

**REPORT OF THE
ECONOMIC DEVELOPMENT,
CAPITAL IMPROVEMENT &
OTHER TAXES SUBCOMMITTEE**

(Loftis, Cobb-Hunter, Stavrinakis, Hardwick & Lowe - Staff Contact: AJ Newton)

SENATE BILL 444

S. 444 -- Senators Gregory, Hayes and Campbell: A BILL TO AMEND SECTION 12-6-3360, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO DEFINITIONS PERTAINING TO THE JOB TAX CREDIT, SO AS TO ADD CERTAIN ESTABLISHMENTS TO THE DEFINITION OF "QUALIFYING SERVICE-RELATED FACILITY" IF THE ESTABLISHMENT HAS A NET INCREASE OF AT LEAST ONE THOUSAND NEW FULL-TIME JOBS AT A SINGLE CORPORATE CAMPUS IN THIS STATE, WITH AN AVERAGE CASH COMPENSATION LEVEL OF AT LEAST ONE AND ONE-HALF TIMES EITHER THE STATE OR COUNTY PER CAPITA INCOME.

Summary of Bill:

- The bill amends Section 12-6-3360 of the Job Tax Credit.
- 13(c)(i) adds (NAICS Section 52 - Finance and Insurance, Subsector 523120 - Security Brokerage) to the definition of "qualifying service-related facility." It must have one-thousand new full-time jobs at a single corporation campus in the state with a average cash compensation of at least one and one-half times the lower of state or county per capita income.
- 13(c)(ii) defines "corporate campus" as used in the section.
- 13(c)(iii) states the per capita income determination is made with the entity applies for the tax credit with the Coordinating Council for Economic Development.
- 13(c)(iv) establishes an annual report for DOR to be sent to the Governor, Chairman of Senate Finance, and Chairman of House Ways and Means regarding the number of new jobs created, average cash compensation, and aggregated residency status of new employees.

Introduced: 01/10/2014

Received by Ways and Means: 04/14/2014

Estimated Fiscal Impact:

This bill would have no Fiscal Impact in FY2015-16. The bill would reduce General Fund income tax, bank tax, or insurance premium tax revenue by an estimated \$2,750,000 in FY2016-17, and each fiscal year through FY2020-21.

Subcommittee Recommendation:

Favorable

Full Committee Recommendation:

Pending

Other Notes/Comments:

-The (NAICS Section 52 - Finance and Insurance, Subsector 523120) are Security Brokerage Firms.
-The one and one half times state per capita income is \$52,584.



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0444
 Author: Gregory
 Requestor: Senate Finance
 Date: March 2, 2015
 Subject: Job Tax Credit
 RFA Analyst(s): Martin

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17 to FY2020-21
State Expenditure		
General Fund	N/A	N/A
Other and Federal	N/A	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	(\$2,750,000)
Other and Federal	N/A	N/A
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

This bill would reduce General Fund income tax, bank tax, or insurance premium tax revenue by an estimated \$2,750,000 in FY2016-17, and each fiscal year through FY2020-21.

Explanation of Fiscal Impact

State Expenditure

Since this legislation makes no substantive changes to existing programs or resources, the *Coordinating Council for Economic Development and the Department of Revenue* can administer the legislative change with existing resources.

State Revenue

This bill would amend Section 12-6-3360(M)(13) to add to the list of qualifying service-related facilities eligible for a nonrefundable job tax credit for each new full-time job created in subsector 523120 listed under the North American Industrial Classification System (NAICS). This industry comprises establishments primarily engaged in acting as agents (i.e., brokers) between buyers and sellers in buying or selling securities. This bill would allow a securities brokerage establishment that adds a net increase of at least 1,000 new full-time jobs at a single corporate campus with an average cash compensation of more than one and one-half times the lower of state per capita income or per capita income in the county where the jobs are located a job tax credit pursuant to Section 12-6-3360. Without this legislation, a securities brokerage company would be ineligible for the job tax credit as it seeks approval for applying a job tax

credit from the Coordinating Council for Economic Development for each new full-time employee hired.

