~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

March 20, 2019

**H. 4243**

Introduced by Reps. Simrill, Lucas, Pope, G.M. Smith, Rutherford, King, Felder, Bryant, D.C. Moss, B. Newton, Ligon, V.S. Moss, Brown and W. Cox

S. Printed 3/20/19--H.

Read the first time March 13, 2019.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 4243) to amend Section 12‑6‑3360, Code of Laws of South Carolina, 1976, relating to the job tax credit, so as to provide for a professional sports, etc., respectfully

**REPORT:**

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

G. MURRELL SMITH, JR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Introduced on March 13, 2019**

**State Expenditure**

The Department of Revenue indicates that there will be no expenditure impact to the general fund, other funds, or federal funds from this bill. The Department can administer the legislative changes with existing resources.

**State Revenue**

The Rural Development Act was adopted in 1996 to provide economic incentives to attract capital investment in the state’s rural and economically distressed counties in the state. A system of awarding tax credits to companies that creates new full-time jobs was developed using a combination of unemployment rates and county per capita incomes. The more economically distressed the county the higher the job tax credit that could be claimed for each new job created. Tax credits range from $1,500 to $8,000 per year for each job created depending on the county designation. Since the passage of the Rural Development Act, a total of 7,394 taxpayers have claimed $802,492,575 in nonrefundable tax credits.

**Section 1.** The Carolina Panthers are interested in a new indoor practice facility to replace an outdoor practice facility currently located near Bank of America Stadium in downtown Charlotte, NC. The Panthers are considering moving their football operations to South Carolina. The team is interested in moving the team’s headquarters and training facilities to either York or Lancaster County based on media reports. The move would involve 150 or more employees, coaches, players, team executives, offices, parking, and the team’s other departments.

This bill would make several changes to existing statutory law as follows:

Amends Section 12-6-3360(A) to add professional sports teams as a qualified industry that may be allowed an annual jobs tax credit as provided in this section.

Amends Section 12-6-3360(M) to amend the definition of a “new job” for a professional sports team to include all jobs located at the professional sports team park regardless of whether an employee previously worked at an existing location in this State before 2019 as an employee of the same professional sports team.

Amends Section 12-6-3360(M)(4) to amend the definition of “full-time” job for a professional sports team to require a minimum of one hundred eighty days of an employee’s time a year of which at least eighty percent of such days must be spent at a professional sports team park located in South Carolina.

Adds Section 12-6-3360(M)(17) to define a professional sports team as a professional sports team or club included in a professional league, such as the National Football League, National Association for Stock Car Racing, or the National Basketball Association, primarily engaged in participating in live sporting events before a paying audience with an annual payroll for federal tax purposes of not less than $190,000,000 and not less than 150 employees.

Adds Section 12-6-3360(M)(18) to define a professional sports team park as a sports facility designed for use primarily as a professional park or stadium. Such a facility may include, with limitation, practice fields and features such as parking areas and facilities, office facilities for team use or other users of the facility as authorized by the professional sports team, and other ancillary facilities necessary for the sports facility. Such a facility also includes the landscaped grounds surrounding the park, stadium, and ancillary facilities.

Adds Section 12-6-3360(M)(19) to define members of a professional sports team as active players, players on the disabled list, and any other persons required to travel and who do travel with and perform services on behalf of the professional sports team on a regular basis. This includes coaches, managers, and trainers.

A qualifying business is permitted a tax credit against income (corporate and individual) tax, bank tax, or insurance premium tax for creating new, full-time jobs in the state. Generally, a business may hire at least ten employees at a single location to qualify for the credit. Tax credits range from $1,500 to $8,000 per year for each job created depending on the county designation. The county designations are determined by the average ranking of the county’s unemployment rate and per capita income for the latest thirty-six month period as of November 1st of each year. Tax credits may be claimed beginning in tax Years 2 through 6 after job creation in Year 1 for a total of five years. Tax credits may be carried forward for fifteen years and are limited to fifty percent of tax liability of the company.

Since the possible relocation of the Carolina Panthers’ practice facilities is still in the early stages of development and several potential sites are under consideration, this analysis assumes that the professional sports team will relocate its facilities to York County, SC. Pursuant to Section 12-6-3360(B), York County has a combination of the lowest unemployment rate and the highest per capita income based on the latest data available and is classified as a Tier I county. A Tier I county may receive an initial job tax credit of $1,500 for each new full-time job created in the county. Multiplying no less than 150 employees of a professional sports team by a jobs tax credit of $1,500 per each new full-time job yields a reduction in general fund individual income tax, corporate income tax, bank tax, and/or insurance premium tax revenue by $225,000 annually. Since it will take some time to construct the facility, it is not expected to be completed and placed in service until 2020. Since the job tax credit may not be applied until the second year after the professional sports team has achieved a minimum of 150 new full-time jobs, general fund individual income tax, corporate income tax, bank tax, and/or insurance premium tax revenue would be reduced by $225,000 in FY2021-22, and each fiscal year thereafter through FY2025-26.

