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COMMITTEE AMENDMENT ADOPTED

May 11, 2021

**H. 4017**

Introduced by Reps. Simrill, Pope, Weeks, W. Cox and Hill

S. Printed 5/11/21--S. [SEC 5/12/21 3:02 PM]

Read the first time April 8, 2021.

**A** **BILL**

TO AMEND SECTION 12‑6‑40, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE APPLICATION OF THE INTERNAL REVENUE CODE TO STATE INCOME TAX LAWS, SO AS TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE TO THE YEAR 2020, TO PROVIDE THAT IF THE INTERNAL REVENUE CODE SECTIONS ADOPTED BY THIS STATE ARE EXTENDED, THEN THESE SECTIONS ALSO ARE EXTENDED FOR SOUTH CAROLINA INCOME TAX PURPOSES, AND TO PROVIDE FOR THE TAX TREATMENT OF THE PAYCHECK PROTECTION PROGRAM AND CERTAIN EXPENSES AS PROVIDED FOR IN THE FEDERAL CONSOLIDATED APPROPRIATIONS ACT OF 2021.

Amend Title To Conform

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

SECTION 1. A. Section 12‑6‑40(A)(1)(a) and (c) of the 1976 Code, as last amended by Act 147 of 2020, is further amended to read:

“(a) Except as otherwise provided, ‘Internal Revenue Code’ means the Internal Revenue Code of 1986, as amended through December 31, ~~2019~~ 2020, and includes the effective date provisions contained in it.

(c) If Internal Revenue Code sections adopted by this State which expired or portions thereof expired on December 31, ~~2019~~ 2020, are extended, but otherwise not amended, by congressional enactment during ~~2020~~ 2021, these sections or portions thereof also are extended for South Carolina income tax purposes in the same manner that they are extended for federal income tax purposes.”

B. Section 12-6-40(A)(1) of the 1976 Code, as last amended by Act 147 of 2020, is further amended by adding appropriately lettered subitems to read:

“( ) To the extent loans are forgiven and excluded from gross income for federal income tax purposes under the paycheck protection program in Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (Public Law 116‑136), or from any extension of the paycheck protection program, those loans are excluded for South Carolina income tax purposes. Further, to the extent the federal government allows the deduction of expenses associated with the forgiven paycheck protection program loans, these expenses will be allowed as a deduction for South Carolina income tax purposes.

( ) South Carolina adopts the federal tax treatment for any exclusion from federal taxable income or allowance of expenses as provided in the federal Consolidated Appropriations Act of 2021 in Sections 276 (Clarification of Tax Treatment of Forgiveness of Covered Loans), 277 (Emergency Financial Aid Grants), and 278 (Clarification of Tax Treatment of Certain Loan Forgiveness and Other Business Financial Assistance).”

SECTION 2. (A) The following amendments in the Coronavirus Aid, Relief, and Economic Security Act (CARES) of 2020, P.L. 116‑136 (March 27, 2020) are specifically not adopted by this State:

(1) Internal Revenue Code (IRC) Section 62(a)(22) relating to the $300 charitable deduction allowed in 2020 for persons who claim the standard deduction;

(2) Section 2205(a), (b), and (c) of the CARES Act relating to the modification of limitations on individual and corporate cash charitable contributions for 2020 and relating to the increase in limits on charitable contributions of food inventory for 2020;

(3) IRC Section 172(a) relating to the modification of the income limitations allowed for the use of net operating losses in tax years 2018, 2019, and 2020;

(4) IRC Section 461(l) relating to the modification of the limitation on losses allowed for non‑corporate taxpayers in tax years 2018, 2019, and 2020.

(B) The following amendments in the Consolidated Appropriations Act of 2021, P.L. 116‑260 (December 27, 2020) are specifically not adopted by this State:

(1) Amendment to Division N Section 275 relating to the allowance of personal protective equipment expenses for the educator expense deduction under IRC Section 62(a)(2)(D)(ii);

(2) IRC Section 274(n) relating to the temporary allowance of the full business deduction for business meals that are paid or incurred after December 30, 2020, and before January 1, 2023;

(3) IRC Section 170(p) relating to the $300 or $600 charitable deduction allowed in 2021 for persons taking the standard deduction;

(4) Amendment to CARES Act Section 2205 relating to the temporary extension of the modification of limitations on individual and corporate cash charitable contributions and the increase in limits on charitable contributions of food inventory to tax year 2021;

(5) Amendments to the Taxpayer Certainty and Disaster Tax Relief Act of 2020, P.L. 116‑260 Division EE Section 304 relating to the special rules for qualified disaster relief for charitable contributions and special rules for qualified disaster related personal casualty losses.

SECTION 3. For tax year 2020, the amendment in the American Rescue Plan of 2021, P.L. 117-2 (March 11, 2021) relating to the exclusion from taxable income for tax year 2020 of $10,200 of unemployment compensation for a taxpayer with less than $150,000 in federal adjusted gross income is specifically adopted by South Carolina. The Department of Administration’s Director of the Executive Budget Office is authorized to allocate sixty‑one million three hundred thousand dollars in the appropriate fiscal years from the American Rescue Plan Act of 2021 to the general fund to account for the provisions of this SECTION.

SECTION 4. This act takes effect upon approval by the Governor.

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