



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	H. 3120	Introduced on January 12, 2021
Author:	Hyde	
Subject:	Income Tax Credit	
Requestor:	House Ways and Means	
RFA Analyst(s):	Jolliff	
Impact Date:	March 15, 2021	

Fiscal Impact Summary

This bill creates an income tax credit for a taxpayer who encumbers his property with a perpetual recreational trail easement. We anticipate that DOR will develop forms and guidance for this tax credit with existing staff and resources, and therefore, this bill is not expected to impact expenditures for the agency.

The bill will reduce total General Fund individual and corporate income tax revenue by an estimated \$9,103,000 in FY 2021-22 for encumbrances from 2016 to 2021 and \$2,601,000 per year thereafter beginning in FY 2022-23. Because the bill is effective upon approval by the Governor, if the bill were to pass prior to the end of FY 2020-21, a portion of the impact may be realized earlier than estimated. Further, this analysis is based upon data provided by Spartanburg County and adjusted statewide, accounting for a higher participation rate in Spartanburg County than anticipated in other areas. At this time, we have contacted the S.C. Parks and Recreation Association and will update this impact if additional information is received about other counties that affects this analysis.

Explanation of Fiscal Impact

Introduced on January 12, 2021

State Expenditure

This bill creates an income tax credit for a taxpayer who encumbers his property with a perpetual recreational trail easement. The credit takes effect upon approval by the Governor and applies to taxpayers who encumbered their property with a perpetual recreational trail easement after 2015. We anticipate that DOR will develop forms and guidance for this tax credit with existing staff and resources, and therefore, this bill is not expected to impact expenditures for the agency.

State Revenue

The bill adds Section 12-6-3810 to provide an income tax credit to any taxpayer who encumbers his property with a perpetual recreational trail easement. The taxpayer is allowed a one-time income tax credit equal to ten cents for each square foot of the property that is encumbered by the recreational trail easement. If the credit exceeds the taxpayer's liability, the excess may be carried forward for five tax years. The credit may be taken against individual or corporate

income tax. The credit takes effect upon approval by the Governor and applies to taxpayers who encumbered their property with a perpetual recreational trail easement after 2015.

Easements may qualify as a deduction on federal income taxes, but details are not available on the returns to determine this deduction amount. The Spartanburg County Parks Department reported, however, that the county currently has approximately 3,611,520 square feet in trail easements secured on private property in recent years, equating to \$351,152 in income tax credits applicable to Spartanburg County.

Spartanburg County accounts for 2.7 percent of the total state land area¹. If all areas had an equivalent number of square feet to eligible trails by area, this would equate to approximately \$13,005,000 in income tax credits for easements from 2016 to 2020. Dividing this amount by 5 yields approximately \$2,601,000 per year.

Based upon discussions with Upstate Forever, a South Carolina nonprofit conservation organization, Spartanburg County has an active conservation program and likely more areas of trail encumbrance than other areas. Therefore, for the purposes of estimating the initial impact for trail easements from 2016 to 2020, we anticipate that reducing the statewide estimate of \$13,005,000 by 50 percent to account for this difference is likely appropriate, yielding an estimate of \$6,502,000 for 2016 to 2020.

However, since there are no restrictions in the bill on who must receive the easement, it may incentivize additional encumbrances than would be anticipated otherwise in future years and may reach the estimated \$2,601,000 per year going forward. Based upon these assumptions, we estimate that the bill will reduce General Fund individual and corporate income tax revenue by a total of \$9,103,000 in FY 2021-22 for encumbrances from 2016 to 2021 and \$2,601,000 per year thereafter beginning in FY 2022-23. Because the bill is effective upon approval by the Governor, if the bill were to pass prior to the end of FY 2020-21, a portion of the impact may be realized earlier than estimated.

At this time, we have contacted the S.C. Parks and Recreation Association to request additional data for other counties in the state and will update this impact if additional information is received about other counties that affects our analysis.

Local Expenditure

N/A

Local Revenue

N/A

¹ https://www.sccounties.org/sites/default/files/uploads/services/research/profiles/land_area.pdf



Frank A. Rainwater, Executive Director