



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S.0446 Amended by Senate Finance on April 18, 2017
Author: Leatherman
Subject: Industry Partnership Fund tax credit
Requestor: Senate
RFA Analyst(s): Martin
Impact Date: April 19, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	(\$1,000,000)	(\$1,000,000)
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill, as amended, would reduce corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes by an estimated \$1,000,000 in FY2017-18, and each fiscal year thereafter, until the maximum aggregate tax credits claimed reaches the maximum cap of \$12,000,000 in the future. This bill would not affect Other Fund revenues or Federal Fund revenues.

Explanation of Fiscal Impact

Amended by Senate Finance on April 18, 2017

State Expenditure

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

State Revenue

This bill was amended, as and if amended, by striking all after the enacting words and inserting:

Section 1. The Industry Partnership Fund was first available to taxpayers in tax year 2006. Pursuant to Section 12-6-3585, a taxpayer is allowed a nonrefundable credit against corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes, or any combination of them equal to one hundred (100) percent of the taxpayer’s qualified contributions to the Industry Partnership Fund at the South Carolina Research Authority, or a Research Authority designated affiliate, or both. Any unused credit may be carried forward for ten (10)

years from the end of the tax year in which the qualifying contribution is made. The credit is subject to the following limitations:

- For tax year 2006, the maximum credit is \$650,000 for a single taxpayer, and \$2,000,000 for all taxpayers,
- For tax year 2007, the maximum credit is \$1,300,000 for a single taxpayer, and \$4,000,000 for all taxpayers, and
- For tax years beginning after December 31, 2007, the maximum credit is \$2,000,000 for a single taxpayer and \$6,000,000 for all taxpayers.

This bill, as amended, would amend Section 12-6-3585(A) of the Industry Partnership Fund program limitations and maximum aggregate credit limitations for each tax year beginning after tax year 2016 up to a maximum credit of \$250,000 for a single taxpayer, not to exceed an aggregate credit of \$12,000,000 for all taxpayers for each tax year. The table below describes the Industry Partnership Fund program limitations and the aggregate tax credits claimed by all taxpayers in each tax year of the fund's history.

Industry Partnership Fund - Program Limitations and Tax Credits Claimed

Tax Year	Maximum Credit Single Taxpayer	Aggregate Credit All Taxpayers	Aggregate Credits Claimed By All Taxpayers
2006	\$650,000	\$2,000,000	\$843,997
2007	\$1,300,000	\$4,000,000	\$2,862,707
2008	\$2,000,000	\$6,000,000	\$3,717,351
2009	\$2,000,000	\$6,000,000	\$3,422,718
2010	\$2,000,000	\$6,000,000	\$4,602,476
2011	\$2,000,000	\$6,000,000	\$5,509,008
2012	\$2,000,000	\$6,000,000	\$5,981,826
2013	\$2,000,000	\$6,000,000	\$5,729,854
2014	\$2,000,000	\$6,000,000	\$5,551,151
2015	\$2,000,000	\$6,000,000	N/A
2016	\$2,000,000	\$6,000,000	N/A
2017	\$250,000	\$9,000,000	N/A
2018 & beyond	\$250,000	\$12,000,000	N/A
Historical Total			\$38,221,088

Notes: N/A - Not Available

Sources: Board of Economic Advisors; S.C. Department of Revenue

After the first tax year the tax credit was made available, the aggregate tax credit limitation for all taxpayers was increased the next two tax years to \$6,000,000 by tax year 2008. The aggregate tax credit limitation for all taxpayers has not changed since tax year 2008. Over the next six tax years, the aggregate tax credits claimed by all taxpayers have approached the maximum tax credit limitation of \$6,000,000. By raising the maximum aggregate tax credit limitation to \$12,000,000 for all taxpayers, the Industry Partnership Fund will be able to attract additional investment for use at the South Carolina Research Authority or its affiliates. The maximum tax credit available for a single taxpayer, however, would be reduced to \$250,000 per taxpayer beginning in tax year 2017. The lowering of the maximum tax credit available for a single taxpayer will limit the amount that each taxpayer may invest in the Industry Partnership Fund before reaching the aggregate maximum tax credit limitation. This limitation, however, should not affect the total contributions to the fund.