Since the end of the last national recession, employment growth in the securities brokers market has been modest in South Carolina. This may be attributable to the growth and acceptance of on-line securities websites on the internet that allow investors to conduct their own trading activity without the assistance or advice of a broker. Based on the latest data from the U.S. Department of Labor, Bureau of Labor statistics there are 1,516 individuals employed as securities brokers making an average annual salary of \$134,461 per year. This average annual salary would meet the requirement of being more than one and one-half times the per capita income in every county in the State. Since this industry is accounted for in the Board of Economic Advisor's General Fund revenue estimate, any change to this industry's employment base would affect the current revenue estimates.

The Department of Commerce recently announced the desire of a securities brokerage firm that would like to relocate from out-of-state to South Carolina. This company plans to consolidate three individual locations into one corporate campus becoming one corporate headquarters in Fort Mill, South Carolina. The announcement mentions the relocation of at least 1,000 employees to a newly constructed corporate campus site with an initial capital investment of \$200,000,000 with plans for future expansion. Also, according to the Department of Revenue's annual ranking of county designations for a job tax credit, York County is a Tier II county with a \$2,750 job tax credit per each new full-time eligible job. The job tax credit may be claimed for five years beginning in year two after the creation of the job for each new full-time job created if the maximum level of new jobs is maintained. Any unused job tax credits may be carried forward for a period of fifteen years from the taxable year in which the credit is earned by the taxpayer. Therefore, multiplying 1,000 new full-time jobs by a nonrefundable job tax credit of \$2,750 per eligible job yields a reduction in General Fund income tax, bank tax, or insurance premium tax revenue of an estimated \$2,750,000 in FY2016-17, and each fiscal year through FY2020-21.

This act takes effect upon approval by the Governor and applies to tax years beginning after 2014.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
121st Session, 2015-2016

S. 444

STATUS INFORMATION

General Bill

Sponsors: Senators Gregory, Hayes and Campbell
Document Path: I:\council\bill\bbm\9155dg15.docx
Companion/Similar bill(s): 3045

Introduced in the Senate on February 11, 2015
Introduced in the House on April 14, 2015
Last Amended on March 19, 2015
Currently residing in the House Committee on **Ways and Means**

Summary: Job tax credit

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
2/11/2015	Senate	Introduced and read first time (Senate Journal-page 4)
2/11/2015	Senate	Referred to Committee on Finance (Senate Journal-page 4)
3/11/2015	Senate	Committee report: Favorable Finance (Senate Journal-page 8)
3/19/2015	Senate	Amended (Senate Journal-page 8)
3/19/2015	Senate	Read second time (Senate Journal-page 8)
3/19/2015	Senate	Roll call Ayes-32 Nays-5 (Senate Journal-page 8)
3/20/2015		Scrivener's error corrected
4/1/2015	Senate	Read third time and sent to House (Senate Journal-page 15)
4/14/2015	House	Introduced and read first time (House Journal-page 33)
4/14/2015	House	Referred to Committee on Ways and Means (House Journal-page 33)

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VERSIONS OF THIS BILL

[2/11/2015](#)
[3/11/2015](#)
[3/19/2015](#)
[3/20/2015](#)

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

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4 AMENDED

5 March 19, 2015

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S. 444

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9 Introduced by Senators Gregory, Hayes and Campbell

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11 S. Printed 3/19/15--S.

