



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

Bill Number: S. 1100 Introduced on March 7, 2018
Author: Grooms
Subject: Internal Revenue Code
Requestor: Senate Finance
RFA Analyst(s): Jolliff
Impact Date: March 26, 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	See Below	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

The bill will not impact expenditures for the Department of Revenue (DOR). The bill is expected to reduce General Fund income tax revenue by between \$1,500,000 and \$2,000,000 beginning in FY 2018-19.

Explanation of Fiscal Impact

Introduced on March 7, 2018

State Expenditure

This bill amends state income tax code to conform to the Internal Revenue Code alternative tax on qualifying shipping activities beginning with tax year 2018. Currently, South Carolina does not conform to Internal Revenue Code Sections 1352 through 1359. These sections permit an international shipping company to elect a flat tax based upon vessel tonnage and the number of days the vessel is operated as opposed to the normal corporate income tax.

DOR does not expect administering this change to impact expenditures. The changes that are required can be completed within the normal course of business.

State Revenue

This bill amends state income tax code to conform to the Internal Revenue Code alternative tonnage tax on qualifying international shipping activities beginning with tax year 2018. Currently, South Carolina does not conform to Internal Revenue Code Sections 1352 through 1359. These sections permit an international shipping company to elect to calculate their income tax based upon vessel tonnage and the number of days the vessel is operated as opposed to the

normal corporate income tax. The provisions do not apply to vessels engaged only in domestic shipping. Companies may elect the alternative taxation method, but it only applies to their qualified shipping activities. All other income remains subject to the standard corporate income tax. Adopting this provision is expected to lower the tax due for these companies.

DOR reviewed income tax filings and recent audits for shipping companies expected to qualify to use the alternative tonnage tax on international shipping. In total, DOR estimates that approximately twenty companies may be eligible for the alternative tax. Based upon the review, DOR estimates that adopting these provisions would reduce income tax revenue for these companies by between \$1,500,000 and \$2,000,000 annually beginning in FY 2018-19.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director