South Carolina Board of Economic Advisors
Statement of Estimated State Revenue Impact

Date: March 25, 2008

Bill Number: S.B. 1217

Authors: Leatherman and Short

Committee Requesting Impact: Senate Finance

Bill Summary
To amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-3685 so as to establish a tax credit against the state's income tax for an employer who provides or sponsors a basic skills education program, provides for qualifications for the program and eligibility for the credit, as determined by the Department of Commerce, the process for claiming the credit, and definitions; to amend Section 12-6-3360, as amended, relating to taxpayers who qualify for an annual job tax credit against the state's income tax, bank tax, or insurance premium tax, so as to provide for designation of each county by the Department of Commerce as a tier one, tier two, or tier three county pursuant to its development factor, to describe and define a qualifying facility, to modify the amounts of the credits for job creation, to specify maintenance of statewide employment to further define terms, and to describe new eligibility for the job tax credit; to amend Section 12-6-3367, relating to the moratorium on taxes for certain companies creating new jobs in the state, and Section 12-6-3470, as amended, relating to the employer income tax credit for hiring a person receiving family independence payments, both so as to conform to the new county designations; to amend Section 12-6-3530, as amended, relating to credit against the state income, bank or insurance premium tax, so as to define qualifications and processes for claiming the credit for amounts donated to a community development corporation and to limit the aggregate amount of the credits; to amend Section 12-10-60, 12-10-80, 12-10-81, 12-10-85, all as amended, and 12-10-90, all relating to the enterprise zone act of 1995 providing for a job development tax credit available to a qualifying business in connection with job creation and minimum investment in accordance with a revitalization agreement with the South Carolina Coordinating Council, so as to conform the provisions to the new county designations; and to repeal Chapter 14 of Title 12 relating to the Economic Impact Zone Community Development Act of 1995 and a tax credit for certain manufacturers making qualified investments.

REVENUE IMPACT [1/]
This bill is expected to reduce General Fund revenues by an estimated $43,560 in FY2009-10. This bill is expected to reduce General Fund revenues by an estimated $452,300 in FY2010-11.

Explanation
The following is a review of sections of the bill related to revenues:

Section 1: This section adds Section 12-6-3685 allowing for an income tax credit equal up to $500 per full-time equivalent student for employers that provide or sponsor approved basic skills education programs to employees. Basic skills education includes enhanced writing, reading, and mathematics up to the twelfth grade level. According to the Department of Commerce, most of the approved basic skills education programs are offered through the school district adult education programs. According to a survey of the adult education programs under the South Carolina Department of Education, an estimated 4,294 students were enrolled in employer-sponsored and employer-provided basic skills education programs in 2007. Applying a $500 maximum credit per student, this section is expected to

reduce General Fund income tax revenue by an estimated $2,147,000 in FY2010-11 as this credit applies to tax years beginning after December 31, 2009.

Section 2: This section amends Section 12-6-3360 by reducing the jobs tax credit county designations from five tiers to three tiers and amends the methodology of ranking counties and the associated credit amounts. According to the Department of Commerce, an annual average of 14,152 new jobs was created in South Carolina from 2005 to 2007. Under the provisions of the bill, if the same number of new jobs is created in 2010, the BEA estimates that General Fund income tax revenues will be reduced by $149,300 in FY2010-11 as this credit applies to tax years beginning on or after January 1, 2009 and is applicable one year after a job is created.

Sections 3 and 4: These sections amend Sections 12-6-3367 and 12-6-3470 making conforming changes to the new county designations. This section will have no impact on General Fund revenues in FY2009-10.

Section 5: This section amends Section 12-6-3530 adding contribution of property to community development corporations (CDCs) and community development financial institutions (CDFIs) as eligible for a thirty-three percent income tax credit outlined in this section. Based upon a survey of certified CDCs and CDFIs, the BEA estimates that $132,000 worth of eligible property will be donated to CDCs and CDFIs in 2009. Applying thirty-three percent to the total estimated amount of contributed property, this section is expected to reduce General Fund income tax revenues by $43,560 in FY2009-10.

Section 6: This section amends Section 12-10-80(D)(1) by making conforming changes to the county designations used in determining the limit of job development credit that may be claimed by a qualifying business. Based upon 2007 job development credits data provided by the Department of Commerce, the BEA estimates that this section will have no impact on General Fund revenues in FY2009-10. The changes in county designations will shift $1,260,626 of job development credits to the State Rural Infrastructure Fund in FY2009-10.

Section 7: This section repeals Chapter 14 of Title 12, the Economic Impact Zone Community Development Act, as of January 1, 2010. Based upon a list of Economic Impact Zone credits claimed in FY2005-06 provided by the Department of Revenue, the BEA estimates that the repeal of the Economic Impact Zone Community Development Act will increase General Fund corporate income tax revenues by $1,844,000 in FY2010-11.

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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.