

REPORT OF THE SALES AND INCOME TAX SUBCOMMITTEE

(Clemmons, Hosey, Stavrinakis, Whitmire & Moss - Staff Contact: Michael Jackson)

SENATE BILL 329

S. 329 -- Senators Cromer, Scott, Verdin, Reese and Nicholson: A BILL TO PROVIDE THAT TAX CREDITS FOR THE PURCHASE OF GEOTHERMAL MACHINERY AND EQUIPMENT SHALL BE REPEALED ON JANUARY 1, 2022.

Received by Ways and Means:

February 28, 2019

Summary of Bill:

This bill extends the sunset provision related to the 25 percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment from January 1, 2019, to January 1, 2022.

Estimated Revenue Impact:

This bill will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds for the Department of Revenue. Section 12-6-3587 allows a twenty-five percent income tax credit for the costs incurred by the taxpayer in the purchase and installation of specific residential renewable energy equipment, including geothermal machinery and equipment. As the tax credit is already in place, extending the sunset provision will not have an operational or fiscal impact on the agency.

This bill will reduce General Fund income tax revenue by \$1,978,351 in FY 2019-20, \$2,024,843 in FY 2020-21 and \$2,127,300 in FY 2021-22, at which time the credit will be repealed. This is due to the extension of the sunset provision from January 1, 2019, to January 1, 2022, for the income tax credit for the purchase and installation of geothermal machinery and equipment.

Subcommittee Recommendation:

Favorable

Full Committee Recommendation:

Pending

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Other Notes/Comments:



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0329	Introduced on January 8, 2019
Author:	Cromer	
Subject:	Tax Credits	
Requestor:	Senate Finance	
RFA Analyst(s):	Gallagher	
Impact Date:	February 1, 2019	

Fiscal Impact Summary

This bill will reduce General Fund income tax revenue by \$1,978,351 in FY 2019-20, \$2,024,843 in FY 2020-21 and \$2,127,300 in FY 2021-22, at which time the credit will be repealed. This is due to the extension of the sunset provision from January 1, 2019, to January 1, 2022, for the income tax credit for the purchase and installation of geothermal machinery and equipment.

Explanation of Fiscal Impact

Introduced on January 8, 2019

State Expenditure

This bill will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds for the Department of Revenue. Section 12-6-3587 allows a twenty-five percent income tax credit for the costs incurred by the taxpayer in the purchase and installation of specific residential renewable energy equipment, including geothermal machinery and equipment. As the tax credit is already in place, extending the sunset provision will not have an operational or fiscal impact on the agency.

State Revenue

This bill extends the sunset provision related to the 25 percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment from January 1, 2019, to January 1, 2022.

Based on individual income tax data from the Department of Revenue, the number of state taxpayers claiming residential renewable energy tax credits was 2,281 in 2016 for a total of \$8,911,537. The tax credit on the 2016 state income form reports the combined total for solar, small hydropower, and geothermal machinery and equipment systems. According to the U.S. Energy Information Administration's (EIA) Monthly Energy Review, geothermal energy consumption accounts for approximately 20.6 percent of total residential renewable energy from solar and geothermal sources. Utilizing this figure, we estimate that the credit for geothermal machinery and equipment totaled \$1,835,820 for 470 credits in tax year 2016, an average tax credit of \$3,906.

The EIA's Monthly Energy Review reports that geothermal energy consumption increased by approximately 6 percent in 2016 and 2017, and 5 percent in 2018. The EIA's Annual Energy Outlook Report projects similar growth in the sector in upcoming years. Applying the EIA's

growth projections in Table 1, the amount of geothermal credits is estimated to remain fairly consistent from FY 2019-20 through FY 2021-22.

ESTIMATE OF TOTAL CREDIT AMOUNT					
Fiscal Year	Tax Year	Growth Rate	Credits	Average tax credit	Credit Amount
FY 2016-17	TY 2016	-	470	\$3,906	\$1,835,820
FY 2017-18	TY 2017	5.93%	498	\$3,906	\$1,944,684
FY 2018-19	TY 2018	5.04%	523	\$3,906	\$2,042,696
FY 2019-20	TY 2019	-3.15%	506	\$3,906	\$1,978,351
FY 2020-21	TY 2020	2.35%	518	\$3,906	\$2,024,843
FY 2021-22	TY 2021	5.06%	545	\$3,906	\$2,127,300

Source: U.S. Energy Information Administration growth rates and RFA estimates

Without this extension, no additional tax credits would be expected, thereby increasing General Fund revenues. Therefore, extending the tax credit is expected to reduce General Fund individual tax revenue by \$1,978,351 in FY 2019-20, \$2,024,843 in FY 2020-21 and \$2,127,300 in FY 2021-22, at which time the credit will be repealed.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
123rd Session, 2019-2020

S. 329

STATUS INFORMATION

General Bill

Sponsors: Senators Cromer, Scott, Verdin, Reese and Nicholson

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Introduced in the Senate on January 8, 2019

Introduced in the House on February 28, 2019

Last Amended on February 26, 2019

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

Summary: Tax credits

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
1/8/2019	Senate	Introduced and read first time (Senate Journal-page 185)
1/8/2019	Senate	Referred to Committee on Finance (Senate Journal-page 185)
2/20/2019	Senate	Committee report: Favorable with amendment Finance (Senate Journal-page 12)
2/21/2019		Scrivener's error corrected
2/26/2019	Senate	Committee Amendment Adopted (Senate Journal-page 31)
2/26/2019	Senate	Read second time (Senate Journal-page 31)
2/26/2019	Senate	Roll call Ayes-36 Nays-5 (Senate Journal-page 31)
2/27/2019	Senate	Read third time and sent to House (Senate Journal-page 23)
2/28/2019	House	Introduced and read first time (House Journal-page 68)
2/28/2019	House	Referred to Committee on Ways and Means (House Journal-page 68)

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VERSIONS OF THIS BILL

[1/8/2019](#)

[2/20/2019](#)

[2/21/2019](#)

[2/26/2019](#)

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

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4 COMMITTEE AMENDMENT ADOPTED

5 February 26, 2019

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S. 329

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9 Introduced by Senators Cromer, Scott, Verdin, Reese and

10 Nicholson

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12 S. Printed 2/26/19--S.

13 Read the first time January 8, 2019.

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A BILL

TO PROVIDE THAT TAX CREDITS FOR THE PURCHASE OF
GEOHERMAL MACHINERY AND EQUIPMENT SHALL BE
REPEALED ON JANUARY 1, 2022.

Amend Title To Conform

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

SECTION 1. SECTION 2.B. of Act 134 of 2016 is amended to
read:

“B. The provisions contained in this section related to
geothermal machinery and equipment are repealed January 1, ~~2019~~
2022.”

SECTION 2. This act takes effect upon approval by the Governor
and applies to tax years beginning after 2018. The provisions of
Section 12-6-3587, as they existed on December 31, 2018, are re-
enacted, and the tax credits earned pursuant to this act shall be
earned and claimed under the same terms and conditions as they
existed on December 31, 2018. This act shall continue to apply until
such time as Section 12-6-3587, or parts thereof, are otherwise
repealed, mutatis mutandis.

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