



**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.*

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**Bill Number:** S. 0040    Introduced on January 10, 2023  
**Author:** Grooms  
**Subject:** Industry Partnership Fund Tax Credit  
**Requestor:** Senate Finance  
**RFA Analyst(s):** Jolliff  
**Impact Date:** February 14, 2024

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### **Fiscal Impact Summary**

This bill increases the total amount of Industry Partnership Fund tax credits that may be issued from \$9,000,000 to \$12,000,000 for tax years after 2022. Taxpayers who contribute to the Industry Partnership Fund at the SC Research Authority (SCRA) or an SCRA designated affiliate, or both, are allowed a tax credit against individual or corporate income tax, corporate license fees, bank tax, or insurance tax. Any unused tax credits may be carried forward for ten tax years.

The bill is not expected to impact expenditures for the Department of Revenue (DOR). We anticipate that DOR will implement the necessary changes to the tax credit forms in the annual updates to forms and instructions.

The bill will reduce General Fund revenue from individual or corporate income tax, corporate license fees, bank tax, or insurance tax, or some combination thereof, by up to \$3,000,000 beginning in FY 2024-25. In discussions with SCRA, although the bill is effective beginning in tax year 2023, contributions for 2023 must have been post marked by December 31, 2023. As such, the new increased contribution limit will apply beginning in tax year 2024. As any unused credits may be carried forward for ten tax years, the timing of the impact may shift if taxpayers do not have sufficient tax liability to utilize the credits and carry forward unused credits to future tax years.

### **Explanation of Fiscal Impact**

#### **Introduced on January 10, 2023**

#### **State Expenditure**

This bill increases the total amount of Industry Partnership Fund tax credits that may be issued for tax years after 2022 from \$9,000,000 to \$12,000,000. We anticipate that DOR will implement the necessary changes to the tax credit forms in the annual updates to forms and instructions. Therefore, the bill is not expected to impact expenditures for the agency.

#### **State Revenue**

This bill increases the total amount of Industry Partnership Fund tax credits that may be issued for tax years after 2022 from \$9,000,000 to \$12,000,000. Taxpayers who contribute to the

Industry Partnership Fund at SCRA or an SCRA designated affiliate, or both, are allowed a tax credit against individual or corporate income tax, corporate license fees, bank tax, or insurance tax. Currently, the tax credit is limited to an aggregate of \$9,000,000 and may be carried forward for ten tax years. The bill increases the aggregate limit to \$12,000,000 per tax year beginning in 2023.

From 2019 to 2021, contributions did not reach the limit due to changes in federal tax law regulations that made contributions less favorable. However, Act 172 of 2022 increased the allowable credit amount for individual taxpayers from \$250,000 to \$500,000. Further, if the aggregate limit is not met within 60 days of the annual opening date for applications, the Act increased the maximum credit per taxpayer to \$1,000,000, subject to the aggregate limit. This change resulted in total contributions reaching the \$9,000,000 limit in 2022. Contributions declined slightly in 2023. The table below provides the contributions to the fund in recent years as reported by SCRA.

**Contributions to the Industry Partnership Fund**

<b>Year</b>	<b>Amount</b>	<b>Contributors</b>	<b>Average Per Contributor</b>
2018	\$6,000,000	111	\$54,054
2019	\$3,066,317	68	\$45,093
2020	\$3,755,740	93	\$40,384
2021	\$6,706,800	154	\$43,550
2022	\$9,000,000	177	\$50,847
2023	\$8,537,462	194	\$44,008

Source: S.C. Research Authority

Based on the changes in Act 172 and recent contributions, we anticipate that total tax credits may reach the new annual limit of \$12,000,000. In discussions with SCRA, although the bill is effective beginning in tax year 2023, contributions for 2023 must have been post marked by December 31, 2023. As such, the new contribution limit will apply beginning in tax year 2024. Therefore, the bill will reduce General Fund revenue from individual or corporate income tax, corporate license fees, bank tax, or insurance tax, or some combination thereof, by up to \$3,000,000 in FY 2024-25. As any unused credits may be carried forward for ten tax years, the timing of the impact may shift if taxpayers do not have sufficient tax liability to utilize the credits and carry forward unused credits to future tax years.

**Local Expenditure**

N/A

**Local Revenue**

N/A

Frank A. Rainwater, Executive Director