**Section 5.** This section includes a severability clause.

**Section 6.** This act takes effect upon approval of the Governor.

**Local Revenue**

**Section 2.** This section would amend Section 4-9-30(12) to state that no county license fees or taxes may be levied on a professional sports team as defined in Section 12-6-3360(M)(17). Since no professional sports team as defined in Section 12-6-3360(M)(17) is currently remitting any county license fees or taxes, there would be no loss of county license fees, taxes, or revenue as a result of this change in FY2019-20.

**Section 3.** This section would amend Section 5-7-30 to state that a business engaged in operating a professional sports team as defined in Section 12-6-3360(M)(17) is not subject to the business license tax. Since no professional sports team as defined in Section 12-6-3360(M)(17) is currently remitting any business license tax revenue, there would be no loss of local business license tax revenue as a result of this change in FY2019-20.

**Section 4.** This section would add Section 5-3-20 to ensure that no municipality many annex any real property owned by a professional sports team as defined in Section 12-6-3360(M)(17) without prior written consent of the professional sports team. This section is not expected to affect state general fund revenue, other funds revenue, federal fund revenue, or local revenue in FY2019-20.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 12‑6‑3360, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE JOB TAX CREDIT, SO AS TO PROVIDE FOR A PROFESSIONAL SPORTS TEAM; TO AMEND SECTION 4‑9‑30, RELATING TO THE DESIGNATION OF POWERS UNDER THE ALTERNATE FORMS OF GOVERNMENT, SO AS TO PROHIBIT THE LEVY OF COUNTY LICENSE FEES AND TAXES ON A PROFESSIONAL SPORTS TEAM; TO AMEND SECTION 5‑7‑30, RELATING TO POWERS OF A MUNICIPALITY, SO AS TO PROHIBIT THE LEVY OF A BUSINESS LICENSE TAX ON A PROFESSIONAL SPORTS TEAM; AND BY ADDING SECTION 5‑3‑20 SO AS TO PROVIDE THAT THE REAL PROPERTY OWNED BY A PROFESSIONAL SPORTS TEAM MAY NOT BE ANNEXED BY A MUNICIPALITY WITHOUT PRIOR WRITTEN CONSENT OF THE PROFESSIONAL SPORTS TEAM.

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

SECTION 1. Section 12‑6‑3360(A) and (M) of the 1976 Code is amended to read:

“(A) Taxpayers that operate manufacturing, tourism, processing, agricultural packaging, warehousing, distribution, research and development, corporate office, qualifying service‑related facilities, agribusiness operations, extraordinary retail establishment, professional sports teams, and qualifying technology intensive facilities, and banks as defined pursuant to this title are allowed an annual jobs tax credit as provided in this section. In addition, taxpayers that operate retail facilities and service‑related industries qualify for an annual jobs tax credit in counties designated as ‘Tier IV’. As used in this section, ‘corporate office’ includes general contractors licensed by the South Carolina Department of Labor, Licensing and Regulation. Credits pursuant to this section may be claimed against income taxes imposed by Section 12‑6‑510 or 12‑6‑530, bank taxes imposed pursuant to Chapter 11 of this title, and insurance premium taxes imposed pursuant to Chapter 7, Title 38, and are limited in use to fifty percent of the taxpayer’s South Carolina income tax, bank tax, or insurance premium tax liability. In computing a tax payable by a taxpayer pursuant to Section 38‑7‑90, the credit allowable pursuant to this section must be treated as a premium tax paid pursuant to Section 38‑7‑20.

(M) As used in this section:

(1) ‘Taxpayer’ means a sole proprietor, partnership, corporation of any classification, limited liability company, or association taxable as a business entity that is subject to South Carolina taxes as contained in Section 12‑6‑510, Section 12‑6‑530, Chapter 11, Title 12, or Chapter 7, Title 38.

(2) ‘Appropriate agency’ means the Department of Revenue, except that for taxpayers subject to the premium tax imposed by Chapter 7, Title 38, it means the Department of Insurance.

