

REPORT OF THE SALES AND INCOME TAX SUBCOMMITTEE

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

SENATE BILL 76

S. 76 -- Senators Cromer and Alexander: A BILL TO AMEND SECTION 48-52-870, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE ENERGY EFFICIENT MANUFACTURED HOMES INCENTIVE PROGRAM, SO AS TO EXTEND THE PROGRAM FIVE ADDITIONAL YEARS; AND TO AMEND SECTION 12-36-2110, RELATING TO THE MAXIMUM SALES TAX, SO AS TO MAKE A CONFORMING CHANGE.

Received by Ways and Means:

January 23, 2019

Summary of Bill:

This bill will extend the Energy Efficient Manufactured Homes Incentive Program tax credit for an additional five years. The current tax credit is expected to expire on July 1, 2019, and this bill would extend the credit to July 1, 2024. The Energy Efficient Manufactured Homes Incentive Program provides a non-refundable income tax credit of \$750 for any person who purchases a qualifying manufactured home. To qualify for the tax credit, the manufactured home must meet either the energy saving efficiency requirements set by the U.S Environmental Protection Agency and the U.S Department of Energy or ENERGY STAR requirements.

Estimated Revenue Impact:

This bill is not expected to impact the expenditures for the General Fund, Other Funds, or Federal Funds for the Department of Revenue because it extends an existing income tax credit and sales tax exemption. The bill will reduce General Fund individual income tax revenue by approximately \$ 17,000 in FY 2019-20, \$34,000 per year from FY 2020-21 through FY 2023-23 and \$17,000 in FY 2024-25 by extending the tax credit until July 1, 2024.

Subcommittee Recommendation:

Favorable

Other Notes/Comments:

Extends tax credit for five additional years.

"THE BELOW CONSTITUTED SUMMARY IS PREPARED BY THE STAFF OF THE SOUTH CAROLINA HOUSE OF REPRESENTATIVES AND IS NOT THE EXPRESSION OF THE LEGISLATION'S SPONSOR(S) OR THE HOUSE OF REPRESENTATIVES. IT IS STRICTLY FOR THE INTERNAL USE AND BENEFIT OF MEMBERS OF THE HOUSE OF REPRESENTATIVES AND IS NOT TO BE CONSTRUED BY A COURT OF LAW AS AN EXPRESSION OF LEGISLATIVE INTENT".

Full Committee Recommendation: Pending

Other Notes/Comments:



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0076	Prefiled on December 12, 2018
Author:	Cromer	
Subject:	Tax Credit	
Requestor:	Senate Finance	
RFA Analyst(s):	Jolliff and R. Martin	
Impact Date:	January 8, 2019	

Fiscal Impact Summary

This bill is not expected to impact expenditures for the General Fund, Other Funds, or Federal Funds for the Department of Revenue because the bill extends an existing income tax credit and sales tax exemption.

This bill will reduce General Fund individual income tax revenue by approximately \$17,000 in FY 2019-20, \$34,000 per year from FY 2020-21 through FY 2023-24, and \$17,000 in FY 2024-25 by extending the Energy Efficient Manufactured Homes Incentive Program tax credit until July 1, 2024. Further, the bill will reduce General Fund sales tax revenue by approximately \$31,027 and EIA revenue by \$7,757 beginning in FY 2019-20 for five years through FY 2023-24 by extending the sales tax exemption for energy efficient manufactured homes.

Explanation of Fiscal Impact

Prefiled on December 12, 2018

State Expenditure

Section 1 of this bill extends the Energy Efficient Manufactured Homes Incentive Program tax credit for an additional five years. The program provides an income tax credit of \$750 for any person who purchases a qualifying energy efficient manufactured home. The tax credit is set to expire July 1, 2019, and the bill extends the credit to July 1, 2024. Since this is an extension of existing tax credit, the bill is not expected to impact expenditures for the Department of Revenue for administration of the credits.

Section 2 of the bill extends the sales tax exemption for energy efficient manufactured homes currently set to expire July 1, 2019, to July 1, 2024. Since this is an extension of existing exemption, the bill is not expected to impact expenditures for the Department of Revenue for administration of the exemption.

