



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

[WWW.RFA.SC.GOV](http://WWW.RFA.SC.GOV) • (803)734-3793

*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.*

---

<b>Bill Number:</b>	H. 5006	Amended by House Ways and Means Economic Development Budget Subcommittee on January 28, 2026
<b>Subject:</b>	Taxes	
<b>Requestor:</b>	House Ways and Means	
<b>RFA Analyst(s):</b>	Miller and Jolliff	
<b>Impact Date:</b>	January 30, 2026	

---

### Fiscal Impact Summary

This bill establishes a property tax exemption for the first \$10,000 of the net depreciated value of business personal property (BPP) owned by a small business and provides a definition for small business. A taxpayer is not required to pay BPP taxes if he has less than \$10,000 of net depreciated value of BPP and annually certifies to the Department of Revenue (DOR) that he has less than \$10,000 of net depreciated value of BPP. This bill requires all BPP returns be filed with DOR. This exemption and filing requirements apply beginning in property tax year 2027.

Further, this bill provides a corporate license fee exclusion for the first \$50,000,000 of capital stock and paid-in or capital surplus of a qualifying corporation whose corporate headquarters is in South Carolina if the investment is from a qualifying venture capital fund, angel or accredited investor, or private investment firm. The exclusion is first applicable in the tax year beginning after July 1, 2026.

DOR anticipates this bill will have no expenditure impact, as the agency anticipates being able to manage the responsibilities of this bill within existing processes and procedures.

The bill will reduce General Fund corporate license fee revenue by approximately \$869,000 in FY 2026-27 for one half of the annual estimate, and \$1,737,000 in FY 2027-28 and thereafter for the full tax year.

A \$10,000 BPP property tax exemption for small businesses beginning in tax year 2027 would reduce local property taxes by approximately \$9,080,000 in tax year 2027. Please note, however, given the data limitations, these estimates may be impacted if the actual distribution varies from the assumptions outlined in the Local Revenue section below.

Additionally, we contacted all counties in the state and the Municipal Association of South Carolina (MASC) and received responses from the counties of Barnwell, Beaufort, Chester, Fairfield, Florence, Lancaster, and Richland and MASC. All responding counties and MASC anticipate this bill will result in a decrease of local property tax revenue, but no responses included an anticipated expenditure impact. Richland County anticipates increasing millage rates to offset the decrease in property tax revenue due to this bill. Also, in addition to the property tax revenue decrease, Beaufort County expressed concern that transferring reporting of all BPP

returns to DOR may result in a decrease in local business license revenue of \$646,000 from BPP rental companies as the BPP returns that are used to assess the business license fee currently will no longer be reported to the county.

## **Explanation of Fiscal Impact**

**Amended by House Ways and Means Economic Development Budget Subcommittee on January 28, 2026**

### **State Expenditure**

This bill establishes a property tax exemption for the first \$10,000 of the net depreciated value of BPP owned by a small business and provides a definition for small business. A taxpayer is not required to pay BPP taxes if he has less than \$10,000 of net depreciated value of BPP and annually certifies to DOR that he has less than \$10,000 of net depreciated value of BPP. This bill also requires all BPP returns be filed with DOR. This exemption and filing requirements apply beginning in property tax year 2027.

Currently, BPP returns for the counties of Allendale, Barnwell, Berkely, Charleston, Hampton, Horry, Jasper, Marlboro, Orangeburg, and Richland are reported partially to DOR and partially to the county; BPP returns for all other counties are filed solely to DOR. To note, as of tax year 2026, BPP returns for the counties of Allendale, Berkely, Hampton, and Marlboro will be filed solely though DOR.

Further, this bill provides a corporate license fee exclusion for the first \$50,000,000 of capital stock and paid-in or capital surplus of a qualifying corporation. The bill requires the corporation to obtain a certificate from the South Carolina Research Authority certifying that the excluded investments are from a qualifying entity that meets the definitions provided for a venture capital fund, angel or accredited investor, or a private investment firm. The corporation must submit an annual report to DOR that contains the name of each qualifying entity, the date of the contribution, the manner in which the entity meets one of the qualifications, the amount of the contribution for each year attributable to each entity, and any other information that DOR may require.

DOR anticipates the need to make website updates and form and system changes to meet the requirements of this bill. The agency indicated that these changes can be managed within current processes and procedures. Therefore, this bill will have no expenditure impact for DOR.

### **State Revenue**

This bill excludes the first \$50,000,000 of capital stock and paid-in capital surplus from the corporate license fee for companies whose corporate headquarters is in South Carolina if the contribution is from a qualifying investment entity. Under current law, companies are assessed a corporate license fee of \$15 plus \$1 for each \$1,000 of capital stock and paid-in or capital surplus. The minimum fee is \$25.

