SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S.1043 Amended by Senate Finance on April 24, 2018
Author:	Turner
Subject:	SC Abandoned Buildings and Revitalization Act
Requestor:	Senate
RFA Analyst(s):	R. Martin
Impact Date:	April 29, 2018

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20	FY 2020-21
State Expenditure			
General Fund	$0	$0	$0
Other and Federal	$0	$0	$0
Full-Time Equivalent Position(s)	0.00	0.00	0.00
State Revenue			
General Fund	($1,000,000)	($1,000,000)	($2,540,000)
Other and Federal	$0	$0	$0
Local Expenditure	$0	$0	$0
Local Revenue	$0	$0	$0

Fiscal Impact Summary
Section 1. If the scheduled repeal date of the abandoned building tax credit is extended from December 31, 2019, to December 31, 2021, state General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof will be reduced by an estimated $1,540,000 in FY2020-21.

Section 2. This section of the amended bill is expected to reduce state General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof by an estimated $1,000,000 in FY2018-19, in FY2019-20, and FY2020-21.

Explanation of Fiscal Impact

Amended by Senate Finance on April 24, 2018
State Expenditure
The Department of Revenue has indicated that this bill would have no expenditure impact on the General Fund, Federal Funds, and Other Funds. The Department can administer the legislative changes with existing resources.

State Revenue
The South Carolina Abandoned Buildings Revitalization Act was enacted in Act 57 of 2013 and has been amended since that time. Currently, a taxpayer may claim a nonrefundable state income

tax credit equal to twenty-five percent of actual rehabilitation expenses of an abandoned building. The tax credit may be applied against individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof. The tax credit may also be applied against real property taxes as levied by local taxing entities. The tax credit must be taken in equal installments over a three-year period and may not exceed $500,000 for any taxpayer in a tax year. The credit is earned in the tax year in which the applicable phase or portion of the building site is placed in service. Unused tax credits may be carried forward for five years. The South Carolina Abandoned Buildings Revitalization Act is repealed on December 31, 2019. Any credit carryforward will continue to be allowed until the five-year time period is completed.

The Senate Finance Committee amended the bill by striking all after the enacting words and inserting the following:

Section 1. This section would extend the scheduled repeal date of the South Carolina Abandoned Buildings Revitalization Act from December 31, 2019 to December 31, 2021. Since the abandoned buildings revitalization tax credit is scheduled to be repealed on December 31, 2019, the Board of Economic Advisors (BEA) is not expecting any further additional revenue reductions in the state General Fund revenue beginning in FY2020-21 from this tax credit. If the scheduled repeal date of the abandoned building tax credit is extended, by two years, from December 31, 2019, to December 31, 2021, state General Fund revenue will be affected.

The table below describes a summary of the abandoned building tax credit showing the number of taxpayers claiming the nonrefundable tax credit and the value of the tax credits claimed over the first four years of actual data filed by taxpayers. Through FY2016-17, the latest year for which there is data, a total of 288 taxpayers have claimed $11,038,274 in nonrefundable tax credits.

History of the Abandoned Building Tax Credit

Fiscal Year	Tax Year	Taxpayers	Credits Claimed	Avg. Credits Claimed Per Taxpayer
FY2013-14	**TY2013**	19	$390,135	$20,533
FY2014-15	**TY2014**	27	$1,127,443	$41,757
FY2015-16	**TY2015**	79	$2,253,044	$28,520
FY2016-17	**TY2016**	163	$7,267,652	$44,587
Total		288	$11,038,274	$38,327

Source: Board of Economic Advisors from data provided by the SC Department of Revenue

Based on the collection pattern of actual nonrefundable tax credits claimed and adjusting for any eligible tax credit carryforwards that taxpayers are entitled and may claim in future tax years, the abandoned building revitalization tax credits increase by an average of $1,540,000 per tax year for all taxpayers. If the scheduled repeal date of the abandoned building tax credit is extended from December 31, 2019, to December 31, 2021, state General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof will be reduced by an estimated $1,540,000 in FY2020-21.

