



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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<b>Bill Number:</b>	H. 3782	Introduced on January 29, 2019
<b>Author:</b>	Bamberg	
<b>Subject:</b>	Rural Revitalization	
<b>Requestor:</b>	House Ways and Means	
<b>RFA Analyst(s):</b>	Jolliff	
<b>Impact Date:</b>	March 19, 2019	

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### **Fiscal Impact Summary**

This bill is not expected to impact expenditures for the Department of Revenue (DOR). This bill would reduce General Fund individual income tax revenue by approximately \$6,021,000 in FY 2019-20 for the qualifying employees in a Tier IV county eligible for the income tax deduction. Given the consistency of the counties in each tier designation between years, we would expect an additional one or two counties in future years at an average of \$500,000 per county if additional counties become eligible.

### **Explanation of Fiscal Impact**

#### **Introduced on January 29, 2019**

##### **State Expenditure**

This bill allows an individual income tax deduction for all income attributable to a taxpayer's qualifying employment in a qualifying county. Further details of the income tax deduction are discussed in the State Revenue section. We do not anticipate any expenditure impact from this bill. Based upon discussions with DOR regarding similar legislation, we expect that DOR will be able to administer the deduction with existing staff and resources.

##### **State Revenue**

This bill allows an individual income tax deduction for all income attributable to a taxpayer's qualifying employment in a qualifying county. This deduction is allowed against a taxpayer's income in the first five years a taxpayer is licensed to perform the employment. The bill is applicable for tax years after 2018.

Qualifying taxpayers include K-12 teachers, healthcare professionals, attorneys in a circuit solicitor's office, circuit public defender's office, or neighborhood legal assistance program, and individuals who are honorably discharged from the Armed Forces of the United States. Given the limited definitions in the bill, we have assumed that an individual in the first five years of qualifying employment would meet the requirement of being licensed to perform the qualifying employment, as not all of the employment categories require licensure. The qualifying taxpayer must also reside in a county designated as a Tier IV county for the purposes of the job tax credit in Section 12-6-3360.

The bill specifies that the tax credit is based upon counties eligible in the previous tax year. However, once a taxpayer is allowed the deduction, the taxpayer may continue to claim the deduction regardless of the county's designation so long as the county of employment and

county of residency remain the same. Since the bill is applicable beginning in tax year 2019, we expect that the counties designated as Tier IV for 2018 will qualify in 2019.

Counties designated as Tier IV for the job tax credit in 2018 are Allendale, Bamberg, Barnwell, Chester, Clarendon, Dillon, Hampton, Lee, Marion, Marlboro, Orangeburg, and Williamsburg. For comparison, the 2017 Tier IV counties included the same counties as 2018 plus Union County due to a tie in the rankings that resulted in an additional county in the Tier IV group. For 2019, the same counties ranked in Tier IV as in 2018 with the exception of Hampton County, which was replaced by Union County. Given the consistency of the tier designations between years, there may be additional employees eligible in future years, which would add to the impact, but the change is expected to be limited to one or two counties.

This analysis utilizes data from the South Carolina Department of Education (SDE), National Center for Education Statistics (NCES), the South Carolina Commission on Prosecution Coordination (SCCPC), South Carolina Commission on Indigent Defense (SCCID), South Carolina Legal Services (SCLS), the Department of Labor, Licensing and Regulation (LLR), the Department of Health and Environmental Control (DHEC), and the Bureau of Labor Statistics.

The following analysis of the bill and the attached tables provide additional data on the calculation for each category of qualifying employment. For each qualifying occupation, we estimated the number of persons employed and determined an average salary for that employment. Once we obtained the count and salary data, we applied an average tax rate of 5.35 percent to the amount in order to determine the revenue reduction. The average tax rate is based on the estimated average income tax rate for tax year 2019 after accounting for tax credits and removing active trade or business income. This calculation excludes the tax effects of the preferential tax rate for active trade or business income that would not be applicable to wage income addressed in this bill.

For K-12 teachers, SDE provided data regarding the number of teachers by years of experience, district of employment, and educational attainment. The weighted average salary estimated by Revenue and Fiscal Affairs (RFA) is based upon each school district's salary schedule and the number of teachers at each level of years of experience and education. Based upon NCES data for FY 2015-16, South Carolina private school teachers equated to 12 percent of FY 2015-16 public school classroom teachers reported by SDE. We assumed that the percentage of private school teachers in Tier IV counties will mirror the state as a whole and increased the teacher counts from SDE by 12 percent. (See Table 1)

