

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

---

**Date:** April 21, 2010 (As amended April 15, 2010 by the House Ways & Means Committee)

**Bill Number:** S.B. 728

**Authors:** Hayes, Fair, and Ford

**Committee Requesting Impact:** House of Representatives

---

### **Bill Summary**

A bill to amend Section 12-65-30, of the Code of Laws of South Carolina, 1976, relating to the entitlement to tax credits under the Textiles Communities Revitalization Act, so as to further provide for the applicability of specific requirements for textile mill sites acquired before and after 2007, to revise the allowable amount of the credits in certain instances, to provide that the tax credits allowed include credits against insurance premium taxes, to make a technical correction, and to further provide for the manner in which these credits are vested in a taxpayer and may be allocated to partners or members; by adding Section 12-65-50 so as to provide transition rules applicable to specific mill sites; and by adding Section 12-65-60 so as to further provide for the eligibility certification process.

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

This bill is expected to reduce General Fund insurance premium taxes an estimated \$57,692 in FY2010-11.

### **Explanation of Amendment (April 15, 2010) – By the House Ways & Means Committee**

This amendment would add Section 12-65-20(3) to amend the definition of a qualified “textile mill” to mean a facility or facilities that were “initially” used for textile manufacturing instead of a facility or facilities that were “last” used for textile manufacturing. This amendment would increase the number of available textile mills that would qualify for the rehabilitation credit. Also, Section 12-65-30(D) would be amended to not allow a taxpayer to claim a textile rehabilitation credit if the facility has previously received textile mill credits. This amendment would not allow for the transfer of textile mill credits between taxpayers and would limit the amount of tax credits claimed on the same structure. These amendments, on balance, are not expected to affect General Fund revenue in FY2010-11.

### **Explanation of Bill filed April 21, 2009**

Enacted in 2005, the textile rehabilitation credits allow a taxpayer an income/license tax credit or property tax credit for the renovation, improvement, and redevelopment of abandoned textile mills in South Carolina. This bill amends Chapter 65 of Title 12 to allow a taxpayer that rehabilitates a textile mill site to apply a credit for qualified rehabilitation costs against insurance premium taxes imposed by Chapter 7, Title 38. The income or license tax credit is equal to twenty-five percent of the qualified rehabilitation expenses. The real property tax credit is equal to twenty-five percent of the qualified rehabilitation expenses made to the eligible site up to seventy-five percent of the real property taxes due on the site

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

---

each year. According to the latest figures from the Department of Revenue, nearly \$1,500,000 of credits were claimed by 52 tax filers in FY2006-07. This was an average of \$28,846 per taxpayer during the latest year for which these data are available. Many of these rehabilitated textile mills have been converted into specialized textile operations, retail shopping areas, and even service-related businesses. The expansion of the application of the credit against insurance premium and license taxes increases the total pool of available taxes to which the credit can be applied. It is reasonable to expect that with the expansion of the available tax base, the credit will continue to be claimed at its historical level. Applying an average credit amount of \$28,846 per tax filer for two tax filers yields an estimated reduction of General Fund insurance premium taxes of \$57,692 in FY2009-10.

/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.