



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	S. 0901	Introduced on January 6, 2022
Author:	Verdin	
Subject:	Solar Energy	
Requestor:	Senate Finance	
RFA Analyst(s):	Gallagher	
Impact Date:	February 2, 2022	

Fiscal Impact Summary

This bill reinstates §12-6-3775, which provides a nonresidential solar energy tax credit. This bill amends the repeal date from December 31, 2021, to December 31, 2024, and increases the credit limit for each installation of solar energy property placed-in-service from \$2,500,000 to \$5,000,000. The credit must be claimed in five annual installments and is subject to an aggregate limit of \$2,500,000 per tax year. Further, in the event the taxpayer is a partnership or a limited liability company taxed as a partnership, this bill allows the credit and credit carry-forward to be passed through and allocated to the partners or members as long as the placed-in-service date is after 2019.

The Department of Revenue (DOR) indicates that any expenses related to the modification of tax forms from the reinstatement of the credit and increase in the credit limit can be administered with existing resources. Therefore, this bill will not have an expenditure impact on the agency.

This bill will decrease General Fund revenue by up to \$2,500,000 a year beginning in FY 2022-23 through FY 2028-29, at which time all entities will have fully utilized their five annual credit installments. This results in a total decrease in General Fund income tax revenue by up to \$17,500,000 from FY 2022-23 through FY 2028-29. Taxpayers are allowed to carry forward unused credits for five taxable years from the year the credit was able to be taken, which may extend the timing of the impact.

Explanation of Fiscal Impact

Introduced on January 6, 2022

State Expenditure

This bill reinstates §12-6-3775, which provides a nonresidential solar energy tax credit. This bill amends the repeal date from December 31, 2021, to December 31, 2024, and increases the credit limit for each installation of solar energy property placed-in-service from \$2,500,000 to \$5,000,000. DOR indicates that any expenses related to the modification of tax forms from the reinstatement of the credit and increase in the credit limit can be administered with existing resources. Therefore, this bill will not have an expenditure impact on the agency.

State Revenue

This bill reinstates §12-6-3775, which provides a nonresidential solar energy tax credit. This bill amends the repeal date from December 31, 2021 to December 31, 2024. This section allows for an income tax credit equal to 25 percent of the cost, including installation, of nonresidential solar energy property as long as the property is located within one of the following sites within South Carolina:

- the EPA's National Priority List,
- the EPA's National Priority List Equivalent Sites,
- a list of related removal actions as certified by DHEC,
- land that is subject to a Voluntary Cleanup Contract with DHEC as of December 31, 2017,
- land that is subject to corrective action under the Federal Resource Conservation and Recovery Act of 1976, or
- land that is owned by the Pinewood Site Custodial Trust.

The credit is earned in the tax year that the solar energy property is placed-in-service and must be taken in five equal annual installments. The credit must be claimed within three years of the year it was earned. Unused credits may be carried forward for five years from the year the credit was able to be taken. Further, if a taxpayer is a partnership or a limited liability company taxed as a partnership, the credit and credit carry forward may be passed through and allocated to the partners or members as long as the placed-in-service date is after 2019.

This bill increases the credit limit for each installation of solar energy property placed-in-service from \$2,500,000 to \$5,000,000. 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. If a credit is earned and any portion taken pursuant to §12-6-3775 before tax year 2022, then the individual is beholden to §12-6-3775 as it existed on December 31, 2021. Without the extension of the repeal date from December 31, 2021 to December 31, 2024, all credits would effectively be claimed by tax year 2025.

This analysis assumes taxpayers claim the first annual installment of the credit in the year it is earned and then every consecutive year until the total five annual installments are fully utilized. Based on discussions with DOR, income tax data attributed to the Solar Energy Property Credit reported on form TC-58 is inaccurate due to misreporting by individuals claiming the Solar Energy Credit, which should be reported on form TC-38. Based upon information from DOR, only one taxpayer is currently expected to apply for the credit in tax year 2022 if reinstated. However, others may apply for the credit if it is reestablished. As such, this analysis assumes taxpayers will claim the full \$2,500,000 aggregate credit limit per year in FY 2022-23 through FY 2028-29, at which time all credits are assumed to be effectively claimed. This results in a total decrease in General Fund income tax revenue of up to \$17,500,000 from FY 2022-23 to FY 2028-29. Taxpayers are allowed to carry forward unused credits for five taxable years from the year the credit was able to be taken, which may extend the timing of the impact.

Local Expenditure and Local Revenue

N/A



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