



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0935	Introduced on January 25, 2018
Author:	Talley	
Subject:	Income Tax Credit	
Requestor:	Senate Finance	
RFA Analyst(s):	Wren	
Impact Date:	February 13, 2018	

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$484,000	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds. This bill will reduce General Fund income tax revenue by an estimated \$484,000 in FY 2018-19 through FY 2023-24 due to the 25 percent tax credit for certain non-residential solar energy equipment. Any carryforward of unused credits may extend beyond FY 2023-24.

Explanation of Fiscal Impact

Introduced on January 25, 2018

State Expenditure

This bill adds Section 12-6-3775, which reinstates the tax credit previously in Section 12-6-3770 that was repealed December 31, 2017.

Since this bill reinstates a tax credit, we expect any expenses for the modification of tax forms to be handled within the Department of Revenue's annual updates to tax forms. Therefore, the bill is not expected to impact expenditures.

State Revenue

This bill adds Section 12-6-3775, which reinstates the tax credit previously in Section 12-6-3770 that was repealed December 31, 2017. The bill allows a taxpayer who constructs, purchases, or leases solar energy property to claim an income tax credit equal to 25 percent of the cost, including the cost of installation of the property. The credit is limited to property that is located on the Environmental Protection Agency's National Priority List, National Priority List of Equivalent Sites, or on a list of related removal actions, as certified by the Department of Health

and Environmental Control. The credit is earned in the year in which the solar energy property is placed in service but must be taken in five equal annual installments. Unused credits may be carried forward for five taxable years. A credit for each installation of solar energy property placed in service may not exceed \$2,500,000. The credit is allowed on a first-come, first-served basis, and the total amount of credits may not exceed \$2,500,000 for all taxpayers in a taxable year. A taxpayer who claims any other state credit allowed with respect to solar energy property may not take the credit allowed in this section with respect to the same property. The type of equipment is limited to non-residential solar energy equipment with a nameplate capacity of at least 1,900 kw AC that uses solar radiation as a substitute for traditional energy water heating, active space heating and cooling, passive heating, daylighting, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat. Also, included are devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy. This bill takes effect in income tax years beginning after 2017. The provisions of the bill are repealed on December 31, 2019, except that if the credit is earned before the repeal, the provisions of the bill continue to apply until the credits have been fully claimed.

Based upon tax year 2016 returns from the Department of Revenue, South Carolina residents earned approximately \$1,400,000 in income tax credits in tax year 2016 pursuant to Section 12-6-3770. However, taxpayers only had sufficient tax liability to claim \$484,000. The remainder will be carried forward. We assume a similar amount of credits will be claimed in future years. Since Section 12-6-3775 limits the non-residential solar energy equipment to a nameplate capacity of at least 1,900 kw AC, whereas Section 12-6-3770 was limited to 2,000 kw AC, there may be a minimal number of additional credits claimed in FY 2018-19. Since the tax credits are limited to a total of \$2,500,000 and must be taken in five installments, we expect General Fund income tax revenue will be reduced by \$484,000 beginning in FY 2018-19 through FY 2023-24. Any carryforward of unused credits may extend beyond FY 2023-24.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director