

Statement of Estimated State Revenue Impact

Date: May 12, 2014

Bill Number: H.B. 4301

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Committee Requesting Impact: House Ways & Means Committee

Bill Summary

A bill to amend Section 12-20-105, as amended, of the Code of Laws of South Carolina, 1976, relating to the corporate license tax credit allowed for cash contributions to provide infrastructure for eligible projects, so as to include in the definition of "eligible project" a municipal or county-owned, multiuse sports and recreational complex located in a county in which has been collected at least five million dollars in a fiscal year in state imposed accommodations tax and to further define "infrastructure" for purposes of a multiuse sports and recreational complex.

REVENUE IMPACT ^{1/}

This bill is expected to reduce state corporate license tax revenue by an estimated \$500,000 in FY2014-15.

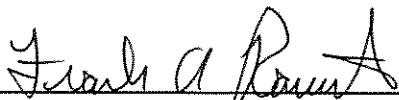
Explanation

Section 12-20-105 allows a taxpayer that is subject to a corporate license tax to be eligible to claim a credit against its license tax liability for amounts paid in cash to provide infrastructure for an eligible project. Traditionally, the allowable costs included site preparation costs, but are not limited to clearing, grubbing, grading, and stormwater retention expenses of the project. This bill would amend Section 12-20-105 by adding subsection (I) to include in the definition of an eligible project for the promotion of economic development a county or municipality owned multiuse sports and recreational complex. This section would further define infrastructure of a multiuse sports and recreational complex to include the costs of land acquisition and preparation, the construction of facilities and venues, improvements and upgrades to existing facilities and venues, and any other capital costs incurred in the acquisition, construction, and operation of the complex. The complex must be located in a county that has collected at least \$5,000,000 in state accommodations tax revenue in at least one fiscal year. The only counties that meet this threshold requirement are Beaufort, Charleston, and Horry counties.

Act 187 of 2012 increased the maximum aggregate credit that may be claimed by a single company to \$400,000 in any tax year. Although there are five electric utilities that directly serve the three eligible counties, any electric utility provider that has not reached the maximum aggregate credit amount may make a cash contribution to an eligible project. There is currently one project in Horry County that meets the amended definition of an eligible project of a county or municipality owned multiuse sports and recreational complex. The new facility is expected to expand sports tourism in the North Grand Strand Area. The complex is targeting college and youth baseball and softball events with plans to expand to other events in the future. Plans also include an amphitheater, a veteran's memorial, and a lakefront area with water sports attractions. The projected \$19,000,000 multiuse complex is comprised of \$12,000,000 in hospitality fee revenue and revenue from a one-cent sales tax for tourism, and \$7,000,000 in state funding for the land purchase.

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Based on information from the Department of Revenue in a statutorily-issued report summarizing the history of the tax credits allowed pursuant to this section, there is additional capacity in the tax credits claimed by electric utilities each year. We expect that one or two companies will meet the amended criterion each fiscal year, but not up to the maximum credit contribution limit. This section, therefore, is expected to reduce state corporate license tax revenue by an estimated \$500,000 in FY2014-15. This act takes effect upon approval by the Governor and applies for contributions made for a multiuse sports and recreational complex placed in service after 2011.



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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 or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.