

REPORT OF THE ECONOMIC DEVELOPMENT SUBCOMMITTEE

(Caskey, Hosey, Whitmire, Lowe, and Weeks - Staff Contact: Teesha Trapp)

HOUSE BILL 4145

H. 4145 -- Reps. Murphy and Bannister: A BILL TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-10-88, RELATING TO REDEVELOPMENT FEES REMITTED BY THE DEPARTMENT OF REVENUE, SO AS TO REMOVE AN ANNUAL MAXIMUM AND TO REMOVE A SUNSET PROVISION; AND BY AMENDING ACT 356 OF 2002 SO AS TO DELETE A PROVISION REQUIRING THE SHARING OF CERTAIN REVENUE.

Received by Ways and Means: *March 14, 2023*

Summary of Bill:

This bill amends the Enterprise Zone Act of 1995 by removing the maximum on redevelopment fees that can be remitted annually to a redevelopment authority and removing the sunset provision to define a qualifying site.

As well, it amends a provision from Act 356 of 2002 that requires revenue, received from the State under the Rural Development Act relating to the number of federal employees at the naval complex, shall be shared.

Estimated Revenue Impact:

This bill will decrease General Fund Tax Withholding Revenue by \$3,275,000 for FY24 thru FY 27 due to elimination of cap. For FY28, the decrease is estimated at \$8,617,000, and \$13,960,000 each year after that due to elimination of the sunset.

In addition, this bill decreases Other Funds revenue to Palmetto Railways for \$1,137,000 and State Ports Authority for \$17,300 beginning FY24 resulting from removal of revenue sharing requirement and allows Charleston Naval Complex Redevelopment Authority to retain total estimated fees of \$9,415,000.

Other Notes/Comments:

Received **FAVORABLE REPORT** from Economic Development subcommittee on April 26, 2023.



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. 4145 Introduced on March 14, 2023
Author: Murphy
Subject: Redevelopment Fees
Requestor: House Ways and Means
RFA Analyst(s): Tipton
Impact Date: April 27, 2023

Fiscal Impact Summary

This bill removes the provision limiting redevelopment fees remitted by the Department of Revenue (DOR) to redevelopment authorities of closed or realigned federal installations, which are currently limited to the amount remitted in FY 2014-15, and removes the January 1, 2028, sunset provision. The bill also eliminates a revenue sharing requirement of the Charleston Naval Complex Redevelopment Authority.

This bill will have no expenditure impact on DOR, as the agency indicates the requirements of the bill can be accomplished with existing staff and resources.

This bill will decrease General Fund withholding tax revenue by approximately \$3,275,000 beginning in FY 2023-24 through FY 2026-27 due to the elimination of the cap. The bill will also decrease revenue by approximately \$8,617,000 in FY 2027-28 and \$13,960,000 in each year thereafter by eliminating the sunset provision.

Additionally, this bill will decrease Other Funds revenue by approximately \$1,137,000 for the Palmetto Railways Division of the Department of Commerce (Commerce) and by \$17,300 for the SC State Ports Authority (SPA) beginning in FY 2023-24, as a result of the removal of the revenue sharing requirement and allow the Charleston Naval Complex Redevelopment Authority to retain the total estimated fees of \$9,415,000.

Explanation of Fiscal Impact

Introduced on March 14, 2023

State Expenditure

This bill removes the provision limiting redevelopment fees remitted by DOR to redevelopment authorities of closed or realigned federal installations, which are currently limited to the amount remitted in FY 2014-15, and removes the January 1, 2028, sunset provision. The bill also eliminates a revenue sharing requirement of the Charleston Naval Complex Redevelopment Authority.

DOR indicates that the requirements of this bill will be handled with existing staff and resources. Therefore, this bill will have no expenditure impact on the agency.

State Revenue

This bill removes the provision limiting redevelopment fees remitted by DOR to redevelopment authorities of closed or realigned federal installations, which are currently limited to the amount remitted in FY 2014-15, and removes the January 1, 2028, sunset provision. Under Section 12-10-88, redevelopment fees are state individual income tax withholdings revenue equal to 5 percent of all South Carolina wages paid to federal employees at the applicable closed or realigned installation and are to be remitted by DOR to the applicable redevelopment authority quarterly. Currently, these fees are capped at the amount remitted by DOR in FY 2014-15. The following table contains federal employee wage information provided by DOR for each applicable closed or realigned federal installation since FY 2019-20.