State Revenue

Section 1. This section extends the Energy Efficient Manufactured Homes Incentive Program tax credit currently set to expire July 1, 2019, until July 1, 2024. The program provides a non-refundable income tax credit of \$750 for any person who purchases a qualifying manufactured home. In order to qualify, the manufactured home must meet either the energy saving efficiency requirements set by the U.S. Environmental Protection Agency and the U.S. Department of Energy, or ENERGY STAR requirements. The home also must be purchased from a retail dealership licensed by the S.C. Manufactured Housing Board for use in this state.

Based upon tax year 2014, 2015, and 2016 individual income tax returns, an average of 48 taxpayers claim this tax credit for a total of \$34,000 per tax year. Credits are earned on a fiscal year basis but must be claimed on a tax year basis. To account for this, we assume credits are earned evenly throughout the year and that one-half of the FY 2019-20 credits earned from July 1, 2019, to December 31, 2019, will be claimed on tax year 2019 returns filed in April 2020. The remaining credits earned in FY 2019-20 will be claimed in the following tax year. Therefore, we estimate that this section of the bill will reduce General Fund individual income tax revenue by approximately in \$17,000 in FY 2019-20, \$34,000 per year from FY 2020-21 through FY 2023-24, and \$17,000 in FY 2024-25.

Section 2. This section extends the sales tax exemption for energy efficient manufactured homes currently set to expire on July 1, 2019. The bill extends the exemption for an additional five years until July 1, 2024. In order to qualify, the home must meet either the energy saving efficiency requirements set by the U.S. Environmental Protection Agency and the U.S. Department of Energy, or ENERGY STAR requirements.

Currently, the sales tax for manufactured homes is calculated based upon the home value discounted by 65 percent. For homes with a discounted value up to \$6,000, the tax is 5 percent of the discounted value up to \$300. For homes with a discounted value over \$6,000, the sales tax is \$300 plus 2 percent of the excess of the discounted value of the home above \$6,000. Section 2 of the bill extends the exemption for the sales tax in excess of \$300 for an additional five years until July 1, 2024.

According to 2017 data reported by the U.S. Commerce Department's Census Bureau, the average sales price for a new manufactured home in South Carolina is \$71,400. Multiplying \$71,400 by 65 percent yields a discounted value of \$46,410 subject to the sales tax. Subtracting the \$6,000 of value taxed at \$300, \$40,410 of home value is taxed at 2 percent, for an additional sales tax of \$808. Therefore, the exemption reduces sales tax revenue by approximately \$808 per qualifying manufactured home.

Based upon utilization of the Energy Efficient Manufactured Home tax credit described in Section 1 above, we expect that 48 taxpayers will qualify for the exemption annually. Multiplying \$808 by 48 taxpayers, the exemption is expected to total approximately \$38,784 per year. Therefore, this section of the bill will reduce General Fund sales tax by \$31,027 and EIA fund revenue by \$7,757 annually beginning in FY 2019-20 for five years through FY 2023-24.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
123rd Session, 2019-2020

S. 76

STATUS INFORMATION

General Bill

Sponsors: Senators Cromer and Alexander

Document Path: I:\council\bill\ncd\11085dg19.docx

Introduced in the Senate on January 8, 2019

Introduced in the House on January 23, 2019

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

Summary: Energy efficient manufactured homes incentive program; extend the program for five years

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
12/12/2018	Senate	Prefiled
12/12/2018	Senate	Referred to Committee on Finance
1/8/2019	Senate	Introduced and read first time (Senate Journal-page 76)
1/8/2019	Senate	Referred to Committee on Finance (Senate Journal-page 76)
1/16/2019	Senate	Committee report: Favorable Finance (Senate Journal-page 6)
1/22/2019	Senate	Read second time (Senate Journal-page 16)
1/22/2019	Senate	Roll call Ayes-41 Nays-1 (Senate Journal-page 16)
1/23/2019	Senate	Read third time and sent to House (Senate Journal-page 10)
1/23/2019	House	Introduced and read first time (House Journal-page 11)
1/23/2019	House	Referred to Committee on Ways and Means (House Journal-page 11)

View the latest [legislative information](#) at the website

VERSIONS OF THIS BILL

[12/12/2018](#)

[1/16/2019](#)

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

3

4 COMMITTEE REPORT

5 January 16, 2019

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S. 76

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Introduced by Senator Cromer

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11 S. Printed 1/16/19--S.

