

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** January 31, 2008 (Revised from January 22, 2008 statement)

**Bill Number:** H.B. 4470

**Author:** Harrell, Leach, Cato, Hagood, Hamilton, et al

**Committee Requesting Impact:** House

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### Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-3680 so as to allow a state income tax credit for the purchase, installation, or improvement of a fire sprinkler system and to provide the administration of the credit; to amend Section 5-31-670, relating to municipal and special service district water systems, so as to limit charges for separate lines for fire sprinkler systems to actual costs; to amend Section 12-36-2120, as amended, relating to sales tax exemptions, so as to exempt fire sprinkler systems; to amend Section 12-37-220, as amended, relating to property tax exemptions, so as to allow an exemption from county taxes for five years for the first fifty thousand dollars of the cost of adding to and upgrades of fire sprinkler systems in manufacturing establishments in existence before July 1, 2008; to amend Section 12-37-930, as amended, relating to depreciation allowed in the valuation of manufacturing property for purposes of the property tax, so as to allow a twenty percent annual depreciation for the addition or upgrade of a fire sprinkler systems installed or upgraded in a manufacturing establishment in existence before July 1, 2008, and to allow this cost to be completely depreciated; and to amend Section 23-9-40, relating to the duties of the State Fire Marshal, so as to add authority relating to fire sprinkler systems.

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

This bill is expected to reduce General Fund revenues by \$4,916,825, the EIA fund by \$1,150,000, and the Homestead Exemption for homeowner relief by \$1,150,000 in FY2008-09. This bill is expected to reduce local government revenues by \$27,057 in FY2008-09.

### Explanation

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

**Section 1:** This section would add Section 12-6-3680 allowing a state income tax credit equal to eighty percent of the costs of the purchase, installation, and retrofitting of fire sprinkler systems. Based on data provided by the State Fire Marshal's office, the BEA estimates that the income tax credit is expected to reduce General Fund income tax revenues by \$316,825 in FY2008-09.

**Section 2:** This section would amend Section 5-31-670 stipulating that compensation and charges in excess of actual costs of installing water taps supporting fire sprinkler systems are not to exceed the actual costs of installation. Based upon a survey of local water services indicating that local municipalities have eliminated tap fees, the BEA estimates that this

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stipulation is expected to have no impact on local government revenues in FY2008-09.

**Section 3:** This section would amend Section 12-6-2120 by adding a sales tax exemption on the purchase of fire sprinkler systems. Based upon data provided by the State Fire Marshal's office and the SC Fire Sprinkler Association, the BEA estimates that the sales tax exemption is expected to reduce state sales and use tax revenue by \$6,900,000 in FY2008-09. Of this total sales tax exemption, \$4,600,000 will be a reduction in General Fund revenues, \$1,150,000 will be a reduction in EIA fund revenues, and \$1,150,000 will be a reduction in Homestead Exemption fund revenues for homeowner relief.

**Section 4:** This section would amend Section 12-37-220(B) by adding a county property tax exemption for additions/upgrades costing less than \$50,000 to fire sprinkler systems in manufacturing establishments. Based upon data provided by the State Fire Marshal's office and the SC Fire Sprinkler Association, the BEA estimates that the county property tax exemption is expected to reduce county property tax revenues by \$2,158 in FY2008-09.

**Section 5:** This section would amend Section 12-37-930 by adding an annual allowance of twenty percent for manufacturers to depreciate the value of fire sprinkler systems installed or upgraded. Based upon data provided by the State Fire Marshal's office and the SC Fire Sprinkler Association, the BEA estimates that the annual allowance for depreciation is expected to reduce county property tax revenues by \$24,899 in FY2008-09.

/s/ William C. Gillespie  
William C. Gillespie, Ph.D.  
Chief Economist

**Analyst:** Ball

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.