

Statement of Estimated State Revenue Impact

Date: March 9, 2013

Bill Number: H.B. 3296

Author: Hart

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-3765 so as to allow a state tax credit for employers hiring an unemployed individual receiving unemployment compensation benefits, to provide the amount of the credit, those taxes against which the credit is allowed, and the eligibility requirements for creditable employees, to provide for the administration of the credit, and to provide that the credit is allowed for eligible individuals hired after June 30, 2013, and before July 1, 2014, and extends for fifty months for each creditable employee.

REVENUE IMPACT ^{1/}

This bill would reduce General Fund individual income tax, corporate income tax, bank tax, savings and loan association taxes, corporate license tax, and insurance premium tax revenue by an estimated \$12,229,845 in FY2013-14 and by an estimated \$29,351,628 in FY2014-15.

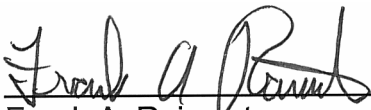
Explanation

This bill would add Section 12-6-3765 to allow an employer that hires a “creditable employee” to claim a \$100 per month nonrefundable income tax credit for each unemployed creditable employee first hired by the employer after June 30, 2013 and before July 1, 2014. A “creditable employee” must also meet the remaining conditions – has filed a claim for unemployment compensation and is currently receiving weekly unemployment compensation benefits for at least four weeks (30 days); was unemployed immediately before becoming employed; has no return to work date or promise of future employment; remains employed by the employer for at least four consecutive work weeks (30 days) and consists of at least a 35-hour work week; and the employee must be a U.S. citizen or a lawfully present alien confirmed through the federal employment verification system known as “E-Verify”.

According to the latest data from the Employment Security Commission, an average of 37,009 individuals received unemployment compensation checks during the first seven weeks in 2013, of which an estimated 12,009 unemployed individuals would be hired and become creditable employees. Based upon data from the Bureau of Labor Statistics, it takes a typical unemployed person an average of 17.1 weeks (just over 4 months) to find employment after a job separation. Since individuals are constantly added to and removed from the unemployment rolls, the number of initial claimants for unemployment insurance turns over 3.04 times each year (52 weeks divided by 17.1 weeks equals 3.04). By multiplying the additional 12,009 unemployed claimants by an unemployment turnover rate of 3.04 yields an estimated 36,507 potential creditable employees. Applying an annual

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nonrefundable income tax credit of \$1,200 per claimant yields an estimated \$43,808,400 in tax credits. Adjusting for one-third of employers that would not have enough taxable liability to claim a credit yields an estimated \$29,351,628 of income tax credits. Since five-sixths of the tax credits would be claimed from August 1, 2013 to December 31, 2013, General Fund income tax revenue would thereby be reduced by an estimated \$12,229,845 in FY2013-14. Any unused credits may be carried forward to succeeding years and the tax credit remains in effect for fifty consecutive months for each creditable employee. In the second year, a full year of tax credits yields a reduction of General Fund income tax revenue of \$29,351,628 in FY2014-15. This act takes effective upon approval by the Governor.



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¹¹ 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.