time would not be eligible for a credit, thereby reducing the General Fund impact beginning in FY 2022-23. Under the bill, credits may be added through FY 2025-26, extending the General Fund revenue impact for an additional four years.

Explanation of Fiscal Impact

Introduced on January 12, 2021

State Expenditure

This bill extends the South Carolina Abandoned Buildings Revitalization Act that is currently set to expire on December 31, 2021, until December 31, 2025. The bill is not expected to impact expenditures for DOR because the department can administer the extension with existing resources.

State Revenue

This bill extends the South Carolina Abandoned Buildings Revitalization Act until December 31, 2025. The act allows a taxpayer to claim a nonrefundable state tax credit equal to 25 percent of actual rehabilitation expenses of an abandoned building. The tax credit may be applied against individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof. The tax credit may also be applied against real property taxes as levied by local taxing entities, although DOR

is unaware of any claims against property taxes. The tax credit must be taken in equal installments over a three-year period and may not exceed \$500,000 for any taxpayer in a tax year. The credit is earned in the tax year in which the applicable phase or portion of the building site is placed in service. Unused state tax credits may be carried forward for five years. Currently, the act is to be repealed on December 31, 2021. As specified in Act 50 of 2019, any credit carryforward will continue to be allowed after the act is repealed until the period allowed in Section 12-67-140 is completed.

The table below provides the number of taxpayers claiming the tax credit and the total amount claimed since inception. Further, we have estimated the initial new claims per year based upon the three-year installment requirement. These figures do not include any tax credit carryforwards that may be claimed in succeeding tax years.

Abandoned Buildings Revitalization Tax Credits

Fiscal Year	Tax Year	Total Credits Claimed	Estimated Initial Claims Under Three-year Installment
FY 2013-14	2013	\$390,135	\$390,135
FY 2014-15	2014	\$1,127,443	\$737,308
FY 2015-16	2015	\$2,253,044	\$1,125,601
FY 2016-17	2016	\$7,414,442	\$5,551,533
FY 2017-18	2017	\$11,615,937	\$5,183,593
FY 2018-19	2018	\$15,999,752	\$5,264,626
FY 2019-20	2019	\$15,708,941	\$5,260,722

Source: S.C. Department of Revenue, S.C. Department of Insurance

During the latest three years, the amount of new tax credits claimed annually when accounting for the three-year installment requirement averaged approximately an additional \$5,200,000 each year. This bill would extend the sunset date of the act from December 31, 2021, to December 31, 2025. Therefore, under this bill, new credits may be earned for an additional four tax years from 2022 through 2025 and taken in three-year installments with a five-year carryforward for any unused credits. Based upon the current rate of growth, extending the sunset would increase the tax credits allowed by approximately \$5,200,000 per tax year for four years, at which time no new tax credits would be earned and only installments and carryforwards will remain. Therefore, we estimate that this bill would reduce General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof, by an estimated additional \$5,200,000 in FY 2022-23, and each fiscal year thereafter until FY 2025-26. The statute will be repealed on December 31, 2025, at which time only installments and carryforward credits previously earned may be claimed and no new credits would be added. The General Fund impact will be reduced to

approximately \$10,400,000 in FY 2026-27, and \$5,200,000 in FY 2027-28 with any carryforward credits remaining until FY 2030-31.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
124th Session, 2021-2022

S. 271

STATUS INFORMATION

General Bill

Sponsors: Senators Talley, Turner, Rice, Adams, Verdin, Setzler, M. Johnson, Kimbrell, McElveen, Climer, Garrett and Campsen

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Introduced in the Senate on January 12, 2021

Introduced in the House on February 11, 2021

Last Amended on February 9, 2021

Currently residing in the House Committee on **Ways and Means**

Summary: SC Abandoned Buildings Revitalization Act

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
12/9/2020	Senate	Prefiled
12/9/2020	Senate	Referred to Committee on Finance
1/12/2021	Senate	Introduced and read first time (<u>Senate Journal-page 243</u>)
1/12/2021	Senate	Referred to Committee on Finance (<u>Senate Journal-page 243</u>)
2/3/2021	Senate	Committee report: Favorable with amendment Finance (<u>Senate Journal-page 42</u>)
2/9/2021	Senate	Committee Amendment Adopted (<u>Senate Journal-page 33</u>)
2/9/2021	Senate	Read second time (<u>Senate Journal-page 33</u>)
2/9/2021	Senate	Roll call Ayes-42 Nays-1 (<u>Senate Journal-page 33</u>)
2/10/2021		Scrivener's error corrected
2/10/2021	Senate	Read third time and sent to House (<u>Senate Journal-page 8</u>)
2/11/2021	House	Introduced and read first time (<u>House Journal-page 5</u>)
2/11/2021	House	Referred to Committee on Ways and Means (<u>House Journal-page 5</u>)

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VERSIONS OF THIS BILL

12/9/2020

2/3/2021

2/9/2021

2/10/2021

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

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4 COMMITTEE AMENDMENT ADOPTED

5 February 9, 2021

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S. 271

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9 Introduced by Senators Talley, Turner, Rice, Adams, Verdin,
10 Setzler, M. Johnson, Kimbrell McElveen, Climer, Garrett, and
11 Campsen

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13 S. Printed 2/9/21--S.

[SEC 2/10/21 2:22 PM]

14 Read the first time January 12, 2021.

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A BILL

TO EXTEND THE PROVISIONS OF THE SOUTH CAROLINA ABANDONED BUILDINGS REVITALIZATION ACT, AS CONTAINED IN CHAPTER 67, TITLE 12 OF THE 1976 CODE, UNTIL DECEMBER 31, 2025.

Amend Title To Conform

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

SECTION 1. Notwithstanding SECTION 1.B. of Act 57 of 2013, the provisions of Chapter 67, Title 12 of the 1976 Code are repealed on December 31, 2025.

SECTION 2. A. Section 12-65-20(4)(b) of the 1976 Code, as last amended by Act 50 of 2019, is further amended to read:

“(b) Notwithstanding the provisions of item (4)(a), with respect to (i) any site acquired by a taxpayer before January 1, 2008, (ii) a site located on the Catawba River near Interstate 77, or (iii) a site which, on the date the notice of intent to rehabilitate is filed, is located in a distressed area of a county in this State, as designated by the applicable council of government, ‘textile mill site’ means the textile mill structure, together with all land and improvements which were used directly for textile manufacturing operations or ancillary uses, or were located on the same parcel or a contiguous parcel within one thousand feet of any textile mill structure or ancillary uses. For purposes of this subitem, ‘contiguous parcel’ means any separate tax parcel sharing a common boundary with an adjacent parcel or separated only by a private or public ~~road~~ roads and railroad rights of way.”

1 B.This SECTION takes effect upon approval by the Governor and
2 first applies to tax years beginning after 2020.
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4 SECTION 3. This act takes effect upon approval by the Governor.
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