(3) ‘New job’ means a job created in this State at the time a new facility or an expansion is initially staffed. Except as otherwise provided in this item, the term does not include a job created when an employee is shifted from an existing location in this State to a new or expanded facility whether the transferred job is from, or to, a facility of the taxpayer or a related person. However, for a professional sports team, ‘new job’ means all jobs located at the professional sports team park regardless of whether an employee previously worked at an existing location in this State before 2019 as an employee of the same professional sports team. A related person includes any entity or person that bears a relationship to the taxpayer as described in Section 267 of the Internal Revenue Code. However, this exclusion of a new job created by employee shifting does not extend to a job created at a new or expanded facility located in a county in which is located an ‘applicable federal facility’ as defined in Section 12‑6‑3450(A)(1)(b). The term ‘new job’ also includes an existing job at a facility of an employer which is reinstated after the employer has rebuilt the facility due to:

(a) its destruction by accidental fire, natural disaster, or act of God;

(b) involuntary conversion as a result of condemnation or exercise of eminent domain by the State or any of its political subdivisions or by the federal government.

Destruction for purposes of this provision means that more than fifty percent of the facility was destroyed. For purposes of this section, involuntary conversion as a result of condemnation or exercise of eminent domain includes a legally binding agreement for the purchase of a facility of an employer entered into between an employer and the State of South Carolina or a political subdivision of the State under threat of exercise of eminent domain by the State or its political subdivision.

The year of reinstatement is the year of creation of the job. All reinstated jobs qualify for the credit pursuant to this section, and a comparison is not required to be made between the number of full‑time jobs of the employer in the taxable year and the number of full‑time jobs of the employer with the corresponding period of the prior taxable year.

(4) ‘Full‑time’ means a job requiring a minimum of thirty‑five hours of an employee’s time a week for the entire normal year of company operations or a job requiring a minimum of thirty‑five hours of an employee’s time for a week for a year in which the employee was hired initially for or transferred to the South Carolina facility. For members of a professional sports team, ‘full‑time’ means a job requiring a minimum of one hundred eighty days of an employee’s time a year of which at least eighty percent of such days must be spent at a professional sports team park located in South Carolina. For the purposes of this section, two half‑time jobs are considered one full‑time job. A ‘half‑time job’ is a job requiring a minimum of twenty hours of an employee’s time a week for the entire normal year of the company’s operations or a job requiring a minimum of twenty hours of an employee’s time a week for a year in which the employee was hired initially for or transferred to the South Carolina facility. For agricultural packaging and agribusiness operations, seasonal workers may be considered a full‑time employee; however, a seasonal employee only counts as a fraction of a full‑time worker, with the numerator being the number of hours worked a week multiplied by the number of weeks worked, and the denominator being the number one thousand eight hundred twenty.

(5) ‘Manufacturing facility’ means an establishment where tangible personal property is produced or assembled.

(6) ‘Processing facility’ means an establishment that prepares, treats, or converts tangible personal property into finished goods or another form of tangible personal property. The term includes a business engaged in processing agricultural, aquacultural, or maricultural products and specifically includes meat, poultry, and any other variety of food processing operations. It does not include an establishment in which retail sales of tangible personal property are made to retail customers.

(7) ‘Warehousing facility’ means an establishment where tangible personal property is stored but does not include any establishment where retail sales of tangible personal property are made to retail customers.

(8) ‘Distribution facility’ means an establishment where shipments of tangible personal property are processed for delivery to customers. The term does not include an establishment where retail sales of tangible personal property are made to retail customers on more than twelve days a year except for a facility which processes customer sales orders by mail, telephone, or electronic means, if the facility also processes shipments of tangible personal property to customers and if at least seventy‑five percent of the dollar amount of goods sold through the facility are sold to customers outside of South Carolina. Retail sales made inside the facility to employees working at the facility are not considered for purposes of the twelve‑day and seventy‑five percent limitation. For purposes of this definition, ‘retail sale’ and ‘tangible personal property’ have the meaning provided in Chapter 36 of this title.

(9) ‘Research and development facility’ means an establishment engaged in laboratory, scientific, or experimental testing and development related to new products, new uses for existing products, or improving existing products. The term does not include an establishment engaged in efficiency surveys, management studies, consumer surveys, economic surveys, advertising, promotion, banking, or research in connection with literary, historical, or similar projects.

(10) ‘Corporate office facility’ means a corporate headquarters that meets the definition of a ‘corporate headquarters’ contained in Section 12‑6‑3410(J)(1). The corporate headquarters of a general contractor licensed by the South Carolina Department of Labor, Licensing and Regulation qualifies even if it is not a regional or national headquarters as those terms are defined in Section 12‑6‑3410(J)(1).

