



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. 4817	Introduced on January 13, 2026
Subject:	Insurance Rate Reduction and Policy Holder Protection Act	
Requestor:	House Labor, Commerce, and Industry	
RFA Analyst(s):	Vesely, Daigle, Jolliff, and Manic	
Impact Date:	January 20, 2026	

Fiscal Impact Summary

This bill enacts the Insurance Rate Reduction and Policy Holder Protection Act and increases the insurance fraud oversight, investigation, and enforcement responsibilities of the Department of Insurance (DOI). This includes transferring certain responsibilities from the Office of the Attorney General (AG) and the State Law Enforcement Division (SLED) to DOI. Also, the bill makes a number of changes to the protections for insurance policy holders, provides penalties for violations of these protections, makes changes to the SC Safe Home Program, and increases the amount of insurance premiums taxes that will be credited to the program. Lastly, this bill makes changes to several sales and income tax provisions as follows:

- Expands the allowable uses of Catastrophe Savings Account funds, which are eligible for the individual income tax deduction in Section 12-6-1620,
- Increases the maximum amount of the residential retrofit individual income tax credit for a taxpayer's legal residence from \$1,000 to \$2,000 in Section 12-6-3660,
- Increases the maximum individual income tax credit for excess insurance premium taxes paid for property and casualty insurance in Section 12-6-3670 from \$1,250 to \$3,000, and
- Establishes an annual Disaster Preparedness Sales Tax Holiday to initially be held from Friday May 2, 2026, through Sunday, May 4, 2026.

The bill is effective upon signature of the Governor. For this analysis, we assume that the tax law changes will be effective beginning in tax year 2026, or FY 2026-27.

DOI anticipates that this bill will increase expenses to administer the additional fraud oversight, investigation, and enforcement responsibilities. In its FY 2026-27 budget request, the agency proposed expanding the Insurance Fraud Division to accomplish many of the responsibilities required by the bill. DOI requested 6.0 new FTEs at a total cost for salaries and fringe of \$1,119,745, funding to increase the agency's contract with SLED for an additional lieutenant and 9 agents to handle investigations at a cost of \$1,765,000, and \$1,050,250 for other operational costs. In total, the agency requested an increase in General Funds of \$3,934,995 to fund these expenditures beginning in FY 2026-27. However, DOI noted that up to 2.0 additional FTEs may be required in future years to comply with all of the reporting requirements of this bill that were not anticipated in the budget request.

SLED and the AG anticipate that this bill will have no impact on their expenditures, as the provisions that transfer responsibilities from the AG and SLED to DOI effectively codify the

existing Memorandums of Understanding between the agencies. The Department of Revenue (DOR) anticipates that this bill will have a minimal impact on expenses as the department can administer the sales and income tax changes within existing appropriations.

Judicial indicates that the bill may impact the number of cases filed in criminal or civil court due to the changes to insurance laws, but the number of new cases that may be filed is unknown. If the changes result in a significant increase, Judicial may request an increase in General Fund appropriations.

The Department of Labor, Licensing and Regulation (LLR) indicates that this bill may impact the number of referrals from DOI to regulatory boards under LLR for disciplinary actions arising from the bill. However, the number of referrals that may occur is unknown. We anticipate that the changes will be managed within existing appropriations. However, if the bill results in a significant increase in workload, it may impact the agency's expenditures.

The bill increases the amount of insurance premiums tax collections distributed to the SC Safe Home Program from 1 percent to 5 percent. This change will transfer an additional \$10,316,000 in insurance premium tax revenue from the General Fund to the SC Safe Home Program beginning in FY 2026-27.

This bill will reduce General Fund individual income tax revenue by approximately \$374,000 by expanding the allowable uses of Catastrophe Savings Account funds that are eligible for the individual income tax deduction. The bill will reduce General Fund individual income tax revenue by an additional \$19,000 to increase the allowable amount of the residential retrofit tax credit from \$1,000 to \$2,000. Lastly, increasing the maximum excess premium tax credit allowed per year from \$1,250 to \$3,000 would reduce General Fund individual income tax by approximately \$965,000 beginning in FY 2026-27. Any unused excess premium tax credit may be carried forward for five tax years, which may increase this amount in future years.

Further, this bill will reduce state sales and use tax revenue by approximately \$3,574,000 beginning in FY 2026-27 by exempting the emergency supply items specified in the bill during the annual Disaster Preparedness Sales Tax Holiday. Of this total, General Fund revenue would be reduced by \$2,382,000, the Education Improvement Act Fund (EIA) would be reduced by \$596,000, and the Homestead Exemption Fund (HEX) would be reduced by \$596,000.

