



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H. 3778	Amended by the House of Representatives on April 4, 2019
Author:	Lucas	
Subject:	Port Cargo Volume Increase Tax Credit	
Requestor:	Senate Finance	
RFA Analyst(s):	R. Martin	
Impact Date:	April 11, 2019	

Fiscal Impact Summary

This bill, as amended, would reduce General Fund individual and corporation income taxes and individual income tax withholdings by an estimated \$1,000,000 in FY2019-20, an estimated \$2,000,000 in FY2020-21, and an estimated \$3,000,000 in FY2021-22, and each fiscal year thereafter until a port is opened and is accepting shipments in Jasper County. This bill would not affect Other Fund revenues or Federal Fund revenues.

Explanation of Fiscal Impact

Amended by the House of Representatives on April 4, 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

Currently, a taxpayer is allowed a nonrefundable tax credit if the taxpayer is engaged in manufacturing, warehousing, or distribution that uses South Carolina port facilities and increases its port cargo volume at these facilities by at least five percent in a calendar year over its base year port cargo volume. The maximum amount of tax credits allowed to all qualifying taxpayers pursuant to this section may not exceed \$8,000,000 for each calendar year. A qualifying taxpayer may not receive more than \$1,000,000 for each calendar year except as provided in Section 12-6-3375(B)(2). The amount of the credit is determined by the Coordinating Council for Economic Development (Council) of the Department of Commerce upon application by the taxpayer. The Council has sole discretion in allocating credits provided by this section, taking into consideration the following factors:

- (a) the amount of base year port cargo volume;
- (b) the total and percentage increase in port cargo volume; and
- (c) factors related to the economic benefit of the State or other factors.

Any unused tax credits may be carried forward and claimed against income taxes in the next five succeeding taxable years.

Section 1. This amendment would amend the bill, as and if amended, beginning on page 1, by striking line 28 through line 11 on page 2, and making the following changes to the bill:

- The amendment would insert existing statutory language contained in Section 12-6-3375(A)(1). This section of the amendment would not affect state General Fund revenue in FY2019-20.
- Amends Section 12-6-3375(D) to change to upper limit of the maximum amount of tax credits the Coordinating Council for Economic Development (CCED) may allow all qualifying taxpayers to apply against employee withholdings pursuant to this section from \$8,000,000 for each calendar year to \$15,000,000 for each calendar year. The CCED may only award up to \$1,000,000 of tax credits a qualified taxpayer may apply against employee withholdings and commits to expending at least \$40,000,000 at a single site and creating 100 new full-time jobs. This is not a change to existing practices by the CCED, only the total level of credits has been increased from \$8,000,000 to \$15,000,000 to be consistent with other sections of the bill. This section of the amendment would not affect state General Fund revenue in FY2019-20.
- Removes references to a list of eligible counties where a taxpayer engaged in a port distribution facility may claim a nonrefundable port transportation credit as amended in Section 2.

The remainder of the original bill as introduced remains unchanged and is described below.

This bill amends Section 12-6-3375(A)(2) to increase the maximum amount of tax credits allowed to all qualifying taxpayers pursuant to this section from \$8,000,000 for each calendar year to \$15,000,000 for each calendar year. As shown in the table below, the aggregate tax credit limitation for all taxpayers has not changed since the effective date of the tax credit in tax year 2006. In fact, the \$8,000,000 maximum aggregate limitation allowed all qualifying taxpayers in a calendar year has never been reached. By raising the maximum aggregate tax credit limitation to \$15,000,000 for all taxpayers, and by expanding the geographic footprint of where qualified port distribution facilities may locate as mentioned in Section 2 below, the port distribution facilities may be able to attract additional capital investment and hire additional workers to be employed at its facilities.

