COMMITTEE REPORT

April 15, 2010

**S. 1066**

Introduced by Senators O’Dell and Sheheen

S. Printed 4/15/10--H.

Read the first time February 16, 2010.

**THE COMMITTEE ON WAYS AND MEANS**

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:

DANIEL T. COOPER for Committee.

**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. 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 Extension (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.

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