The historical table above suggests that it takes some time for aggregate tax credits claimed to reach a new maximum tax credit cap; therefore, it is not unreasonable to expect that annual contributions may increase in the future with taxpayers claiming an additional \$1,000,000 in tax credits per tax year. This bill, therefore, would reduce corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes by an estimated \$1,000,000 in FY2017-18, and each fiscal year thereafter, until the maximum aggregate tax credits claimed reaches the maximum cap of \$12,000,000 in the future.

This bill, as amended, would amend Section 12-6-3585(E) to change the definition of “taxpayer” to disallow any member of the South Carolina Research Authority board of trustees or the SC Launch!, Inc. board of directors from claiming a tax credit against state taxes for qualified contributions to the Industry Partnership Fund.

This bill, as amended, would amend Section 12-6-3585(F) to require a taxpayer who is certified by the South Carolina Research Authority as having priority entitlement to the tax credit for an applicable tax year must make a commitment to making a qualified contribution to the Industry Partnership Fund during the year no later than April 1st.

This bill, as amended, would add sub-item (B) to indicate that the increased maximum tax credit amount shall be phased in in two equal and cumulative installment amounts beginning in tax years beginning after 2016. Notwithstanding the provisions of Section 12-6-3585, the maximum aggregate tax credit amount allowed by all taxpayers shall be \$9,000,000 in tax year 2017 and \$12,000,000 in tax year 2018, as shown in the table above.

Section 2. This section would add an appropriately numbered item to Section 12-6-3585 to require the South Carolina Research Authority to issue a report to the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee, and the Governor by March fifteenth of each year. The report shall detail the amount contributed to the Industry Partnership Fund in the previous tax year, the taxpayers that received the tax credits, and the manner in which the tax credits were expended, or expected to be expended. The report must be reported in a conspicuous place on the website maintained by the South Carolina Research Authority.

Section 3. This act takes effect upon approval by the Governor and applies to tax years beginning after 2016, except that the Section 1 amendment to Section 12-6-3585(F) and Section 2 shall not take effect until January 1, 2018.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on February 21, 2017

State Expenditure

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

State Revenue

Section 1. The Industry Partnership Fund was first available to taxpayers in tax year 2006. Pursuant to Section 12-6-3585, a taxpayer is allowed a nonrefundable credit against corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes, or any combination of them equal to one hundred (100) percent of the taxpayer's qualified contributions to the Industry Partnership Fund at the South Carolina Research Authority, or a Research Authority designated affiliate, or both. Any unused credit may be carried forward for ten (10) years from the end of the tax year in which the qualifying contribution is made. The credit is subject to the following limitations:

- For tax year 2006, the maximum credit is \$650,000 for a single taxpayer, and \$2,000,000 for all taxpayers,
- For tax year 2007, the maximum credit is \$1,300,000 for a single taxpayer, and \$4,000,000 for all taxpayers, and
- For tax years beginning after December 31, 2007, the maximum credit is \$2,000,000 for a single taxpayer and \$6,000,000 for all taxpayers.

This bill would amend the Industry Partnership Fund program limitations and maximum aggregate credit limitations for tax years beginning after December 31, 2016 up to a maximum credit of \$2,000,000 for a single taxpayer, not to exceed an aggregate credit of \$12,000,000 for all taxpayers for each tax year. The table below describes the Industry Partnership Fund program limitations and the aggregate tax credits claimed by all taxpayers in each tax year of the fund's history.

Industry Partnership Fund - Program Limitations and Tax Credits Claimed

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The historical table above suggests that it takes some time for aggregate tax credits claimed to reach a new maximum tax credit cap; therefore, it is not unreasonable to expect that annual contributions may increase in the future with taxpayers claiming an additional \$1,000,000 in tax credits per tax year. This bill, therefore, would reduce corporate and individual income taxes, bank taxes, license fees, or insurance premium taxes by an estimated \$1,000,000 in FY2017-18, and each fiscal year thereafter, until the maximum aggregate tax credits claimed reaches the maximum cap of \$12,000,000 in the future.

Section 2. This act takes effect upon approval by the Governor and applies to tax years beginning after 2016.

Local Expenditure & Local Revenue

N/A