(11) The terms ‘retail sales’ and ‘tangible personal property’ for purposes of this section are defined in Chapter 36 of this title.

(12) ‘Tourism facility’ means an establishment used for a theme park; amusement park; historical, educational, or trade museum; botanical garden; cultural center; theater; motion picture production studio; convention center; arena; auditorium; or a spectator or participatory sports facility; and similar establishments where entertainment, education, or recreation is provided to the general public. Tourism facility also includes new hotel and motel construction, except that to qualify for the credits allowed by this section and regardless of the county in which the facility is located, the number of new jobs that must be created by the new hotel or motel is twenty or more. It does not include that portion of an establishment where retail merchandise or retail services are sold directly to retail customers.

(13) ‘Qualifying service‑related facility’ means:

(a) an establishment engaged in an activity or activities listed under the North American Industry Classification System Manual (NAICS) Section 62, subsectors 621, 622, and 623, or Sector 4881, subsector 488190; or

(b) a business, other than a business engaged in legal, accounting, banking, or investment services (including a business identified under NAICS Section 55) or retail sales, which has a net increase of at least:

(i) one hundred seventy‑five jobs at a single location;

(ii) one hundred fifty jobs at a single location comprised of a building or portion of building that has been vacant for at least twelve consecutive months prior to the taxpayer’s investment;

(iii) one hundred jobs at a single location and the jobs have an average cash compensation level of more than one and one‑half times the lower of state per capita income or per capita income in the county where the jobs are located;

(iv) fifty jobs at a single location and the jobs have an average cash compensation level of more than twice the lower of state per capita income or per capita income in the county where the jobs are located; or

(v) twenty‑five jobs at a single location and the jobs have an average cash compensation level of more than two and one‑half times the lower of state per capita income or per capita income in the county where the jobs are located.

A taxpayer shall use the most recent per capita income data available as of the end of the taxable year in which the jobs are filled. Determination of the required number of jobs is in accordance with the monthly average described in subsection (F).

(14) ‘Technology intensive facility’ means:

(a) a facility at which a firm engages in the design, development, and introduction of new products or innovative manufacturing processes, or both, through the systematic application of scientific and technical knowledge. Included in this definition are the following North American Industrial Classification Systems Codes, NAICS, published by the Office of the Management and Budget of the federal government:

(i) 5114 database and directory publishers;

(ii) 5112 software publishers;

(iii) 54151 computer systems design and related services;

(iv) 541511 custom computer programming services;

(v) 541512 computer systems design services;

(vi) 541711 research and development in biotechnology; 2007 NAICS;

(vii) 541712 research and development in physical, engineering, and life sciences; 2007 NAICS;

(viii) 518210 data processing, hosting, and related services;

(ix) 9271 space research and technology; or

(b) a facility primarily used for one or more activities listed under the 2002 version of the NAICS Codes 51811 (Internet Service Providers and Web Search Portals).

(15) ‘Extraordinary retail establishment’ as defined in Sections 12‑21‑6520 and 12‑21‑6590.

(16) ‘Agricultural packaging’ means the technology of enclosing or protecting or preserving agricultural products for distribution, storage, sale, and use. Packaging also refers to the process of design, evaluation, and production of packages used for agricultural products. Packaging can be described as a coordinated system of preparing agricultural goods for transport, warehousing, logistics, sale, and end use.

(17) ‘Professional sports team’ means a professional sports team or club included in a professional league, such as the National Football League, National Association for Stock Car Racing, or the National Basketball Association, primarily engaged in participating in live sporting events before a paying audience with an annual payroll for federal tax purposes of not less than one hundred ninety million dollars and not less than one hundred fifty employees.

(18) ‘Professional sports team park’ means a sports facility designed for use primarily as a professional park or stadium. Such a facility may include, without limitation, practice fields and features such as parking areas and facilities, office facilities for team use or other users of the facility as authorized by the professional sports team, and other ancillary facilities necessary for the sports facility. Such a facility also includes the landscaped grounds surrounding the park, stadium, and ancillary facilities.

(19) ‘Members of a professional sports team’ means active players, players on the disabled list, and any other persons required to travel and who do travel with and perform services on behalf of the professional sports team on a regular basis. This includes coaches, managers, and trainers.”