In order to qualify for the corporate license fee exclusion, the equity contribution must be from a qualifying entity defined as:

- A venture capital fund defined in 17 CFR § 275.203(l)-1,
- An angel or accredited investor as defined in 17 CFR § 230.501, and
- A private investment firm that does not solicit capital from investors, excluding another qualifying entity, or the general public and meets one of the exemptions outlined in the Investment Company Act of 1940.

The South Carolina Research Authority provided data from PitchBook, a financial data and software company, regarding the number of qualifying capital investments and the amount of capital invested in South Carolina companies each year from 2010 to 2023 and data for 2024 through October. The table below provides these figures and the estimated new corporate license fees generated annually by the investments.

**Estimated Annual Qualifying Investments and Applicable Corporate License Fees**

<b>Calendar Year</b>	<b>Number of Companies</b>	<b>New Capital Invested Per Year - (\$ Millions)</b>	<b>Estimated Current Corporate License Fee for New Investments</b>
2010	26	\$113.0	\$113,000
2011	20	\$46.6	\$47,000
2012	28	\$80.9	\$81,000
2013	32	\$95.9	\$96,000
2014	55	\$182.3	\$183,000
2015	53	\$137.1	\$138,000
2016	48	\$75.0	\$76,000
2017	51	\$164.4	\$165,000
2018	54	\$177.0	\$178,000
2019	28	\$169.3	\$170,000
2020	46	\$118.1	\$119,000
2021	91	\$340.0	\$341,000
2022	107	\$627.0	\$629,000
2023	68	\$137.0	\$138,000
2024 (est.)	54	\$154.8	\$156,000
<b>Total</b>	<b>761</b>	<b>\$2,618.5</b>	<b>\$2,630,000</b>
<b>Annual Average</b>	<b>51</b>	<b>\$176.0</b>	<b>\$175,000</b>

Source: PitchBook via S.C. Research Authority; 2024 estimated by Revenue and Fiscal Affairs based on data through October; Figures may not add to totals due to rounding

Based on historical figures, the amount of each investment ranges in value widely, but few reach \$50,000,000. As shown in the table above, new investments totaled approximately \$176 million annually for 51 companies on average. The annual additional fee revenue for these investments totals approximately \$175,000 per year. These data suggest that almost all the qualifying investments reported would be fully excluded from the corporate license fee under this bill.

The qualifying investments since 2010 include companies that are no longer in business. Estimates for the percentage of venture capital investments that are not successful vary widely depending on how success is measured. An article published by the Wall Street Journal in 2012 reported that the National Venture Capital Association estimates a failure range of 20 to 30 percent. Comparatively, on the high end, a Harvard Business School lecturer, Shikar Ghosh, estimates that 75 percent of U.S. venture capital investment start-ups do not return investors' capital. The article also states: "the common rule of thumb is that of ten start-ups, only three or four fail completely. Another three or four return the original investment, and one or two produce substantial returns."

Based upon this range, we would estimate that approximately 50 percent of total investments over the last 20 years are no longer active due to failures, buy-outs, or other events. If we assume that approximately \$176 million has been invested annually for 20 years by an average of 51 companies, original investments total approximately \$3.52 billion for 1,020 companies. If 50 percent of those investments are no longer a part of an active corporation's capital, approximately \$1.76 billion remains in active capital investments for 510 companies.

We assume that the full \$1.76 billion in investments will be excluded from the corporate license fee under this bill for a fee reduction of \$1,750,000. However, we expect that these 510 companies will still pay the \$25 minimum fee, for a total of approximately \$13,000. Under these assumptions, this bill will reduce General Fund corporate license fee revenue by a net of approximately \$1,737,000 annually.

The exclusion is applicable for the tax year beginning after July 1, 2026. For most corporations, we anticipate that this exclusion will first apply beginning with tax year 2027 and will largely affect filings in FY 2027-28, assuming most corporations have a January 1 tax year start date. However, some corporations may claim the exclusion earlier if they have a different tax year. Under this assumption, the bill will reduce General Fund corporate license fee revenue by approximately \$869,000 in FY 2026-27 for one half of the annual estimate, and \$1,737,000 in FY 2027-28 and thereafter for the full tax year. Based upon the current forecast for FY 2026-27, the annual impact for a full year is less than 1 percent of total corporate license fee revenue.

### **Local Expenditure**

This bill establishes a property tax exemption for the first \$10,000 of the net depreciated value of BPP owned by a small business and provides a definition for small business. A taxpayer is not required to pay BPP taxes if he has less than \$10,000 of net depreciated value of BPP and annually certifies to DOR that he has less than \$10,000 of net depreciated value of BPP. This bill requires all BPP returns be returned to DOR. This exemption and filing requirements apply beginning in property tax year 2027.