In summary, this bill will reduce total General Fund revenue by \$14,056,000, EIA sales tax revenue by \$596,000, and HEX sales tax revenue by \$596,000 beginning in FY 2026-27. The insurance premium tax revenue transferred from the General Fund to the SC Safe Home program would increase the Other Funds of the program by a corresponding \$10,316,000 beginning in FY 2026-27. These figures are detailed below by section. Additionally, the bill may impact total insurance premiums tax revenue if the provisions result in a change in the insurance premiums rates. However, the potential change may occur over time as insurance companies adjust to the changes in the bill. Therefore, the overall impact on total premiums tax revenue is undetermined. Lastly, if the bill increases the number of court cases, revenue from fines and fees collected in court that is distributed to the General Fund, Other Funds, and local funds may increase.

Total State Revenue Impact by Fund – FY 2026-27

	General Fund	EIA Fund	HEX Fund	Other Funds
SC Safe Home Insurance Tax - Section 13	(\$10,316,000)	\$0	0	\$10,316,000
Individual Income Tax - Total	(\$1,358,000)	\$0	\$0	\$0
<i>Catastrophe Savings Account Deduction (Section 18)</i>	<i>(\$374,000)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
<i>Residential Retrofit Credit (Section 19)</i>	<i>(\$19,000)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
<i>Excess Insurance Premium Tax Credit (Section 21)</i>	<i>(\$965,000)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
Sales Tax Holiday - Section 20	(\$2,382,000)	(\$596,000)	(\$596,000)	\$0
Total State Revenue Impact	(\$14,056,000)	(\$596,000)	(\$596,000)	\$10,316,000

Local sales tax revenue would be reduced by approximately \$941,000 beginning in FY 2026-27 due to the Disaster Preparedness Sales Tax Holiday. This estimate is based on applying an average local tax rate of 1.58 percent. The impact on each local jurisdiction will depend on local option sales taxes in effect for the various entities.

Explanation of Fiscal Impact

Introduced on January 13, 2026

State Expenditure

This bill enacts the Insurance Rate Reduction and Policy Holder Protection Act and increases the fraud oversight, investigation, and enforcement the responsibilities of DOI. This includes transferring certain responsibilities from the AG and SLED to DOI. Also, the bill makes a number of changes to the protections for insurance policy holders, makes changes to the SC Safe Home Program, and increases the amount of insurance premiums taxes that will be credited to the program. Lastly, this bill makes changes to several sales and income tax provisions.

Department of Insurance. DOI anticipates that this bill will increase the agency’s expenses to accomplish the increased fraud oversight responsibilities. In its FY 2026-27 budget request, the agency requested additional FTEs and funding to expand its Insurance Fraud Division, which would allow the agency to accomplish the responsibilities in the bill. DOI requested \$1,119,745 in salary and fringe benefits for 6.0 new FTEs: 1.0 Attorney IV, 1.0 Attorney III, 1.0 Attorney II, 1.0 Paralegal, and 2.0 Program Coordinators. DOI additionally anticipates increasing the total number of SLED FTEs under contract with the agency to handle investigations for the Insurance Fraud Division. DOI expects to add an additional 1.0 SLED Lieutenant and 9.0 SLED agents at a total contract cost of \$1,765,000 per year. Other recurring operating costs include satellite offices in Greenville and Charleston; outreach, advertising, and other operating costs; and software and technical infrastructure for a combined cost of \$1,050,250. In total, the agency requested additional General Fund appropriations of \$3,934,995 to fund these expenditures beginning in FY 2026-27. Additionally, DOI indicates that while the budget proposal covers the expected impact and increase in responsibilities as a result of this legislation, it is possible that DOI may

request up to 2.0 FTEs to comply with the additional reporting requirements of this bill in future years.

South Carolina Law Enforcement Division. SLED anticipates that this bill will have no expenditure impact, as the provisions that transfer certain responsibilities from SLED to DOI codify the existing Memorandum of Understanding between the two agencies.

Office of the Attorney General. The AG indicates that this bill essentially codifies an existing Memorandum of Understanding between the AG and DOI for the investigation and prosecution of insurance fraud. Therefore, the AG anticipates that this bill will have no impact on expenditures.

Judicial. This bill creates a new misdemeanor for violations of provisions that restrict residential builders and contractors from certain actions related to a property owner's insurance claims. The bill also makes changes to an individual's ability to seek a court order for a subpoena related to insurance fraud investigations and makes changes to provisions on noneconomic damages in certain cases. Judicial anticipates that these changes may increase the number of civil or criminal cases that are filed, but the number of new cases that will be filed is unknown. Judicial anticipates handling any increase in court cases within existing appropriations. However, if this bill has an unanticipated significant impact on court cases, Judicial will request an increase in General Fund appropriations.