For attorneys working in a circuit solicitor's office, count data is based on SCCPC data regarding attorneys by location served. For our analysis, we anticipate that the attorneys identified reside in their location served and are eligible for the deduction. However, eligibility will depend on the county of residence, which may affect a portion or all of these individuals. For the salary for attorneys working in a circuit solicitor's office, we assume a salary of \$55,103. This salary is the average 2017 annual salary for attorneys employed in South Carolina by state government in the legal counsel or prosecution industry as reported by the Bureau of Labor Statistics in the Quarterly Census of Employment and Wages survey. (See Table 2)

Data on attorneys working in a circuit public defender's office were obtained from listings on SCCID's website. We estimate the number of attorneys who may qualify based upon the mailing address of the county public defender's office. Again, eligibility will depend on the county of residence, which may affect a portion or all of the impact for these individuals. For the salary, we again applied the average state government salary for legal counsel or prosecution of \$55,103. (See Table 3)

Data on attorneys working for a neighborhood legal assistance program in a Tier IV county was provided by SCLS. This is our best approximation for determining the number of attorneys working in a neighborhood legal assistance program who reside in a Tier IV county. (See Table 4)

For healthcare professions, we included healthcare professionals licensed or certified by LLR and DHEC. For healthcare professionals licensed by LLR, we used the number of individuals with an active license in 2018 who received the license within the last five years and have a mailing address in a Tier IV county. For healthcare professionals certified or licensed by DHEC, DHEC provided the number of new certifications by fiscal year for 2013 to 2017. We then multiplied the number of new certifications by the percentage of the state population in Tier IV counties to estimate the number of these professionals in a qualifying county. To determine the salaries for each occupation, we matched the occupation with its statewide average wage based upon Occupational Employment and Wage estimates from the Bureau of Labor Statistics as of May 2017. (See Tables 5 & 6)

For taxpayers who have been honorably discharged, we estimated the number of veterans in South Carolina who are within five years of separation based upon U.S. total separations for 2017. We excluded separations for behavior, performance, legal issues/standards of conduct, death, or other military service. We multiplied this annual number of separations by five to obtain an estimate of the number of discharges in the most recent five years and by the percentage of U.S. veterans in South Carolina. This yields an estimated 7,720 military veterans in South Carolina within five years of honorable discharge. We then used Census Bureau American Community Survey (ACS) data regarding the number of veterans by county and the number of veterans in the labor force by county to estimate how many veterans reside in a Tier IV county and are in the labor force. The median salary for South Carolina veterans reported in the ACS for 2017 is \$37,809. (See Table 7)

The detailed calculations for each employee group are included in the tables below. In summary, this bill would reduce General Fund individual income tax revenue by approximately \$6,021,000 in FY 2019-20 for the estimated 2,712 taxpayers eligible for the deduction. With twelve counties in Tier IV, the average impact per county is approximately \$500,000. In future years, we would expect an additional one or two counties per year at an average of \$500,000 per county if the counties in Tier IV change over the five years that the employees remain eligible. (See Table 8)

### **Local Expenditure and Local Revenue**

N/A

**Table 1. K-12 Teachers**

<b>County</b>	<b>Public School Teachers under 5 Years' Experience*</b>	<b>Est. Private School Teachers**</b>	<b>Est. Total Teachers</b>	<b>Average Salary ***</b>	<b>Tax Rate</b>	<b>Total Income Tax Reduction</b>
Allendale	14	2	16	\$36,252	5.35%	\$31,032
Bamberg	22	3	25	\$35,009	5.35%	\$46,825
Barnwell	51	6	57	\$36,523	5.35%	\$111,378
Chester	109	13	122	\$37,581	5.35%	\$245,292
Clarendon	59	7	66	\$37,001	5.35%	\$130,650
Dillon	65	8	73	\$34,412	5.35%	\$134,395
Hampton	41	5	46	\$37,295	5.35%	\$91,783
Lee	18	2	20	\$35,250	5.35%	\$37,717
Marion	101	12	113	\$35,225	5.35%	\$212,950
Marlboro	50	6	56	\$34,615	5.35%	\$103,707
Orangeburg	166	20	186	\$35,700	5.35%	\$355,251
Williamsburg	59	7	66	\$35,484	5.35%	\$125,294
<b>Total</b>	<b>755</b>	<b>91</b>	<b>846</b>			<b>\$1,626,274</b>

## Other Calculations:

2015-16 Dept. of Education classroom teachers	43,724
2015-16 NCES S.C. Private school teachers	5,308
Percent of private school to public school	12%

## Notes:

\* Data from Department of Education FY 2017-18 PCS data for teachers eligible for teacher supply supplement funds

\*\* Estimated private school teachers based upon public school teachers multiplied by percent of private vs. public

\*\*\* Calculated based on 2018-2019 District Schedules by Years of Experience and Degree Classification; For multi-district counties salary is a weighted average each district's salaries

