



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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Bill Number: H. 3874  
 Author: Mitchell  
 Requestor: House Ways and Means  
 Date: April 14, 2015  
 Subject: Renewable energy property  
 RFA Analyst(s): Wren

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**Estimate of Fiscal Impact**

	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>State Expenditure</b>					
General Fund	N/A	N/A	N/A	N/A	N/A
Other and Federal	N/A	N/A	N/A	N/A	N/A
Full-Time Equivalent Position(s)	0.00	0.00	0.00	0.00	0.00
<b>State Revenue</b>					
General Fund	(\$3,125,628)	(\$5,625,628)	(\$8,125,628)	(\$10,625,628)	(\$13,125,628)
Other and Federal	N/A	N/A	N/A	N/A	N/A
<b>Local Expenditure</b>	N/A	N/A	N/A	N/A	N/A
<b>Local Revenue</b>	N/A	N/A	N/A	N/A	N/A

**Fiscal Impact Summary**

This bill would reduce General Fund income tax revenue by \$3,125,628 in FY 2016-17. Additionally, General Fund income tax revenue would be reduced by an additional \$2,500,000 in FY 2017-18 and each year thereafter for a total of \$13,125,628 in FY 2020-21.

**Explanation of Fiscal Impact**

**State Expenditure**

N/A

**State Revenue**

This bill adds Section 12-6-3770, which provides for a thirty-five percent income tax credit to a business or individual that constructs, purchases, or leases renewable energy property. For business renewable energy property, the credit must be taken in five equal installments beginning with the taxable year in which the property is placed in service. A taxpayer who owns renewable energy property that serves a non-business purpose must take the credit in the taxable year in which the property is placed in service. Renewable energy property is defined as biomass equipment, combined heat and power system property, geothermal equipment, hydroelectric generators, solar energy equipment that uses solar radiation as a substitute for traditional energy, and wind equipment. The credit for each installation of renewable energy property placed in service for a business purpose may not exceed two million five hundred thousand dollars.

Credits for renewable energy property placed in service for non-business purposes range from one thousand four hundred dollars to ten thousand five hundred dollars based on the type of solar energy equipment. No credit is allowed for renewable energy property provided by public funds. Additionally, a taxpayer who claims another credit allowed with respect to renewable energy property may not take the credit allowed in this Section for the same property.

The Department of Revenue reports that five businesses claimed the solar energy tax credit in 2013. Based upon our analysis of solar energy equipment tax credits for business purposes over the past three years, we estimate that five businesses will claim the tax credit in FY 2016-17. Since the credit for each installation of renewable energy property placed in service for a business purpose may not exceed \$2,500,000, we estimate a total of \$12,500,000 in credits. Adjusting for the fact that the tax credit must be taken in five equal installments, it is estimated that this bill would reduce General Fund income tax revenue by an estimated \$2,500,000 in FY 2016-17. Additionally, General Fund income tax revenue would also be reduced by \$2,500,000 in FY 2017-18 and each year thereafter through FY 2020-21.

Based on data from the Department of Revenue, two hundred fifty-six taxpayers claimed the existing non-business solar energy tax credit for a total of \$625,628 in 2013. Since the credit for non-business renewable energy property must be taken in the taxable year in which the property is placed in service and assuming a similar trend, we estimate this bill will reduce General Fund income tax by \$625,628 beginning in FY 2016-17.

In summary, this bill would reduce General Fund income tax revenue by \$3,125,628 in FY 2016-17. Additionally, General Fund income tax revenue would be reduced by an additional \$2,500,000 in FY 2017-18 and each year thereafter for a total of \$13,125,628 in FY 2020-21.


The estimates represented above are for data on solar energy equipment. Data on real property eligible under the new renewable energy equipment credit is not available.

**Local Expenditure**

N/A

**Local Revenue**

N/A

  
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Frank A. Rainwater, Executive Director