



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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<b>Bill Number:</b>	H. 3202	Introduced on January 8, 2019
<b>Author:</b>	Elliott	
<b>Subject:</b>	Income Tax Credit	
<b>Requestor:</b>	House Ways and Means	
<b>RFA Analyst(s):</b>	Wren	
<b>Impact Date:</b>	December 17, 2019	

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### **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 (DOR) will be managed within existing appropriations.

This bill will reduce General Fund individual, corporate, and bank income tax revenue by \$60,000,000 in FY 2020-21. 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 2020. Since the existing Educational Credit for Exceptional Needs Children's Fund program is not repealed in this bill, we expect that program to continue.

### **Explanation of Fiscal Impact**

#### **Introduced on January 8, 2019**

#### **State Expenditure**

This bill expands the two existing exceptional needs tax credits contained in Section 12-6-3790. Also, this bill requires DOR 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 the tax credit limits are reached at any time during the tax year.
- Administer the public non-profit 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.

DOR 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.

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 2020. 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 analysis anticipates that the effective date of the tax credit will apply to income tax years beginning after 2019 as tax years beginning after 2018, as specified in the bill, have already begun. Additionally, since the existing Educational Credit for Exceptional Needs Children's Fund program is not repealed in this bill, we expect that program to continue.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director