

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** February 8, 2010 (As amended February 3, 2010 by the Senate Finance Committee)

**Bill Number:** S.B. 1066

**Author:** O'Dell

### **Committee Requesting Impact:** Senate

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#### **Bill Summary**

A bill to amend Chapter 6, Title 12 of the 1976 of the Code of Laws, by adding Section 12-6-3595 to provide a tax credit equal to one hundred percent of an amount contributed to the South Carolina Existing Manufacturers' Retention and Growth Fund, to provide that the credit may not exceed five hundred thousand dollars for a single taxpayer and not to exceed an aggregate of four million dollars for each tax year, and to provide the process and requirements for claiming the credit.

#### **REVENUE IMPACT** <sup>1/</sup>

This amended bill would reduce General Fund individual income tax, corporate income tax, bank tax, license fees, and insurance premium taxes by an estimated \$750,000 in FY2010-11, by \$1,500,000 in FY2011-12, and by \$2,000,000 in FY2012-13 and each year thereafter until FY2016-17.

#### **Explanation of Amendment (February 3, 2010) – By the Senate Finance Committee**

This amendment would strike all after the enacting words and insert the following:

This amended bill would add Section 12-6-3595 to allow a taxpayer to claim a nonrefundable state income tax credit of 100% of the amount contributed to the South Carolina Existing Manufacturers' Retention and Growth Fund at the South Carolina Manufacturing Extension Partnership (SCMEP) up to the following limits:

- (1) a maximum credit of \$150,000 for a single taxpayer, not to exceed an aggregate credit of \$750,000 for all taxpayers for tax year 2010;
- (2) a maximum credit of \$150,000 for a single taxpayer, not to exceed an aggregate credit of \$1,500,000 for all taxpayers for tax year 2011;
- (3) a maximum credit of \$150,000 for a single taxpayer, not to exceed an aggregate credit of \$2,000,000 for all taxpayers beginning after December 31, 2011, and ending before January 1, 2017.

The credit may be claimed against a taxpayer's individual income, corporate income, bank tax, license fees, or insurance premiums taxes, or any combination of them. Any unused credit may be carried forward for ten years after the qualified contribution has been made. If in a tax year when more than the aggregate annual credit limit is contributed, the SCMEP shall establish a priority to those taxpayers that contribute or express an intention of making one or more qualified contributions earlier in the applicable tax year than other taxpayers. The SCMEP shall certify to taxpayers who express a bona fide intention of making one or more qualified contributions as to whether the taxpayer is entitled to that priority. The taxpayer would obtain a receipt of the qualified contribution from SCMEP, and the Department of Revenue may require the form to be attached to the taxpayer's income tax return or be provided to the department. The corporation or partnership may assign its rights to the tax credit and transfer ownership of the unused tax credit if the corporation or partnership is the target of a merger, consolidation, or reorganization into another corporation or partnership. Because these contributions can be applied against a wide array of taxes, the aggregate credit limit of \$2,000,000 for all taxpayers would be obtained. This bill would reduce General Fund income tax, bank tax, license fees, and

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insurance premium taxes by an estimated \$750,000 in FY2010-11, by \$1,500,000 in FY2011-12, and by \$2,000,000 in FY2012-13 and each year thereafter until FY2016-17. This bill would be effective upon approval by the Governor and applies to contributions made between January 1, 2010 and December 31, 2016.

### Explanation of Bill filed January 20, 2010

The South Carolina Manufacturing Extension Partnership (SCMEP) was established in 1989 under the U.S. Department of Commerce's National Institute of Standards and Technology. The program started with regional centers in three states – South Carolina, Ohio, and New York. The mission of these regional centers was to support the transfer of manufacturing technology to improve the productivity and technological capabilities of America's small manufacturers. This bill would add Section 12-6-3595 to allow a taxpayer to claim a nonrefundable state income tax credit of 100% of the amount contributed to the South Carolina Existing Manufacturers' Retention and Growth Fund at the South Carolina Manufacturing Extension Partnership (SCMEP). The tax credit is limited to \$500,000 for a single taxpayer and may not exceed an aggregate credit of \$4,000,000 for all taxpayers for each tax year beginning in tax year 2010. The credit may be claimed against a taxpayer's individual income, corporate income, bank tax, license fees, or insurance premiums taxes, or any combination of them. Any unused credit may be carried forward for ten years after the qualified contribution has been made. If in a tax year when more than the aggregate annual credit limit is contributed, the SCMEP shall establish a priority to those taxpayers that contribute or express an intention of making one or more qualified contributions earlier in the applicable tax year than other taxpayers. The taxpayer would obtain a receipt of the qualified contribution from SCMEP, and the Department of Revenue may require the form to be attached to the taxpayer's income tax return or be provided to the department. The corporation or partnership may assign its rights to the tax credit and transfer ownership of the unused tax credit if the corporation or partnership is the target of a merger, consolidation, or reorganization into another corporation or partnership. Because these contributions can be applied against a wide array of taxes, the aggregate credit limit of \$4,000,000 for all taxpayers would be obtained. This bill would reduce General Fund income tax, bank tax, license fees, and insurance premium taxes by an estimated \$4,000,000 in FY2010-11. This bill would be effective upon approval by the Governor and applies to contributions made after December 31, 2009.

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

William C. Gillespie, Ph.D.  
Chief Economist

**Analyst:** Martin

<sup>1/</sup> 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.