



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H. 3485	Amended by the House of Representatives on April 9, 2019
Author:	Jefferson	
Subject:	Income Tax Credit, Rehabilitation Expenditures for Historic Structures	
Requestor:	Senate Finance	
RFA Analyst(s):	Gallagher, Jolliff, and Martin	
Impact Date:	June 27, 2019	

Fiscal Impact Summary

This bill is not expected to impact expenditures for the Department of Archives and History (DAH) as they expect to accomplish the responsibilities with existing staff. This bill will increase Other Funds of DAH by approximately \$987,000 per year from fees paid by taxpayers claiming a tax credit for rehabilitation expenses on a historic site. These fees will be used to provide grants from the new State Historic Preservation Grant Fund when fully implemented. Other Funds of DAH for purchasing or preserving collections will increase by approximately \$11,880 per year beginning in FY 2019-20 for contributions on the individual income tax form.

This bill extends the placed in service date for rehabilitated abandoned buildings meeting specific requirements. Further, the bill repeals the provisions of Chapter 67, Title 12 (Abandoned Buildings Revitalization Act) on December 31, 2021 and allows any carryforward credits to be allowed until the 5 or 8 year time period in Section 12-67-140 is completed. This legislation was passed into law on May 16, 2019 and will not affect state General Fund revenue, Other Funds revenue, or Federal Funds in FY2019-20 or any fiscal year thereafter.

Explanation of Fiscal Impact

Amended by the House of Representatives on April 9, 2019

State Expenditure

The bill establishes the State Historic Preservation Grant Fund to be administered by DAH. Based upon information from DAH, they expect to process applications and distribute funds with existing staff. Therefore, the bill is not expected to impact state expenditures for the agency.

State Revenue

This bill imposes a fee for a taxpayer claiming a credit pursuant to Section 12-6-3535 for rehabilitation expenses of a historic structure. Taxpayers applying for these tax credits administered by DAH are required to pay a fee, which will be credited to the State Historic Preservation Grant Fund. The preliminary fee is one half of one percent of the estimated qualified rehabilitation expenses or the rehabilitation expenses to be paid before review of a Historic Preservation Certification Application Part 2 or a Certified Rehabilitation Application, S2. The final fee is one percent of the actual qualified rehabilitation expenses or the rehabilitation expenses to be paid before review of an Historic Preservation Certification Application Part 3 or a Certified Rehabilitation Application, S3, less any amount paid as a preliminary fee. All fees obtained will go to the new State Historic Preservation Grant Fund to be distributed as grants. DAH will develop an application process for distribution of funds from

the State Historic Preservation Grant Fund to include eligibility criteria and grant requirements. The agency is not currently assessing a fee for taxpayers who apply for these credits and will not retain these fees for operations.

DAH provided data regarding projects that were approved from 2014 to 2018. Based upon the reported rehabilitation expenses, fees under this new requirement would have totaled approximately \$987,000 per year on average. The bill takes effect upon approval by the Governor and applies to income tax years beginning after 2018. DAH has indicated that they do not expect to charge the fee to projects that have already entered the application process for tax credits. The fee will apply to new projects and would begin in FY 2019-20 as new applications are received. Therefore, this section of the bill would increase Other Funds by approximately \$987,000 per year to be expended for grant projects when fully implemented.

Section 2 of the bill allows an individual income taxpayer to elect to contribute to the Department of Archives and History. Any funds received through this tax return election must be used to purchase or preserve collections with significant historical value to the State. Based upon Department of Revenue data for tax year 2015, a total of 14,677 taxpayers contributed a total of \$189,966 to the existing sixteen income tax elections for an average of \$11,880 per election. Based upon these figures, we estimate that this will increase Other Funds of DAH for purchasing or preserving collections by approximately \$11,880 per year beginning in FY 2019-20.

Section 3 of this bill extends the placed in service date for rehabilitated abandoned buildings meeting specific requirements. If a taxpayer files a notice of intent to rehabilitate and has been rehabilitating an abandoned building continuously for the preceding year and is more than 60 percent complete, then the taxpayer must be allowed to extend the placed in service date until 90 days after completion of construction, provided construction continues diligently until that date. The taxpayer may not earn a tax credit until the applicable phase or portion of the building site is placed in service. Also, pursuant to Section 1 in Act 265 of 2018, the provisions of Chapter 67, Title 12 (Abandoned Buildings Revitalization Act) are repealed on December 31, 2021. Any carryforward credits shall continue to be allowed until the 5 or 8 year time period in Section 12-67-140 is completed. This legislation was passed into law on May 16, 2019 and will not affect state General Fund revenue, Other Funds revenue, or Federal Funds in FY2019-20 or any fiscal year thereafter.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 9, 2019

State Expenditure

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Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director