Department of Labor, Licensing and Regulation. LLR indicates that this bill may impact the number of referrals from DOI to regulatory boards under LLR for disciplinary actions arising from the bill. However, the potential increase in the number of referrals is unknown. We anticipate that the changes will be managed within existing appropriations. However, if the bill results in a significant increase in workload, it may impact the agency's expenses.

Department of Revenue. This bill will result in a minimal expenditure impact in order to update forms, the department website, perform system changes, and comply with reporting requirements. DOR indicates that the changes can be administered within existing appropriations.

State Revenue

SC Safe Home Insurance Premium Tax (Section 13)

Section 13 of the bill increases the insurance premiums tax amount distributed to the SC Safe Home Program from 1 percent to 5 percent. Currently, the SC Safe Home program receives premium taxes specifically from the South Carolina Wind and Hail Underwriting Association and 1 percent of insurance premium taxes. In FY 2024-25, DOI reports that the total distribution was \$2,985,064, of which \$706,334 was from premium taxes specifically from the South Carolina Wind and Hail Underwriting Association and \$2,350,117 was from 1 percent of total insurance premiums tax collections.

Based on current insurance premiums tax growth estimates by the SC Board of Economic Advisors, we estimate that increasing the amount of insurance premium taxes that must be

credited to the SC Safe Home program from 1 percent to 5 percent will transfer an additional \$10,316,000 in insurance premium tax revenue from the General Fund to the SC Safe Home Program beginning in FY 2026-27.

Catastrophe Savings Account Income Tax Deduction (Section 18)

Section 18 of the bill amends the Catastrophe Savings Account individual income tax deduction in Section 12-6-1620(B) by expanding the allowable uses of the funds in a Catastrophe Savings Account. The bill allows taxpayers to use the account for SC Safe Home or Insurance Institute for Business and Home Safety approved retrofits of insured residences to make them resilient to hurricanes or other wind-related damage. The bill is effective upon signature of the Governor. For the purposes of this analysis, we assume the changes will take effect in tax year 2026.

DOI reports that there were a total of 352 SC Safe Home grants for residence retrofits approved in 2023, 349 approved in 2024, and 673 approved in 2025. Based on these data, the average number of approved residential retrofits is equal to approximately 460 per year. Also, the cost of the retrofit to make a house resilient to hurricanes or other wind-related damage depends on its size as well as the number of windows and doors. Based on historical data from 2024-2025, DOI indicates that the cost of a residential retrofit varies between approximately \$5,600 and \$19,600 depending on the scope of the retrofit, with the average cost being approximately \$15,600. Using the average number of 460 expected residential retrofits and the average cost of \$15,600 per retrofit, we estimate that the total deduction amount that taxpayers may claim for SC Safe Home or Insurance Institute for Business and Home Safety approved retrofits will equal approximately \$7,176,000 starting in tax year 2026. Applying an average individual income tax rate of approximately 5.21 percent for tax year 2026, this section of the bill will reduce General Fund individual income tax revenue by approximately \$374,000 beginning in FY 2026-27.

Residential Retrofit Income Tax Credit (Section 19)

Section 19 of the bill increases the maximum amount of residence retrofit tax credit in Section 12-6-3660 from \$1,000 to \$2,000. Currently, individual income taxpayers are allowed to claim a credit for costs incurred to retrofit the taxpayer's legal residence to make it more resistant to loss due to hurricane, rising floodwater, or other catastrophic windstorm events. The credit for any taxable year must not exceed the lesser of 25 percent of the cost incurred or \$1,000. The bill raises the limit to \$2,000. The bill is effective upon signature of the Governor, and for the purposes of this analysis, we assume the changes will take effect in tax year 2026.

In addition, taxpayers are currently allowed to also claim a tax credit for the sales taxes paid on purchases of tangible personal property to retrofit a taxpayer's legal residence pursuant to Section 12-6-3665. The income tax credit for sales taxes paid is limited to \$1,500 per year. The total credit amount of up to \$2,5000 for these two provisions is reported together by taxpayers to DOR.

The history of tax credits claimed and the total amount for FY 2019-20 to FY 2024-23 as reported in DOR's Annual Reports are listed below. Based on these figures, an average of 550 taxpayers claimed approximately \$733,000 in tax credits per year, or an average of approximately \$1,333 per return.