**Table 2. Attorney in a Circuit Solicitor's Office**

County	Count *	Average Salary **	Tax Rate	Total Income Tax Reduction
Allendale	1	\$55,103	5.35%	\$2,948
Bamberg	1	\$55,103	5.35%	\$2,948
Barnwell	2	\$55,103	5.35%	\$5,896
Chester	3	\$55,103	5.35%	\$8,844
Clarendon	3	\$55,103	5.35%	\$8,844
Dillon	2	\$55,103	5.35%	\$5,896
Hampton	2	\$55,103	5.35%	\$5,896
Lee	2	\$55,103	5.35%	\$5,896
Marion	1	\$55,103	5.35%	\$2,948
Marlboro	4	\$55,103	5.35%	\$11,792
Orangeburg	7	\$55,103	5.35%	\$20,636
Williamsburg	2	\$55,103	5.35%	\$5,896
Total	30			\$88,440

Notes:

\* S.C. Commission on Prosecution Coordination data regarding attorneys by area served

\*\* Average SC state government salary for legal counsel and prosecution employment from Quarterly Census of Employment and Wage Survey for 2017

**Table 3. Attorney in a Circuit Public Defender's Office**

County	Count*	Average Salary**	Tax Rate	Total Income Tax Reduction
Allendale	0	\$55,103	5.35%	\$0
Bamberg	0	\$55,103	5.35%	\$0
Barnwell	1	\$55,103	5.35%	\$2,948
Chester	3	\$55,103	5.35%	\$8,844
Clarendon	2	\$55,103	5.35%	\$5,896
Dillon	1	\$55,103	5.35%	\$2,948
Hampton	4	\$55,103	5.35%	\$11,792
Lee	0	\$55,103	5.35%	\$0
Marion	1	\$55,103	5.35%	\$2,948
Marlboro	1	\$55,103	5.35%	\$2,948
Orangeburg	9	\$55,103	5.35%	\$26,532
Williamsburg	1	\$55,103	5.35%	\$2,948
Total	23			\$67,804

Notes:

\*Estimated by RFA from Commission on Indigent Defense website listing of county defenders by county of office location

\*\* Average SC state government salary for legal counsel and prosecution employment from Quarterly Census of Employment and Wage Survey for 2017

**Table 4. Attorney in a Neighborhood Legal Assistance Program (Legal Services)**

<b>County</b>	<b>Count</b>	<b>Average Salary</b>	<b>Tax Rate</b>	<b>Total Income Tax Reduction</b>
Allendale	2	\$59,931	5.35%	\$6,413
Bamberg				
Barnwell				
Lee				
Orangeburg				
Chester	2	\$59,931	5.35%	\$6,413
Clarendon	3	\$59,931	5.35%	\$9,619
Dillon				
Marlboro				
Marion	3	\$59,931	5.35%	\$9,619
Williamsburg				
Hampton	6	\$59,931	5.35%	\$19,238
Total	16			\$51,301

Notes:

Data provided by South Carolina Legal Services March 2018

**Table 5. Healthcare Professionals Licensed by LLR (aggregated over all Tier IV Counties)**

<b>Occupations *</b>	<b>Count **</b>	<b>Average Salary ***</b>	<b>Tax Rate</b>	<b>Total Income Tax Reduction</b>
Audiologists	1	\$84,790	5.35%	\$4,536
Chiropractors	2	\$84,830	5.35%	\$9,077
Dental Hygienists	19	\$64,040	5.35%	\$65,097
Dentists, General	9	\$192,800	5.35%	\$92,833
Licensed Dietitians	8	\$51,200	5.35%	\$21,914
Marriage and Family Therapists	1	\$49,430	5.35%	\$2,645
Licensed Practical Nurse	376	\$40,390	5.35%	\$812,485
Licensed Professional Counselor	35	\$46,861	5.35%	\$87,748
Licensed Psycho-Educational Specialist	3	\$64,090	5.35%	\$10,286
Licensed Social Worker	46	\$44,500	5.35%	\$109,515
Occupational Therapists	14	\$78,610	5.35%	\$58,879
Occupational Therapy Assistants	8	\$61,170	5.35%	\$26,181
Opticians	1	\$37,510	5.35%	\$2,007
Optometrists	7	\$134,820	5.35%	\$50,490
Pharmacy Technicians	350	\$30,360	5.35%	\$568,491
Physical Therapists	17	\$81,860	5.35%	\$74,452
Physical Therapist Assistants	35	\$55,900	5.35%	\$104,673
Physicians	53	\$216,925	5.35%	\$615,092
Physician Assistants	8	\$95,630	5.35%	\$40,930
Respiratory Care Practitioners	18	\$55,780	5.35%	\$53,716
Speech-Language Pathologists	22	\$74,180	5.35%	\$87,310
<b>Total</b>	<b>1,033</b>			<b>\$2,898,356</b>

