

# REPORT OF THE ECONOMIC DEVELOPMENT, CAPITAL IMPROVEMENT & OTHER TAXES SUBCOMMITTEE

(Ballentine, Simrill, Clyburn & Crawford - Staff Contact: Alyssa Weeks)

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## SENATE BILL 440

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S. 440 -- Senators Talley and Reese: A BILL TO AMEND SECTION 12-65-20(4) AND (8) OF THE 1976 CODE, RELATING TO DEFINITIONS FOR THE SOUTH CAROLINA TEXTILES COMMUNITIES REVITALIZATION ACT, TO PROVIDE THAT A CERTAIN CAP ON REHABILITATION EXPENSES ONLY APPLIES TO CERTAIN REHABILITATED BUILDINGS ON CONTIGUOUS PARCELS.

**Received by Ways and Means:** 03/20/19

**Summary of Bill:**

The bill as introduced reinforces the limitation that there is a cap on the amount of square footage that would be included in calculating the abandoned textile mill revitalization tax credit. The amendment allows a qualified site to be two hundred percent larger than the original footprint of the abandoned textile mill.

Senate Finance amended the bill to reinsert language currently in statute that was removed in S.0440 as introduced, which further defines a qualified "textile mill site" as the textile mill together with the land and other improvements on it which were used directly for textile manufacturing operations "or ancillary uses".

**Estimated Revenue Impact:**

This bill is not expected to affect state General Fund revenue, Other Funds revenue, or Federal Funds in FY2019-20 or any fiscal year thereafter.

**Subcommittee Recommendation:**

Favorable

**Full Committee Recommendation:**

**Other Notes/Comments:**

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**2<sup>nd</sup> Reading:**

**Amendments:**

**2<sup>nd</sup> Reading Vote:**



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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<b>Bill Number:</b>	S. 0440	Introduced on January 29, 2019
<b>Author:</b>	Talley	
<b>Subject:</b>	SC Textiles Communities Revitalization Act	
<b>Requestor:</b>	Senate Finance	
<b>RFA Analyst(s):</b>	R. Martin	
<b>Impact Date:</b>	March 4, 2019	

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**Fiscal Impact Summary**

This bill is not expected to affect state General Fund revenue, Other Funds revenue, or Federal Funds in FY2019-20 or any fiscal year thereafter.

**Explanation of Fiscal Impact**

**Introduced on January 29, 2019**

**State Expenditure**

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

**State Revenue**

The Textile Communities Revitalization Act was first enacted in 2005. Currently, pursuant to Section 12-65-30, a taxpayer is allowed a tax credit against income taxes, corporate license tax, or insurance premium taxes, or any combination of them, or a property tax credit for the renovation, improvement, and redevelopment of abandoned textile mills in South Carolina. The income, license, and/or premium tax credit is equal to twenty-five percent of the qualified rehabilitation expenses. The credit is claimed in equal installments over a five-year period beginning with the year the property is placed in service. Any unused credit may be carried forward for five years. The tax credit is limited in use to fifty percent of a taxpayer's income tax liability, fifty percent of a taxpayer's corporate license fees, and/or fifty percent of a taxpayer's insurance premium license taxes in a taxable year. A taxpayer may claim this credit in addition to the credit for rehabilitation of a certified historic structure allowed pursuant to Section 12-6-3535. The "real property tax credit" is equal to twenty-five percent of the qualified rehabilitation expenses made to the eligible site up to seventy-five percent of the real property taxes due on the site each year. The municipality or the county must determine the eligibility of the site and the proposed project. The ordinance shall allow the property tax credit to be taken against up to seventy-five percent of the real property taxes due on the site each year not to exceed eight years. The credit vests in the taxpayer in the year in which the eligible site is placed in service. The credit may be carried forward up to eight years. According to the latest data from the Department of Revenue, 676 taxpayers have claimed a total of \$28,045,882 of nonrefundable tax credits since passage of the Textiles Communities Revitalization Act in 2005.

**Section 1.** During the 2018 legislative session, the Textile Communities Revitalization Act was amended to redefine the definition of a qualified textile mill site and the definition of qualified textile mill rehabilitation expenses. Pursuant to Act 265 of 2018, only those qualified textile mill sites would allow an eligible taxpayer to claim a nonrefundable tax credit for the renovation, improvement, and redevelopment of abandoned textile mills in South Carolina.

This bill restructures the enumerated sections of Section 12-65-20(4) and Section 12-65-20(8) by making technical corrections to existing statutory law. The changes do not affect state General Fund revenue, Other Funds revenue, or Federal Fund revenue. This bill amends existing language contained in Section 12-65-20(4) by dividing it into subitem (a) and subitem (b).

