SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0271 Introduced on January 12, 2021
Author:	Talley
Subject:	Abandoned Buildings Credit
Requestor:	Senate Finance
RFA Analyst(s):	Jolliff
Impact Date:	January 25, 2021

Fiscal Impact Summary

This bill extends the South Carolina Abandoned Buildings Revitalization Act in Chapter 67, Title 12 that is currently set to expire on December 31, 2021, until December 31, 2025. The bill is not expected to impact expenditures for the Department of Revenue (DOR) because the department can administer the extension with existing resources.

This bill is expected to reduce General Fund revenue from individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof, by an estimated additional $5,200,000 in FY 2022-23, and each fiscal year thereafter until FY 2025-26 for tax credits for abandoned buildings revitalization. The General Fund revenue impact will be reduced to approximately $10,400,000 in FY 2026-27 and $5,200,000 in FY 2027-28, with any carryforward credits remaining until FY 2030-31. Under current law, these credits are repealed in 2021, and projects completed after that time would not be eligible for a credit, thereby reducing the General Fund impact beginning in FY 2022-23. Under the bill, credits may be added through FY 2025-26, extending the General Fund revenue impact for an additional four years.

Explanation of Fiscal Impact

Introduced on January 12, 2021
State Expenditure
This bill extends the South Carolina Abandoned Buildings Revitalization Act that is currently set to expire on December 31, 2021, until December 31, 2025. The bill is not expected to impact expenditures for DOR because the department can administer the extension with existing resources.

State Revenue
This bill extends the South Carolina Abandoned Buildings Revitalization Act until December 31, 2025. The act allows a taxpayer to claim a nonrefundable state tax credit equal to 25 percent of actual rehabilitation expenses of an abandoned building. The tax credit may be applied against individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof. The tax credit may also be applied against real property taxes as levied by local taxing entities, although DOR

is unaware of any claims against property taxes. The tax credit must be taken in equal installments over a three-year period and may not exceed $500,000 for any taxpayer in a tax year. The credit is earned in the tax year in which the applicable phase or portion of the building site is placed in service. Unused state tax credits may be carried forward for five years. Currently, the act is to be repealed on December 31, 2021. As specified in Act 50 of 2019, any credit carryforward will continue to be allowed after the act is repealed until the period allowed in Section 12-67-140 is completed.

The table below provides the number of taxpayers claiming the tax credit and the total amount claimed since inception. Further, we have estimated the initial new claims per year based upon the three-year installment requirement. These figures do not include any tax credit carryforwards that may be claimed in succeeding tax years.

Abandoned Buildings Revitalization Tax Credits

Fiscal Year	Tax Year	Total Credits Claimed	Estimated Initial Claims Under Three-year Installment
FY 2013-14	2013	$390,135	$390,135
FY 2014-15	2014	$1,127,443	$737,308
FY 2015-16	2015	$2,253,044	$1,125,601
FY 2016-17	2016	$7,414,442	$5,551,533
FY 2017-18	2017	$11,615,937	$5,183,593
FY 2018-19	2018	$15,999,752	$5,264,626
FY 2019-20	2019	$15,708,941	$5,260,722

Source: S.C. Department of Revenue, S.C. Department of Insurance

During the latest three years, the amount of new tax credits claimed annually when accounting for the three-year installment requirement averaged approximately an additional $5,200,000 each year. This bill would extend the sunset date of the act from December 31, 2021, to December 31, 2025. Therefore, under this bill, new credits may be earned for an additional four tax years from 2022 through 2025 and taken in three-year installments with a five-year carryforward for any unused credits. Based upon the current rate of growth, extending the sunset would increase the tax credits allowed by approximately $5,200,000 per tax year for four years, at which time no new tax credits would be earned and only installments and carryforwards will remain. Therefore, we estimate that this bill would reduce General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof, by an estimated additional $5,200,000 in FY 2022-23, and each fiscal year thereafter until FY 2025-26. The statute will be repealed on December 31, 2025, at which time only installments and carryforward credits previously earned may be claimed and no new credits would be added. The General Fund impact will be reduced to approximately $10,400,000 in FY 2026-27, and $5,200,000 in FY 2027-28 with any carryforward credits remaining until FY 2030-31.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director