Notes:

\* Occupations and count from S.C. RFA summary of Dept. of Labor, Licensing, and Regulation (LLR) files

\*\*Number of individuals licensed in last 5 years in Tier IV county by mailing address

\*\*\* Salaries based upon BLS State Occupational Employment and Wage Estimates (May 2017)

**Table 6. Healthcare Professionals Licensed or Certified by DHEC**

<b>Profession</b>	<b>2013 to 2017 S.C. DHEC Certifications*</b>	<b>Percent of State Population in Tier IV Counties</b>	<b>Est. Professionals in Tier IV Counties</b>	<b>Average Salary ****</b>	<b>Tax Rate</b>	<b>Total Income Tax Reduction</b>
Hearing Aid Specialists	40	7.1%	3	\$47,180	5.35%	\$7,572
Midwives**	11	7.1%	1	\$88,290	5.35%	\$4,724
Emergency Medical Technicians***	3,615	7.1%	256	\$33,470	5.35%	\$458,405
Advanced EMT***	340	7.1%	24	\$33,470	5.35%	\$42,975
Paramedics***	1,396	7.1%	99	\$33,470	5.35%	\$177,274
Athletic Trainers	491	7.1%	35	\$43,800	5.35%	\$82,016
<b>Total</b>	<b>5,893</b>		<b>418</b>			<b>\$772,966</b>

Notes:

\* Number of new certifications/licenses by DHEC annually for 2013 to 2017

\*\*Midwives salary based upon Nurse Midwives

\*\*\*Wage survey reports Emergency Medical Technicians and Paramedics combined

\*\*\*\* Salaries based upon BLS State Occupational Employment and Wage Estimates (May 2017)

**Table 7. Honorably Discharged Armed Forces Members**

County	S.C. Veterans 18-64*	Percent of S.C. Veterans by County	Est. S.C. Separations within 5 Years by County	S.C. Veterans 18-64 in Labor Force*	Percent of Veterans in Labor Force by County	Est. Veterans In Labor Force in First 5 Years	Median Income**	Tax Rate	Total Income Tax Reduction
Allendale	416	0.2%	15	197	47.4%	7	\$37,809	5.35%	\$14,809
Bamberg	292	0.1%	11	199	68.2%	7	\$37,809	5.35%	\$14,959
Barnwell	629	0.3%	23	497	79.0%	18	\$37,809	5.35%	\$37,360
Chester	985	0.5%	37	642	65.2%	24	\$37,809	5.35%	\$48,260
Clarendon	1,069	0.5%	40	641	60.0%	24	\$37,809	5.35%	\$48,185
Dillon	727	0.3%	27	442	60.8%	16	\$37,809	5.35%	\$33,226
Hampton	777	0.4%	29	420	54.1%	16	\$37,810	5.35%	\$31,573
Lee	548	0.3%	20	247	45.1%	9	\$37,809	5.35%	\$18,567
Marion	985	0.5%	37	646	65.6%	24	\$37,809	5.35%	\$48,561
Marlboro	892	0.4%	33	619	69.4%	23	\$37,809	5.35%	\$46,531
Orangeburg	2,856	1.4%	106	1,845	64.6%	69	\$37,809	5.35%	\$138,692
Williamsburg	1,066	0.5%	40	466	43.7%	17	\$37,809	5.35%	\$35,030
Total	11,242	5.4%	418	6,861	61.0%	255			\$515,755

Other Calculations:

	Est. Annual Separations with Honorable Discharge***	Times 5 Years	Est. U.S. Separations within 5 Years	U.S. Veterans 18-64*	S.C. Veterans 18-64*	S.C. Percent of U.S. Veterans	Est. S.C. Separations within 5 Years
Totals	137,479	5	687,395	18,496,937	207,724	1.12%	7,720

Notes:

\* U.S. Census Bureau American Community Survey 2017

\*\*U.S. Census Bureau American Community Survey, 2017 Median Salary of South Carolina veterans 18 yrs. and over with income

\*\*\* Department of Defense 2016 Demographic Report; RFA excluded separations for behavior/performance, death, other military service, and standards of conduct

**Table 8. Summary**

<b>Qualifying Employment</b>	<b>Estimated Eligible Employees</b>	<b>Total Income Tax Reduction</b>	<b>Average Income Tax Reduction Per Employee</b>
K-12 Teachers	846	\$1,626,274	\$1,922
Attorneys in a Circuit Solicitor's Office, Public Defender's Office, or Neighborhood Legal Assistance	69	\$207,546	\$3,008
Healthcare Professionals	1,451	\$3,671,321	\$2,530
Honorably Discharged Armed Forces Members	255	\$515,755	\$2,023
Total	2,621	\$6,020,897	\$2,297



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Frank A. Rainwater, Executive Director