This bill also amends Section 12-65-20(8) by dividing it into subitem (a) and subitem (b). This bill removes language from subitem (a) and rewrites and adds the language to a newly created subitem (b) for clarification. Subitem (b) is amended to include,

“Notwithstanding subitem (a), for the purpose of calculating the credit with regard to new or rehabilitated buildings on ‘contiguous parcels’ pursuant to item (4)(b), ‘rehabilitation expenses’ do not include expenses that increase the amount of square footage of the buildings that existed on that contiguous parcel immediately preceding the time at which the textile mill became abandoned by more than two hundred percent.”

This amended language reinforces the limitation that there is a cap on the amount of square footage that would be included in calculating the abandoned textile mill revitalization tax credit. The amendment does allow a qualified site to be at least two hundred percent larger than the original footprint of the abandoned textile mill, but no more than two hundred percent. The revenue impact from this change enacted last year was incorporated into the Board of Economic Advisors’ General Fund revenue forecast made on February 14, 2019. Since this bill does not change any additional taxes or fees, this bill is not expected to affect state General Fund revenue, Other Funds revenue, or Federal Funds in FY2019-20 or any fiscal year thereafter.

**Section 2.** This act takes effect upon approval by the Governor and first applies to tax years beginning after 2017.

**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

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4 COMMITTEE AMENDMENT ADOPTED

5 March 14, 2019

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**S. 440**

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9 Introduced by Senators Talley and Reese

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11 S. Printed 3/14/19--S.

12 Read the first time January 29, 2019.

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**A BILL**

11 TO AMEND SECTION 12-65-20(4) AND (8) OF THE 1976  
12 CODE, RELATING TO DEFINITIONS FOR THE SOUTH  
13 CAROLINA TEXTILES COMMUNITIES REVITALIZATION  
14 ACT, TO PROVIDE THAT A CERTAIN CAP ON  
15 REHABILITATION EXPENSES ONLY APPLIES TO CERTAIN  
16 REHABILITATED BUILDINGS ON CONTIGUOUS PARCELS.

17 Amend Title To Conform

18

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

21

22 SECTION 1. Section 12-65-20(4) and (8) of the 1976 Code is  
23 amended to read:

24

25 “(4)(a) ‘Textile mill site’ means the textile mill together with the  
26 land and other improvements on it which were used directly for  
27 textile manufacturing operations or ancillary uses. However, the  
28 area of the site is limited to the land located within the boundaries  
29 where the textile manufacturing, dying, or finishing facility  
30 structure is located and does not include land located outside the  
31 boundaries of the structure or devoted to ancillary uses.

32

33 (b) Notwithstanding the provisions of ~~this~~ item (4)(a), with  
34 respect to (i) any site acquired by a taxpayer before January 1, 2008,  
35 (ii) a site located on the Catawba River near Interstate 77, or (iii) a  
36 site which, on the date the notice of intent to rehabilitate is filed, is  
37 located in a distressed area of a county in this State, as designated  
38 by the applicable council of government, ~~the textile mill site~~  
39 ~~includes~~ ‘textile mill site’ means the textile mill structure, together  
40 with all land and improvements which were used directly for textile  
41 manufacturing operations or ancillary uses, or were located on the  
42 same parcel or a contiguous parcel within one thousand feet of any  
textile mill structure or ancillary uses. For purposes of this ~~item~~

1 subitem, 'contiguous parcel' means any separate tax parcel sharing  
2 a common boundary with an adjacent parcel or separated only by a  
3 private or public road.  
4

5 (8)(a) 'Rehabilitation expenses' means the expenses or capital  
6 expenditures incurred in the rehabilitation, renovation, or  
7 redevelopment of the textile mill site, including without limitations,  
8 the demolition of existing buildings, environmental remediation,  
9 site improvements and the construction of new buildings and other  
10 improvements on the textile mill site, but excluding the cost of  
11 acquiring the textile mill site or the cost of personal property located  
12 at the textile mill site. For expenses associated with a textile mill site  
13 to qualify for the credit, the textile mill and buildings on the textile  
14 mill site must be either renovated or demolished. ~~Rehabilitation~~  
15 ~~expenses associated with new or rehabilitated buildings on a textile~~  
16 ~~mill site that increases the amount of square footage of the buildings~~  
17 ~~that existed on the site by more than two hundred percent must not~~  
18 ~~be considered a rehabilitation expense for the purpose of calculating~~  
19 ~~the credit.~~

20 (b) Notwithstanding subitem (a), for the purpose of  
21 calculating the credit with regard to new or rehabilitated buildings  
22 on 'contiguous parcels' pursuant to item (4)(b), 'rehabilitation  
23 expenses' do not include expenses that increase the amount of  
24 square footage of the buildings that existed on that contiguous parcel  
25 immediately preceding the time at which the textile mill became  
26 abandoned by more than two hundred percent."

27  
28 SECTION 2. This act takes effect upon approval by the Governor  
29 and first applies to tax years beginning after 2017.

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