



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 4537
Author: Henderson
Subject: Exceptional Needs Child Tax Credits
Requestor: House Ways and Means
RFA Analyst(s): Shuford
Impact Date: February 3, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds. The codification of the two exceptional needs child tax credits will have no additional General Fund revenue impact on individual and corporate income and bank tax revenue since the Board of Economic Advisors initial forecast for FY 2016-17 included the revenue impact of these existing tax credits as part of the income tax base.

Explanation of Fiscal Impact

State Expenditure

This bill requires the Department of Revenue (DOR) to continue to administer the two exceptional needs child tax credits. The Education Oversight Committee (EOC) is required to continue determining the eligibility of an independent school to receive contributions from a nonprofit scholarship funding organization. The DOR and EOC indicate that codifying the existing budget provision and continuing their administrative responsibilities will have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

State Revenue

This bill codifies the two existing exceptional needs child tax credits contained most recently in Act 92 of 2015, the supplemental appropriations bill. These tax credits, with amendments, have been included in the annual appropriation act or similar bills since FY 2013-14.

The first tax credit applies to individual and corporate income and bank taxes for contributions to a nonprofit scholarship funding organization. This credit is limited to 60% of the taxpayer's total

tax liability for that year and is not refundable. The second tax credit applies also to individual and corporate income and bank taxes for tuition payments for exceptional needs children within the taxpayer's custody or care. This tax credit is refundable to the taxpayer. The bill states these two tax credits cumulatively may not exceed a total of \$12 million. For this fiscal impact statement, we interpret that the \$12 million limit is per year. Otherwise, a literal reading would suggest that no additional tax credits would be allowed since the cumulative \$12 million limit has been reached through tax credits claimed in previous years.

We estimate that these tax credits will reduce General Fund individual and corporate income and bank taxes by the \$12 million limit in FY 2016-17 from the tax credit for contributions to nonprofit scholarship funding organizations and the refundable tax credit for tuition payments for exceptional needs children that are within the taxpayer's custody or care. In November 2015 when the Board of Economic Advisors (BEA) set the initial forecast for FY 2016-17, the forecast included the revenue impact of these existing tax credits as part of the income tax base since an identical budget provision has been in effect since FY 2013-14. Therefore, the proposed addition of Section 12-6-3685 will have no further revenue impact on the General Fund.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director