

REPORT OF THE ECONOMIC DEVELOPMENT LEGISLATIVE SUBCOMMITTEE

SENATE BILL 436

S. 436 -- Senators Cromer, Shealy, Rice, Talley, K. Johnson, Scott, Turner, Alexander and Gambrell: A BILL TO AMEND SECTION 12-6-3530, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO COMMUNITY DEVELOPMENT TAX CREDITS, SO AS TO DELETE AN AGGREGATE CREDIT PROVISION AND SET AN ANNUAL LIMIT.

Received by Ways and Means: April 13, 2021

Summary of Bill: This bill revises provisions governing Community Development Tax Credits to provide that an aggregate limit for all taxpayers in all tax years is increased by three million dollars. Of this additional three million dollars, only one million dollars may be used for credits earned and certificates issued in tax year 2021, and the remaining two million dollars only may be used for credits earned and certificates issued for tax years beginning after 2021.

Estimated Revenue Impact: This bill will decrease General Fund by \$1,000,000 a year in FY 2021-22, FY 2022-23, and FY 2023-24, when the full \$3,000,000 will have been claimed. The timing of the impact may vary if taxpayers' carry forward any excess credits for the allowable 3 years.

Subcommittee Recommendation: Favorable subcommittee report on 4/27/2021.

Other Notes/Comments: This bill passed the Senate by a vote of 43-0.



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. 436	Amended by Senate Finance on March 31, 2021
Author:	Cromer	
Subject:	Community Development Tax Credits	
Requestor:	Senate Finance	
RFA Analyst(s):	Gallagher	
Impact Date:	April 1, 2021	

Fiscal Impact Summary

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a community development corporation or community development financial institution to modify the current aggregate limits on the Community Development Tax Credit. This bill will not have an expenditure impact for the Department of Revenue or the Department of Commerce to administer the increase in the credit limit because the tax credit is already in place, and the agencies can administer the change with existing staff and resources.

This bill increases the current aggregate limit on the Community Development Tax Credit by \$3,000,000 from \$6,000,000 to \$9,000,000. Of this \$3,000,000, \$1,000,000 may be used for all taxpayers in tax year 2021 and \$2,000,000 is to be used for all taxpayers in tax years after 2021. This credit has been consistently claimed up to the maximum amount allowed per year, and as of tax year 2019, the current credit limit of \$6,000,000 has been reached. Without this amendment, no additional credits would be claimed. As such, we anticipate there is sufficient demand for this credit to meet the maximum cap permitted in this bill. Therefore, this bill will decrease General Fund revenue from individual income, corporate income, bank, insurance premium taxes, or any combination thereof, by \$1,000,000 a year in FY 2021-22, FY 2022-23, and FY 2023-24, when the full \$3,000,000 will have been claimed. The timing of the impact may vary if taxpayers carryforward any excess credits for the allowable 3 years.

Explanation of Fiscal Impact

Amended by Senate Finance on March 31, 2021

State Expenditure

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a community development corporation (corporation) or community development financial institution (institution) to modify the current credit amount limit on the Community Development Tax Credit. The Department of Commerce authorizes the amount of tax credits each year on a first-come, first-served basis. This bill will not have an expenditure impact for the Department of Revenue or the Department of Commerce to administer the tax credit limit increase because the tax credit is already in place, and the agencies can administer the change with existing staff and resources.

State Revenue

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a corporation or institution. The amount of the credit is 33 percent of any equity investment in a corporation or institution and 50 percent of any cash donation. If the amount of the credit exceeds the taxpayer's liability for the applicable tax year, the credit may be carried forward for 3 years. The total credit that may be claimed by all taxpayers is \$1,000,000 per calendar year and \$6,000,000 for all calendar years. The Community Development Tax Credit is repealed effective June 30, 2023.

This bill increases the current aggregate limit on the Community Development Tax Credit by \$3,000,000 from \$6,000,000 to \$9,000,000. Of this \$3,000,000, \$1,000,000 may be used for all taxpayers in tax year 2021 and \$2,000,000 is to be used for all taxpayers in tax years after 2021. This credit has been consistently claimed up to the maximum amount allowed per year, and as of tax year 2019, the current credit limit of \$6,000,000 has been reached. Without this amendment, no additional credits would be claimed. As such, we anticipate there is sufficient demand for this credit to meet the maximum cap permitted in this bill. Therefore, this bill will decrease General Fund revenue from individual income, corporate income, bank, insurance premium taxes, or any combination thereof, by \$1,000,000 a year in FY 2021-22, FY 2022-23, and FY 2023-24, when the full \$3,000,000 will have been claimed. The timing of the impact may vary if taxpayers carryforward any excess credits for the allowable 3 years.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 12, 2021**State Expenditure**

