



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H.5076
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Subject: Job tax credit
Requestor: House Ways and Means
RFA Analyst(s): Martin
Impact Date: April 21, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	(\$114,000)	(\$114,000)
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill would reduce General Fund income tax, bank tax, or insurance premium tax revenue by an estimated \$114,000 in FY2016-17, and each fiscal year thereafter.

Explanation of Fiscal Impact

State Expenditure

The Department of Commerce reports that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

State Revenue

Section 1. This section would amend Section 12-6-3360(M)(13)(a) to include support activities and specialized services in the air transportation industry as full-time employees for purposes of qualifying for an annual job tax credit. These jobs would include aircraft maintenance and repair services, aircraft testing services, aircraft inspection services, fueling aircraft on a contractual or fee basis, and airport passenger screening security services. Air traffic control operators and operations would not be included in this definition. Since this industry is accounted for in the Board of Economic Advisors' General Fund revenue estimate, any change to this industry's employment base would affect the current revenue estimates. Without this legislation, aircraft support service workers would be ineligible for the job tax credit as it seeks approval for applying a job tax credit from the Department of Revenue for each new full-time employee hired, and other economic development incentives from the Coordinating Council for Economic Development.

The aircraft support services industry has exhibited slow, and sometimes declining, growth in South Carolina. Based on the latest data from the U.S. Department of Labor, Bureau of Labor statistics there are nearly 1,500 individuals employed in 66 companies in the aircraft support services industry making an average annual salary of \$54,183 per year. The average establishment employs slightly more than 22 individuals. Employment growth in this industry has been sluggish since the end of the last national recession in 2009; however, the number of aircraft support services companies has increased over this period.

According to the Department of Revenue's annual ranking of county designations for a job tax credit, the amount of a job tax credit ranges from \$1,500 per job in a developed county to \$8,000 per job in an economically-distressed county based upon the location of the new qualified full-time job. The job tax credit may be claimed for five years beginning in year two after the creation of the job for each new full-time job created if the maximum level of new jobs is maintained. Any unused job tax credits may be carried forward for a period of fifteen years from the taxable year in which the credit is earned by the taxpayer.

Because it is difficult to estimate with certainty in which county new qualified jobs may be created, an estimated average job tax credit of \$3,800 per eligible job is used in the analysis. If the aircraft support services industry continues to expand at the current average annual pace of job growth in the state, then multiplying an estimated 30 new full-time jobs by a nonrefundable job tax credit of \$3,800 per eligible job yields a reduction in General Fund income tax, bank tax, or insurance premium tax revenue of an estimated \$114,000 in FY2016-17, and each fiscal year thereafter.

Section 2. This act takes effect upon approval by the Governor and applies to tax years beginning after 2015.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director