Section 2. This section would amend Section 12-67-140 to include language that makes several significant changes to the abandoned building revitalization tax credit:

- This section only applies to building sites which have had no portion thereof placed in service before July 1, 2018, and upon which is a redeveloped multi-floor structure that is listed on the National Register of Historic Places

- An abandoned unit may be subdivided into separate parcels or units, and up to seven separate floors may be considered seven separate subdivided units if a floor is redeveloped for the exclusive use as an apartment or apartments

- A "Notice of Intent to Rehabilitate" is not required, but the Department of Revenue must be notified in writing prior to the date the building will be placed in service

Each of the items noted above poses a significant change to the abandoned building revitalization tax credit statute. These changes include the following:

- This bill would limit only those multi-floor abandoned buildings which have not been placed in service before July 1, 2018 and are listed on the National Register of Historic Places to qualify for the tax credit. These provisions may limit the availability of renovated abandoned buildings that would qualify for the tax credit.

- Currently, according to the Department of Revenue, an abandoned building unit may be subdivided into separate units and qualify for a tax credit if those units are income producing. An individual residential apartment building would qualify as only one unit and would not count as separate individual units based on the number of apartments. This bill changes the existing application of current law and may consider up to seven separate floors as seven separate subdivided units even if the floors are redeveloped as a residential apartment or apartments.

- Currently, a taxpayer must file a "Notice of Intent to Rehabilitate" with the Department of Revenue if the taxpayer intends to claim an abandoned building tax credit. In the "Notice of Intent to Rehabilitate" there must be a stated total amount of the estimated cost to rehabilitate an abandoned building project. The actual costs of the qualified rehabilitation expenditures may come within as low as 80 percent of the actual expenditure amount and as high as 125 percent of the actual expenditure amount. Any amounts outside of these expenditure limits would not be included as qualified rehabilitative expenditures in order to claim the tax credit. The suspension of the requirement to file a "Notice of Intent to Rehabilitate" allows for cost overruns associated with an abandoned building project to be included as qualified rehabilitation expenses to be used in the calculation of the tax credits to be claimed by the taxpayer.

- Also, currently a taxpayer may claim a tax credit as phases of an abandoned building project are completed and placed in service in accordance with the "Notice of Intent to Rehabilitate" filed with the Department of Revenue. This bill would only apply to building sites entirely placed in service after June 30, 2018.

This bill would limit only those multi-floor abandoned buildings which have not been placed in service before July 1, 2018 and are listed on the National Register of Historic Places to qualify for the tax credit. According to the U.S. Department of the Interior, Department of Parks, the National Register of Historic Places, there are currently 1,556 properties registered or waiting to be registered on the National Register of Historic Places in South Carolina. We currently know of one property that meets this criterion, and because only those abandoned buildings placed in service after July 1, 2018 through December 31, 2021 would qualify for the tax credit, it would be reasonable to believe that sometime in the three-year period the likelihood that another or several abandoned buildings that would be redeveloped and qualify for the tax credit is quite good.

According to the Department of Revenue's Revenue Ruling #15-7, each abandoned building site could contain multiple units and each unit could qualify for the credit. A redeveloped apartment building with multiple units would qualify for only one tax credit, regardless of the number of units in the apartment building. This bill changes the calculation of the tax credit for abandoned buildings redeveloped for use as apartments. Under this bill, up to seven separate floors may qualify for the tax credit as seven separate subdivided units even if the floors are redeveloped as apartments. Each unit is still limited to a nonrefundable tax credit of up to $500,000 per unit.

Under current law, one redeveloped floor of apartments would qualify for the tax credit up to $500,000 per unit, or $166,667 each tax year over the three-year period. The remaining six floors would not be eligible for the tax credit under current law. This bill would allow the remaining six floors of apartments to qualify for a tax credit under the provisions of this bill. Therefore, the additional six floors of apartments multiplied by a tax credit limitation of $500,000 per unit yields a reduction of General Fund revenue by an additional estimated $3,000,000 to be taken in three equal installments of $1,000,000 in each tax year in FY2018-19, in FY2019-20, and FY2020-21.

Section 3. Except where specified otherwise, this act takes effect upon approval by the Governor.

Local Expenditure
N/A

Local Revenue
N/A

Introduced on February 22, 2018
Updated for Revised Information
State Expenditure
The Department of Revenue has indicated that this bill would have no expenditure impact on the General Fund, Federal Funds, and Other Funds.

