



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. 3891	Introduced on February 16, 2021
Author:	Murray	
Subject:	Income Tax Credit	
Requestor:	House Ways and Means	
RFA Analyst(s):	Jolliff and Payne	
Impact Date:	March 12, 2021	

Fiscal Impact Summary

This bill creates an individual income tax credit for a broadband service provider in South Carolina that provides a discount to families with children who require internet access for educational purposes or veterans. The bill is not expected to impact expenditures for the Department of Revenue (DOR) as we anticipate they will implement the new tax credit during the annual updates to tax forms.

We estimate that approximately \$48,452,000 in discounts will be provided to eligible consumers. However, the credit is only available against income taxes imposed pursuant to §12-6-510, which applies to individuals, trusts, and estates, and would not be available to corporate taxpayers. We estimate that five percent to ten percent of broadband service providers may be taxed as pass-through businesses and qualify for the tax credit. Assuming ten percent of providers qualify, the tax credit would reduce General Fund Individual Income Tax revenue by approximately \$4,845,000 in FY 2021-22.

Explanation of Fiscal Impact

Introduced on February 16, 2021

State Expenditure

This bill creates an individual income tax credit for a broadband service provider in South Carolina that provides a discount to families with children who require internet access for educational purposes or veterans. The bill is not expected to impact expenditures for DOR as we anticipate they will implement the new tax credit during the annual updates to tax forms.

State Revenue

This bill creates an individual income tax credit against taxes imposed pursuant to §12-6-510 for a broadband service provider in South Carolina that provides a discount to families with children who require internet access for educational purposes or veterans. The amount of the credit is equal to the discounts given in the tax year. If the credit amount exceeds the income tax liability for the tax year, any unused credit may be carried forward for five succeeding tax years. The credit is effective for tax years after 2020.

The Federal Communications Commission administers the Emergency Broadband Benefit Program (EBBP), which was enacted on December 27, 2020, in the federal Consolidated Appropriations Act, 2021 and provides a discount of up to \$50 per month towards broadband service for eligible households. A household is eligible for EBBP if one member of the household:

- Qualifies for the Lifeline program;
- Receives benefits under the free and reduced-price school lunch program or the school breakfast program, including through the USDA Community Eligibility Provision, or did so in the 2019-2020 school year;
- Received a Federal Pell Grant during the current award year;
- Experienced a substantial loss of income since February 29, 2020 and the household had a total income in 2020 below \$99,000 for single filers and \$198,000 for joint filers; or
- Meets the eligibility criteria for a participating providers' existing low-income or COVID-19 program.

According to data provided by the Office of Regulatory Staff, approximately 112,000 households qualify for the Lifeline program. To qualify for the Lifeline program, consumers must either have an income that is at or below 135% of the Federal Poverty Guidelines or participate in certain federal assistance programs, such as the Supplemental Nutrition Assistance Program (SNAP), Medicaid, Federal Public Housing Assistance, Supplemental Security Income, the Veterans and Survivors Pension Benefit, or certain Tribal Programs. While the EBBP also allows other eligibility criteria, there is likely to be a significant overlap between eligibility criteria, and therefore, we have used the Lifeline households as the most likely participants to avoid duplication.

The tax credit is available for broadband service providers who provide discounted service to families with children who require the service for educational needs and veterans. According to U.S. Census Bureau estimates from the American Community Survey, 28.4 percent of South Carolina households have someone under the age of eighteen years in the home. However, given the need for broadband service for education resulting from the pandemic, we anticipate the percentage of the households purchasing broadband for educational needs may be higher than in the general population and anticipate the percentage could be as much as double. If 56.8 percent of the 112,000 households in the Lifeline program qualify for the tax credit, this would equate to 63,616 households.

Further, an American Community Survey report by the U.S. Census Bureau states that about seven percent of the adult population were veterans in 2018. Assuming that 28.4 percent of those are in households with children already counted above, we would estimate that an additional five percent, or 5,600 veteran households, will qualify.

Adding the estimated 63,616 households purchasing services for education to the estimated 5,600 veteran households results in up to 69,216 households expected to receive a discount. Multiplying the \$50 per month discount times twelve months, times the number of households results in an estimated \$41,530,000 in service discounts annually. Additionally, the program provides discounts of up to \$100 to purchase a laptop, desktop computer, or tablet from

participating providers if the consumer contributes \$10-\$50 toward the purchase price. Multiplying \$100 times 69,216 households results in an estimated \$6,922,000 in equipment discounts, for a total of \$48,452,000 in discounts.

The credit is only available for income taxes pursuant to §12-6-510, which applies to individuals, trusts, and estates, and would not be available to corporate taxpayers. Based upon FCC data, there are approximately 50 broadband service providers who provide service to residential customers. However, the largest providers based upon the number of census blocks served are primarily incorporated. There may be smaller providers that are organized and taxed as pass-through businesses that would be eligible for the tax credit. Based upon the numbers of customers served, we would estimate that five percent to ten percent of providers may qualify for the tax credit. Assuming ten percent of providers qualify, the tax credit would reduce General Fund Individual Income Tax revenue by approximately \$4,845,000 in FY 2021-22.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director