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COMMITTEE REPORT

February 3, 2021

**S. 271**

Introduced by Senators Talley, Turner, Rice, Adams, Verdin, Setzler, M. Johnson, Kimbrell and McElveen

S. Printed 2/3/21--S.

Read the first time January 12, 2021.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 271) to extend the provisions of the South Carolina Abandoned Buildings Revitalization Act, as contained in Chapter 67, Title 12 of the 1976 code, until December 31, 2025., etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by adding an appropriately numbered SECTION to read:

/ SECTION \_\_\_. A. Section 12‑65‑20(4)(b) of the 1976 Code, as last amended by Act 50 of 2019, is further amended to read:

“(b) Notwithstanding the provisions of item (4)(a), with respect to (i) any site acquired by a taxpayer before January 1, 2008, (ii) a site located on the Catawba River near Interstate 77, or (iii) a site which, on the date the notice of intent to rehabilitate is filed, is located in a distressed area of a county in this State, as designated by the applicable council of government, ‘textile mill site’ means the textile mill structure, together with all land and improvements which were used directly for textile manufacturing operations or ancillary uses, or were located on the same parcel or a contiguous parcel within one thousand feet of any textile mill structure or ancillary uses. For purposes of this subitem, ‘contiguous parcel’ means any separate tax parcel sharing a common boundary with an adjacent parcel or separated only by ~~a~~ private or public ~~road~~ roads and railroad rights of way.”

B. This SECTION takes effect upon approval by the Governor and first applies to tax years beginning after 2020. /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**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 Estimated Initial

Claimed 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.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO EXTEND THE PROVISIONS OF THE SOUTH CAROLINA ABANDONED BUILDINGS REVITALIZATION ACT, AS CONTAINED IN CHAPTER 67, TITLE 12 OF THE 1976 CODE, UNTIL DECEMBER 31, 2025.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Notwithstanding SECTION 1.B. of Act 57 of 2013, the provisions of Chapter 67, Title 12 of the 1976 Code are repealed on December 31, 2025.

SECTION 2. This act takes effect upon approval by the Governor.

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