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a community development corporation (corporation) or community development financial institution (institution) to modify the current credit amount limit on the Community Development Tax Credit. The Department of Commerce authorizes the amount of tax credits each year on a first-come, first-served basis. This bill will not have an expenditure impact for the Department of Revenue or the Department of Commerce to administer the tax credit limit increase because the tax credit is already in place, and the agencies can administer the change with existing staff and resources.

State Revenue

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a corporation or institution. The amount of the credit is 33 percent of any equity investment in a corporation or institution and 50 percent of any cash donation. If the amount of the credit exceeds the taxpayer's liability for the applicable tax year, the credit may be carried forward for 3 years. The total credit that may be claimed by all

taxpayers is \$1,000,000 per calendar year and \$6,000,000 for all calendar years. The Community Development Tax Credit is repealed effective June 30, 2023.


This bill removes the current limit on the Community Development Tax Credit and changes the total amount of allowable credits to \$2,000,000 in tax year 2021 and \$3,000,000 for all taxpayers in tax years after 2021. This credit has been consistently claimed up to the maximum amount allowed per year, and as of tax year 2019, the current credit limit of \$6,000,000 has been reached. Without this amendment, no additional credits would be claimed. As such, we anticipate there is sufficient demand for this credit to meet the maximum cap permitted in this bill. Therefore, this bill will decrease General Fund revenue from individual income, corporate income, bank, insurance premium taxes, or any combination thereof, by \$2,000,000 in FY 2021-22 and \$3,000,000 in FY 2022-23. The timing of the impact may vary if taxpayers carryforward any excess credits for the allowable 3 years.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
124th Session, 2021-2022

S. 436

STATUS INFORMATION

General Bill

Sponsors: Senators Cromer, Shealy, Rice, Talley, K. Johnson, Scott, Turner, Alexander and Gambrell

Document Path: I:\council\billis\nbd\11133sa21.docx

Companion/Similar bill(s): 4093

Introduced in the Senate on January 12, 2021

Introduced in the House on April 13, 2021

Last Amended on April 7, 2021

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

Summary: Community development tax credits

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
1/12/2021	Senate	Introduced and read first time (Senate Journal-page 311)
1/12/2021	Senate	Referred to Committee on Finance (Senate Journal-page 311)
3/31/2021	Senate	Committee report: Favorable with amendment Finance (Senate Journal-page 8)
4/1/2021		Scrivener's error corrected
4/7/2021	Senate	Committee Amendment Adopted (Senate Journal-page 52)
4/7/2021	Senate	Read second time (Senate Journal-page 52)
4/7/2021	Senate	Roll call Ayes-43 Nays-0 (Senate Journal-page 52)
4/8/2021	Senate	Read third time and sent to House (Senate Journal-page 38)
4/13/2021	House	Introduced and read first time (House Journal-page 8)
4/13/2021	House	Referred to Committee on Ways and Means (House Journal-page 8)

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VERSIONS OF THIS BILL

[1/12/2021](#)

[3/31/2021](#)

[4/1/2021](#)

[4/7/2021](#)

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

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4 COMMITTEE AMENDMENT ADOPTED

5 April 7, 2021

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S. 436

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9 Introduced by Senators Cromer, Shealy, Rice, Talley, K. Johnson,
10 Scott, Turner, Alexander and Gambrell

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12 S. Printed 4/7/21--S.

13 Read the first time January 12, 2021.

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A BILL

TO AMEND SECTION 12-6-3530, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO COMMUNITY DEVELOPMENT TAX CREDITS, SO AS TO DELETE AN AGGREGATE CREDIT PROVISION AND SET AN ANNUAL LIMIT.

Amend Title To Conform

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

SECTION 1. Section 12-6-3530(B) of the 1976 Code, as last amended by Act 77 of 2019, is further amended by adding an appropriately numbered item to read:

“() Notwithstanding items (1) and (2), the aggregate limit for all taxpayers in all tax years set forth in items (1) and (2) is increased by three million dollars. Of this additional three million dollars, only one millions dollars may be used for credits earned and certificates issued in tax year 2021, and the remaining two million dollars only may be used for credits earned and certificates issued for tax years beginning after 2021.”

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

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