



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

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.

Bill Number: S. 0788 Introduced on January 13, 2026
Subject: Artificial Intelligence and Therapy or Psychotherapy
Requestor: Senate Labor, Commerce, and Industry
RFA Analyst(s): Welsh
Impact Date: April 6, 2026

Fiscal Impact Summary

This bill adds definitions related to the regulation of artificial intelligence (AI) in therapy and psychotherapy services. This bill also limits the use of AI in therapy and psychotherapy services to administrative or limited support functions under the supervision of a licensed professional after first obtaining informed consent and written authorization. Additionally, this bill prohibits licensed professionals from allowing AI to make independent therapeutic decisions, directly interact with clients, generate recommendations or treatment plans without review by the licensed professional, or to detect emotions or mental states. Further, this bill allows investigations and the issuance of civil penalties up to \$10,000 for each violation.

The Department of Labor, Licensing, and Regulation (LLR) anticipates this bill will have no expenditure impact as the agency can manage any additional responsibilities due to this bill with existing staff and within existing appropriations.

This bill may result in an increase in revenue from fines collected by LLR since it allows the issuance of fines up to \$10,000 for each individual violation of the provisions of the bill. Pursuant to Section 40-1-180, revenue associated with fines is allocated to Other Funds of LLR and must be used to defray costs associated with hearings and investigation. Therefore, the Revenue and Fiscal Affairs Office (RFA) anticipates this bill may result in an increase in LLR's Other Funds revenue. However, as the number of violations that will occur and amount of penalties assessed is unknown, the increase to Other Funds revenue is undetermined.

Explanation of Fiscal Impact

Introduced on January 13, 2026

State Expenditure

This bill adds definitions related to the regulation of AI in therapy and psychotherapy services. This bill also limits the use of AI in therapy and psychotherapy services to administrative or limited support functions under the supervision of a licensed professional after first obtaining informed consent and written authorization. Additionally, this bill prohibits licensed professionals from allowing AI to make independent therapeutic decisions, directly interact with clients, generate recommendations or treatment plans without review by the licensed professional, or to detect emotions or mental states. Further, this bill allows investigations and the issuance of civil penalties up to \$10,000 for each violation.

LLR anticipates this bill will have no expenditure impact as the agency can manage any additional responsibilities due to this bill with existing staff and within existing appropriations.

State Revenue

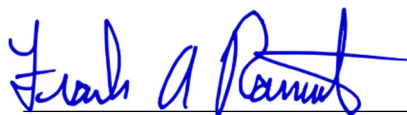
This bill allows the issuance of fines up to \$10,000 for each individual violation of its provisions and may result in an increase in revenue from fines collected by LLR. Pursuant to Section 40-1-180, revenue associated with fines is allocated to Other Funds of LLR and must be used to defray costs associated with hearings and investigation. Therefore, RFA anticipates this bill may result in an increase in LLR's Other Funds revenue. However, as the number of violations that will occur and amount of penalties assessed is unknown, the increase to Other Funds revenue is undetermined.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director