



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

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**Bill Number:** H. 3409 Introduced on January 13, 2026  
**Subject:** Conservation Tax Credit  
**Requestor:** House Ways and Means  
**RFA Analyst(s):** Manic  
**Impact Date:** January 23, 2026

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### Fiscal Impact Summary

This bill amends Section 12-6-3515 to increase the nonrefundable income tax credit for conservation or qualified conservation contribution of real property from \$250 to \$1,000 per acre of property and increases the total credit a taxpayer may use in a tax year from \$52,500 to \$105,000. Currently, if the amount of the tax credit exceeds the taxpayer's liability or the maximum that may be used in a year, the excess may be carried forward, transferred, devised, or distributed by an individual, partnership, limited liability company, corporation, trust, or estate. The changes to the amounts will be effective starting in tax year 2025.

The bill will not have an impact on the Department of Revenue (DOR), as the agency indicates it can manage the requirements of the bill with existing staff and resources.

The bill is expected to reduce individual income tax by approximately \$804,700 and corporate income tax by approximately \$90,900, for a total of \$895,600 in tax year 2025. In 2026 and subsequent years, those amounts increase to a total of \$1,395,000. Based on the potential timing of enactment of the bill, we anticipate taxpayers will claim credits for both tax years 2025 and 2026 in FY 2026-27. Therefore, the bill will reduce General Fund revenue from individual income tax and corporate income tax by approximately \$2,290,600 in FY 2026-27. Additionally, because the tax credit can be transferred to other taxpayers, the increase in the limits may result in additional transfers and use of the credit. Our analysis assumes an increase in usage of 30 percent. However, if we were to assume that all the existing unused tax credits were transferred to new taxpayers, then the total reduction in tax revenue could be as high as approximately \$25,700,000.

### Explanation of Fiscal Impact

#### Introduced on January 13, 2026

##### State Expenditure

This bill amends Section 12-6-3515 to increase the nonrefundable income tax credit for conservation or qualified conservation contribution of real property from \$250 to \$1,000 per acre of property and increases the total credit a taxpayer may use in a tax year from \$52,500 to \$105,000. The changes will be effective starting in tax year 2025.

The bill will not have an impact on DOR, as the agency indicates it can manage the requirements of the bill with existing staff and resources.

### State Revenue

This bill amends Section 12-6-3515 to increase the nonrefundable income tax credit for conservation or qualified conservation contribution of real property from \$250 to \$1,000 per acre of property and increases the total credit a taxpayer may use in a tax year from \$52,500 to \$105,000. The changes will be effective starting in tax year 2025.

Currently, the amount of tax credit per acre is calculated as the lesser of 25 percent of the total amount of the federal income tax deduction attributable to the gift of land for conservation purposes or to the qualified real property interest in the state or \$250 per acre. Any unused tax credit may be carried forward indefinitely. Further, taxpayers may transfer any amount of the tax credit that is not used to other taxpayers with a written notification to and approval by the DOR. The following table lists the history of the number of returns, total amount of credits, and average amount per return for individual and corporate taxpayers as reported in DOR’s annual reports.

**Conservation Tax Credits - History**

<b>Fiscal Year</b>	<b>Returns</b>	<b>Total Amount</b>	<b>Average per Return</b>
<b>Individual Income tax credits</b>			
FY 2018-19	263	\$6,565,370	\$24,963
FY 2019-20	185	\$4,833,585	\$26,127
FY 2020-21	224	\$7,604,050	\$33,947
FY 2021-22	201	\$5,392,648	\$26,829
FY 2022-23	127	\$2,424,280	\$19,089
FY 2023-24	90	\$1,637,254	\$18,192
<b>Annual Average</b>	<b>182</b>	<b>\$4,742,865</b>	<b>\$26,060</b>
<b>Corporation Income tax credit</b>			
FY 2018-19	14	\$273,917	\$19,566
FY 2019-20	13	\$132,831	\$10,218
FY 2020-21	16	\$1,805,750	\$112,859
FY 2021-22	15	\$1,740,810	\$116,054
FY 2022-23	N/A	N/A	N/A
FY 2023-24	18	\$225,454	\$12,525
<b>Annual Average</b>	<b>15</b>	<b>\$835,752</b>	<b>\$55,717</b>

Source: SC Department of Revenue Annual Reports

Note: Total corporate income tax credits include carryforwards. N/A – not disclosed

The current average amount claimed for the conservation credit is less than the \$52,500 maximum for both individuals and corporations (please note that the total amount reported for corporations in DOR’s annual reports is for the earned credit, which also includes the carryforward amount). We also analyzed individual and corporate income tax return data for

taxpayers claiming this credit from 2019 to 2024. Based on these returns, very few taxpayers are currently using the maximum credits allowed per year of up to \$52,500, as they do not have sufficient tax liability to use the full amount in a given tax year. Most taxpayers carry forward the excess to the next tax year.

