



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. 4134	Amended by Ways and Means Economic Development Legislative Subcommittee on March 27, 2025
Subject:	High Growth Small Business Job Creation Act Extension	
Requestor:	House Ways and Means	
RFA Analyst(s):	Manic	
Impact Date:	March 31, 2025	

Fiscal Impact Summary

This bill as amended extends the sunset date of the High Growth Small Business Job Creation Act of 2013 from December 31, 2025, to December 31, 2035. Also, the bill changes the name of the act to "High Growth Small Business Job Creation Act of 2013 – Angel Investor Tax Credit Act." The total credit amount earned by an individual for one or more qualified investments in a tax year, either directly or allocated to a person by a pass-through entity, is limited to \$100,000. The aggregate value of credits is limited to \$5,000,000 for all taxpayers in a tax year. The credit is transferrable and may be sold, exchanged, or otherwise transferred and any unused credit may be carried forward for up to ten years. The bill as amended transfers responsibility for administering and managing the tax credit from the Secretary of State (SOS) to the Department of Revenue (DOR). Additionally, DOR is required to report by January 1st each year to the House Ways and Means Committee, the Senate Finance Committee, and the Governor information regarding these tax credits.

The bill is not expected to have an expenditure impact on DOR as we anticipate the agency will manage the tax credit and the additional requirements with existing staff and resources.

The bill is expected to decrease General Fund income tax revenue annually by up to \$5,000,000 in FY 2026-27 for tax year 2026 through FY 2035-36 for tax year 2035 due to the extension of the sunset provision. Any unused credits may be carried forward for up to ten years and the impact may vary if taxpayers do not have sufficient tax liability to use the full amount of the credit in the year earned.

Explanation of Fiscal Impact

Amended by Ways and Means Economic Development Legislative Subcommittee on March 27, 2025

State Expenditure

This bill extends the sunset date of the High Growth Small Business Job Creation Act of 2013 from December 31, 2025, to December 31, 2035. Also, the bill changes the name of the act to "High Growth Small Business Job Creation Act of 2013 – Angel Investor Tax Credit Act." Currently, an angel investor may claim a nonrefundable income tax credit of 35 percent of its qualified investment. Of the credit amount earned, 50 percent of the credit may be applied to the

angel investor's net income tax liability in the tax year during which the qualified investment is made, and 50 percent of the credit may be applied in the tax years after the investment is made. The credit may be carried forward for up to ten years.

The total credit amount earned by an individual for one or more qualified investments in a tax year, either directly or allocated to a person by a pass-through entity, is limited to \$100,000. The aggregate value of credits is limited to \$5,000,000 for all taxpayers in a tax year. The credit is transferrable and may be sold, exchanged, or otherwise transferred.

Additionally, the bill as amended transfers responsibility for managing oversight of the credit applications from SOS to DOR. The bill also requires qualifying businesses to be on file with the SOS and in good standing for the duration of the registration as a qualified business. Further, the bill requires DOR to transmit a copy of the approved certificate of registration to SOS who is also tasked to publish an electronic copy of the registration certificate on its website. If DOR finds that the information provided in the application by qualified businesses is false, the amended bill requires DOR to revoke the registration of the business, transmit a copy of the revocation to SOS, and tasks SOS to publish an electronic copy of the revocation of registration on its website.

In case of merger, conversion, consolidation, or other similar transaction, qualified businesses are required to provide a written notice of such events to DOR. The bill as amended further requires DOR to report to the House Ways and Means Committee, the Senate Finance Committee, and the Governor, the list of qualified businesses by January 31st of each year. In the report, DOR is required to include by county the name and contact information, location of the headquarters, description of the type of business the firm engages in, the amount of capital the firm raised, the amount of capital raised including the amount of qualified investment, the number of jobs created by the business during the period covered by the report, and the average wages paid by these jobs. Also, the amended bill requires DOR to publish and update the report annually on its website.

The bill is not expected to have an expenditure impact on DOR as we anticipate the agency will manage the tax credit and the additional requirements with existing staff and resources.

State Revenue

This bill as amended extends the sunset date of the High Growth Small Business Job Creation Act of 2013 from December 31, 2025, to December 31, 2035. Also, the bill changes the name of the act to "High Growth Small Business Job Creation Act of 2013 – Angel Investor Tax Credit Act." Under the current legislation, an angel investor is entitled to a nonrefundable income tax credit of 35 percent of its qualified investment. Of the credit amount earned, 50 percent of the credit may be applied to the angel investor's net income tax liability in the tax year during which the qualified investment is made, and 50 percent of the credit may be applied to the angel investor's net income tax liability in the tax years after the investment is made. The credit may be carried forward for up to ten years.

The aggregate value of credits is limited to \$5,000,000 for all taxpayers in a tax year. The total credit amount earned by an individual for one or more qualified investments in a tax year, either directly or allocated to a person by a pass-through entity, is limited to \$100,000. The credit is transferrable and may be sold, exchanged, or otherwise transferred.

DOR indicates that the tax credit reached its annual cap of \$5,000,000 consistently up until 2022, when applications dropped by approximately 14 percent, and the agency authorized approximately \$3,260,000 in credits. Venture capital (VC) and angel investing activity decreased dramatically across the nation after 2021. An article by the Wall Street Journal (WSJ) reports that the value of angel transactions in the U.S. fell by approximately 33 percent in 2024.¹ The amount of tax credits approved further decreased to approximately \$560,000 in 2023 and \$601,000 in 2024 because of a decrease in the approval rate of applications. We also reached out to the SC Research Authority (SCRA) that is monitoring VC and angel investing activity in SC. SCRA indicates that the approval rate of angel tax credit applications has risen steadily since 2023 and that although the total amount of credits may be below the \$5,000,000 annual cap in 2025 and possibly 2026, the aggregate amount is expected to increase to the annual cap over time. Based on this information, we anticipate that the total credits in tax year 2026 and later will be closer to the historical levels. Therefore, the bill as amended will reduce General Fund income tax revenue by up to \$5,000,000 in FY 2026-27 for tax year 2026 through FY 2035-36 for 2035. Any unused credits may be carried forward for up to ten years, and the impact may vary if taxpayers do not have sufficient tax liability to use the full amount of the credit in the year earned.

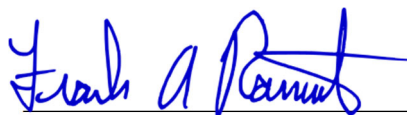
Local Expenditure

N/A

Local Revenue

N/A

¹ Marc Vartabedian, Wall Street Journal, *Angel Investing Isn't What It Used to Be*, October 21, 2024, <https://www.wsj.com/articles/angel-investing-isnt-what-it-used-to-be-e643c862>



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