



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** S. 0995 Introduced on February 13, 2018  
**Author:** Davis  
**Subject:** Exceptional Needs, Disadvantaged, and Home School Children Tax Credits  
**Requestor:** Senate Finance  
**RFA Analyst(s):** Shuford  
**Impact Date:** February 28, 2018

**Estimate of Fiscal Impact**

	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$47,000,000)	(\$60,000,000)
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds as the responsibilities in the bill required of the Department of Revenue will be managed within existing appropriations.

This bill will reduce General Fund individual, corporate, and bank income tax revenue by an additional \$47,000,000 in FY 2018-19. We expect that contributions to non-profit scholarship funding organizations and corresponding tax credits will reach the maximum cap of \$60,000,000 per calendar year in 2018. The revenue impact in FY 2018-19 is partially offset by existing exceptional needs tax credits of \$13,000,000 in the revenue base for FY 2018-19. The total revenue impact in future fiscal years will total \$60,000,000.

**Explanation of Fiscal Impact**

**Introduced on February 13, 2018**

**State Expenditure**

This bill codifies and expands the two existing exceptional needs tax credits contained most recently in Proviso 109.11 of the FY 2017-18 Appropriations Act. These tax credits, with amendments, have been included in the annual appropriation act or similar bills since FY 2013-14. However, the amount of the credits and the responsibilities assigned to the Department of Revenue have expanded.

This bill requires the Department of Revenue to perform the following duties.

- Establish an application process to determine the amount of credit available to taxpayers.
- Prescribe the form and manner of proof to obtain the tax credits.
- Develop a method of informing taxpayers if a tax credit limits are reached at any time during the tax year.
- Administer the public nonprofit organization, in concert with its directors, to provide oversight of the scholarship funding organizations.
- Report to the Governor and the General Assembly by January fifteenth of each year on the operations of the non-profit scholarship funding organizations.
- Receive and evaluate the annual applications of the non-profit scholarship funding organizations.
- Publish on its website a list of all qualifying non-profit scholarship funding organizations.
- Revoke a non-profit scholarship funding organization's participation in the program.

The Department of Revenue indicates that the bill charges the agency with new or expanded responsibilities, which may require some staff reassignments, increased supplies, and additional data processing activities. However, all of the responsibilities may be managed within existing appropriations. Therefore, this bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

### **State Revenue**

This bill authorizes three tax credits for contributions made to non-profit scholarship funding organizations on behalf of exceptional needs, disadvantaged, and home school children. The tax credit for exceptional needs children may not exceed a total of \$25,000,000 each calendar year. The tax credit for disadvantaged students is limited to the same amount, and the third tax credit for home school children is limited to \$10,000,000 each calendar year. These tax credits may be claimed against individual, corporate, and bank income taxes. A taxpayer may not claim more than 100 percent of his total tax liability in the year of the contribution. The credits are non-refundable, but may be carried forward for ten years. This bill applies to income tax years beginning after 2017.

Our analysis of other states' scholarship and tax credit programs suggests that contributions to non-profit scholarship funding organizations and corresponding tax credits will reach the maximum cap of \$60,000,000 per calendar year in 2018. This revenue estimate is based mostly on the contribution history of the Florida Tax Credit Scholarship Program with adjustments for the differing state populations.

This amount is partially offset by the revenue impact of existing exceptional needs tax credits totaling \$13,000,000 in the revenue base for FY 2018-19. In February 2018 when the Board of Economic Advisors set the latest forecast for FY 2018-19 General Fund revenue, the forecast included the revenue impact of these existing tax credits as part of the income tax base since similar budget provisions have been in effect since FY 2013-14. Therefore, this bill will reduce General Fund individual, corporate, and bank income tax revenue by an additional \$47,000,000 in FY 2018-19. The total revenue impact in future fiscal years will total \$60,000,000.

### **Local Expenditure and Revenue**

N/A

Frank A. Rainwater, Executive Director