



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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| Bill Number: | S. 0076 | Prefiled on December 12, 2018 |
| Author: | Cromer | |
| Subject: | Tax Credit | |
| Requestor: | Senate Finance | |
| RFA Analyst(s): | Jolliff and R. Martin | |
| Impact Date: | January 8, 2019 | |

Fiscal Impact Summary

This bill is not expected to impact expenditures for the General Fund, Other Funds, or Federal Funds for the Department of Revenue because the bill extends an existing income tax credit and sales tax exemption.

This bill will reduce General Fund individual income tax revenue by approximately \$17,000 in FY 2019-20, \$34,000 per year from FY 2020-21 through FY 2023-24, and \$17,000 in FY 2024-25 by extending the Energy Efficient Manufactured Homes Incentive Program tax credit until July 1, 2024. Further, the bill will reduce General Fund sales tax revenue by approximately \$31,027 and EIA revenue by \$7,757 beginning in FY 2019-20 for five years through FY 2023-24 by extending the sales tax exemption for energy efficient manufactured homes.

Explanation of Fiscal Impact

Prefiled on December 12, 2018

State Expenditure

Section 1 of this bill extends the Energy Efficient Manufactured Homes Incentive Program tax credit for an additional five years. The program provides an income tax credit of \$750 for any person who purchases a qualifying energy efficient manufactured home. The tax credit is set to expire July 1, 2019, and the bill extends the credit to July 1, 2024. Since this is an extension of existing tax credit, the bill is not expected to impact expenditures for the Department of Revenue for administration of the credits.

Section 2 of the bill extends the sales tax exemption for energy efficient manufactured homes currently set to expire July 1, 2019, to July 1, 2024. Since this is an extension of existing exemption, the bill is not expected to impact expenditures for the Department of Revenue for administration of the exemption.

State Revenue

Section 1. This section extends the Energy Efficient Manufactured Homes Incentive Program tax credit currently set to expire July 1, 2019, until July 1, 2024. The program provides a non-refundable income tax credit of \$750 for any person who purchases a qualifying manufactured home. In order to qualify, the manufactured home must meet either the energy saving efficiency requirements set by the U.S. Environmental Protection Agency and the U.S. Department of Energy, or ENERGY STAR requirements. The home also must be purchased from a retail dealership licensed by the S.C. Manufactured Housing Board for use in this state.

Based upon tax year 2014, 2015, and 2016 individual income tax returns, an average of 48 taxpayers claim this tax credit for a total of \$34,000 per tax year. Credits are earned on a fiscal year basis but must be claimed on a tax year basis. To account for this, we assume credits are earned evenly throughout the year and that one-half of the FY 2019-20 credits earned from July 1, 2019, to December 31, 2019, will be claimed on tax year 2019 returns filed in April 2020. The remaining credits earned in FY 2019-20 will be claimed in the following tax year. Therefore, we estimate that this section of the bill will reduce General Fund individual income tax revenue by approximately in \$17,000 in FY 2019-20, \$34,000 per year from FY 2020-21 through FY 2023-24, and \$17,000 in FY 2024-25.

Section 2. This section extends the sales tax exemption for energy efficient manufactured homes currently set to expire on July 1, 2019. The bill extends the exemption for an additional five years until July 1, 2024. In order to qualify, the home must meet either the energy saving efficiency requirements set by the U.S. Environmental Protection Agency and the U.S. Department of Energy, or ENERGY STAR requirements.

Currently, the sales tax for manufactured homes is calculated based upon the home value discounted by 65 percent. For homes with a discounted value up to \$6,000, the tax is 5 percent of the discounted value up to \$300. For homes with a discounted value over \$6,000, the sales tax is \$300 plus 2 percent of the excess of the discounted value of the home above \$6,000. Section 2 of the bill extends the exemption for the sales tax in excess of \$300 for an additional five years until July 1, 2024.

According to 2017 data reported by the U.S. Commerce Department's Census Bureau, the average sales price for a new manufactured home in South Carolina is \$71,400. Multiplying \$71,400 by 65 percent yields a discounted value of \$46,410 subject to the sales tax. Subtracting the \$6,000 of value taxed at \$300, \$40,410 of home value is taxed at 2 percent, for an additional sales tax of \$808. Therefore, the exemption reduces sales tax revenue by approximately \$808 per qualifying manufactured home.

Based upon utilization of the Energy Efficient Manufactured Home tax credit described in Section 1 above, we expect that 48 taxpayers will qualify for the exemption annually. Multiplying \$808 by 48 taxpayers, the exemption is expected to total approximately \$38,784 per year. Therefore, this section of the bill will reduce General Fund sales tax by \$31,027 and EIA fund revenue by \$7,757 annually beginning in FY 2019-20 for five years through FY 2023-24.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director