Total Federal Wages Paid at Each Applicable Installation

Closed or Realigned Federal Installation	FY 2019-20	2020-21	FY 2021-22
Charleston Naval Complex	\$197,543,001	\$193,773,352	\$184,703,619
Savannah River Site	\$38,158,619	\$43,488,599	\$51,353,015
Myrtle Beach Air Force Base	\$18,510,201	\$19,835,655	\$21,958,740

Source: Department of Revenue, April 21, 2023

Redevelopment authorities received redevelopment fees from General Fund withholdings revenue equal to 5 percent of these annual wages each year, subject to the existing cap. According to data provided by DOR, allocations to the redevelopment authorities located at the Charleston Naval Complex, the Savannah River Site, and the Myrtle Beach Air Force Base totaled \$10,685,120 in FY 2014-15, the basis for the statutory cap. Specifically, the Charleston Naval Complex received \$8,097,497, the Savannah River Site received \$1,925,713, and the Myrtle Beach Air Force Base received \$661,910. Since then, the total fees have reached the cap in every year except FY 2018-19 and FY 2019-20, when the fees totaled \$10,678,722 and \$10,667,339 respectively.

Based on this information as well as wage data from the first two quarters of FY 2022-23, we have estimated total federal wages for each location in FY 2023-24, upon which redevelopment fees will be calculated. Federal wages are estimated to total approximately \$188,300,000 at the Charleston Naval Complex, \$64,300,000 at the Savannah River Site, and \$26,600,000 at the Myrtle Beach Air Force Base in FY 2023-24. These wages are contingent upon the operational activities of federal agencies at each location, and may vary depending upon these operations. Redevelopment fees, equal to 5 percent of the total expected wages, absent the existing cap, will total approximately \$9,415,000 for the Charleston Naval Complex, \$3,215,000 for the Savannah River Site, and \$1,330,000 for the Myrtle Beach Air Force Base, for total fees of approximately \$13,960,000 in FY 2023-24. This represents a \$3,274,880 increase over the existing cap of \$10,685,120. Therefore, this bill will reduce General Fund withholding tax revenue by approximately \$3,275,000 beginning in FY 2023-24.

The bill will further decrease General Fund withholdings revenue beginning in FY 2027-28 as a result of the removal of the existing sunset provision. Under the existing sunset provision and

redevelopment fee cap, General Fund withholdings revenue of \$5,342,560 in FY 2027-28 for the period from January 1, 2028, to June 30, 2028, and \$10,685,120 in each fiscal year thereafter would become available. By removing the sunset provision along with the cap, this bill will further decrease General Fund withholding tax revenue by approximately \$8,617,000 in FY 2027-28 and \$13,960,000 in each year thereafter. This revenue reduction is contingent upon the total federal wages paid in a given year and may vary.

The bill also eliminates a revenue sharing requirement of the Charleston Naval Complex Redevelopment Authority. Currently, the authority is required to share the redevelopment fee revenue with other entities that own or control property in the Charleston Naval Complex on which federal employees work. The amount shared is based on the amount of property the entity owns in relation to the entirety of the complex on which federal wages are paid. These entities have included or currently include the City of North Charleston, the Palmetto Railways division of Commerce, and the SPA. The following table contains the revenue sharing expenditures of the Charleston Naval Complex Redevelopment Authority over the last three completed fiscal years, and to which entity the funds were allocated.

Charleston Naval Complex RDA Revenue Sharing

Entity	FY 2019-20	FY 2020-21	FY 2021-22
Palmetto Railways	\$941,629	\$991,735	\$1,060,555
State Ports Authority	\$25,682	\$25,615	\$16,333
City of North Charleston	\$2,982	-	-
Total	\$970,293	\$1,017,350	\$1,076,888

Source: Charleston Naval Complex Redevelopment Authority, April 25, 2023

Based on the data provided by the authority, revenue sharing expenditures have increased by 3.5 percent on average since FY 2019-20. By projecting this growth into FY 2023-24, we estimate approximately \$1,154,000 would be shared by the authority to the applicable entities in FY 2023-24 under current law. In FY 2021-22, approximately 98.5 percent of the revenue shared was remitted to the Palmetto Railways Division of Commerce and approximately 1.5 percent was remitted to the SPA. Therefore, this bill will reduce Other Funds revenue by approximately \$1,137,000 for the Palmetto Railways Division of Commerce and \$17,300 for the SPA beginning in FY 2023-24 and allow the Charleston Naval Complex Redevelopment Authority to retain the entirety of the redevelopment fees allocated to the authority, estimated to be \$9,415,000 beginning in FY 2023-24.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
125th Session, 2023-2024

