SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
(803)734-0640 ▪ RFA.SC.GOV/IMPACTS

Bill Number:	H.3259
Author:	Stavrinakis
Requestor:	House Ways and Means
Date:	April 27, 2015
Subject:	Retail Facilities Revitalization Act
RFA Analyst(s):	Martin

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
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	($1,062,000)	N/A
Other and Federal	N/A	N/A
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary
This bill is expected to reduce General Fund income tax revenue by an estimated $1,062,000 in FY2015-16.

Explanation of Fiscal Impact

State Expenditure
Since this legislation makes no substantive changes to existing programs or resources, the Department of Revenue can administer the legislative changes with existing resources.

State Revenue
The Retail Facilities Revitalization Act was adopted in Act 285 of 2006 to allow a taxpayer a nonrefundable income tax credit or property tax credit for the renovation, improvement, and redevelopment of abandoned retail facility sites in South Carolina. It applies for rehabilitation expenses incurred, without regard to the date these expenses were incurred, for eligible sites placed in service on or after July 1, 2006. The two credits are as follows:

1. The income tax credit is equal to ten (10) percent of the qualified rehabilitation expenses. The credit is claimed in equal installments over an eight (8) year period beginning with the year the property is placed in service. Any unused credit may be carried forward for five (5) years. A taxpayer may claim this credit against income or license taxes in addition to the credit for rehabilitation of a certified historic structure allowed pursuant to Section 12-6-3535.

2. The "real property tax credit" is equal to twenty-five (25) percent of the qualified rehabilitation expenses made to the eligible site up to seventy-five (75) percent of the real property taxes due on the site each year. The municipality or the county must determine the eligibility of the site and the proposed project. The ordinance shall allow the property tax credit to be taken against up to seventy-five (75) percent of the real property taxes due on the site each year not to exceed eight (8) years. The credit vests in the taxpayer in the year in which the eligible site is placed in service. The credit may be carried forward up to eight (8) years.

This bill would amend Section 6-34-30(2) to revise the definition of an "eligible site" that would qualify for a nonrefundable retail facility revitalization income tax credit by reducing the required square footage of the building or structure from 40,000 square feet to 25,000 square feet. This reduction of 37.5% in the square footage requirement would allow a larger number of smaller abandoned shopping centers, malls, or freestanding retail facilities to qualify for the income tax credit. A table describing a selection of different types of retail facilities and the associated average square footage of the building is shown below.

Table 1. Square Footage of Selected Types of Retail Stores

Type of Store	Square Footage
Main Street Retailer	1,200 to 2,000
Restaurant	3,600 to 7,300
Chain Drug Store	11,000 to 15,000
Big Box / Retailer	25,000 to 45,000
Large Super Market	40,000 to 46,500
Home Depot	60,000 to 140,000
Wal Mart Supercenter	180,000 to 250,000
MEMO: Football Field	45,000

The reduction in the square footage requirement would allow other types of abandoned retail facilities to qualify for the income tax credit, such as an abandoned Circuit City building, or other big box retailer that has gone out of business. The combination of the reduction in the square footage requirement and a low interest rate lending environment could result in an estimated increase of forty percent, or more, in the use of the retail facility revitalization credit.

According to the latest data available from the Department of Revenue, the retail facilities revitalization income tax credit has been claimed by 525 individual and corporate taxpayers totaling over $7,725,000 through tax year 2012. The vast majority of the taxpayers have been individuals or those filing individual income tax returns. Based on an analysis of income tax returns, it is estimated that an additional sixty-four individuals and one additional corporate taxpayer could claim a retail facilities revitalization income tax credit due to the reduction in the square footage requirement from 40,000 square feet to 25,000 square feet for an eligible structure. This bill, therefore, is expected to reduce General Fund income tax revenue by an estimated $1,062,000 in FY2015-16.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director