



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** S. 0866 Amended by Senate Finance on February 7, 2018  
**Author:** Cromer  
**Subject:** Act No. 134, Geothermal Machinery Purchasing  
**Requestor:** Senate Finance  
**RFA Analyst(s):** Wren  
**Impact Date:** February 8, 2018

**Estimate of Fiscal Impact**

	<b>FY 2018-19</b>	<b>FY 2019-20</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	\$0	(\$1,000,000)
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

The amended bill will reduce General Fund income tax revenue by approximately \$1,000,000 in FY 2019-20 through FY 2021-22 due to the extension of the sunset provision from January 1, 2019, to January 1, 2022, related to the state tax credit allowed for the purchase and installation of geothermal machinery and equipment.

**Explanation of Fiscal Impact**

**Amended by Senate Finance on February 7, 2018**

**State Expenditure**

N/A

**State Revenue**

The amended bill extends the sunset provision pursuant to Section 12-6-3587 related to the 25 percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment from January 1, 2019, to January 1, 2022.

The Internal Revenue Service reports that 35,110 South Carolina taxpayers claimed \$20,008,000 in federal residential renewable energy tax credits, an average of \$570 per tax return in tax year 2015. The federal tax credit is a 30 percent credit. The U.S. Energy Information Administration’s 2017 Annual Energy Outlook projects that geothermal energy comprises approximately 6 percent of all residential renewable energy generated. Applying the 6 percent estimate, the amount of geothermal credits is estimated at approximately \$1,200,000. Since the South Carolina tax credit is for 25 percent of the cost, we estimate that 2,107 taxpayers will each

claim a credit of \$475 per year. Based upon an average projected South Carolina resident tax liability of \$1,509 for 2016 and given the distribution of the federal tax credits across federal AGI, we anticipate that taxpayers will be able to take the full tax credit despite the 50 percent tax liability limitation. Federal residential energy tax credits claimed by South Carolina residents have fluctuated from 2013 to 2015. However, we anticipate that the extension of the South Carolina tax credit may encourage new installations, and we assume installations will remain at the 2015 level. Without this extension, no additional tax credits would be expected, thereby reducing General Fund revenues. Therefore, we estimate that the extension of the geothermal machinery and equipment tax credit will reduce General Fund income tax revenue by approximately \$1,000,000 in FY 2019-20 through FY 2021-22.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Introduced on January 9, 2018**

**State Expenditure**

N/A

**State Revenue**

This bill extends the sunset provision pursuant to Section 12-6-3587 related to the 25 percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment from January 1, 2019, to January 1, 2029.

The Internal Revenue Service reports that 35,110 South Carolina taxpayers claimed \$20,008,000 in federal residential renewable energy tax credits, an average of \$570 per tax return in tax year 2015. The federal tax credit is a 30 percent credit. The U.S. Energy Information Administration's 2017 Annual Energy Outlook projects that geothermal energy comprises approximately 6 percent of all residential renewable energy generated. Applying the 6 percent estimate, the amount of geothermal credits is estimated at approximately \$1,200,000. Since the South Carolina tax credit is for 25 percent of the cost, we estimate that 2,107 taxpayers will each claim a credit of \$475 per year. Based upon an average projected South Carolina resident tax liability of \$1,509 for 2016 and given the distribution of the federal tax credits across federal AGI, we anticipate that taxpayers will be able to take the full tax credit despite the 50 percent tax liability limitation. Federal residential energy tax credits claimed by South Carolina residents have fluctuated from 2013 to 2015. However, we anticipate that the extension of the South Carolina tax credit may encourage new installations, and we assume installations will remain at the 2015 level. Without this extension, no additional tax credits would be expected, thereby reducing General Fund revenues. Therefore, we estimate that the extension of the geothermal machinery and equipment tax credit will reduce General Fund income tax revenue by approximately \$1,000,000 in FY 2019-20 through FY 2028-29.

**Local Expenditure and Revenue**

N/A



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Frank A. Rainwater, Executive Director