

# Statement of Estimated State Revenue Impact

---

**Date:** April 14, 2013 (As amended April 10, 2013 by the Sales & Income Tax Subcommittee)  
**Bill Number:** H.B. 3093  
**Author:** J.E. Smith

**Committee Requesting Impact:** House Ways & Means Committee

---

## Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Chapter 67 to Title 12 so as to enact the "South Carolina Abandoned Buildings Revitalization Act", to provide that a taxpayer making investments of a certain size in rehabilitating an abandoned building based on the population of the political subdivision in which the building is located may at the taxpayer's option receive specified income tax credits or credits against the property tax liability.

## REVENUE IMPACT <sup>1/</sup>

This bill is expected to reduce General Fund individual income tax, corporate income tax, bank tax, or corporate license fee revenue by an estimated \$3,750,000 in FY2013-14, and for each fiscal year thereafter until FY2017-18. If all taxpayers elect the property tax option, local property tax revenue would be reduced by an estimated \$3,750,000 annually.

## Explanation of Amendment (April 10, 2013) – House Sales & Income Tax Subcommittee

This amendment would change when the qualified projects would be able to claim the eligible credits for the rehabilitation, renovation, and redevelopment of abandoned buildings from buildings begun "after the effective date of this chapter" to "begun within or after the tax year of the effective date of this chapter". This amendment a taxpayer that begins a rehabilitation project of an abandoned building on or after January 1, 2013 to be eligible for a nonrefundable tax credit of twenty-five percent of the actual rehabilitation expenses incurred at the building site. This amendment would reduce General fund individual income tax, corporate income tax, bank tax, or corporate license fee revenue by an estimated \$3,750,000 in FY2013-14, and for each fiscal year thereafter until FY2017-18.

## Explanation of Bill filed January 8, 2013

This bill would add Chapter 67 to Title 12 to extend a nonrefundable tax credit to create an incentive for the rehabilitation, renovation, and redevelopment of abandoned buildings located in South Carolina. An "abandoned building" means a building or structure on which at least sixty-six percent of the space has been closed continuously to business for a period of at least five years. This bill would add Section 12-67-140(B)(2) to allow a taxpayer a nonrefundable credit of twenty-five percent of the actual rehabilitation expenses incurred at the building site. To be eligible for the tax credit, the actual rehabilitation expenses must be between eighty percent and one hundred twenty-five percent of the estimated rehabilitation expenses set forth in the Notice of Intent to Rehabilitate. The entire credit is earned when the building is placed in service, but the tax credit must be taken in equal installments over five years. Any unused credits may be carried forward for the succeeding five years. The tax credit is limited in use to fifty percent of a taxpayer's income tax liability against income tax, bank tax, or corporate license fees. The tax credits are transferrable.

The taxpayer may also choose to elect a credit against real property taxes levied by local taxing entities. The taxpayer must elect the nonrefundable tax credit to be applied against either the

## Statement of Estimated State Revenue Impact

---

income or corporate license taxes, or against property taxes, but not both. The "real property tax credit" is equal to twenty-five percent of the qualified rehabilitation expenses made to the eligible site up to seventy-five percent of the real property taxes due on the site each year. The municipality or the county must determine the eligibility of the site and the proposed project. The ordinance shall allow the property tax credit to be taken against up to seventy-five percent of the real property taxes due on the site each year not to exceed eight years. The credit vests in the taxpayer in the year in which the eligible site is placed in service. The credit may be carried forward up to eight years.

Eligible abandoned buildings, both private and public, may include, but are not limited to, abandoned residences, retail stores, hotels and motels, office space, health care facilities, schools, amusement and recreational facilities, warehouses, manufacturing facilities, fire towers, National Guard armories, military and defense buildings, college and university buildings, and state office buildings. For example, the 165-acre state Department of Mental Health facility located on Bull Street in Columbia recently was sold to a private developer for \$15,000,000. The developer has since estimated and revised renovation expenses to \$40,000,000. Multiplying \$40,000,000 in renovation expenses by a nonrefundable tax credit of twenty-five percent and applying the tax credit in equal installments over five taxable years, yields a reduction in General Fund tax revenue of an estimated \$2,000,000 annually for the next five fiscal years.

According to the National Trust for Historic Places, the Palmetto Trust for Historic Preservation, the SC Department of Archives and History, the U.S. Department of General Services, and the South Carolina Budget and Control, there is an estimated 500,000 square feet of abandoned building space throughout the state of South Carolina. Multiplying 500,000 square feet of abandoned income producing space by an average renovation cost of \$150 per square foot equals an estimated \$75,000,000 of renovation expense that may be undertaken. Applying a twenty-five percent nonrefundable tax credit to \$75,000,000 of renovation expense and spreading out the tax credit over five equal installments yields an estimated reduction of General Fund individual and corporate income tax and corporation license tax revenue of \$3,750,000 in FY2013-14, and for each successive fiscal year for five years to FY2017-18. It is reasonable; however, to estimate that twenty-five percent of rehabilitative projects would qualify in FY2013-14 since it takes time to file a Notice of Intent to Rehabilitate, undertake the renovation, and subsequently inhabit the structure. This bill is expected, therefore, to reduce General Fund individual and corporate income tax and corporation license tax revenue by an estimated \$937,500 in FY2013-14 and by an estimated \$3,750,000 in each successive fiscal year through FY2017-18.

The taxpayer has the option of applying to a county council or city council for a reduction in local property taxes against the value of the rehabilitated structure. If all taxpayers elect the property tax option, local property tax revenue would be reduced by an estimated \$3,750,000 annually. This act takes effect upon approval of the Governor.



Frank A. Rainwater  
Chief Economist

**Analyst:** Martin

<sup>11</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.