

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: March 2, 2010 (As amended February 25, 2010 by the House of Representatives)

Bill Number: H.B. 4514

Author: Cooper

Committee Requesting Impact: Senate Finance Committee

Bill Summary

A bill to amend Section 12-44-30, as amended, of the Code of Laws of South Carolina, 1976, relating to the Fee In Lieu of Tax Simplification Act, so as to revise the definition of "termination date"; and to amend Section 12-6-590, as amended, relating to treatment of "S" corporations for tax purposes, so as to provide that a specified amount of income taxes paid by resident and nonresident shareholders of certain "S" corporations must be deposited into a special fund and distributed by the Coordinating Council for Economic Development as grants for public infrastructure improvements, which directly support the projects, and to provide for guidelines to administer the fund and applications for the grants.

REVENUE IMPACT ^{1/}

This amended bill is not expected to affect General Fund individual income tax revenue in FY2010-11.

Explanation of Amendment (February 25, 2010) – By the House of Representatives

This amendment would amend Section 12-6-590, as last amended by Act 116 of 2007, to require that one-half of all income taxes paid by resident and nonresident shareholders of an "S" corporation that makes a capital investment of at least \$500,000,000 at a single site and hires at least 400 new employees must be "engaged in manufacturing". Since this amended bill limits the use of Section 12-6-590 to only manufacturing, we don't expect that current income taxpayers in South Carolina will form a partnership to undertake an investment in manufacturing of this magnitude. These funds, therefore, are not expected to be derived from current income tax collections. The amended bill would not be expected to affect General Fund income tax revenue in FY2010-11.

Explanation of Bill filed February 3, 2010

This bill would amend Section 12-6-590, as last amended by Act 116 of 2007, to require that one-half of all income taxes paid by resident and nonresident shareholders of an "S" corporation that make a capital investment of at least \$500,000,000 at a single site and hire at least 400 new employees must be paid by the State Treasurer to the Coordinating Council for Economic Development (Council). The income taxes are capped at \$5,000,000 each year for a period of five years. The county or municipality where the project is located may apply to the Council for grants from the fund by submitting a grant application. The Council shall determine the amount of monies to be received by each of the eligible counties or municipalities. All monies must be used for public infrastructure improvements which directly support the project. This bill would allow the State Treasurer to transfer up to \$5,000,000 from the General Fund to the Coordinating Council for Economic Development. This bill would reduce General Fund individual income tax revenue an estimated \$5,000,000 in FY2010-11, and each fiscal year thereafter through FY2014-15.

/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.