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COMMITTEE REPORT

January 16, 2019

**S. 76**

Introduced by Senator Cromer

S. Printed 1/16/19--S.

Read the first time January 8, 2019.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 76) to amend Section 48‑52‑870, Code of Laws of South Carolina, 1976, relating to the Energy Efficient Manufactured Homes Incentive Program, etc., respectfully

**REPORT:**

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

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**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 sectionextends 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.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 48‑52‑870, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE ENERGY EFFICIENT MANUFACTURED HOMES INCENTIVE PROGRAM, SO AS TO EXTEND THE PROGRAM FIVE ADDITIONAL YEARS; AND TO AMEND SECTION 12‑36‑2110, RELATING TO THE MAXIMUM SALES TAX, SO AS TO MAKE A CONFORMING CHANGE.

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

SECTION 1. Section 48‑52‑870(A) of the 1976 Code is amended to read:

“(A) The Energy Efficient Manufactured Homes Incentive Program is established to provide financial incentives for the purchase and installation of energy efficient manufactured homes in South Carolina. Any person who purchases a manufactured home designated by the United States Environmental Protection Agency and the United States Department of Energy as meeting or exceeding each agency’s energy saving efficiency requirements or which has been designated as meeting or exceeding such requirements under each agency’s ENERGY STAR program from a retail dealership licensed by the South Carolina Manufactured Housing Board for use in this State is eligible for a nonrefundable income tax credit equal to seven hundred fifty dollars. The credit may be claimed beginning July 1, 2009, and no later than July 1, ~~2019~~ 2024.”

SECTION 2. The first undesignated paragraph after the last item of Section 12‑36‑2110(B) of the 1976 Code is amended to read:

“However, a manufactured home is exempt from any tax in excess of three hundred dollars that may be due as a result of the calculation in item (4) if it meets these energy efficiency levels: storm or double pane glass windows, insulated or storm doors, a minimum thermal resistance rating of the insulation only of R‑11 for walls, R‑19 for floors, and R‑30 for ceilings. However, variations in the energy efficiency levels for walls, floors, and ceilings are allowed and the exemption on tax due above three hundred dollars applies if the total heat loss does not exceed that calculated using the levels of R‑11 for walls, R‑19 for floors, and R‑30 for ceilings. The edition of the American Society of Heating, Refrigerating, and Air Conditioning Engineers Guide in effect at the time is the source for heat loss calculation. Notwithstanding the provisions of this subsection, from July 1, 2009, to July 1, ~~2019~~ 2024, a manufactured home is exempt from any tax that may be due as a result of the calculation in this subsection if it has been designated by the United States Environmental Protection Agency and the United States Department of Energy as meeting or exceeding each agency’s energy saving efficiency requirements or has been designated as meeting or exceeding such requirements under each agency’s ENERGY STAR program. The dealer selling the manufactured home must maintain records, on forms provided by the State Energy Office, on each manufactured home sold that meets the energy efficiency levels provided for in this subsection. These records must be maintained for three years and must be made available for inspection upon request of the Department of Consumer Affairs or the State Energy Office.”

SECTION 3. This act takes effect upon approval by the Governor.

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