Residential Retrofit Income Tax Credit History

Fiscal Year	Returns	Total Amount	Amount Per Return
FY 2019-20	760	\$923,705	\$1,215
FY 2020-21	667	\$811,105	\$1,216
FY 2021-22	499	\$661,767	\$1,326
FY 2022-24	391	\$576,813	\$1,475
FY 2023-24	432	\$692,142	\$1,602
Annual Average	550	\$733,106	\$1,333

Source: SC Department of Revenue Annual Report

Note: Amounts include tax credits claimed for both the costs for retrofitting a residence and the sales taxes paid (Sections 12-6-3660 and 12-6-3665) reported on form TC-43.

As noted above, the current average claimed for these credits is less than the \$2,500 maximum for the combined claims for retrofit costs and sales taxes associated with those costs. Based on tax returns for tax year 2023 and 2024, approximately 28 returns, or only about 5 percent, claim the maximum per year. Given that most taxpayers are not currently claiming the maximum tax credit, we anticipate that the increase in the maximum credit for costs for retrofitting a residence will be limited. Additionally, not all taxpayers will have sufficient tax liability to claim the full increase of \$1,000 if earned. Based on recalculating these same tax returns, approximately 68 percent of the \$1,000 increase would be used if all taxpayers currently claiming the maximum \$2,500 credit claimed the full increased amount of \$1,000. Therefore, we estimate that the increase in the limit for the income tax credit for residential retrofits would decrease General Fund individual income tax revenue by up to approximately \$19,000 beginning in FY 2026-27.

Excess Insurance Premium Income Tax Credit (Section 21)

Section 21 of the bill increases the maximum individual income tax credit for excess insurance premiums paid for property and casualty insurance on a taxpayer's legal residence in Section 12-6-3670 from \$1,250 to \$3,000. The credit is calculated as the amount by which the premium paid exceeds 5 percent of the taxpayer's adjusted gross income. Currently, the amount earned may not exceed \$1,250 in a taxable year. If the total credit exceeds the taxpayer's liability in the tax year, the credit may be carried forward for 5 succeeding tax years. This bill increases the maximum to \$3,000 and is effective upon signature of the Governor. For the purposes of this analysis, we assume the increase will take effect in tax year 2026.

The following table provides a recent history of the number of returns claiming the credit and the amounts claimed by tax year.

Excess Insurance Premium Tax Credit History

Fiscal Year	Returns	Total Amount	Amount Per Return
FY 2019-20	2,365	\$2,387,107	\$1,009
FY 2020-21	2,229	\$2,153,791	\$966
FY 2021-22	2,152	\$2,546,378	\$1,183
FY 2022-24	2,079	\$2,172,126	\$1,045
FY 2023-24	2,074	\$2,231,083	\$1,076
Annual Average	2,180	\$2,298,097	\$1,054

Source: SC Department of Revenue Annual Report

DOR previously provided us with a sample of twenty tax forms for this tax credit filed with 2021 tax returns. The sample also included taxpayers with no tax liability who were not able to claim the credit, and taxpayers with carryforward credits only. Based on the sample, about 65 percent of total credits earned in a year are not claimed in the tax year due to a lack of income tax liability but are carried forward instead. Increasing the annual credit limit from \$1,250 to \$3,000 would allow taxpayers to earn a larger credit and claim more in the year earned if they have a sufficient tax liability.

Based on the sample of returns, increasing the maximum tax credit per year from \$1,250 to \$3,000 would increase usage of the tax credit by an estimated 42 percent per year including carryforward credits. Multiplying the annual average total credits reported currently of approximately \$2,298,000 by 42 percent yields an estimated increase of \$965,000 in tax credits used annually, increasing the average per return from \$1,054 to approximately \$1,497. Although this utilization rate is higher than the average across all tax returns for a similar credit level, we anticipate that the returns claiming this credit may be different from the average taxpayer based on the nature of the credit and have used this sample to estimate the impact given that it is based on actual return data. Therefore, increasing the maximum annual excess insurance premium tax credit that can be claimed from \$1,250 to \$3,000 would reduce General Fund individual income tax revenue by an estimated \$965,000 beginning in FY 2026-27. Any unused credit may be carried forward for five tax years, which may increase this amount in future years.

Sales Tax – Section 20

Section 20 of this bill establishes an annual Disaster Preparedness Sales Tax Holiday to initially be held from Friday May 2, 2026, through Sunday, May 4, 2026. In subsequent years, the sales tax holiday would be held from Friday through Sunday on the last full weekend in April. The bill specifies that emergency supply items listed in the bill that sell for \$60 or less are exempt from sales tax. These items include a variety of supplies such as batteries, phone chargers, radios, and other items. In addition, portable generators and power cords are exempt from sales tax up to the first \$1,000 of the sales price. The bill specifies that items normally sold in pairs or packages may not be separated to qualify for the exemption.

