



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: H. 4238 Introduced on March 30, 2023
Author: Sandifer
Subject: Banks, Consolidation and Mergers
Requestor: House Labor, Commerce, and Industry
RFA Analyst(s): Tipton
Impact Date: April 25, 2023

Fiscal Impact Summary

This bill allows banks or trust companies doing business in the state to merge, consolidate with, or acquire state or federally chartered credit unions. Additionally, the bill adds a process by which a credit union may appeal an adverse decision of the Board of Financial Institutions (BOFI), and further amends the appointment and removal process for members of credit union supervisory boards.

The expenditure impact of this bill on BOFI is undetermined. According to the board, the bill introduces a new right of appeal for credit unions seeking certain regulatory approvals, which does not currently exist in statute. Depending on the regularity of these appeals, BOFI indicates this new avenue for litigation may require additional staffing or the hiring of outside counsel. However, the number of such future appeals is currently unknown.

This bill may increase or decrease General Fund bank tax revenue, dependent upon the number and size of any mergers, consolidations, and acquisitions between State chartered banks and credit unions as bank net income is subject to a 4 percent tax, whereas credit unions are not subject to income tax. However, data are not available to estimate the potential change.

For information purposes, the Board of Economic Advisors' (BEA) February 15, 2023 forecast projects General Fund bank tax revenue for FY 2023-24 will total \$63,187,000. This estimate is approximately 0.5 percent of the forecasted gross General Fund revenue for FY 2023-24.

Explanation of Fiscal Impact

Introduced on March 30, 2023

State Expenditure

This bill allows banks or trust companies doing business in the state to merge, consolidate with, or acquire state or federally chartered credit unions, and amends several code sections in Title 34 to reflect and comply with this provision. The bill also adds a process by which a credit union may appeal an adverse decision of the board. The bill modifies the appointment and removal process for members of credit union supervisory boards and specifies additional duties of the boards.

BOFI indicates that the bill introduces a change that could have a fiscal impact to the agency. According to the board, the bill introduces a new right of appeal for credit unions seeking certain regulatory approvals, which does not currently exist in statute. Depending on the regularity of these appeals, BOFI indicates this new avenue for litigation may require additional staffing or the hiring of outside counsel. However, as the number of such appeals is currently unknown, the expenditure impact of this bill on BOFI is undetermined.

State Revenue

This bill allows banks or trust companies doing business in the state to merge, consolidate with, or acquire state or federally chartered credit unions, and amends several code sections in Title 34 to reflect and comply with this provision. Currently, state-chartered banks may not acquire credit union property nor may credit unions acquire state-chartered bank property. However, federally chartered banks may currently merge, consolidate with, or acquire credit unions.

Credit unions are not subject to income tax, whereas, every bank engaged in business in the state is subject to a 4 percent income tax. The allowance of mergers, consolidations, and acquisitions between banks and credit unions may result in a shift of income from one institution to the other. Whether the shift results in higher income in a banking institution is dependent upon the transaction. If a bank receives income producing assets through a merger, consolidation, or acquisition of a credit union, this may result in an increase in General Fund bank tax. However, if the credit union receives income producing assets through a merger, consolidation or acquisition of a State chartered bank, this may result in a decrease in the General Fund bank tax. Therefore, this bill may increase or decrease General Fund bank tax revenue, dependent upon the number and size of any mergers, consolidations, and acquisitions between State chartered banks and credit unions. However, data are unavailable to estimate the potential change.

For information purposes, the Board of Economic Advisors' (BEA) February 15, 2023 forecast projects General Fund bank tax revenue for FY 2023-24 will total \$63,187,000. This amount includes the net income tax from the thirty-two state-chartered banks, according to BOFI's website, as well as any other banks engaged in business within the state. This estimate is approximately 0.5 percent of the forecasted gross General Fund revenue for FY 2023-24.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director