COMMITTEE REPORT

February 3, 2010

**S. 1066**

Introduced by Senators O’Dell and Sheheen

S. Printed 2/3/10--S.

Read the first time January 20, 2010.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 1066) to amend Chapter 6, Title 12 of the 1976 Code, by adding Section 12‑6‑3595 to provide a tax credit equal to one hundred percent of an amount, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking all after the enacting words and inserting:

/ SECTION 1. A. Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑3595. (A) A taxpayer may claim as a credit against state income tax imposed by Chapter 6 of Title 12, bank tax imposed by Chapter 11 of Title 12, license fees imposed by Chapter 20 of Title 12, or insurance premiums imposed by Chapter 7 of Title 38, or any combination of them, one hundred percent of an amount contributed to the South Carolina Small Manufacturers’ Retention and Growth Fund at the South Carolina Manufacturing Partnership (SCMEP) up to:

(1) a maximum credit of one hundred fifty thousand dollars for a single taxpayer, not to exceed an aggregate credit of seven hundred fifty thousand dollars for all taxpayers for tax year 2010;

(2) a maximum credit of one hundred fifty thousand dollars for a single taxpayer, not to exceed an aggregate credit of one million five hundred thousand dollars for all taxpayers for tax year 2011; and

(3) a maximum credit of one hundred fifty thousand dollars for a single taxpayer, not to exceed an aggregate credit of two million dollars for all taxpayers for years beginning after December 31, 2011, and ending before January 1, 2017.

For purposes of determining a taxpayer’s entitlement to the credit for qualified contributions for a given tax year in which more than the applicable aggregate annual limit on the credit is contributed by taxpayers for that year, taxpayers who have made contributions that are intended to be qualified contributions earlier in the applicable tax year than other taxpayers must be given priority entitlement to the credit. The SCMEP shall certify to taxpayers who express a bona fide intention of making one or more qualified contributions as to whether the taxpayer is entitled to that priority.

(B) The amount of the credit is equal to one hundred percent of the amount of the taxpayer’s qualified contributions to the South Carolina Small Manufacturers’ Retention and Growth Fund, subject to the limitations in this section. The credit is nonrefundable.

(C) The use of the credit is limited to the taxpayer’s applicable income or premium tax or license fee liability for the tax year of the taxpayer after the application of all other credits. An unused credit may be carried forward ten tax years after the tax year of the taxpayer during which the qualified contribution was made.

(D) A contribution is not a qualified contribution if it is subject to conditions or limitations regarding the use of the contribution.

(E) ‘Taxpayer’ means an individual, corporation, partnership, trust, bank, insurance company, or other entity having a state income or insurance premium tax or license fee liability who has made a qualified contribution.

(F) To qualify for the credit, the taxpayer shall retain a form provided by SCMEP identifying the taxpayer and the year and amount of credit for which the taxpayer qualifies. The Department of Revenue may require a copy of the form be attached to the taxpayer’s income tax return or be provided otherwise to the department.

(G) The department may require information and submissions by the taxpayer as it considers appropriate in relation to a taxpayer’s claim of entitlement to the credit.

(H) The merger, consolidation, or reorganization of a corporation where tax attributes survive does not create new eligibility in a succeeding corporation, but unused credits may be transferred and continued by the succeeding corporation. In addition, a corporation or partnership may assign its rights to its unused credit to another corporation or partnership if it transfers all, or substantially all, of the assets of the corporation or partnership or all, or substantially all, of the assets of the trade or business or operating division of the corporation or partnership to another corporation or partnership.

(I) A taxpayer who claims the credit may not take a deduction in relation to the qualified contribution which gives rise to such credit.

(J)(1) There is created the ‘South Carolina Small Manufacturers’ Retention and Growth Fund’ at SCMEP. Any contribution made pursuant to this section must be credited to the fund. SCMEP shall make expenditures from the fund to increase the global competitiveness of South Carolina based small manufacturers by aiding their ability to:

(a) retain and increase their employees;

(b) maintain and increase their sales;

(c) reduce or improve their cost structure; or

(d) innovate and diversify their products, processes, and markets.

(2) For purposes of this subsection, a ‘small manufacturer’ is a manufacturer with less than two hundred fifty employees prior to receiving aid from SCMEP.”

B. This section takes effect upon approval by the Governor. However, the tax credit provision in this section is only applicable to contributions made between January 1, 2010, and December 31, 2016.

SECTION 2. Beginning after December 31, 2011, SCMEP must provide an annual report by January fifteenth each year to the General Assembly, which shall include, but not be limited to:

(1) an independent evaluation by the United States Department of Commerce’s National Institute of Standards and Technology of SCMEP;

(2) the results of a survey conducted by the United States Department of Commerce of South Carolina small manufacturers served by SCMEP measuring the impact of SCMEP’s assistance with those manufacturers; and

(3) a complete accounting of the amount and use of funds generated by the tax credits allowed under this act including any amount and use of state funding appropriated to SCMEP for the applicable fiscal year.

SECTION 3. Except where stated otherwise, this act takes effect upon approval by the Governor. /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This bill would reduce general fund individual income tax, corporate income tax, bank tax, license fees, and insurance premium taxes by an estimated $4,000,000 in FY2010-11.

