



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 227 As amended by House Ways and Means Economic Development, Capital Improvement and Other Taxes Subcommittee on May 3, 2016

Author: Campbell

Subject: Remission of redevelopment fees

Requestor: House Ways and Means

RFA Analyst(s): Shuford

Impact Date: May 12, 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	(\$5,342,560)	(\$10,685,120)
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill as amended would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

This bill would decrease General Fund withholding tax revenue by \$5,342,560 in FY 2016-17 for extending the redevelopment authority allocations from January 2017 through June 2017. The extended allocations in July 2017 through December 2017 would decrease withholding tax revenue by an additional \$5,342,560 in FY 2017-18, for a total decrease in General Fund withholding revenue of \$10,685,120.

Explanation of Fiscal Impact

Explanation of Amendment by the House Ways and Means Economic Development, Capital Improvement and Other Taxes Subcommittee on May 3, 2016

State Expenditure

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

State Revenue

This amendment extends the allocation of individual income tax withholdings to a redevelopment authority from January 1, 2017, until January 1, 2032. This allocation is equal to five percent of all wages paid to employees by a federal employer at a closed or realigned

military installation. Pursuant to Section 12-10-88(C), redevelopment authority allocations are scheduled to sunset on January 1, 2017. In addition to extending the allocation, the amendment specifies that redevelopment authority allocations in future fiscal years may not exceed the amount remitted in FY 2014-15.

Based on data provided by the Department of Revenue, allocations to the redevelopment authorities located at the Charleston Naval Complex, the Savannah River Site, and the Myrtle Beach Air Force Base totaled \$10,685,120 in FY 2014-15. Specifically, the Charleston Naval Complex received \$8,097,497, the Savannah River Site received \$1,925,713, and the Myrtle Beach Air Force Base received \$661,910.

Under the sunset provisions in existing law, we expect General Fund withholding tax revenue to increase beginning in January 2017. Since the amendment extends the redevelopment authority allocations to January 1, 2032, the General Fund would not realize these withholding tax increases.

Taking into account the extension of the redevelopment authority allocations past January 2017 and the limitation of these extended allocations to the amounts remitted to the authorities by the Department of Revenue in FY 2014-15, we estimate that General Fund withholding tax revenue will decrease by \$10,685,120 beginning in January 2017, the amount of the redevelopment authority allocations remitted in FY 2014-15. This revenue decrease will be realized over two fiscal years since the continuation of the allocations begins in the middle of a state fiscal year. We estimate that General Fund withholding tax revenue would decrease by \$5,342,560 in FY 2016-17 for the continued redevelopment authority allocations for January 2017 through June 2017. The continued allocations for July 2017 through December 2017 will decrease withholding tax revenue by an additional \$5,342,560 in FY 2017-18, for a total decrease in General Fund withholding tax revenue of \$10,685,120.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Amendment by the Senate Finance Sales and Income Tax Subcommittee on April 12, 2016

State Expenditure

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

State Revenue

This amendment extends the allocation of individual income tax withholdings to a redevelopment authority from January 1, 2017, until January 1, 2027. This allocation is equal to five percent of all wages paid to employees by a federal employer at a closed or realigned military installation. Pursuant to Section 12-10-88(C), redevelopment authority allocations are scheduled to sunset on January 1, 2017. In addition to extending the allocation, the amendment

specifies that redevelopment authority allocations in future fiscal years may not exceed the amount remitted in FY 2014-15.

Based on data provided by the Department of Revenue, allocations to the redevelopment authorities located at the Charleston Naval Complex, the Savannah River Site, and the Myrtle Beach Air Force Base totaled \$10,685,120 in FY 2014-15. Specifically, the Charleston Naval Complex received \$8,097,497, the Savannah River Site received \$1,925,713, and the Myrtle Beach Air Force Base received \$661,910.

Under the sunset provisions in existing law, we expect General Fund withholding tax revenue to increase beginning in January 2017. Since the amendment extends the redevelopment authority allocations to January 1, 2027, the General Fund would not realize these withholding tax increases.

Taking into account the extension of the redevelopment authority allocations past January 2017 and the limitation of these extended allocations to the amounts remitted to the authorities by the Department of Revenue in FY 2014-15, we estimate that General Fund withholding tax revenue will decrease by \$10,685,120 beginning in January 2017, the amount of the redevelopment authority allocations remitted in FY 2014-15. This revenue decrease will be realized over two fiscal years since the continuation of the allocations begins in the middle of a state fiscal year. We estimate that General Fund withholding revenue would decrease by \$5,342,560 in FY 2016-17 for the continued redevelopment authority allocations for January through June 2017. The continued allocations for July through December 2017 will decrease withholding revenue by an additional \$5,342,560 in FY 2017-18, for a total decrease in General Fund withholding revenue of \$10,685,120.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Bill Filed on January 13, 2015

State Expenditure

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

State Revenue

This bill would amend Section 12-10-88(C) to extend until January 1, 2037 the allocation of individual income tax withholdings equal to five percent of all wages paid to employees by a federal employer at a closed or realigned military installation to a redevelopment authority. This section, as last amended by Act 290 of 2010, would end these redevelopment authority allocations on January 1, 2017.

In FY 2013-14, allocations to the redevelopment authorities located at the Charleston Naval Complex, the Savannah River Site, and the Myrtle Beach Air Force Base totaled \$9,786,553. Specifically, the Charleston Naval Complex received \$7,265,019, the Savannah River Site

received \$1,968,344, and the Myrtle Beach Air Force Base received \$553,190. Since the redevelopment authority allocations would end January 1, 2017 under current statute, the extension to 2037 would reduce General Fund individual income tax withholding revenue by one-half of an estimated \$11,820,000 in FY 2016-17, or \$5,910,000, and an additional \$5,910,000 in FY 2017-18 for a total revenue decrease of \$11,820,000.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director