

REPORT OF THE SALES & USE TAX AND INCOME TAX SUBCOMMITTEE

(B. Newton, Hosey, Stavrinakis, Taylor & Crawford - Staff Contact: Mills Carlton)

HOUSE BILL 3489

Tax Conformity

Summary of Bill:

This bill updates South Carolina's conformity to the Internal Revenue Code (IRC) through 2024, including any expired provisions of the federal code that are extended, but not otherwise amended, by congressional enactment during 2025, and ensures that if the IRC sections are extended then the sections are also extended for South Carolina's income tax purposes.

Estimated Fiscal Impact:

None

Subcommittee Action/Explanation:

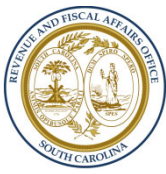
Received **FAVORABLE REPORT** on March 26, 2025.

Full Committee Action/Explanation:

N/A

Other Notes/Comments:

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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:	H. 3489	Introduced on January 14, 2025
Subject:	IRC Conformity	
Requestor:	House Ways and Means	
RFA Analyst(s):	Jolliff	
Impact Date:	February 5, 2025	

Fiscal Impact Summary

This bill updates South Carolina's conformity to the Internal Revenue Code (IRC) through December 31, 2024, including any expired provisions of the federal code that are extended, but not otherwise amended, by congressional enactment during 2025.

The Department of Revenue (DOR) will administer the changes to income tax provisions with existing staff and resources. Therefore, the bill is not expected to impact expenditures for the agency.

Based on information provided by DOR and our analysis, we do not anticipate that conforming to the changes will have a significant impact on South Carolina. Therefore, the bill is not expected to impact state revenue.

Explanation of Fiscal Impact

Introduced on January 14, 2025

State Expenditure

This bill updates South Carolina's conformity to the IRC through December 31, 2024. DOR will administer the changes to income tax provisions with existing staff and resources. Therefore, the bill is not expected to impact expenditures for the agency.

State Revenue

This bill updates South Carolina's conformity to the IRC through December 31, 2024, including any expired provisions of the federal code that are extended, but not otherwise amended, by congressional enactment during 2025. Research by DOR identified one federal tax law enacted by Congress that impacts South Carolina's conformity through December 31, 2024:

- Federal Disaster Tax Relief Act of 2023 (Pub. Law 118-148; enacted Dec. 12, 2024)

To estimate the impact of conforming to the IRC changes, Revenue and Fiscal Affairs (RFA) utilized U.S. estimates by the Joint Committee on Taxation and adjusted those estimates to project the impact of adopting these federal provisions on South Carolina. Based on information provided by DOR and our analysis, we do not anticipate that conforming to the changes will have a significant impact on South Carolina. The Federal Disaster Tax Relief Act of 2023

includes three provisions with revenue effects. South Carolina did not adopt Section 304(b) of the Taxpayer Certainty and Disaster Tax Relief Act of 2020. Therefore, the extension of rules for treatment of certain disaster-related personal casualty losses provision does not impact the state. Further, DOR anticipates that the provisions allowing taxpayers to exclude compensation for certain wildfire losses and East Palensine disaster relief payments will have minimal impact in South Carolina. Therefore, the bill is not expected to impact state revenue.

Provision	Impact
Extension of rules for treatment of certain disaster-related personal casualty losses	Not applicable to SC
Exclusion from gross income for compensation for losses or damages resulting from certain wildfires	Minimal
East Palestine disaster relief payments	Minimal

For information, DOR identified one provision for 2024 that would impact 2025 if extended. The provision is an exemption for telehealth services from certain high deductible health plan rules. The provision was first enacted in the CARES Act of 2020 and was estimated to have an impact on South Carolina of approximately \$160,000. This provision was extended in the Telehealth Expansion Act of 2023. As this provision impacts health insurance policies, the provision will impact South Carolina regardless of conformity.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
126th Session, 2025-2026

H. 3489

STATUS INFORMATION

General Bill

Sponsors: Reps. Ballentine and M.M. Smith

Document Path: LC-0080DG25.docx

Introduced in the House on January 14, 2025

Currently residing in the House

Summary: IRC conformity

HISTORY OF LEGISLATIVE ACTIONS

Date	Body	Action Description with journal page number
12/5/2024	House	Prefiled
12/5/2024	House	Referred to Committee on Ways and Means
1/14/2025	House	Introduced and read first time (House Journal-page 223)
1/14/2025	House	Referred to Committee on Ways and Means (House Journal-page 223)
3/6/2025	House	Member(s) request name added as sponsor: M.M. Smith

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VERSIONS OF THIS BILL

12/05/2024

1
2
3
4
5
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7
8
9 **A BILL**
10

11 TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-6-40,
12 RELATING TO APPLICATION OF FEDERAL INTERNAL REVENUE CODE TO STATE TAX
13 LAWS, SO AS TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE TO THE
14 YEAR 2024 AND TO PROVIDE THAT IF THE INTERNAL REVENUE CODE SECTIONS
15 ADOPTED BY THIS STATE ARE EXTENDED, THEN THESE SECTIONS ALSO ARE
16 EXTENDED FOR SOUTH CAROLINA INCOME TAX PURPOSES.
17

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

20 SECTION 1. Section 12-6-40(A)(1)(a) and (c) of the S.C. Code is amended to read:
21

22 (a) Except as otherwise provided, "Internal Revenue Code" means the Internal Revenue Code
23 of 1986, as amended through December 31, ~~2023~~2024, and includes the effective date provisions
24 contained in it.
25

26 (c) If Internal Revenue Code sections adopted by this State which expired or portions thereof
27 expired on December 31, ~~2023~~2024, are extended, but otherwise not amended, by congressional
28 enactment during ~~2024~~2025, these sections or portions thereof also are extended for South Carolina
29 income tax purposes in the same manner that they are extended for federal income tax purposes.
30

31 SECTION 2. This act takes effect upon approval by the Governor.
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