

REPORT OF THE ECONOMIC DEVELOPMENT LEGISLATIVE SUBCOMMITTEE

SENATE BILL 463

S. 463 -- Senators Alexander, Cromer, Grooms, Scott and Loftis: A BILL TO DELETE SECTION 2.B. OF ACT 134 OF 2016, RELATING TO THE EXPIRATION OF TAX CREDITS FOR THE PURCHASE OF GEOTHERMAL MACHINERY AND EQUIPMENT.

Received by Ways and Means: April 6, 2021

Summary of Bill: This bill provides an extension of the tax credits for the purchase of geothermal machinery and equipment so that these tax credits are set to expire at the beginning of 2032 instead of 2022.

Estimated Revenue Impact: This bill is expected to reduce General Fund individual income tax revenue by \$2,534,000 and corporate income tax revenue by \$237,000 a year beginning in FY 2022-23, for a total reduction of \$2,771,000.

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

Other Notes/Comments:

- The credit covers 25% of the cost of residential geothermal equipment and its installation.
- The credit is capped at \$3,500 annually, and unused credits can be carried forward for 10 years.
- The credit cannot exceed 50% of a person's taxable liability in a single year.
- Equipment must meet federal Energy Star energy efficiency requirements at the time of installation.

This bill passed the Senate by a vote of 44-0.



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0463	Introduced on January 13, 2021
Author:	Alexander	
Subject:	Expiration of tax credits for purchase of geothermal machinery and equipment	
Requestor:	Senate Finance	
RFA Analyst(s):	Gallagher	
Impact Date:	February 5, 2021	

Fiscal Impact Summary

This bill deletes the sunset provision related to the 25 percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment, which is currently set to be repealed as of January 1, 2022. This bill will not have an expenditure impact for the Department of Revenue as the tax credit is already in place.

Without the deletion of the sunset provision, no additional tax credits for geothermal machinery and equipment would be expected following tax year 2021, thereby increasing General Fund revenues. Therefore, while there is no General Fund revenue impact in FY 2021-22, the deletion of the sunset provision is expected to reduce General Fund individual income tax revenue by \$2,534,000 and corporate income tax revenue by \$237,000 a year beginning in FY 2022-23, for a total reduction of \$2,771,000.

Explanation of Fiscal Impact

Introduced on January 13, 2021

State Expenditure

Section 12-6-3587 allows a twenty-five percent income tax credit for the costs incurred by the taxpayer for the purchase and installation of specific residential renewable energy equipment, including geothermal machinery and equipment. Currently, this tax credit is set to repeal as of January 1, 2022. This bill deletes this provision. This bill will not have an expenditure impact for the Department of Revenue because the tax credit is already in place, and removing the sunset provision will not have an operational or fiscal impact on the agency.

State Revenue

This bill deletes the sunset provision related to the twenty-five percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment. Based on data from the Department of Revenue's 2018-2019 Annual Report, 5,610 individuals claimed \$18,468,028 and 29 corporations claimed \$1,296,877 in FY 2018-19 for the Solar Energy System Credit. This results in a total claimed amount of \$19,764,905. The tax credit information available from South Carolina state income tax forms 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 13.7 percent of total residential and 18.3 percent of total commercial renewable energy from solar and geothermal sources. Utilizing these figures, we estimate that 770

individuals claimed approximately \$2,534,000 and 5 corporations claimed \$237,000 in FY 2018-19 for the geothermal machinery and equipment tax credit. This results in a total estimated claim amount of \$2,771,000.

Without the deletion of the sunset provision, no additional tax credits for geothermal machinery and equipment would be expected following tax year 2021, thereby increasing General Fund revenues. Based upon the Annual Energy Outlook 2021 by EIA, geothermal energy production is not expected to change significantly through the period, and we anticipate credits will remain stable. Therefore, the deletion of the sunset provision is expected to reduce General Fund individual income tax revenue by \$2,534,000 and corporate income tax revenue by \$237,000 a year beginning in FY 2022-23, for a total reduction of \$2,771,000.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
124th Session, 2021-2022

S. 463

STATUS INFORMATION

General Bill

Sponsors: Senators Alexander, Cromer, Grooms, Scott and Loftis

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Introduced in the Senate on January 13, 2021

Introduced in the House on April 6, 2021

Last Amended on March 23, 2021

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

Summary: Expiration of tax credits for purchase of geothermal machinery and equipment

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
1/13/2021	Senate	Introduced and read first time (<u>Senate Journal-page 6</u>)
1/13/2021	Senate	Referred to Committee on Finance (<u>Senate Journal-page 6</u>)
3/17/2021	Senate	Committee report: Favorable with amendment Finance (<u>Senate Journal-page 10</u>)
3/23/2021	Senate	Committee Amendment Adopted (<u>Senate Journal-page 24</u>)
3/23/2021	Senate	Read second time (<u>Senate Journal-page 24</u>)
3/23/2021	Senate	Roll call Ayes-44 Nays-0 (<u>Senate Journal-page 24</u>)
3/24/2021	Senate	Read third time and sent to House (<u>Senate Journal-page 15</u>)
4/6/2021	House	Introduced and read first time (<u>House Journal-page 128</u>)
4/6/2021	House	Referred to Committee on Ways and Means (<u>House Journal-page 128</u>)

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VERSIONS OF THIS BILL

1/13/2021

3/17/2021

3/23/2021

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

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4 COMMITTEE AMENDMENT ADOPTED

5 March 23, 2021

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S. 463

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9 Introduced by Senators Alexander, Cromer, Grooms, Scott and

10 Loftis

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12 S. Printed 3/23/21--S.

13 Read the first time January 13, 2021.

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A BILL

TO DELETE SECTION 2.B. OF ACT 134 OF 2016, RELATING
TO THE EXPIRATION OF TAX CREDITS FOR THE
PURCHASE OF GEOTHERMAL MACHINERY AND
EQUIPMENT.

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, as amended by
Act 47 of 2019, is amended to read:

B. The provisions contained in this section related to geothermal
machinery and equipment are repealed January 1, ~~2022~~ 2032.

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

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