COMMITTEE REPORT

February 7, 2018

**S. 866**

Introduced by Senators Cromer, Scott, Reese, Verdin, J. Matthews and Nicholson

S. Printed 2/7/18--S.

Read the first time January 9, 2018.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 866) to provide that tax credits for the purchase of geothermal machinery and equipment shall be repealed on January 1, 2029., etc., respectfully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 SECTION 1 and inserting:

/ SECTION 1. Notwithstanding SECTION 2.B. of Act 134 of 2016, the provisions contained in Section 12-6-3587 of the 1976 Code relating to geothermal machinery and equipment are repealed January 1, 2022. /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**State Reve**n**ue**

This bill extends the sunset provision pursuant to Section 12-6-3587 related to the 25 percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment from January 1, 2019, to January 1, 2029.

The Internal Revenue Service reports that 35,110 South Carolina taxpayers claimed $20,008,000 in federal residential renewable energy tax credits, an average of $570 per tax return in tax year 2015. The federal tax credit is a 30 percent credit. The U.S. Energy Information Administration’s 2017 Annual Energy Outlook projects that geothermal energy comprises approximately 6 percent of all residential renewable energy generated. Applying the 6 percent estimate, the amount of geothermal credits is estimated at approximately $1,200,000. Since the South Carolina tax credit is for 25 percent of the cost, we estimate that 2,107 taxpayers will each claim a credit of $475 per year. Based upon an average projected South Carolina resident tax liability of $1,509 for 2016 and given the distribution of the federal tax credits across federal AGI, we anticipate that taxpayers will be able to take the full tax credit despite the 50 percent tax liability limitation. Federal residential energy tax credits claimed by South Carolina residents have fluctuated from 2013 to 2015. However, we anticipate that the extension of the South Carolina tax credit may encourage new installations, and we assume installations will remain at the 2015 level. Without this extension, no additional tax credits would be expected, thereby reducing general fund revenues. Therefore, we estimate that the extension of the geothermal machinery and equipment tax credit will reduce general fund income tax revenue by approximately $1,000,000 in FY 2019-20 through FY 2028-29.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO PROVIDE THAT TAX CREDITS FOR THE PURCHASE OF GEOTHERMAL MACHINERY AND EQUIPMENT SHALL BE REPEALED ON JANUARY 1, 2029.

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

SECTION 1. Notwithstanding SECTION 2.B. of Act 134 of 2016, the provisions contained in Section 12-6-3587 of the 1976 Code related to geothermal machinery and equipment are repealed January 1, 2029.

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

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