12 Read the first time January 8, 2019.

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THE COMMITTEE ON FINANCE

16 To whom was referred a Bill (S. 76) to amend Section 48-52-870,

17 Code of Laws of South Carolina, 1976, relating to the Energy

18 Efficient Manufactured Homes Incentive Program, etc., respectfully

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REPORT:

20 That they have duly and carefully considered the same and

21 recommend that the same do pass:

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23 HUGH K. LEATHERMAN, SR. for Committee.

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STATEMENT OF ESTIMATED FISCAL IMPACT

27 **Explanation of Fiscal Impact**

28 **Prefiled on December 12, 2018**

29 **State Expenditure**

30 Section 1 of this bill extends the Energy Efficient Manufactured

31 Homes Incentive Program tax credit for an additional five years.

32 The program provides an income tax credit of \$750 for any person

33 who purchases a qualifying energy efficient manufactured home.

34 The tax credit is set to expire July 1, 2019, and the bill extends the

35 credit to July 1, 2024. Since this is an extension of existing tax

36 credit, the bill is not expected to impact expenditures for the

37 Department of Revenue for administration of the credits.

38 Section 2 of the bill extends the sales tax exemption for energy

39 efficient manufactured homes currently set to expire July 1, 2019,

40 to July 1, 2024. Since this is an extension of existing exemption,

41 the bill is not expected to impact expenditures for the Department

42 of Revenue for administration of the exemption.

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1 **State Revenue**

2 **Section 1.** This section extends the Energy Efficient Manufactured
3 Homes Incentive Program tax credit currently set to expire July 1,
4 2019, until July 1, 2024. The program provides a non-refundable
5 income tax credit of \$750 for any person who purchases a qualifying
6 manufactured home. In order to qualify, the manufactured home
7 must meet either the energy saving efficiency requirements set by
8 the U.S. Environmental Protection Agency and the U.S. Department
9 of Energy, or ENERGY STAR requirements. The home also must
10 be purchased from a retail dealership licensed by the S.C.
11 Manufactured Housing Board for use in this state.

12 Based upon tax year 2014, 2015, and 2016 individual income tax
13 returns, an average of 48 taxpayers claim this tax credit for a total
14 of \$34,000 per tax year. Credits are earned on a fiscal year basis but
15 must be claimed on a tax year basis. To account for this, we assume
16 credits are earned evenly throughout the year and that one-half of
17 the FY 2019-20 credits earned from July 1, 2019, to December 31,
18 2019, will be claimed on tax year 2019 returns filed in April 2020.
19 The remaining credits earned in FY 2019-20 will be claimed in the
20 following tax year. Therefore, we estimate that this section of the
21 bill will reduce general fund individual income tax revenue by
22 approximately in \$17,000 in FY 2019-20, \$34,000 per year from FY
23 2020-21 through FY 2023-24, and \$17,000 in FY 2024-25.

24 **Section 2.** This section extends the sales tax exemption for energy
25 efficient manufactured homes currently set to expire on July 1,
26 2019. The bill extends the exemption for an additional five years
27 until July 1, 2024. In order to qualify, the home must meet either
28 the energy saving efficiency requirements set by the U.S.
29 Environmental Protection Agency and the U.S. Department of
30 Energy, or ENERGY STAR requirements.

31 Currently, the sales tax for manufactured homes is calculated
32 based upon the home value discounted by 65 percent. For homes
33 with a discounted value up to \$6,000, the tax is 5 percent of the
34 discounted value up to \$300. For homes with a discounted value
35 over \$6,000, the sales tax is \$300 plus 2 percent of the excess of the
36 discounted value of the home above \$6,000. Section 2 of the bill
37 extends the exemption for the sales tax in excess of \$300 for an
38 additional five years until July 1, 2024.

