



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H. 3595	Amended by House Economic Development and Natural Resources Subcommittee on January 17, 2019
Author:	Elliott	
Subject:	Industry Partnership Fund Tax Credit	
Requestor:	House Ways and Means	
RFA Analyst(s):	R. Martin	
Impact Date:	January 20, 2019	

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 FY2019-20, and each fiscal year thereafter, until the maximum aggregate tax credits claimed reaches the maximum cap of \$9,000,000 in the future. This bill would not affect Other Fund revenues or Federal Fund revenues.

Explanation of Fiscal Impact

Amended by House Economic Development and Natural Resources Subcommittee on January 17, 2019

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 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 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 2018 up to a maximum credit of \$250,000 for a single taxpayer, not to exceed an aggregate credit of \$9,000,000 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.

**South Carolina Industry Partnership Fund
Program Limitations and Tax Credits Claimed**

Tax Year	Maximum Credit Single Taxpayer	Maximum 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	\$5,439,654
2016	\$2,000,000	\$6,000,000	N/A
2017	\$2,000,000	\$6,000,000	N/A
2018	\$2,000,000	\$6,000,000	N/A
2019	\$250,000	\$7,000,000	N/A
2020	\$250,000	\$8,000,000	N/A
2021 & beyond	\$250,000	\$9,000,000	N/A
Historical Total			\$43,660,742

Notes: N/A - Not Available

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

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 seven 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 \$9,000,000 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 from \$2,000,000 per taxpayer to \$250,000 per taxpayer beginning in tax year 2019. 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 FY2019-20, and each fiscal year thereafter, until the maximum aggregate tax credits claimed reaches the maximum cap of \$9,000,000 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 three equal and cumulative installment amounts beginning in tax years beginning after 2018. Notwithstanding the provisions of Section 12-6-3585, the maximum aggregate tax credit amount allowed by all taxpayers shall be \$7,000,000 in tax year 2019, \$8,000,000 in tax year 2020, and \$9,000,000 in tax year 2021 and each tax year thereafter, 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 2018, except that the Section 1 amendment to Section 12-6-3585(F) and Section 2 shall not take effect until January 1, 2020.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 15, 2019

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 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 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 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 2018 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.

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 seven 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 from \$2,000,000 per taxpayer to \$250,000 per taxpayer beginning in tax year 2019. 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.

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2016	\$2,000,000	\$6,000,000	N/A
2017	\$2,000,000	\$6,000,000	N/A
2018	\$2,000,000	\$6,000,000	N/A
2019	\$250,000	\$9,000,000	N/A
2020 & beyond	\$250,000	\$12,000,000	N/A
Historical Total			\$43,660,742

Notes: N/A - Not Available

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

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This bill 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 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 2018. 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 2019 and \$12,000,000 in tax year 2020, 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 2018, except that the Section 1 amendment to Section 12-6-3585(F) and Section 2 shall not take effect until January 1, 2020.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director