In order to estimate the impact of the sales tax holiday, RFA reviewed the impact of a similar sales tax holiday in Alabama. Based on the 2024 Alabama Tax Expenditures Report, published by the Alabama Legislative Services Agency, the same items exempt from a 4 percent sales tax

reduced Alabama sales tax revenue by approximately \$3,247,000 during the state’s Severe Weather Preparedness Sales Tax Holiday, which is held from Friday through Sunday during the last full weekend in February.¹ Using these figures, gross sales for these tax-exempt items totaled approximately \$81,175,000.

The sales tax holiday in Alabama includes different sale price limits than the limits in this bill. Items subject to the \$60 price limit in this bill are subject to a \$94 price limit in Alabama, and portable generators and power cords are subject to a price limit of \$1,564 or less in Alabama. Overall, the price limits are approximately 64 percent of the prices allowed in Alabama. In addition, South Carolina’s population is approximately 1.06 times the size of the population of Alabama. Adjusting the estimated \$81,175,000 in gross sales to account for the 64 percent difference in the price limits and the population difference results in an estimated \$55,087,000 in gross sales that would potentially be exempted in South Carolina in 2024. After applying growth based on inflation from 2024 to 2026, we estimate gross sales of exempt items will be approximately \$59,554,000 in FY 2026-27. Applying the 6 percent sales tax rate to the fiscal year total yields approximately \$3,574,000 in exempt state sales tax revenue in FY 2026-27. Of the exempt state sales tax revenue, General Fund revenue would be reduced by \$2,382,000, EIA revenue would be reduced by \$596,000, and HEX revenue would be reduced by \$596,000 in FY 2026-27.

State Revenue Summary

In summary, this bill will reduce total General Fund revenue by \$14,056,000, EIA revenue by \$596,000, and HEX revenue by \$596,000 beginning in FY 2026-27. The insurance premium tax revenue transferred from the General Fund to the SC Safe Home program would increase the Other Funds of the program by a corresponding \$10,316,000 beginning in FY 2026-27. These figures are detailed below by section.

Total State Revenue Impact by Fund – FY 2026-27

	General Fund	EIA Fund	HEX Fund	Other Funds
SC Safe Home Insurance Tax (Section 13)	(\$10,316,000)	\$0	0	\$10,316,000
Individual Income Tax - Total	(\$1,358,000)	\$0	\$0	\$0
<i>Catastrophe Savings Account Deduction (Section 18)</i>	<i>(\$374,000)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
<i>Residential Retrofit Credit (Section 19)</i>	<i>(\$19,000)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
<i>Excess Insurance Premium Tax Credit (Section 21)</i>	<i>(\$965,000)</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
Sales Tax Holiday (Section 20)	(\$2,382,000)	(\$596,000)	(\$596,000)	\$0
Total State Revenue Impact	(\$14,056,000)	(\$596,000)	(\$596,000)	\$10,316,000

¹ State of Alabama Legislative Services Agency, *Tax Expenditures 2024 Edition*, p. 32, Retrieved December 30, 2025, <https://alison.legislature.state.al.us/files/pdf/lisa/Fiscal/TaxExpenditure/ExpendReport2024.pdf>.

Further, the bill may impact total premiums tax revenue if the provisions result in a change in the insurance premiums that are charged. However, the potential change may occur over time as insurance companies adjust to the changes in the bill. Therefore, the overall impact on premiums tax revenue is undetermined.

Lastly, Judicial anticipates that the bill may increase the number of civil or criminal cases that are filed, which may result in a change to court fines and fees. Court fines and fees are distributed to the General Fund, Other Funds, and local funds. Therefore, this bill may result in an increase to the General Fund and Other Funds, depending upon the increase in the number of new cases filed and corresponding increase in court fines and fees.

Local Expenditure

N/A

Local Revenue

This bill would also reduce local sales tax revenue due to the Disaster Preparedness Sales Tax Holiday. Based upon the analysis included under the State Revenue section and applying an average local tax rate of 1.58 percent, local sales tax revenue would be reduced by approximately \$941,000 in FY 2026-27. The impact on each local jurisdiction will depend on the local option sales taxes in effect for the various entities. Please note that given the limited information available, the actual impact may vary from these estimates.

As noted above, Judicial anticipates the bill may increase the number of civil or criminal cases that are filed, which may result in a change to court fines and fees. Court fines and fees are distributed to the General Fund, Other Funds, and local funds. Therefore, this bill may result in an increase to local funds, depending upon the increase in the number of new cases filed and corresponding increase in court fines and fees.



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