COMMITTEE REPORT

April 24, 2018

**S. 1043**

Introduced by Senators Turner and Talley

S. Printed 4/24/18--S.

Read the first time February 22, 2018.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 1043)

to extend the provisions of the South Carolina Abandoned Buildings Revitalization Act as contained in Chapter 67, Title 12 of the 1976 Code until December 31, 2025., etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking all after the enacting words and inserting:

/ SECTION 1. Notwithstanding SECTION 1.B. of Act 57 of 2013, the provisions of Chapter 67, Title 12 of the 1976 Code are repealed on December 31, 2021.

SECTION 2. A. Section 12-67-140 of the 1976 Code is amended by adding an appropriately lettered subsection at the end to read:

“( ) For building sites which have had no portion thereof placed into service before July 1, 2018, and upon which is located a redeveloped multi‑floor structure that is listed on the National Register of Historic Places, the taxpayer may subdivide the structure into separate units in the manner as provided for in this chapter, except that up to seven separate floors may be considered seven separate subdivided units if a floor is redeveloped for the exclusive use as a residential apartment or apartments. Before making an initial claim for tax credits pursuant to this chapter, in lieu of the requirements of Section 12‑67‑140(B)(1), a taxpayer utilizing the provisions of this subsection must notify the department in writing of his intent to claim tax credits pursuant to this chapter, providing any information required by the department, including, but not necessarily limited to, the location of the building site, the actual expenses incurred in connection with the rehabilitation of the building site, the number of units for which a credit is being claimed, and the date the building site will be placed in service. Except as specifically provided otherwise in this subsection, taxpayers are subject to all other requirements of this chapter.”

B. This SECTION takes effect upon approval by the Governor and first applies to eligible building sites placed in service after June 30, 2018.

SECTION 3. Except where specified otherwise, this act takes effect upon approval by the Governor. /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Introduced on February 22, 2018**

**Updated for Revised Information**

**State Expenditure**

The Department of Revenue has indicated that this bill would have no expenditure impact on the general fund, federal funds, and other funds.

**State Revenue**

The South Carolina Abandoned Buildings Revitalization Act was enacted in Act 57 of 2013 and has been amended since that time. Currently, a taxpayer may claim a nonrefundable state income tax credit equal to twenty-five percent of actual rehabilitation expenses of an abandoned building. The tax credit may be applied against individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof. The tax credit may also be applied against real property taxes as levied by local taxing entities. The tax credit must be taken in equal installments over a three-year period and may not exceed $500,000 for any taxpayer in a tax year. The credit is earned in the tax year in which the applicable phase or portion of the building site is placed in service. Unused tax credits may be carried forward for five years. The South Carolina Abandoned Buildings Revitalization Act is repealed on December 31, 2019. Any credit carryforward will continue to be allowed until the five-year time period is completed.

Since the abandoned buildings revitalization tax credit is scheduled to be repealed on December 31, 2019, the Board of Economic Advisors (BEA) is not expecting any further additional revenue reductions in the state general fund revenue beginning in FY2020-21 from this tax credit. If the scheduled repeal date of the abandoned building tax credit is extended, by six years, from December 31, 2019, to December 31, 2025, state general fund revenue will be affected.

The table below describes a summary of the abandoned building tax credit showing the number of taxpayers claiming the nonrefundable tax credit and the value of the tax credits claimed over the first four years of actual data filed by taxpayers. Through FY2016-17, the latest year for which there is data, a total of 288 taxpayers have claimed $11,038,274 in nonrefundable tax credits.



Based on the collection pattern of actual nonrefundable tax credits claimed and adjusting for any eligible tax credit carryforwards that taxpayers are entitled and may claim in future tax years, the abandoned building revitalization tax credits increase by an average of $1,540,000 per tax year for all taxpayers.

If the scheduled repeal date of the abandoned building tax credit is extended from December 31, 2019, to December 31, 2025, state general fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof will be reduced by an estimated $1,540,000 in FY2020-21, and each fiscal year thereafter, until the tax credit would be repealed on December 31, 2025.

**Introduced on February 22, 2018**

**State Expenditure**

The Department of Revenue has indicated that this bill would have no expenditure impact on the general fund, federal funds, and other funds.

**State Revenue**

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The table below describes a summary of the abandoned building tax credit showing the number of taxpayers claiming the nonrefundable tax credit and the value of the tax credits claimed over the first three years of actual data filed by taxpayers. Through FY2015-16, the latest year for which there is data, a total of 125 taxpayers have claimed $3,770,622 in nonrefundable tax credits.



Based on the collection pattern of actual nonrefundable tax credits claimed and adjusting for any eligible tax credit carryforwards that taxpayers are entitled and may claim in future tax years, the abandoned building revitalization tax credits increase by an average of $350,000 per tax year for all taxpayers.

If the scheduled repeal date of the abandoned building tax credit is extended from December 31, 2019, to December 31, 2025, state general fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof will be reduced by an estimated $350,000 in FY2020-21, and each fiscal year thereafter, until the tax credit would be repealed on December 31, 2025.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO EXTEND THE PROVISIONS OF THE SOUTH CAROLINA ABANDONED BUILDINGS REVITALIZATION ACT AS CONTAINED IN CHAPTER 67, TITLE 12 OF THE 1976 CODE UNTIL DECEMBER 31, 2025.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Notwithstanding SECTION 1.B. of Act 57 of 2013, the provisions of Chapter 67, Title 12 of the 1976 Code are repealed on December 31, 2025.

SECTION 2. This act takes effect upon approval by the Governor.

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