SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0362 Introduced on January 10, 2019
Author:	Verdin
Subject:	Income Tax Credit
Requestor:	Senate Finance
RFA Analyst(s):	Gallagher
Impact Date:	February 12, 2019

Fiscal Impact Summary

This bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds. This bill will reduce General Fund income tax revenue by up to $2,500,000 beginning in FY 2019-20 as a result of the 25 percent tax credit for installation of non-residential solar energy equipment. Since the tax credits must be taken in five installments and unused credits may be carried forward, we expect General Fund income tax revenue will be reduced by up to $2,500,000 through FY 2025-26, when any carryforward credit will expire.

Explanation of Fiscal Impact

Introduced on January 10, 2019
State Expenditure
This bill adds Section 12-6-3775, which allows a solar energy property tax credit similar to the credit in Section 12-6-3770 that was repealed December 31, 2017.

Given the similarity to the prior tax credit, we expect any expenses for the modification of tax forms to be handled within the Department of Revenue's annual updates to tax forms. Therefore, the bill is not expected to impact expenditures.

State Revenue
This bill adds Section 12-6-3775, which allows a solar energy property tax credit similar to the credit in Section 12-6-3770 that was repealed December 31, 2017. The bill allows a taxpayer who constructs, purchases, or leases solar energy property to claim an income tax credit equal to 25 percent of the cost, including the cost of installation of the property. The credit is limited to property that is located on the Environmental Protection Agency's (EPA) Priority List, National Priority List of Equivalent Sites, a list of related removal actions, as certified by the Department of Health and Environmental Control (DHEC), or land that is subject to a Voluntary Cleanup Contract with DHEC as of December 31, 2017.

The credit is earned in the year in which the solar energy property is placed in service, but must be taken in five equal annual installments. Unused credits may be carried forward for five taxable years. A credit for each installation of solar energy property placed in service may not exceed $2,500,000. The credit is allowed on a first-come, first-served basis, and the total amount of credits may not exceed $2,500,000 for all taxpayers in a taxable year. A taxpayer who claims any other state credit allowed with respect to solar energy property may not take the credit allowed in this section with respect to the same property. The type of equipment is limited to non-residential solar energy equipment with a nameplate capacity of at least 1,900 kw AC that uses solar radiation as a substitute for traditional energy water heating, active space heating and cooling, passive heating, daylighting, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat. Also included are devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy. This bill takes effect in income tax years beginning after 2018. The provisions of the bill are repealed on December 31, 2021. However, if a credit is earned before the repeal, the provisions of the bill continue to apply until the credits have been fully claimed.

In 2016, there was significant interest in building a solar energy site at the former Arkwight Dump in Spartanburg County. Two companies submitted bids, however the city council voted against the measure in 2018. The Department of Revenue reports that no companies claimed the credit in 2016 or 2017.

However, we expect other projects qualifying for the tax credit may be implemented. According to DHEC, there are 564 potential site locations eligible for the credit. Given the costs associated with constructing, purchasing, and/or leasing solar energy property, taxpayers could potentially claim credits up to the $2,500,000 threshold. Since the tax credits must be taken in five installments and unused credits may be carried forward, we expect General Fund income tax revenue will be reduced by up to $2,500,000 beginning in FY 2019-20 through FY 2025-26, when any carryforward credit will expire.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director