

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: January 11, 2010 **Bill Number:** H.B. 4249

Author: Gunn

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend Section 12-6-3385, as amended, of the Code of Laws of South Carolina, 1976, relating to refundable state individual income tax credits for tuition payments, so as to increase the amount of credit for tuition to four-year institutions to one thousand six hundred fifty dollars and to increase the amount of credit for tuition to two-year institutions to six hundred fifty dollars.

REVENUE IMPACT ^{1/}

This bill would reduce net General Fund individual income tax revenue by an estimated \$6,523,798 in FY2010-11.

Explanation

This bill would amend Section 12-6-3385 to increase the college tuition tax credit for students attending four-year institutions of higher learning from the current \$850 per academic year to \$1,650 per academic year, and for students attending two-year institutions of higher learning from the current \$350 per academic year to \$650 per academic year in South Carolina. Pursuant to Section 12-6-3385 of the SC Code of Laws, a taxpayer is allowed a refundable income tax credit equal to 25% of in-state tuition paid to an institution of higher learning in South Carolina, not to exceed \$850 for attending a four-year school and not to exceed \$350 for attending a two-year school. According to the Department of Revenue, an average of 8,568 taxpayers have claimed an average of \$5,548,922 in tax credits each year between tax year 2002 and tax year 2007. Based on data from the S.C. Commission on Higher Education, the S.C. Department of Education, and the U.S. Department of Education, National Center for Education Statistics, enrollment in the state's four-year and two-year institutions of higher learning has increased an average 2.2% over the latest ten school years. Applying 9,146 claimants by tax credits of \$1,650 for 4-year schools and \$650 for 2-year schools, and adjusting for part-time students, yields a total reduction in General Fund individual income tax revenue of an estimated \$12,072,720 in FY2010-11. After accounting for the claiming of an average \$5,548,922 that would have occurred in the absence of this proposal, net General Fund individual income tax revenue would be reduced by an estimated \$6,523,798 in FY2010-11.

/s/ WILLIAM C. GILLESPIE, PH.D.

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Chief Economist

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.