**South Carolina Port Cargo Volume Tax Credit
Program Limitations and Tax Credits Claimed**

Tax Year	Fiscal Year	Maximum Credit Single Taxpayer	Maximum Credit All Taxpayers	Aggregate Credits Claimed By All Taxpayers
2006	FY 2007	\$1,000,000	\$8,000,000	\$57,249
2007	FY 2008	\$1,000,000	\$8,000,000	\$153,508
2008	FY 2009	\$1,000,000	\$8,000,000	\$1,744,481
2009	FY 2010	\$1,000,000	\$8,000,000	\$4,298,067
2010	FY 2011	\$1,000,000	\$8,000,000	\$417,563
2011	FY 2012	\$1,000,000	\$8,000,000	\$2,132,125
2012	FY 2013	\$1,000,000	\$8,000,000	\$1,408,307
2013	FY 2014	\$1,000,000	\$8,000,000	\$812,308
2014	FY 2015	\$1,000,000	\$8,000,000	\$2,021,225
2015	FY 2016	\$1,000,000	\$8,000,000	\$423,159
2016	FY 2017	\$1,000,000	\$8,000,000	\$622,026
2017	FY 2018	\$1,000,000	\$8,000,000	N/A
2018	FY 2019	\$1,000,000	\$8,000,000	N/A
2019	FY 2020	\$1,000,000	\$15,000,000	N/A
2020	FY 2021	\$1,000,000	\$15,000,000	N/A
2021	FY 2022	\$1,000,000	\$15,000,000	N/A
Total Tax Credits Claimed				\$14,090,018

Notes: N/A - Not Available.

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

Section 2. This section would add an appropriately numbered subsection to allow a taxpayer engaged in a port distribution facility to claim a nonrefundable port transportation credit. The credit would be claimed against income taxes or as a credit against employee withholding for its transportation costs in an amount determined by the Council in its sole discretion. Transportation costs are defined as the costs of transporting freight, goods, and materials to and from port facilities in South Carolina.

The maximum amount of port transportation credits allowed to all qualifying taxpayers is limited to the following schedule:

- \$1,000,000 for the calendar year ending December 31, 2019
- \$2,000,000 for the calendar year ending December 31, 2020
- \$3,000,000 for the calendar year ending December 31, 2021, until the port transportation credit expires pursuant to item (6). This item indicates that the port transportation credit expires effective at the end of the calendar year in which a port in Jasper County is opened and is accepting shipments.

The amount of any port transportation credits claimed would be applied against the maximum aggregate amount of \$15,000,000 in tax credits allowed to all qualifying taxpayers in a calendar year. Any excess tax credit amounts may be carried forward and claimed against income taxes in the next five succeeding taxable years. Any excess tax credit amounts may also be carried forward and claimed against income tax withholding for the next twenty succeeding taxable quarters.

The South Carolina State Ports Authority processed more than 2,300,000 shipping containers in calendar year 2018, and has realized an average annual growth rate of 7.7 percent over the past five years. We expect this growth to continue into the future. By permitting a “distribution facility” to be defined as a “port facility” and thus being permitted to claim a nonrefundable port transportation tax credit, it is not unreasonable to expect that annual capital investments and the hiring of labor at a port distribution facility may increase in the future with taxpayers claiming an additional \$1,000,000 in port transportation tax credits per tax year. This bill, therefore, would reduce General Fund individual and corporation income taxes and individual income tax withholdings by an estimated \$1,000,000 in FY2019-20, an estimated \$2,000,000 in FY2020-21, and by an estimated \$3,000,000 in FY2021-22, and each fiscal year thereafter until a port is opened and is accepting shipments in Jasper County.

Section 3. This section would add Section 12-36-2140 to define the term “distribution facility” as a port facility as defined in Section 12-6-3375. A “port facility” means any publicly or privately-owned facility located within this State through which cargo is transported by way of a waterborne ship or vehicle to or from destinations outside this State and which handles cargo owned by third parties in addition to cargo owned by the port facility’s owner.

Section 4. This act takes effect upon approval by the Governor.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 29, 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

Currently, a taxpayer is allowed a nonrefundable tax credit if the taxpayer is engaged in manufacturing, warehousing, or distribution that uses South Carolina port facilities and increases its port cargo volume at these facilities by at least five percent in a calendar year over its base year port cargo volume. The maximum amount of tax credits allowed to all qualifying taxpayers pursuant to this section may not exceed \$8,000,000 for each calendar year. A qualifying taxpayer may not receive more than \$1,000,000 for each calendar year except as provided in Section 12-6-

3375(B)(2). The amount of the credit is determined by the Coordinating Council for Economic Development (Council) of the Department of Commerce upon application by the taxpayer. The Council has sole discretion in allocating credits provided by this section, taking into consideration the following factors:

- (a) the amount of base year port cargo volume;
- (b) the total and percentage increase in port cargo volume; and
- (c) factors related to the economic benefit of the State or other factors.

