

Statement of Estimated State Revenue Impact

Date: June 3, 2013

Bill Number: H.B. 4262

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Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-3675 so as to allow a nonrefundable credit against the South Carolina income tax liability of an individual for a portion of the expenses incurred by taxpayer materials used in constructing or installing a "safe room" in a residential structure located in this state, to allow unused credit to be carried forward for the five succeeding taxable years, and to define "safe room" and "residential structure".

REVENUE IMPACT ^{1/}

This bill is expected to reduce General Fund income tax revenue by an estimated \$105,000 in FY2013-14.

Explanation

This bill would add Section 12-6-3675 to allow a taxpayer a nonrefundable income tax credit equal to seven percent of the cost of materials used in the construction or installation of a safe room in a residential structure. This would also include the cost of a modular safe room component installed in a residential structure. A qualified "safe room" is defined as an enclosed and securable room built or installed in a residential structure for the specific purpose of providing protection for occupants from storms, other natural disasters, home invasions, or any combination of the above. A "residential structure" is defined as a residence located on and permanently attached to real property located in South Carolina. Any unused credits may be carried forward for up to five years.

Safe rooms can serve one of three basic functions - to protect against natural disasters, such as tornadoes or hurricanes, for protection from individuals that would inflict personal harm, or to secure valuables from would-be intruders. Although we tend to correlate safe rooms with the tornado-prone Midwestern states and the fallout shelters from the 1950's, safe rooms are present throughout the country. The demand for a safe room is based on the probability of a disaster in a particular area or region of the country or the threat of theft or personal harm. The events surrounding the terrorist attacks on 9/11 have increased the demand for safe rooms. Despite the prevalence of safe rooms in the Midwest and large urban areas, representatives with safe room installation companies have installed safe rooms in South Carolina. Also according to industry representatives, the fast growing segment of safe room installations are in check cashing operations.

A safe room can cost between \$2,000 to over \$15,000 depending on the size of the room, the building materials, and the equipment that may be installed in the safe room, such as

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communication equipment to contact emergency personnel. A safe room may be constructed from reinforced concrete to sheets of steel to a ballistic substrate material to prevent intrusion. Based on a survey of several of the largest national installers of safe rooms, the average FEMA 230-certified (Federal Emergency Management Agency) safe room built to federal standards costs \$6,000 in materials and installation. Multiplying an average cost of constructing a safe room of \$6,000 by an estimated 250 state residences that may construct and install a safe room on their residential property and applying a nonrefundable income tax credit of seven percent, yields a reduction in General Fund income tax revenue of an estimated \$105,000 in FY2013-14.



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^{1/} 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.