**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, TO ENACT THE “SOUTH CAROLINA ECONOMIC DEVELOPMENT TAX INCENTIVE EVALUATION ACT” BY ADDING CHAPTER 70 TO TITLE 12 SO AS TO REQUIRE THE DEPARTMENT OF REVENUE TO COMPLETE A STUDY EVERY TWO YEARS TO ASSESS THE IMPACT, INCLUDING BOTH THE ECONOMIC BENEFITS AND THE FINANCIAL COST, OF ECONOMIC DEVELOPMENT TAX INCENTIVES.

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

SECTION 1. Title 12 of the 1976 Code is amended by adding:

“CHAPTER 70

South Carolina Economic Development

Tax Incentive Evaluation Act

Section 12‑70‑10. This chapter may be cited as the ‘South Carolina Economic Development Tax Incentive Evaluation Act’.

Section 12‑70‑20. The primary purpose of this chapter is to create a systematic evaluation method to assess whether various tax incentives are fulfilling their purpose of encouraging companies to locate, hire employees, expand, invest, or remain in South Carolina in a cost‑effective manner. The efficient use of these incentives allows the General Assembly to simultaneously create economic growth within the State while being accountable to the citizens of South Carolina.

Section 12‑70‑30. For purposes of this chapter:

(1) ‘Economic development tax incentives’ means tax credits, deductions, exemptions, exclusions, information required by the Governmental Accounting Standards Board regarding economic incentives, and other preferential tax benefits given to businesses for the purpose of recruitment or retention in South Carolina. In determining whether a future tax incentive fits this purpose, the Department of Revenue shall consider legislative intent, including legislative statement of purpose and goals, and may consider whether the tax incentive is promoted as a business incentive by any state agency.

(2) ‘Tax expenditure report’ means a report created by the Department of Revenue, in consultation with the Revenue and Fiscal Affairs Office. The report is a study of the efficiency of economic development tax incentives and recommendations to the General Assembly regarding whether to extend the incentive.

Section 12‑70‑40. Following the completion of the 2021 legislative session and every two years after that, the Department of Revenue, with consultation from the Revenue and Fiscal Affairs Office, shall begin to compile a tax expenditure report to provide recommendations to the General Assembly regarding the efficiency of economic development tax incentives in meeting the goals of this State. The report must assess the impact, including both the economic benefits and the financial cost, of economic development tax incentives. By the following January fifteenth, the report must be completed and submitted to the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee.

Section 12‑70‑50. (A) The tax expenditure report must include, but is not limited to, the following:

(1) a baseline assessment of the tax incentive, including, if applicable, the number of aggregate jobs associated with the companies receiving a tax incentive and the aggregate annual revenue that the companies generate for the State through the direct taxes applied to them and through taxes applied to their employees;

(2) the statutory and programmatic goals and intent of the tax incentive;

(3) the number of companies granted the tax incentive during the previous twelve‑month period;

(4) the value of the tax incentive granted and ultimately claimed;

(5) an assessment and five‑year projection of the potential impact on the state’s revenue stream from carry forwards allowed under a tax incentive;

(6) an estimate of the economic impact of the tax incentive including, but not limited to:

(a) a cost‑benefit comparison of the revenue waived by allowing the tax incentive compared to tax revenue generated by the taxpayer receiving the credit, including direct taxes applied to them and taxes applied to their employees; and

(b) an estimate of the number of jobs that were the direct result of the incentive;

(7) the estimated cost to the State to administer the tax incentive;

(8) an estimate of the extent to which benefits of the tax incentive remained in State or flowed outside of the State;

(9) in the case of economic development tax incentives where measuring the economic impact is significantly limited due to data constraints, whether any changes in statute would facilitate data collection in a way that would allow for better analysis;

(10) whether the effectiveness of the tax incentive could be determined more definitively if the General Assembly were to clarify or modify the tax incentive’s goals and intended purposes;

(11) a recommendation as to whether the tax incentive should be continued, modified, or repealed, the basis for the recommendation, and the expected impact of the recommendation on the state’s economy; and

(12) the methodology and assumptions used in carrying out the assessments, projections, and analyses required by this section.

(B) All departments, offices, boards, and agencies of the State shall cooperate with the Department of Revenue and shall provide to the department any records, information, data, and data analysis as may be necessary to complete the report required pursuant to this section.”

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

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