Any unused tax credits may be carried forward and claimed against income taxes in the next five succeeding taxable years.

Section 1. This section would amend Section 12-6-3375(A)(2) to increase the maximum amount of tax credits allowed to all qualifying taxpayers pursuant to this section from \$8,000,000 for each calendar year to \$15,000,000 for each calendar year. As shown in the table below, the aggregate tax credit limitation for all taxpayers has not changed since the effective date of the tax credit in tax year 2006. In fact, the \$8,000,000 maximum aggregate limitation allowed all qualifying taxpayers in a calendar year has never been reached. By raising the maximum aggregate tax credit limitation to \$15,000,000 for all taxpayers, and by expanding the geographic footprint of where qualified port distribution facilities may locate as mentioned in Section 2 below, the port distribution facilities may be able to attract additional capital investment and hire additional workers to be employed at its facilities.

**South Carolina Port Cargo Volume Tax Credit
Program Limitations and Tax Credits Claimed**

Tax Year	Fiscal Year	Maximum Credit Single Taxpayer	Maximum Credit All Taxpayers	Aggregate Credits Claimed By All Taxpayers
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2017	FY 2018	\$1,000,000	\$8,000,000	N/A
2018	FY 2019	\$1,000,000	\$8,000,000	N/A
2019	FY 2020	\$1,000,000	\$15,000,000	N/A
2020	FY 2021	\$1,000,000	\$15,000,000	N/A
2021	FY 2022	\$1,000,000	\$15,000,000	N/A
Total Tax Credits Claimed				\$13,467,992

Notes: N/A - Not Available.

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

Section 2. This section would add an appropriately numbered subsection to allow a taxpayer engaged in a port distribution facility in the counties of Allendale, Bamberg, Barnwell, Beaufort, Hampton, Jasper, or Orangeburg to claim a nonrefundable port transportation credit. The credit would be claimed against income taxes or as a credit against employee withholding for its transportation costs in an amount determined by the Council in its sole discretion. Transportation costs are defined as the costs of transporting freight, goods, and materials to and from port facilities in South Carolina.

The maximum amount of port transportation credits allowed to all qualifying taxpayers is limited to the following schedule:

- \$1,000,000 for the calendar year ending December 31, 2019
- \$2,000,000 for the calendar year ending December 31, 2020
- \$3,000,000 for the calendar year ending December 31, 2021, until the port transportation credit expires pursuant to item (6). This item indicates that the port transportation credit expires effective at the end of the calendar year in which a port in Jasper County is opened and is accepting shipments.

The amount of any port transportation credits claimed would be applied against the maximum aggregate amount of \$15,000,000 in tax credits allowed to all qualifying taxpayers in a calendar year. Any excess tax credit amounts may be carried forward and claimed against income taxes in the next five succeeding taxable years. Any excess tax credit amounts may also be carried forward and claimed against income tax withholding for the next twenty succeeding taxable quarters.

Section 3. This section would add Section 12-36-2140 to define the term “distribution facility” as a port facility as defined in Section 12-6-3375. A “port facility” means any publicly or privately-owned facility located within this State through which cargo is transported by way of a waterborne ship or vehicle to or from destinations outside this State and which handles cargo owned by third parties in addition to cargo owned by the port facility’s owner.

The South Carolina State Ports Authority processed more than 2,300,000 shipping containers in calendar year 2018, and has realized an average annual growth rate of 7.7 percent over the past five years. We expect this growth to continue into the future. By permitting a “distribution facility” to be defined as a “port facility” and thus being permitted to claim a nonrefundable port transportation tax credit, it is not unreasonable to expect that annual capital investments and the hiring of labor at a port distribution facility may increase in the future with taxpayers claiming an additional \$1,000,000 in port transportation tax credits per tax year. This bill, therefore, would reduce General Fund individual and corporation income taxes and individual income tax withholdings by an estimated \$1,000,000 in FY2019-20, an estimated \$2,000,000 in FY2020-21, and by an estimated \$3,000,000 in FY2021-22, and each fiscal year thereafter until a port is opened and is accepting shipments in Jasper County.

Section 4. This act takes effect upon approval by the Governor.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director