Based on available data, we anticipate that land value per acre is likely well above the current \$250 limit, as well as the proposed \$1,000 limit. According to a 2017 Brookings report, the average value of total annual national deductions for easements during the 2010-2012 period was approximately \$1.05 billion for an average of 2,461 individual returns reporting an average acreage of 245 acres per return.<sup>1</sup> Based on these data, the average deduction value per acre was approximately \$1,740. We have also received land conservation data for South Carolina from the Department of Natural Resources (DNR). Based on the DNR data from 2018 to 2024, on average, approximately 379 acres are donated per transaction. Since the acreage reported for the state is similar to the national average indicated in the Brookings report, we applied this level to the national statistics on easements deductions reported by the Internal Revenue Service (IRS) in 2022 and calculated that the average value of a donated acre in 2022 was approximately \$5,900. Given these estimates and assuming that land value in SC follows similar trends to those at the national level, we anticipate that the value of conservation credits claimed based on the provisions of the bill will be calculated at the new maximum cap of \$1,000 per acre.

Based on the data provided by DNR and our analysis of tax returns, we estimate that approximately 50 percent of the total credit acreage reported annually comes from new transactions. This estimate is based on our previous determination that most acreage currently qualifies for the \$250 per acre maximum credit. Based on return data, dividing total credits by \$250 indicates that approximately 28,900 acres are reported annually in new or carryforward credits. From the data provided by DNR, only approximately 14,400 acres are subject to new easements annually. Dividing 14,400 new acres by the estimated total 28,900 acres from all earned tax credits by taxpayers results in the estimated 50 percent from new tax credits and the remaining 50 percent from carry forwards.

Based on these estimates, approximately 50 percent of the annual reported credits will be valued at the higher level of \$1,000 per acre limit beginning in tax year 2025. Additionally, all taxpayers, both with existing carry forward credits from previous tax years as well as new returns reporting an earned tax credit for the first time, will be able to claim the new annual maximum of \$105,000 against their tax liability beginning in tax year 2025. However, the new maximum per year will only impact taxpayers with a tax liability above \$52,500 after claiming all the other tax credits. Also, taxpayers will carry forward any unused amounts to the next tax year until the increase in the earned credits is used. The impact of the increase in the amount of credits earned will cause an initial increase in total credits claimed for tax year 2025 for taxpayers with sufficient tax liability to claim more of the earned credits. This analysis also includes an estimated single corporate taxpayer per year claiming the entire \$105,000 maximum limit for the conservation credit, or an increase of \$52,500 over the current limit, based on the amount of

<sup>1</sup>Looney, A., The Brookings Institution, May 2017, *Charitable Contributions of Conservation Easements*, [https://www.brookings.edu/wp-content/uploads/2017/05/looney\\_conservationeasements.pdf](https://www.brookings.edu/wp-content/uploads/2017/05/looney_conservationeasements.pdf)

available carry forward, other credits claimed, and reported tax liability. Further, this change will also increase total credits used the following year for tax year 2026, as all taxpayers, both new and existing, will have larger carryforwards that will increase the impact in the second year.

Finally, due to the significant increase in both the tax credit per acre as well as the total tax credit amount that can be used to lower the tax liability, we anticipate that there will be an economic incentive for taxpayers with existing carryforward to transfer a part of their excess to other taxpayers and for taxpayers who may not have considered a conservation easement to do so. This may lead to a significant increase in the number of returns earning and claiming the conservation tax credit. For this analysis, we have estimated that the total increase in the number of returns earning and claiming the conservation tax credit will be approximately 30 percent. However, this may vary depending on taxpayer behavior.

Based on our analysis and assumptions detailed above, we have estimated the potential impact of the proposed changes. The impact of each change is outlined in the table below by tax type. Overall, the bill is expected to decrease individual income tax by approximately \$804,700 and corporate income tax by approximately \$90,900, for a total of \$895,600, in tax year 2025. In 2026 and subsequent years, those amounts increase to a total of \$1,395,000. Based on the anticipated timing of enactment of the bill, taxpayers will likely claim refunds for tax year 2025 returns in FY 2026-27. As such, the impact in FY 2026-27 will include both tax years 2025 and 2026. Therefore, the bill will reduce General Fund revenue from individual income tax and corporate income tax by approximately \$2,290,600 in FY 2026-27.

#### Estimated Increase in Conservation Credits

	Tax Year 2025	Tax Year 2026	FY 2026-27
<b>Individual Income Tax Returns</b>			
Increase in Amount per Acre (\$250 to \$1,000)	\$521,700	\$1,043,400	\$1,565,100
Increase in Annual Limit (\$52,500 to \$105,000)	\$0	\$0	\$0
Increase in Utilization	\$283,000	\$283,000	\$566,000
<b>Total Individual Income Tax Impact</b>	<b>\$804,700</b>	<b>\$1,326,400</b>	<b>\$2,131,100</b>
<b>Corporate Income Tax Returns</b>			
Increase in Amount per Acre (\$250 to \$1,000)	\$30,200	\$60,400	\$90,600
Increase in Annual Limit (\$52,500 to \$105,000)	\$52,500	\$0	\$52,500
Increase in Utilization	\$8,200	\$8,200	\$16,400
<b>Total Corporate Income Tax Impact</b>	<b>\$90,900</b>	<b>\$68,600</b>	<b>\$159,500</b>
<b>Total Credit Impact</b>	<b>\$895,600</b>	<b>\$1,395,000</b>	<b>\$2,290,600</b>

Please note, although this analysis assumes an increase of 30 percent in the usage of the tax credit due to additional conservation easements and additional taxpayers transferring the credit to others with a higher tax liability, the potential impact may be larger. Data are not available to measure the potential increase in utilization of credits. If we were to assume that all the existing

unused tax credits were transferred to new taxpayers, then the total reduction in tax revenue could be as high as approximately \$25,700,000.

**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director