



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: S. 436 Amended by Senate Finance on March 31, 2021
Author: Cromer
Subject: Community Development Tax Credits
Requestor: Senate Finance
RFA Analyst(s): Gallagher
Impact Date: April 1, 2021

Fiscal Impact Summary

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a community development corporation or community development financial institution to modify the current aggregate limits on the Community Development Tax Credit. This bill will not have an expenditure impact for the Department of Revenue or the Department of Commerce to administer the increase in the credit limit because the tax credit is already in place, and the agencies can administer the change with existing staff and resources.

This bill increases the current aggregate limit on the Community Development Tax Credit by \$3,000,000 from \$6,000,000 to \$9,000,000. Of this \$3,000,000, \$1,000,000 may be used for all taxpayers in tax year 2021 and \$2,000,000 is to be used for all taxpayers in tax years after 2021. This credit has been consistently claimed up to the maximum amount allowed per year, and as of tax year 2019, the current credit limit of \$6,000,000 has been reached. Without this amendment, no additional credits would be claimed. As such, we anticipate there is sufficient demand for this credit to meet the maximum cap permitted in this bill. Therefore, this bill will decrease General Fund revenue from individual income, corporate income, bank, insurance premium taxes, or any combination thereof, by \$1,000,000 a year in FY 2021-22, FY 2022-23, and FY 2023-24, when the full \$3,000,000 will have been claimed. The timing of the impact may vary if taxpayers carryforward any excess credits for the allowable 3 years.

Explanation of Fiscal Impact

Amended by Senate Finance on March 31, 2021

State Expenditure

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a community development corporation (corporation) or community development financial institution (institution) to modify the current credit amount limit on the Community Development Tax Credit. The Department of Commerce authorizes the amount of tax credits each year on a first-come, first-served basis. This bill will not have an expenditure impact for the Department of Revenue or the Department of Commerce to administer the tax credit limit increase because the tax credit is already in place, and the agencies can administer the change with existing staff and resources.

State Revenue

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a corporation or institution. The amount of the credit is 33 percent of any equity investment in a corporation or institution and 50 percent of any cash donation. If the amount of the credit exceeds the taxpayer's liability for the applicable tax year, the credit may be carried forward for 3 years. The total credit that may be claimed by all taxpayers is \$1,000,000 per calendar year and \$6,000,000 for all calendar years. The Community Development Tax Credit is repealed effective June 30, 2023.

This bill increases the current aggregate limit on the Community Development Tax Credit by \$3,000,000 from \$6,000,000 to \$9,000,000. Of this \$3,000,000, \$1,000,000 may be used for all taxpayers in tax year 2021 and \$2,000,000 is to be used for all taxpayers in tax years after 2021. This credit has been consistently claimed up to the maximum amount allowed per year, and as of tax year 2019, the current credit limit of \$6,000,000 has been reached. Without this amendment, no additional credits would be claimed. As such, we anticipate there is sufficient demand for this credit to meet the maximum cap permitted in this bill. Therefore, this bill will decrease General Fund revenue from individual income, corporate income, bank, insurance premium taxes, or any combination thereof, by \$1,000,000 a year in FY 2021-22, FY 2022-23, and FY 2023-24, when the full \$3,000,000 will have been claimed. The timing of the impact may vary if taxpayers carryforward any excess credits for the allowable 3 years.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 12, 2021**State Expenditure**

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a community development corporation (corporation) or community development financial institution (institution) to modify the current credit amount limit on the Community Development Tax Credit. The Department of Commerce authorizes the amount of tax credits each year on a first-come, first-served basis. This bill will not have an expenditure impact for the Department of Revenue or the Department of Commerce to administer the tax credit limit increase because the tax credit is already in place, and the agencies can administer the change with existing staff and resources.

State Revenue

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a corporation or institution. The amount of the credit is 33 percent of any equity investment in a corporation or institution and 50 percent of any cash donation. If the amount of the credit exceeds the taxpayer's liability for the applicable tax year, the credit may be carried forward for 3 years. The total credit that may be claimed by all

taxpayers is \$1,000,000 per calendar year and \$6,000,000 for all calendar years. The Community Development Tax Credit is repealed effective June 30, 2023.

This bill removes the current limit on the Community Development Tax Credit and changes the total amount of allowable credits to \$2,000,000 in tax year 2021 and \$3,000,000 for all taxpayers in tax years after 2021. This credit has been consistently claimed up to the maximum amount allowed per year, and as of tax year 2019, the current credit limit of \$6,000,000 has been reached. Without this amendment, no additional credits would be claimed. As such, we anticipate there is sufficient demand for this credit to meet the maximum cap permitted in this bill. Therefore, this bill will decrease General Fund revenue from individual income, corporate income, bank, insurance premium taxes, or any combination thereof, by \$2,000,000 in FY 2021-22 and \$3,000,000 in FY 2022-23. The timing of the impact may vary if taxpayers carryforward any excess credits for the allowable 3 years.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director