~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

March 31, 2021

**S. 436**

Introduced by Senators Cromer, Shealy, Rice, Talley, K. Johnson, Scott, Turner, Alexander and Gambrell

S. Printed 3/31/21--S.

Read the first time January 12, 2021.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 436) to amend Section 12‑6‑3530, as amended, Code of Laws of South Carolina, 1976, relating to Community Development Tax Credits, 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 striking SECTION 1 and inserting:

/ SECTION 1. Section 12‑6‑3530(B) of the 1976 Code, as last amended by Act 77 of 2019, is further amended by adding an appropriately numbered item to read:

“( ) Notwithstanding items (1) and (2), the aggregate limit for all taxpayers in all tax years set forth in items (1) and (2) is increased by three million dollars. Of this additional three million dollars, only one millions dollars may be used for credits earned and certificates issued in tax year 2021, and the remaining two million dollars only may be used for credits earned and certificates issued for tax years beginning after 2021.” /

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 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.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 12‑6‑3530, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO COMMUNITY DEVELOPMENT TAX CREDITS, SO AS TO DELETE AN AGGREGATE CREDIT PROVISION AND SET AN ANNUAL LIMIT.

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

SECTION 1. Section 12‑6‑3530(B) of the 1976 Code, as last amended by Act 77 of 2019, is further amended to read:

“(B)~~(1)~~ The total amount of credits allowed pursuant to this section may not exceed in the aggregate ~~five million dollars for all taxpayers and all calendar years and one million dollars for all taxpayers in one calendar year.~~

~~(2)~~ ~~Notwithstanding item (1), the aggregate limit for all taxpayers in all tax years set forth in item (1) is increased by one million dollars. This additional one million dollars may only be used for credits earned and certificates issued in tax years beginning after 2018~~:

(1) two million dollars for all taxpayers in tax year 2021; and

(2) three million dollars for all taxpayers in tax years after 2021.”

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

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