State Revenue
The South Carolina Abandoned Buildings Revitalization Act was enacted in Act 57 of 2013 and has been amended since that time. Currently, a taxpayer may claim a nonrefundable state income tax credit equal to twenty-five percent of actual rehabilitation expenses of an abandoned building. The tax credit may be applied against individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof. The tax credit may also be applied against real property taxes as levied by local taxing entities. The tax credit must be taken in equal installments over a three-year period and may not exceed $500,000 for any taxpayer in a tax year. The credit is earned in the tax year in which the applicable phase or portion of the building site is placed in service. Unused tax credits may be carried forward for five years. The South Carolina Abandoned Buildings Revitalization Act is repealed on December 31, 2019. Any credit carryforward will continue to be allowed until the five-year time period is completed.

Since the abandoned buildings revitalization tax credit is scheduled to be repealed on December 31, 2019, the Board of Economic Advisors (BEA) is not expecting any further additional revenue reductions in the state General Fund revenue beginning in FY2020-21 from this tax credit. If the scheduled repeal date of the abandoned building tax credit is extended, by six years, from December 31, 2019, to December 31, 2025, state General Fund revenue will be affected.

The table below describes a summary of the abandoned building tax credit showing the number of taxpayers claiming the nonrefundable tax credit and the value of the tax credits claimed over the first four years of actual data filed by taxpayers. Through FY2016-17, the latest year for which there is data, a total of 288 taxpayers have claimed $11,038,274 in nonrefundable tax credits.

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Total		288	$11,038,274	$38,327

Source: Board of Economic Advisors from data provided by the SC Department of Revenue

Based on the collection pattern of actual nonrefundable tax credits claimed and adjusting for any eligible tax credit carryforwards that taxpayers are entitled and may claim in future tax years, the abandoned building revitalization tax credits increase by an average of $1,540,000 per tax year for all taxpayers.

If the scheduled repeal date of the abandoned building tax credit is extended from December 31, 2019, to December 31, 2025, state General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof will be reduced by an estimated $1,540,000 in FY2020-21, and each fiscal year thereafter, until the tax credit would be repealed on December 31, 2025.

Local Expenditure
N/A

Local Revenue
N/A

Introduced on February 22, 2018
State Expenditure
The Department of Revenue has indicated that this bill would have no expenditure impact on the General Fund, Federal Funds, and Other Funds.

State Revenue
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Since the abandoned buildings revitalization tax credit is scheduled to be repealed on December 31, 2019, the Board of Economic Advisors (BEA) is not expecting any further additional revenue reductions in the state General Fund revenue beginning in FY2020-21 from this tax credit. If the scheduled repeal date of the abandoned building tax credit is extended, by six years, from December 31, 2019, to December 31, 2025, state General Fund revenue will be affected.

The table below describes a summary of the abandoned building tax credit showing the number of taxpayers claiming the nonrefundable tax credit and the value of the tax credits claimed over the first three years of actual data filed by taxpayers. Through FY2015-16, the latest year for which there is data, a total of 125 taxpayers have claimed $3,770,622 in nonrefundable tax credits.

History of the Abandoned Building Tax Credit

Fiscal Year	Tax Year	Taxpayers	Credits Claimed
FY2013-14	**TY2013**	19	$390,135
FY2014-15	**TY2014**	27	$1,127,443
FY2015-16	**TY2015**	79	$2,253,044
Total		125	$3,770,622

Source: Board of Economic Advisors from data provided by the SC Department of Revenue

Based on the collection pattern of actual nonrefundable tax credits claimed and adjusting for any eligible tax credit carryforwards that taxpayers are entitled and may claim in future tax years, the abandoned building revitalization tax credits increase by an average of $350,000 per tax year for all taxpayers.

If the scheduled repeal date of the abandoned building tax credit is extended from December 31, 2019, to December 31, 2025, state General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof will be reduced by an estimated $350,000 in FY2020-21, and each fiscal year thereafter, until the tax credit would be repealed on December 31, 2025.

Local Expenditure and Revenue
N/A

Frank A. Rainwater, Executive Director