For information, in tax year 2025, BPP returns for the counties of Allendale, Barnwell, Berkely, Charleston, Hampton, Horry, Jasper, Marlboro, Orangeburg, and Richland are reported partially to DOR and partially to the county. As of tax year 2026, BPP returns for the counties of Allendale, Berkely, Hampton, and Marlboro will be filed solely through DOR.

We contacted all counties in the state to determine the local expenditure impact of this bill and received responses from the counties of Barnwell, Beaufort, Chester, Fairfield, Florence, Lancaster, and Richland. No responding county noted a local expenditure impact due to this bill.

### **Local Revenue**

This bill establishes a property tax exemption for the first \$10,000 of the net depreciated value of BPP owned by a small business. Small business is defined as a commercial retail service, industry entity, or nonprofit corporation, including affiliates, that: (a) the business' ownership is comprised of taxpayers who pay income taxes in this State; (b) is independently owned and operated; and (c) employs fewer than one hundred full-time employees or has gross annual sales of less than ten million dollars. Additionally, a taxpayer is not required to pay BPP taxes if he has less than \$10,000 of net depreciated value of BPP and annually certifies to DOR that he has less than \$10,000 of net depreciated value of BPP. This bill also requires all BPP returns be returned to DOR. This exemption and filing requirements apply beginning in property tax year 2027.

Based on information provided by DOR regarding the entities that will qualify for the exemption, BPP may encompass property that is reported on a BPP tax return (form PT – 100) to DOR or counties, but it may also be reported by manufacturers and utilities on other returns. Therefore, we have included BPP included on a BPP return and personal property owned by manufacturers and utilities in our estimates.

Our analysis is based on BPP tax data for tax year 2025 provided by DOR. These data include manufacturing BPP data by county, thirty-five counties' BPP as reported on form PT – 100 reported solely through DOR, and DOR's 2026 Preliminary Index of Taxpaying Ability. BPP returns for the counties of Allendale, Barnwell, Berkely, Charleston, Hampton, Horry, Jasper, Marlboro, Orangeburg, and Richland are reported partially to DOR and partially to the county. DOR was able to provide more detailed data for those counties whose BPP was reported solely to DOR. We assume that the counties reported solely to DOR are a representative sample of all counties and based our estimates on this assumption. Additionally, we anticipate an annual growth rate in BPP values of approximately 5.9 percent annually from tax year 2025 to tax year 2027 based on historical growth rates for BPP assessed values.

Please note, based on conversations with DOR, this exemption would be administered based on location rather than by BPP return. Currently, a business files one BPP return that may include multiple locations. However, DOR anticipates this exemption would need to be administered by location, as one BPP return may include net depreciated values for locations in different counties. Therefore, DOR provided the data by location rather than as a total amount per return, and our estimates are based on this information.

Additionally, our estimates are based on an estimated overall millage rate for each county including all millage for the county, school district(s), municipalities, and special purpose districts in the county. These estimated millage rates are based on two data sources for homestead exempt properties provided by DOR for tax year 2022. These two sources represent all local millage for the homestead exempt property distributed around the state, and therefore,

we feel these sources provide a representative sample for this estimate. This is the same methodology used to estimate the average statewide millage rate for other property tax purposes. We also applied an annual growth rate of 0.43 percent to the millage rates based on historical experience. As local governments have discretion in setting millage rates, the actual rates may vary.

Further, limited data are available to identify the number of small businesses that will meet the requirements to qualify for the exemption and their associated BPP. To apply this exemption only to small businesses, we focused on businesses with annual revenues of less than \$10 million. According to data published by the Internal Revenue Service, approximately 97 percent of corporations report total business receipts of less than \$10 million, but these corporations own only 6.3 percent of total assets.<sup>1</sup> For purposes of this analysis, we assume that BPP ownership aligns with total assets, and therefore, 6.3 percent of BPP assessed value is attributable to small businesses within South Carolina.

After applying this 6.3 percent factor, a \$10,000 BPP property tax exemption for small businesses beginning in tax year 2027 would reduce local property taxes by approximately \$9,080,000 in tax year 2027. Please note, however, given the data limitations, these estimates may be impacted if the actual distribution varies from these assumptions.

The following table displays the estimated total property tax reduction for a \$10,000 BPP exemption for small businesses by county for tax year 2027. The impact by county may vary depending on the make-up of businesses in each county. We anticipate that local governments would increase millage rates overall to offset this reduction in property tax revenue to the extent allowed by the millage rate increase limitation.

