



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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Bill Number: S. 0427  
 Author: Hutto  
 Requestor: Senate Finance  
 Date: March 23, 2015  
 Subject: Job tax credits  
 RFA Analyst(s): Martin and Stein

**Estimate of Fiscal Impact**

	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$750,000)	(\$1,520,000)
Other and Federal	(\$375,000)	N/A
<b>Local Expenditure</b>	N/A	N/A
<b>Local Revenue</b>	N/A	N/A

**Fiscal Impact Summary**

This bill would reduce sales and use tax revenue by an estimated \$1,125,000 in FY2015-16. Of this amount, General Fund sales and use tax would be reduced by \$750,000, the EIA fund would be reduced by \$187,500, and the Homestead Exemption Fund would be reduced by \$187,500 in FY2015-16. This bill would also reduce General Fund income tax, bank tax, or insurance premium tax revenue by an estimated \$1,520,000 in FY2016-17, and each fiscal year through FY2020-21.

**Explanation of Fiscal Impact**

**State Expenditure**

The Department of Commerce reports that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

The following is a section-by-section explanation of the bill.

**Section 1.** This bill would amend Section 12-6-3360(A) to add to the list of qualifying industries eligible for a nonrefundable job tax credit each new full-time job created in the agricultural packaging industry. According to the U.S. Department of Commerce, this industry comprises establishments primarily engaged in performing services on crops, subsequent to their harvest, with the intent of preparing them for market or further processing. These establishments provide postharvest activities, such as crop cleaning, sun drying, shelling, fumigating, curing, sorting,

grading, packing, and cooling. This bill, however, expands the definition of agricultural packaging further by including all aspects of packaging to include all of the technology that is incorporated in bringing an agricultural product to market as described in Section 3 below.

**Section 2.** This section would amend Section 12-6-3360(M)(4) to include seasonal workers as full-time employees in agricultural packaging and agribusiness operations. The seasonal worker would only count as a fraction of a full-time worker based on the percentage of total hours the seasonal worker performs in the agricultural packaging or agribusiness operation in the state each year. The U.S. Department of Agriculture defines a “seasonal worker” as one that maintains a permanent place of residence but works temporarily based upon the cycle of the agricultural harvest. This differs from a “migrant worker” as one that has no permanent place of residence but moves from agricultural operation to operation as the agricultural harvests change with the seasons. Because this bill does not make a distinction between the types of worker in the agricultural packaging industry, this could be a source of confusion in determining the eligibility of qualified workers for job tax credits.

Since this industry is accounted for in the Board of Economic Advisors’ General Fund revenue estimate, any change to this industry’s employment base would affect the current revenue estimates. Without this legislation, an agricultural packaging company would be ineligible for the job tax credit as it seeks approval for applying a job tax credit from the Department of Revenue for each new full-time employee hired, and other economic development incentives from the Coordinating Council for Economic Development.

The agricultural packaging industry has exhibited slow growth in South Carolina. This is because of the increased use of technology in the industry that has displaced many workers. Based on the latest data from the U.S. Department of Labor, Bureau of Labor statistics there are nearly 8,600 individuals employed in 382 companies in the agricultural packaging industry making an average annual salary of \$48,846 per year. The average establishment employs slightly more than 22 individuals. Each year, the agricultural packaging industry expands by an average of 18 companies creating nearly an additional 400 jobs. These jobs are geographically dispersed throughout the state including both the metropolitan areas and the state’s rural counties.

According to the Department of Revenue’s annual ranking of county designations for a job tax credit, the amount of a job tax credit ranges from \$1,500 per job in a developed county to \$8,000 per job in an economically-distressed county based upon the location of the new qualified full-time job. The job tax credit may be claimed for five years beginning in year two after the creation of the job for each new full-time job created if the maximum level of new jobs is maintained. Any unused job tax credits may be carried forward for a period of fifteen years from the taxable year in which the credit is earned by the taxpayer.

Because it is difficult to estimate with certainty in which county new qualified jobs may be created, an estimated average job tax credit of \$3,800 per eligible job is used in the analysis. If the agricultural packaging industry continues to expand at the current average annual pace of job growth, then multiplying an estimated 400 new full-time jobs by a nonrefundable job tax credit of \$3,800 per eligible job yields a reduction in General Fund income tax, bank tax, or insurance

premium tax revenue of an estimated \$1,520,000 in FY2016-17, and each fiscal year through FY2020-21.

**Section 3.** This section would further amend Section 12-6-3360(M) to define “agricultural packaging” to include the technology of enclosing or protecting or preserving agricultural products for distribution, storage, sale, and use. The definition of “packaging” is expanded to include the process of design, evaluation, and production of packages used for agricultural products. This process is further described as a coordinated system of preparing agricultural goods for transport, warehousing, logistics, sale, and end use.

**Section 4.** This section would amend Section 12-36-2120(17) to add a sales and use tax exemption to include machines used in the agricultural packaging of tangible personal property for sale. Based on the latest data from the U.S. Department of Commerce, Bureau of the Census, nearly \$125,000,000,000 of agricultural packaging equipment is manufactured annually. After adjusting the data for sales made to South Carolina agricultural packagers and applying a six percent sales and use tax rate, a reduction of sales and use tax revenue of an estimated \$1,125,000 in FY2015-16 would result. Of this amount, General Fund sales and use tax would be reduced by \$750,000, the EIA fund would be reduced by \$187,500, and the Homestead Exemption Fund would be reduced by \$187,500 in FY2015-16.

**Section 5.** This section would add Section 13-1-1780 to direct the S.C. Department of Commerce and the Coordinating Council for Economic Development to consider the economic benefits of agricultural businesses in awarding benefits for economic development projects. This section is permissive and is not expected to affect state General Fund revenue in FY2015-16.

**Section 6.** Except where specified otherwise, this act takes effect upon approval by the Governor.

**Local Expenditure**

N/A

**Local Revenue**

N/A

  
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Frank A. Rainwater, Executive Director