SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT

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Bill Number:	S. 0916	Amended by Senate Finance on February 7, 2018
Author:	Cromer	
Subject:	Tax credit	
Requestor:	Senate Finance	
RFA Analyst(s):	Jolliff and R. Martin	
Impact Date:	February 12, 2018	

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
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	($65,000)
Other and Federal	$0	($7,700)
Local Expenditure	$0	$0
Local Revenue	$0	$0

Fiscal Impact Summary
The bill is not expected to impact expenditures for the General Fund, Other Funds, or Federal Funds for the Department of Revenue.

The bill will reduce General Fund individual income tax revenue by approximately $34,000 a year for five years beginning in FY 2019-20 until FY 2024-25 by extending the Energy Efficient Manufactured Homes Incentive Program tax credit until July 1, 2024. Further, the bill would reduce General Fund sales tax revenue by approximately $31,000 and EIA revenue by $7,700 beginning in FY 2019-20 until FY 2024-25 by extending the sales tax exemption for energy efficient manufactured homes.

Explanation of Fiscal Impact

Amended by Senate Finance on February 7, 2018
State Expenditure
Section 1 of this bill as amended extends the Energy Efficient Manufactured Homes Incentive Program tax credit for an additional five years. The program provides an income tax credit of $750 for any person who purchases a qualifying energy efficient manufactured home. The tax credit is set to expire July 1, 2019, and the bill extends the credit to July 1, 2024. Since this is an extension of existing tax credit, the amended bill is not expected to impact expenditures for the Department of Revenue for administration of the credits.

Section 2 of the bill extends the sales tax exemption for energy efficient manufactured homes currently set to expire July 1, 2019, to July 1, 2024. Since this is an extension of existing exemption, the amended bill is not expected to impact expenditures for the Department of Revenue.

State Revenue

Section 1. This section extends the Energy Efficient Manufactured Homes Incentive Program tax credit currently set to expire July 1, 2019, to July 1, 2024. The program provides a non-refundable income tax credit of $750 for any person who purchases a qualifying manufactured home. In order to qualify, the home must meet either the energy saving efficiency requirements set by the U.S. Environmental Protection Agency and the U.S. Department of Energy, or ENERGY STAR requirements. The home also must be purchased from a retail dealership licensed by the S.C. Manufactured Housing Board for use in this state.

Based upon tax year 2014, 2015, and 2016 individual income tax returns, an average of 48 taxpayers claim this tax credit for a total of $34,000 annually. Therefore, we estimate that this section of the bill will reduce General Fund individual income tax revenue by approximately $34,000 a year beginning in FY 2019-20 until FY 2024-25.

Section 2. This section extends the sales tax exemption for energy efficient manufactured homes currently set to expire July 1, 2019. The amended bill extends the exemption to July 1, 2024. In order to qualify, the home must meet either the energy saving efficiency requirements set by the U.S. Environmental Protection Agency and the U.S. Department of Energy, or ENERGY STAR requirements.

Currently, the sales tax is calculated based upon the home value discounted by 65 percent. For homes with a discounted value over $6,000, the sales tax is $300 plus 2 percent of the excess of the discounted value of the home above $6,000. This section exempts the amount of sales tax in excess of $300.

According to 2016 data reported by the U.S. Commerce Department's Census Bureau, the average sales price for a new manufactured home in South Carolina is $71,200. Multiplying $71,200 by 65 percent yields $46,280 subject to the sales tax. Subtracting the $6,000 of value taxed at $300, $40,280 of home value would be taxed at 2 percent. Therefore, the exemption reduces sales tax revenue by approximately $806 per qualifying manufactured home.

Based upon utilization of the Energy Efficient Manufactured Home tax credit described in Section 1 above, we expect that 48 taxpayers will qualify for the exemption annually. Multiplying $806 by 48 taxpayers, the exemption is expected to total approximately $38,700 per year. Therefore, this section of the bill will reduce General Fund sales tax by $31,000 and EIA fund revenue by $7,700 annually beginning in FY 2019-20 until FY 2024-25.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 23, 2018
State Expenditure
This bill extends the Energy Efficient Manufactured Homes Incentive Program tax credit for an additional ten years. The program provides an income tax credit of $750 for any person who purchases a qualifying manufactured home. In order to qualify, the home must meet either the energy saving efficiency requirements set by the U.S. Environmental Protection Agency and the U.S. Department of Energy, or ENERGY STAR requirements. The home also must be purchased from a retail dealership licensed by the S.C. Manufactured Housing Board for use in this state. The tax credit is set to expire July 1, 2019, and the bill extends the credit to July 1, 2029. Since this is an extension of an existing tax credit, the bill is not expected to impact expenditures for the Department of Revenue for administration of the credit.

State Revenue
This bill extends the Energy Efficient Manufactured Homes Incentive Program tax credit currently set to expire July 1, 2019, until July 1, 2029. The program provides a non-refundable income tax credit of $750 for any person who purchases a qualifying manufactured home.

Based upon tax year 2014, 2015, and 2016 individual income tax returns, an average of 48 taxpayers claim this tax credit for a total of $34,000 annually. Therefore, we estimate that the bill will reduce General Fund individual income tax revenue by approximately $34,000 a year beginning in FY 2019-20 until FY 2028-29.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater

Frank A. Rainwater, Executive Director