SECTION 2. Section 4‑9‑30(12) of the 1976 Code is amended to read:

“(12) to levy uniform license taxes upon persons and businesses engaged in or intending to engage in a business, occupation, or profession, in whole or in part, within the county but outside the corporate limits of a municipality except those persons who are engaged in the profession of teaching or who are ministers of the gospel and rabbis, except persons and businesses acting in the capacity of telephone, telegraph, gas and electric utilities, suppliers, or other utility regulated by the Public Service Commission and except an entity which is exempt from license tax under another law or a subsidiary or affiliate of any such exempt entity. No county license fee or tax may be levied on insurance companies. No county license fee or tax may be levied on a professional sports team as defined in Section 12‑6‑3360(M)(17). The license tax must be graduated according to the gross income of the person or business taxed. A business engaged in making loans secured by real estate is subject to the license tax only if it has premises located in the county but outside the corporate limits of a municipality. If the person or business taxed pays a license tax to another county or to a municipality, the gross income for the purpose of computing the tax must be reduced by the amount of gross income taxed in the other county or municipality.”

SECTION 3. Section 5‑7‑30 of the 1976 Code is amended to read:

“Section 5‑7‑30. Each municipality of the State, in addition to the powers conferred to its specific form of government, may enact regulations, resolutions, and ordinances, not inconsistent with the Constitution and general law of this State, including the exercise of powers in relation to roads, streets, markets, law enforcement, health, and order in the municipality or respecting any subject which appears to it necessary and proper for the security, general welfare, and convenience of the municipality or for preserving health, peace, order, and good government in it, including the authority to levy and collect taxes on real and personal property and as otherwise authorized in this section, make assessments, and establish uniform service charges relating to them; the authority to abate nuisances; the authority to provide police protection in contiguous municipalities and in unincorporated areas located not more than three miles from the municipal limits upon the request and agreement of the governing body of such contiguous municipality or the county, including agreement as to the boundaries of such police jurisdictional areas, in which case the municipal law enforcement officers shall have the full jurisdiction, authority, rights, privileges, and immunities, including coverage under the workers’ compensation law, which they have in the municipality, including the authority to make arrests, and to execute criminal process within the extended jurisdictional area; provided, however, that this shall not extend the effect of the laws of the municipality beyond its corporate boundaries; grant franchises for the use of public streets and make charges for them; grant franchises and make charges for the use of public beaches; engage in the recreation function; levy a business license tax on gross income, but a wholesaler delivering goods to retailers in a municipality is not subject to the business license tax unless he maintains within the corporate limits of the municipality a warehouse or mercantile establishment for the distribution of wholesale goods; and a business engaged in making loans secured by real estate is not subject to the business license tax unless it has premises located within the corporate limits of the municipality and no entity which is exempt from the license tax under another law nor a subsidiary or affiliate of an exempt entity is subject to the business license tax; and a business engaged in operating a professional sports team as defined in Section 12‑6‑3360(M)(17) is not subject to the business license tax; borrow in anticipation of taxes; and pledge revenues to be collected and the full faith and credit of the municipality against its note and conduct advisory referenda. The municipal governing body may fix fines and penalties for the violation of municipal ordinances and regulations not exceeding five hundred dollars or imprisonment not exceeding thirty days, or both. If the person or business taxed pays a business license tax to a county or to another municipality where the income is earned, the gross income for the purpose of computing the tax must be reduced by the amount of gross income taxed in the other county or municipality.

For the purpose of providing and maintaining parking for the benefit of a downtown commercial area, a municipality may levy a surtax upon the business license of a person doing business in a designated area in an amount not to exceed fifty percent of the current yearly business license tax upon terms and conditions fixed by ordinance of the municipal council. The area must be designated by council only after a petition is submitted by not less than two‑thirds of the persons paying a business license tax in the area and who paid not less than one‑half of the total business license tax collected for the preceding calendar year requesting the designation of the area. The business within the designated area which is providing twenty‑five or more parking spaces for customer use is required to pay not more than twenty‑five percent of a surtax levied pursuant to the provisions of this paragraph.”

SECTION 4. Chapter 3, Title 5 of the 1976 Code is amended by adding:

“Section 5‑3‑20. No municipality may annex, under the provisions of this chapter, any real property owned by a professional sports team as defined in Section 12‑6‑3360(M)(17) without prior written consent of the professional sports team.”

SECTION 5. If any section, subsection, paragraph, subparagraph, sentence, clause, phrase, or word of this act is for any reason held to be unconstitutional or invalid, such holding shall not affect the constitutionality or validity of the remaining portions of this act, the General Assembly hereby declaring that it would have passed this act, and each and every section, subsection, paragraph, subparagraph, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more other sections, subsections, paragraphs, subparagraphs, sentences, clauses, phrases, or words hereof may be declared to be unconstitutional, invalid, or otherwise ineffective.

SECTION 6. This act takes effect upon approval by the Governor.

‑‑‑‑XX‑‑‑‑