[SEC 3/20/15 4:00 PM]

12 Read the first time February 11, 2015.

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[444-1]

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A BILL

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11 TO AMEND SECTION 12-6-3360, CODE OF LAWS OF SOUTH
12 CAROLINA, 1976, RELATING TO DEFINITIONS
13 PERTAINING TO THE JOB TAX CREDIT, SO AS TO ADD
14 CERTAIN ESTABLISHMENTS TO THE DEFINITION OF
15 "QUALIFYING SERVICE-RELATED FACILITY" IF THE
16 ESTABLISHMENT HAS A NET INCREASE OF AT LEAST
17 ONE THOUSAND NEW FULL-TIME JOBS AT A SINGLE
18 CORPORATE CAMPUS IN THIS STATE, WITH AN AVERAGE
19 CASH COMPENSATION LEVEL OF AT LEAST ONE AND
20 ONE-HALF TIMES EITHER THE STATE OR COUNTY PER
21 CAPITA INCOME.

22 Amend Title To Conform

23

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

26

27 SECTION 1. Section 12-6-3360(M)(13) of the 1976 Code is
28 amended to read:

29

30 "(13) 'Qualifying service-related facility' means:

31 (a) an establishment engaged in an activity or activities
32 listed under the North American Industry Classification System
33 Manual (NAICS) Section 62, subsectors 621, 622, and 623; or

34 (b) a business, other than a business engaged in legal,
35 accounting, banking, or investment services (including a business
36 identified under NAICS Section 55) or retail sales, which has a net
37 increase of at least:

38 (i) one hundred seventy-five jobs at a single location;

39 (ii) one hundred fifty jobs at a single location comprised
40 of a building or portion of building that has been vacant for at least
41 twelve consecutive months prior to the taxpayer's investment;

1 (iii) one hundred jobs at a single location and the jobs
2 have an average cash compensation level of more than one and
3 one-half times the lower of state per capita income or per capita
4 income in the county where the jobs are located;

5 (iv) fifty jobs at a single location and the jobs have an
6 average cash compensation level of more than twice the lower of
7 state per capita income or per capita income in the county where the
8 jobs are located; or

9 (v) twenty-five jobs at a single location and the jobs have
10 an average cash compensation level of more than two and one-half
11 times the lower of state per capita income or per capita income in
12 the county where the jobs are located.; or

13 (c)(i) an establishment engaged in an activity or activities
14 listed under NAICS Section 52, subsector 523120, which has a net
15 increase of at least one thousand new full-time jobs at a single
16 corporate campus in this State, and the jobs have an average cash
17 compensation level of more than one and one-half times the lower
18 of state per capita income or per capita income in the county where
19 the jobs are located;

20 (ii) as used in this subitem, a ‘corporate campus’ means
21 a location which consists of buildings in close proximity to each
22 other with centralized support, amenities, and other internal
23 functions. For purposes of subsection (F), a ‘single site’ includes
24 all the buildings that are a part of a corporate campus;

25 (iii) for purposes of determining per capita income
26 pursuant to this subitem, a taxpayer shall use the most recent per
27 capita income data available as of the end of the taxable year in
28 which the Coordinating Council for Economic Development
29 receives the taxpayer’s application and application fee for the job
30 development credit pursuant to Section 12-10-80;

31 (iv) for taxpayers creating new full-time jobs in this State
32 pursuant to the requirements of this subitem, the department shall
33 report in the aggregate for all taxpayers the net number of new
34 full-time jobs created in this State, the average cash compensation
35 of the new full-time jobs created, and the aggregated residency
36 status of the employee or employees filling the new full-time jobs
37 created. The department shall provide the report to the Chairman of
38 the Senate Finance Committee, the Chairman of the House Ways
39 and Means Committee, and the Governor beginning on May first of
40 the year immediately following the year in which the first new
41 full-time job is created, and on May first each year thereafter. In
42 reporting statistics pursuant to this subitem, the department must
43 comply with the requirements of Section 12-54-240(B)(1).

1 A taxpayer pursuant to subitems (a) and (b), shall use the most
2 recent per capita income data available as of the end of the taxable
3 year in which the jobs are filled. Determination of the required
4 number of jobs is in accordance with the monthly average described
5 in subsection (F).”

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7 SECTION 2. This act takes effect upon approval by the Governor
8 and applies to tax years beginning after 2014.

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