



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. 635	Introduced on March 2, 2021
Author:	Setzler	
Subject:	S.C. Research Authority Board	
Requestor:	Senate Labor, Commerce, and Industry	
RFA Analyst(s):	Jolliff	
Impact Date:	March 17, 2021	

Fiscal Impact Summary

This bill makes changes to the membership of the South Carolina Research Authority (SCRA) Board of Trustees, changes to the investments that SCRA is permitted to make, and changes the provisions regarding companies remaining in an innovation center. These changes are not expected to affect expenditures for any state agency. Further, the bill makes changes to the Industry Partnership Fund tax credit for tax years after 2020. We anticipate that the Department of Revenue (DOR) will implement the necessary changes to the tax credit forms in the annual updates to forms and instructions. Therefore, the bill is not expected to impact expenditures for the agency.

In recent years, Industry Partnership Fund contributions have not met the annual aggregate limit for tax credits of \$9,000,000, which is unchanged in the bill. However, the bill increases the maximum allowable contribution per taxpayer, which may allow current contributors to receive additional tax credits. This change may reduce General Fund revenue from individual or corporate income tax, corporate license fees, bank tax, or insurance tax, or some combination thereof, by up to \$1,500,000 in FY 2021-22. The timing of the impact may shift if taxpayers do not have sufficient tax liability to utilize the credits and carry forward credits to future tax years.

Explanation of Fiscal Impact

Introduced on March 16, 2021

State Expenditure

This bill makes changes to the membership of the SCRA Board of Trustees, changes to the investments that SCRA is permitted to make, and changes the provisions regarding companies remaining in an innovation center. These changes are not expected to affect expenditures for any state agency. Further, the bill makes changes to the Industry Partnership Fund tax credit for tax years after 2020. We anticipate that DOR will implement the necessary changes to the tax credit forms in the annual updates to forms and instructions. Therefore, the bill is not expected to impact expenditures for the agency.

State Revenue

This bill makes changes to the Industry Partnership Fund tax credit for tax years after 2020. Currently, taxpayers who contribute to the Industry Partnership Fund at the SCRA or an SCRA

designated affiliate, or both, are allowed a tax credit against individual or corporate income tax, corporate license fees, bank tax, or insurance tax. The tax credit is limited to \$250,000 per taxpayer and an aggregate of \$9,000,000 for all taxpayers in a tax year. The tax credit may be carried forward for ten tax years. The bill would increase the allowable credit amount for individual taxpayers to \$550,000 but does not change the aggregate limit of \$9,000,000 per tax year. Further, if the aggregate limit is not met within sixty days of the annual opening date for applications, the bill increases the maximum credit per taxpayer to \$1,000,000, subject to the aggregate limit.

The table below provides the contributions to the fund in recent years as reported by the S.C. Research Authority. In recent years, contributions have not reached the limit due to changes in federal tax law regulations that have made contributions less favorable.

Contributions to the Industry Partnership Fund

Year	Amount	Contributors	Average Per Contributor
2018	\$6,000,000	111	\$ 54,054
2019	\$3,066,317	68	\$ 45,093
2020	\$3,755,740	93	\$ 40,384
2021 (as of March)	\$729,000	11	\$ 66,273

Source: S.C. Research Authority

According to SCRA’s Annual Report for 2020, five companies contributed in excess of \$200,000 to the Industry Partnership Fund for the year. Under the bill, these five companies could contribute an additional \$300,000 up to the \$550,000 maximum or potentially an additional \$750,000 given that the aggregate limit has not been met for 2021. Based upon available data from DOR, we believe that these contributions have been taken as tax credits against individual and corporate income taxes in recent years, although the credits may also be taken against bank or insurance taxes. Assuming that these five businesses contribute an additional \$300,000, the bill may increase the tax credits by up to \$1,500,000. Therefore, the bill may reduce General Fund revenue from individual or corporate income tax, corporate license fees, bank tax, or insurance tax, or some combination thereof, by up to \$1,500,000 in FY 2021-22. The timing of the impact may shift if taxpayers do not have sufficient tax liability to utilize the credits and carry forward unused credits to future tax years.

Local Expenditure and Local Revenue

N/A

Frank A. Rainwater, Executive Director