

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: March 1, 2011

Bill Number: H.B. 3346

Author: Loftis, Limehouse, Corbin, Ballentine, Atwater, et al

Committee Requesting Impact: House Ways and Means

Bill Summary

To amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-3586 so as to allow a state tax credit for the installation of solar energy equipment in an amount equal to thirty-five percent of the amounts for specific installations and for specific purposes, to define solar energy equipment, to provide for the timing of credits and the carry forward of unused credits, to provide those taxes against which this credit is allowed, and to prohibit double credits.

REVENUE IMPACT ^{1/}


This bill would reduce General Fund income tax revenue by \$1,271,000 in FY2011-12.

Explanation

This bill would add Section 12-6-3586 granting a tax credit equal to thirty-five percent of the costs of solar energy equipment used for water heating, space heating or cooling, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat placed into service by a taxpayer. 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. This bill also provides ceilings on the amount of credit that can be claimed per installation. For solar energy equipment placed into service for residential purposes, the ceilings range from \$1,400 to \$10,500 based upon the purpose of the solar energy equipment. For solar energy systems placed into service for any purpose except residential, the ceiling amount equals \$2,500,000 and must be taken in five equal annual installments. Any unused credits may be carried forward for taxable years six through fifteen succeeding the year the equipment was placed into service. The tax credit may not exceed one-half of a taxpayer's tax liability for a taxable year. Currently, Section 12-6-3587 allows an income tax credit equal to twenty-five percent for not only the costs of purchasing certain solar energy system, but also allows the income tax credit to be applied to installation costs. The income tax credit pursuant to Section 12-6-3587 is capped at \$3,500 per facility. According to a database of solar installations in South Carolina compiled by the South Carolina Energy Office, nearly 400 residential solar heating and photovoltaic systems, or an average of 100 solar energy systems per year, were installed in South Carolina between 2007 and 2010. Based upon an analysis of the solar installations in South Carolina using estimated costs of solar energy equipment, it is estimated that twenty-five percent of taxpayers that install solar energy equipment would benefit more from the thirty-five percent income tax credit allowed under this bill than the existing twenty-five percent income tax credit. According to the Department of Revenue, 100 taxpayers claimed the solar energy tax

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

credit for a total of \$208,930 in credits, or approximately \$2,100 per taxpayer, in 2009. If the same number of taxpayers claims the solar energy credit in 2012, and twenty-five percent of those taxpayers claim the thirty-five percent tax credit under this bill instead of the existing twenty-five percent income tax credit, the amount of credits claimed is expected to increase by \$21,000. Also, based upon the actual number of commercial firms that claimed an identical solar energy equipment tax credit in North Carolina, we anticipate that five commercial taxpayers will place into service solar energy equipment in South Carolina in FY2011-12, for a total of \$12,500,000 in credits. Adjusting for the fact that the tax credit is to be taken in five equal annual installments and applying a fifty percent tax liability limitation, it is estimated that this bill would reduce state General Fund income tax, bank tax, license fees, and insurance premium tax revenue by an estimated \$1,250,000 in FY2011-12 for commercial installations. In total, we estimate that this bill will reduce General Fund by an estimated \$1,271,000 in FY2011-12.


William C. Gillespie, Ph.D.
Chief Economist

Analyst: Ball

^{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.