39 According to 2017 data reported by the U.S. Commerce
40 Department's Census Bureau, the average sales price for a new
41 manufactured home in South Carolina is \$71,400. Multiplying
42 \$71,400 by 65 percent yields a discounted value of \$46,410 subject
43 to the sales tax. Subtracting the \$6,000 of value taxed at \$300,

1 \$40,410 of home value is taxed at 2 percent, for an additional sales
2 tax of \$808. Therefore, the exemption reduces sales tax revenue by
3 approximately \$808 per qualifying manufactured home.

4 Based upon utilization of the Energy Efficient Manufactured
5 Home tax credit described in Section 1 above, we expect that 48
6 taxpayers will qualify for the exemption annually. Multiplying
7 \$808 by 48 taxpayers, the exemption is expected to total
8 approximately \$38,784 per year. Therefore, this section of the bill
9 will reduce General Fund sales tax by \$31,027 and EIA fund
10 revenue by \$7,757 annually beginning in FY 2019-20 for five years
11 through FY 2023-24.

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13 Frank A. Rainwater, Executive Director

14 Revenue and Fiscal Affairs Office

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A BILL

TO AMEND SECTION 48-52-870, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE ENERGY EFFICIENT MANUFACTURED HOMES INCENTIVE PROGRAM, SO AS TO EXTEND THE PROGRAM FIVE ADDITIONAL YEARS; AND TO AMEND SECTION 12-36-2110, RELATING TO THE MAXIMUM SALES TAX, SO AS TO MAKE A CONFORMING CHANGE.

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

SECTION 1. Section 48-52-870(A) of the 1976 Code is amended to read:

“(A) The Energy Efficient Manufactured Homes Incentive Program is established to provide financial incentives for the purchase and installation of energy efficient manufactured homes in South Carolina. Any person who purchases a manufactured home designated by the United States Environmental Protection Agency and the United States Department of Energy as meeting or exceeding each agency’s energy saving efficiency requirements or which has been designated as meeting or exceeding such requirements under each agency’s ENERGY STAR program from a retail dealership licensed by the South Carolina Manufactured Housing Board for use in this State is eligible for a nonrefundable income tax credit equal to seven hundred fifty dollars. The credit may be claimed beginning July 1, 2009, and no later than July 1, ~~2019~~ 2024.”

SECTION 2. The first undesignated paragraph after the last item of Section 12-36-2110(B) of the 1976 Code is amended to read:

1 “However, a manufactured home is exempt from any tax in
2 excess of three hundred dollars that may be due as a result of the
3 calculation in item (4) if it meets these energy efficiency levels:
4 storm or double pane glass windows, insulated or storm doors, a
5 minimum thermal resistance rating of the insulation only of R-11
6 for walls, R-19 for floors, and R-30 for ceilings. However,
7 variations in the energy efficiency levels for walls, floors, and
8 ceilings are allowed and the exemption on tax due above three
9 hundred dollars applies if the total heat loss does not exceed that
10 calculated using the levels of R-11 for walls, R-19 for floors, and
11 R-30 for ceilings. The edition of the American Society of Heating,
12 Refrigerating, and Air Conditioning Engineers Guide in effect at the
13 time is the source for heat loss calculation. Notwithstanding the
14 provisions of this subsection, from July 1, 2009, to July 1, ~~2019~~
15 2024, a manufactured home is exempt from any tax that may be due
16 as a result of the calculation in this subsection if it has been
17 designated by the United States Environmental Protection Agency
18 and the United States Department of Energy as meeting or
19 exceeding each agency’s energy saving efficiency requirements or
20 has been designated as meeting or exceeding such requirements
21 under each agency’s ENERGY STAR program. The dealer selling
22 the manufactured home must maintain records, on forms provided
23 by the State Energy Office, on each manufactured home sold that
24 meets the energy efficiency levels provided for in this subsection.
25 These records must be maintained for three years and must be made
26 available for inspection upon request of the Department of
27 Consumer Affairs or the State Energy Office.”

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29 SECTION 3. This act takes effect upon approval by the Governor.

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