

Statement of Estimated State Revenue Impact

Date: April 12, 2011

Bill Number: H.B. 3506

Authors: Loftis, Allison, J.R. Smith, White, Bowen, *et. al.*

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend Section 12-6-3360, as amended, of the Code of Laws of South Carolina, 1976, relating to the job tax credit, so as to revise the definition of a "technology intensive facility"; to amend Section 12-20-105, as amended, relating to the tax credit for infrastructure improvements for water, wastewater, hydrogen fuel, sewer, gas, steam, electric energy, and communication services, so as to include certain site preparation costs within the definition of infrastructure improvements which give rise to the credit; and to amend Section 12-44-30, as amended, relating to fees in lieu of taxes, so as to revise the definition of "termination date".

REVENUE IMPACT ^{1/}

This amended bill is expected to reduce state corporate license tax revenue by an estimated \$600,000 in FY2011-12. Also, this bill is expected to reduce state General Fund income taxes by an estimated \$1,617,000 in FY2012-13 and each fiscal year thereafter through FY2016-17.

Explanation of Amendment (March 31, 2011) – By the House Ways & Means Committee

This amendment would strike Section 2 of the bill in its entirety and insert language to allow a qualifying company to claim a credit against its license tax liability for amounts paid in cash to include site preparation costs, but not limited to clearing, grubbing, grading, and stormwater retention. The amendment also adds eligible items to include the "refurbishment of buildings that are owned or controlled by a county or municipality and are used exclusively for economic development purposes". We expect that two firms will meet the amended criterion each fiscal year. This section, therefore, is expected to reduce state corporate license tax revenue by an estimated \$600,000 in FY2011-12.

Explanation of Bill filed January 27, 2011

Section 1. This bill would amend Section 12-6-3360(M)(14) to amend the definition of "technology intensive facility" to include companies engaged in research and development in biotechnology (NAICS code 541711) and research and development in physical, engineering, and life sciences (NAICS code 541712). These companies would be eligible to apply a jobs tax credit and a job development fee for each new job. According to the latest data available from the S.C. Department of Workforce and Employment, there are currently 218 companies employing 2,347 persons in these fields of research. Employment has increased by an annual compound rate of 9.4 percent over the past eight calendar years. It is expected that this pace of new jobs creation in these sectors will continue in FY2011-12, but with this bill, these companies will receive the credit. Multiplying an estimated 462 new jobs by an average job tax credit of \$3,500 per new job created, it is estimated that this section of the bill would reduce ongoing collections of taxes by an estimated \$1,617,000 in FY2012-13

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as this credit is claimed one year after jobs are created. The taxpayer may obtain a credit for those new jobs for five years following the year in which the job is created.

Section 2.

This bill would amend Section 12-20-105(C) to allow a taxpayer that is subject to a corporate license tax to claim a credit against its license tax liability for amounts paid in cash to provide infrastructure for an eligible project. The maximum aggregate credit that may be claimed in any tax year by a single company is \$300,000. This section would allow a qualifying company to include site preparation costs, but are not limited to clearing, grubbing, grading, and stormwater retention. This section would limit the tax credits to projects used exclusively for economic development and is owned or constructed by a county, political subdivision, or agency of this State. We expect that one firm will meet this criterion each fiscal year. This section, therefore, is expected to reduce state corporate license tax revenue by an estimated \$300,000 in FY2011-12.

Section 3.

This bill would amend Section 12-44-30(21) to allow the sponsor of a fee-in-lieu of property tax agreement involving an enhanced investment to apply to the county before the termination date of the fee agreement for an extension of the termination date beyond the thirty-ninth year for up to an additional ten years. Because this decision is left to the county council and this bill does not affect any tax, fee, or license revenue, this section is not expected to affect state General Fund revenue in FY2011-12.

Section 4.

This act takes effect upon approval by the Governor.



William C. Gillespie, Ph.D.
Chief Economist

Analyst: Martin

^{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 of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.