H. 4145

STATUS INFORMATION

General Bill

Sponsors: Reps. Murphy and Bannister

Document Path: LC-0191DG23.docx

Introduced in the House on March 14, 2023

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

Summary: Redevelopment fees

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
3/14/2023	House	Introduced and read first time (House Journal-page 5)
3/14/2023	House	Referred to Committee on Ways and Means (House Journal-page 5)

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VERSIONS OF THIS BILL

03/14/2023

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A BILL

TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-10-88, RELATING TO REDEVELOPMENT FEES REMITTED BY THE DEPARTMENT OF REVENUE, SO AS TO REMOVE AN ANNUAL MAXIMUM AND TO REMOVE A SUNSET PROVISION; AND BY AMENDING ACT 356 OF 2002 SO AS TO DELETE A PROVISION REQUIRING THE SHARING OF CERTAIN REVENUE.

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

SECTION 1. Section 12-10-88 of the S.C. Code is amended to read:

Section 12-10-88. (A) Subject to the conditions provided in subsection (B), South Carolina individual income tax withholding equal to five percent of all South Carolina wages paid with respect to employees that are employed by a federal employer at a closed or realigned federal installation must be remitted by the department to the redevelopment authority vested with authority under Section 31-12-40(A) to oversee the closed or realigned federal installation. The amounts of withholding collected and remitted to the applicable redevelopment authority are referred to as "redevelopment fees".

(B) The department shall remit the redevelopment fees during the period described in subsection (C) for each calendar quarter for which the redevelopment authority provides the department with a timely statement from the federal employer that employs the employees working at the closed or realigned federal installation setting forth the number of employees employed at the installation, the total wages paid to these employees, and the total amount of South Carolina withholding withheld from the employees for each quarter. In order to receive the redevelopment fees for the applicable quarter, the redevelopment authority shall submit the statement within thirty days of the later of the date that the federal employer's South Carolina withholding tax return is due or the date the federal employer files the withholding tax return. The department may extend the time for submission of the statement at its discretion.

(C) Redevelopment fees may be remitted to the applicable redevelopment authority for any quarter beginning on or after the date that the applicable redevelopment authority first submits the information described in subsection (B) to the department. If the redevelopment authority fails to provide the department with the required statement within the requisite time limits, no redevelopment fees must be remitted for that quarter. ~~Notwithstanding subsection (A), the redevelopment fee remitted by the~~

1 ~~department in any fiscal year may not exceed the amount remitted in Fiscal Year 2014-2015.~~

2 (D) Neither the federal employer nor the applicable redevelopment authority is required to meet the
3 requirements of Section 12-10-50 for subsection (A) to apply and the restrictions contained in Section
4 12-10-80(C) do not apply to redevelopment fees.

5 (E) For purposes of this section "closed or realigned federal installation" means:

6 (1) ~~until January 1, 2028,~~ a federal defense site in which permanent employment was reduced by
7 three thousand or more jobs from the level of such jobs on December 31, 1990, or a federal military
8 base or installation which has been closed or realigned under:

9 (a) the Defense Base Closure and Realignment Act of 1990;

10 (b) Title 11 of the Defense Authorization Amendments and Base Closure and Realignment Act;

11 or

12 (c) Section 2687 of Title 10, United States Code.

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14 SECTION 2. SECTION 15 of Act 356 of 2002 is amended to read:

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16 SECTION 15. Notwithstanding any other provision of law the Charleston Naval Complex
17 Redevelopment Authority (RDA), upon receiving ownership from the United States of America, shall
18 convey certain parcels of real property to the City of North Charleston as per the mutual agreement
19 described hereafter. These parcels shall be delineated through a mutual agreement between the City of
20 North Charleston and the South Carolina State Ports Authority that takes into account the respective
21 needs of each entity in the property south of Necessary Street. All conveyances shall be at no
22 consideration once the City of North Charleston and the South Carolina State Ports Authority have
23 entered into a memorandum of understanding and agreement for the operation of breakbulk, roll on roll
24 off, and container terminals and dock operations on appropriate properties that are subject to the
25 oversight or control of the Charleston Naval Complex Redevelopment Authority. The City of North
26 Charleston shall honor all existing leases as negotiated by the Charleston Naval Complex
27 Redevelopment Authority prior to the effective date of this section. Furthermore, all properties
28 conveyed shall retain any Tax Increment Finance District status, any state or federal grants applied to
29 the area, and any state revenues currently directed to the Charleston Redevelopment Authority on a per
30 acre basis for the relative properties conveyed to the City of North Charleston. ~~In addition, any~~
31 ~~revenues received from the State under the Rural Development Act relating to the number of federal~~
32 ~~employees at the naval complex shall be shared pursuant to the location of the jobs on the complex.~~

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

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