**Estimated Small Business \$10,000 Exemption Property Tax Decrease – Tax Year 2027**

<b>County</b>	<b>BPP (Form PT-100)</b>	<b>Manufacturing BPP</b>	<b>Utilities BPP</b>	<b>Total</b>
Abbeville	\$9,000	\$15,200	\$16,000	\$40,200
Aiken	\$71,000	\$54,200	\$55,700	\$180,900
Allendale	\$3,000	\$78,400	\$29,900	\$111,300
Anderson	\$89,000	\$66,300	\$63,100	\$218,400
Bamberg	\$27,000	\$26,100	\$53,300	\$106,400
Barnwell	\$8,000	\$23,800	\$32,300	\$64,100
Beaufort	\$100,000	\$5,400	\$52,100	\$157,500
Berkeley	\$70,000	\$109,500	\$145,000	\$324,500
Calhoun	\$9,000	\$29,000	\$23,100	\$61,100
Charleston	\$243,000	\$90,700	\$258,500	\$592,200
Cherokee	\$38,000	\$49,600	\$37,800	\$125,400

<sup>1</sup> Internal Revenue Service, 2020 Statistics of Income, Corporation Income Tax Returns, Complete Report (Publication 16), Table 3.1, Retrieved November 21, 2025, <https://www.irs.gov/pub/irs-pdf/p16.pdf>

Chester	\$25,000	\$48,300	\$24,300	\$97,600
Chesterfield	\$18,000	\$64,300	\$28,000	\$110,300
Clarendon	\$17,000	\$19,200	\$42,500	\$78,700
Colleton	\$22,000	\$10,100	\$28,200	\$60,300
Darlington	\$33,000	\$63,700	\$187,300	\$284,000
Dillon	\$18,000	\$4,000	\$7,900	\$29,900
Dorchester	\$88,000	\$81,000	\$67,200	\$236,200
Edgefield	\$20,000	\$25,700	\$22,800	\$68,500
Fairfield	\$16,000	\$24,400	\$304,200	\$344,600
Florence	\$82,000	\$80,000	\$49,300	\$211,300
Georgetown	\$35,000	\$42,100	\$12,200	\$89,300
Greenville	\$262,000	\$216,800	\$129,700	\$608,500
Greenwood	\$34,000	\$43,600	\$37,000	\$114,600
Hampton	\$13,000	\$35,500	\$70,300	\$118,800
Horry	\$108,000	\$22,700	\$44,600	\$175,300
Jasper	\$29,000	\$4,700	\$25,100	\$58,800
Kershaw	\$37,000	\$41,300	\$29,500	\$107,800
Lancaster	\$41,000	\$68,400	\$85,400	\$194,800
Laurens	\$28,000	\$68,000	\$106,600	\$202,600
Lee	\$9,000	\$9,500	\$9,600	\$28,100
Lexington*	\$187,000	\$141,600	\$191,800	\$520,400
Marion	\$19,000	\$14,400	\$26,700	\$60,100
Marlboro	\$9,000	\$57,800	\$28,700	\$95,500
McCormick	\$3,000	\$400	\$10,600	\$14,000
Newberry	\$22,000	\$48,200	\$29,500	\$99,700
Oconee	\$27,000	\$38,400	\$366,300	\$431,700
Orangeburg	\$38,000	\$297,400	\$252,800	\$588,200
Pickens	\$38,000	\$24,900	\$39,200	\$102,100
Richland	\$300,000	\$134,500	\$178,000	\$612,500
Saluda	\$10,000	\$58,500	\$36,800	\$105,300
Spartanburg	\$200,000	\$202,700	\$67,900	\$470,600
Sumter	\$51,000	\$57,300	\$58,700	\$167,000
Union	\$23,000	\$38,400	\$30,200	\$91,600
Williamsburg	\$17,000	\$28,900	\$71,400	\$117,300
York	\$145,000	\$75,400	\$181,800	\$402,200
<b>Total</b>	<b>\$2,691,000</b>	<b>\$2,740,000</b>	<b>\$3,649,000</b>	<b>\$9,080,000</b>

Source: Department of Revenue; calculation by Revenue and Fiscal Affairs

\*Lexington/Richland 5 School District included in Lexington County

Figures may not add to totals due to rounding.

Additionally, we contacted all counties in the state and MASC and received responses from the counties of Barnwell, Beaufort, Chester, Florence, Lancaster, and Richland and MASC. All responding counties and MASC anticipate this bill will result in a decrease in local property tax revenue. Richland County anticipates increasing millage rates to offset the decrease in property tax revenue due to this bill. Also, in addition to the property tax revenue decrease, Beaufort County expressed concern that transferring reporting of all BPP returns to DOR may result in a decrease in local business license revenue of \$646,000 for BPP rental companies as the BPP returns that are used to assess the license fee currently will no longer be submitted to the county.



Frank A. Rainwater, Executive Director