## Explanation

The South Carolina Manufacturing Extension Partnership (SCMEP) was established in 1989 under the U.S. Department of Commerce’s National Institute of Standards and Technology. The program started with regional centers in three states – South Carolina, Ohio, and New York. The mission of these regional centers was to support the transfer of manufacturing technology to improve the productivity and technological capabilities of America’s small manufacturers. This bill would add Section 12-6-3595 to allow a taxpayer to claim a nonrefundable state income tax credit of 100% of the amount contributed to the South Carolina Existing Manufacturers’ Retention and Growth Fund at the South Carolina Manufacturing Extension Partnership (SCMEP). The tax credit is limited to $500,000 for a single taxpayer and may not exceed an aggregate credit of $4,000,000 for all taxpayers for each tax year beginning in tax year 2010. The credit may be claimed against a taxpayer’s individual income, corporate income, bank tax, license fees, or insurance premiums taxes, or any combination of them. Any unused credit may be carried forward for ten years after the qualified contribution has been made. If in a tax year when more than the aggregate annual credit limit is contributed, the SCMEP shall establish a priority to those taxpayers that contribute or express an intention of making one or more qualified contributions earlier in the applicable tax year than other taxpayers. The taxpayer would obtain a receipt of the qualified contribution from SCMEP, and the Department of Revenue may require the form to be attached to the taxpayer’s income tax return or be provided to the department. The corporation or partnership may assign its rights to the tax credit and transfer ownership of the unused tax credit if the corporation or partnership is the target of a merger, consolidation, or reorganization into another corporation or partnership. Because these contributions can be applied against a wide array of taxes, the aggregate credit limit of $4,000,000 for all taxpayers would be obtained. This bill would reduce general fund income tax, bank tax, license fees, and insurance premium taxes by an estimated $4,000,000 in FY2010-11. This bill would be effective upon approval by the Governor and applies to contributions made after December 31, 2009.

*Approved By:*

William C. Gillespie

Board of Economic Advisors

1/ This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

**A** **BILL**

TO AMEND CHAPTER 6, TITLE 12 OF THE 1976 CODE, BY ADDING SECTION 12‑6‑3595 TO PROVIDE A TAX CREDIT EQUAL TO ONE HUNDRED PERCENT OF AN AMOUNT CONTRIBUTED TO THE SOUTH CAROLINA EXISTING MANUFACTURERS’ RETENTION AND GROWTH FUND, TO PROVIDE THAT THE CREDIT MAY NOT EXCEED FIVE HUNDRED THOUSAND DOLLARS FOR A SINGLE TAXPAYER AND NOT TO EXCEED AN AGGREGATE OF FOUR MILLION DOLLARS FOR EACH TAX YEAR, AND TO PROVIDE THE PROCESS AND REQUIREMENTS FOR CLAIMING THE CREDIT.

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

SECTION 1. Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑3595. (A) A taxpayer may claim as a credit against state income tax imposed by Chapter 6 of Title 12, bank tax imposed by Chapter 11 of Title 12, license fees imposed by Chapter 20 of Title 12, or insurance premiums imposed by Chapter 7 of Title 38, or any combination of them, one hundred percent of an amount contributed to the South Carolina Existing Manufacturers’ Retention and Growth Fund at the South Carolina Manufacturing Extension Partnership (SCMEP) up to a maximum credit of five hundred thousand dollars for a single taxpayer, not to exceed an aggregate credit of four million dollars for all taxpayers for each tax year beginning after December 31, 2009. For purposes of determining a taxpayer’s entitlement to the credit for qualified contributions for a given tax year in which more than the applicable aggregate annual limit on the credit is contributed by taxpayers for that year, taxpayers who have made contributions that are intended to be qualified contributions earlier in the applicable tax year than other taxpayers must be given priority entitlement to the credit. The SCMEP shall certify to taxpayers who express a bona fide intention of making one or more qualified contributions as to whether the taxpayer is entitled to that priority.

(B) The amount of the credit is equal to one hundred percent of the amount of the taxpayer’s qualified contributions to the South Carolina Existing Manufacturers’ Retention and Growth Fund, subject to the limitations in this section. The credit is nonrefundable.

(C) The use of the credit is limited to the taxpayer’s applicable income or premium tax or license fee liability for the tax year of the taxpayer after the application of all other credits. An unused credit may be carried forward ten tax years after the tax year of the taxpayer during which the qualified contribution was made.

(D) A contribution is not a qualified contribution if it is subject to conditions or limitations regarding the use of the contribution.

(E) ‘Taxpayer’ means an individual, corporation, partnership, trust, bank, insurance company, or other entity having a state income or insurance premium tax or license fee liability who has made a qualified contribution.

(F) To qualify for the credit, the taxpayer shall retain a form provided by SCMEP identifying the taxpayer and the year and amount of credit for which the taxpayer qualifies. The Department of Revenue may require a copy of the form be attached to the taxpayer’s income tax return or be provided otherwise to the department.

(G) The department may require information and submissions by the taxpayer as it considers appropriate in relation to a taxpayer’s claim of entitlement to the credit.

(H) The merger, consolidation, or reorganization of a corporation where tax attributes survive does not create new eligibility in a succeeding corporation, but unused credits may be transferred and continued by the succeeding corporation. In addition, a corporation or partnership may assign its rights to its unused credit to another corporation or partnership if it transfers all, or substantially all, of the assets of the corporation or partnership or all, or substantially all, of the assets of the trade or business or operating division of the corporation or partnership to another corporation or partnership.

(I) A taxpayer who claims the credit may not take a deduction in relation to the qualified contribution which gives rise to such credit.”

SECTION 2. This act takes effect upon approval by the Governor and applies to contributions made after December 31, 2009.

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