This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	S. 0271 Signed by Governor on April 26, 2021
Author:	Talley
Subject:	Abandoned Buildings Credit
Requestor:	Senate
RFA Analyst(s):	Jolliff
Impact Date:	July 6, 2021

Fiscal Impact Summary

This bill extends the South Carolina Abandoned Buildings Revitalization Act in Chapter 67, Title 12 that is currently set to expire on December 31, 2021, until December 31, 2025. The bill also makes a limited change to definitions in the Textiles Communities Revitalization Act. The bill is not expected to impact expenditures for the Department of Revenue (DOR), as the department can administer the changes with existing resources.

Extending the Abandoned Buildings Revitalization Act is expected to reduce General Fund revenue from individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof, by an estimated additional $5,200,000 in FY 2022-23, and each fiscal year thereafter until FY 2025-26. The General Fund revenue impact will be reduced to approximately $10,400,000 in FY 2026-27 and $5,200,000 in FY 2027-28, after which the impact will be limited to any carryforward credits remaining. Under current law, these credits are repealed in 2021, and projects completed after that time would not be eligible for a credit, thereby reducing the General Fund impact beginning in FY 2022-23. Under the bill, credits may be added through FY 2025-26, extending the General Fund revenue impact for an additional four years.

The bill also changes the definition of contiguous parcels in the Textiles Communities Revitalization Act to add those separated by a railroad. This change may slightly increase the ability for a taxpayer to claim expenses for properties divided by a railroad. However, this change is not expected to substantially affect the number of textile mill sites eligible for this tax credit or have a substantial impact on total tax credits claimed. Therefore, while we do anticipate some additional decrease in General Fund revenue due to the change, the impact is expected to be limited.

Explanation of Fiscal Impact

Signed by Governor on April 26, 2021
State Expenditure
This bill extends the South Carolina Abandoned Buildings Revitalization Act that is currently set to expire on December 31, 2021, until December 31, 2025. The bill also makes a change to the determination of a contiguous parcel for the purposes of determining Textile Communities

Revitalization credits. The bill is not expected to impact expenditures for DOR, because the department can administer the changes with existing resources.

State Revenue

Section 1. This section of the bill extends the South Carolina Abandoned Buildings Revitalization Act until December 31, 2025. The act allows a taxpayer to claim a nonrefundable state tax credit equal to 25 percent of actual rehabilitation expenses of an abandoned building. The tax credit may be applied against individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof. The tax credit may also be applied against real property taxes as levied by local taxing entities, although DOR is unaware of any claims against property taxes. The tax credit must be taken in equal installments over a three-year period and may not exceed $500,000 for any taxpayer in a tax year. The credit is earned in the tax year in which the applicable phase or portion of the building site is placed in service. Unused state tax credits may be carried forward for five years. Currently, the act is to be repealed on December 31, 2021. As specified in Act 50 of 2019, any credit carryforward will continue to be allowed after the act is repealed until the period allowed in Section 12-67-140 is completed.

The table below provides the number of taxpayers claiming the tax credit and the total amount claimed since inception. Further, we have estimated the initial new claims per year based upon the three-year installment requirement. These figures do not include any tax credit carryforwards that may be claimed in succeeding tax years.

Abandoned Buildings Revitalization Tax Credits

Fiscal Year	Tax Year	Total Credits Claimed	Estimated Initial Claims Under Three-year Installment
FY 2013-14	2013	$390,135	$390,135
FY 2014-15	2014	$1,127,443	$737,308
FY 2015-16	2015	$2,253,044	$1,125,601
FY 2016-17	2016	$7,414,442	$5,551,533
FY 2017-18	2017	$11,615,937	$5,183,593
FY 2018-19	2018	$15,999,752	$5,264,626
FY 2019-20	2019	$15,708,941	$5,260,722

Source: S.C. Department of Revenue, S.C. Department of Insurance

During the latest three years, the amount of new tax credits claimed annually when accounting for the three-year installment requirement averaged approximately an additional $5,200,000 each year. This bill would extend the sunset date of the act from December 31, 2021, to December 31, 2025. Therefore, under this bill, new credits may be earned for an additional four tax years from 2022 through 2025 and taken in three-year installments with a five-year carryforward for any unused credits. Based upon the current rate of growth, extending the sunset would increase the tax credits allowed by approximately $5,200,000 per tax year for four years, at which time no new tax credits would be earned and only installments and carryforwards will remain. Therefore, we estimate that this bill would reduce General Fund individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof, by an estimated additional $5,200,000 in FY 2022-23, and each fiscal year thereafter until FY 2025-26. The statute will be repealed on December 31, 2025, at which time only installments and carryforward credits previously earned may be claimed and no new credits would be added. The General Fund impact will be reduced to approximately $10,400,000 in FY 2026-27 and $5,200,000 in FY 2027-28, after which the impact will be limited to any carryforward credits remaining.

Section 2. This section of the bill amends the definition of a contiguous parcel in the Textiles Communities Revitalization Act. Under the act, a taxpayer is allowed a tax credit against income taxes, corporate license tax, or insurance premium taxes, or any combination thereof, or a property tax credit for the renovation, improvement, and redevelopment of abandoned textile mills in South Carolina. The bill makes a change to Section 12-65-20(4)(b) regarding the definition of a textile mill site and a contiguous parcel on that site. Currently, the definition of a textile mill site specifies that the site includes the structure together with all land and improvements that were used directly for textile manufacturing operations or ancillary uses or were located on the same parcel or a contiguous parcel within one thousand feet of any textile mill structure or ancillary uses. It also defines contiguous parcel as any separate tax parcel sharing a common boundary with an adjacent parcel or separated only by private or public roads. The bill amends the definition of contiguous parcel to specify that the contiguous parcel may be separated by railroad rights of way in addition to roads. The change is effective beginning in tax year 2021.

The tax credit is equal to 25 percent of the qualified rehabilitation expenses and is claimed in equal installments over a 5-year period beginning with the year the property is placed in service. The tax credit is limited to 50 percent of a taxpayer's tax liability each year. Any unused credit may be carried forward for 5 years. The table below provides actual and estimated tax claims by year.

Textiles Rehabilitation Credit
Actual and Estimates, Select Years

Fiscal Year	Tax Year	Total Credits Claimed
FY 2013-14*	2013	$7,344,723
FY 2014-15*	2014	$8,078,358
FY 2015-16*	2015	$11,060,603
FY 2016-17*	2016	$18,142,960
FY 2017-18	2017	$30,190,222
FY 2018-19	2018	$30,808,169
FY 2019-20*	2019	$26,007,490

*Figures include estimates for Bank Tax only
Data Source: S.C. Department of Revenue, S.C. Department of Insurance; Estimates by Revenue and Fiscal Affairs;

This bill makes a change to the determination of a contiguous parcel and may slightly increase the ability for a taxpayer to claim expenses for properties divided by a railroad. However, this change is not expected to substantially affect the number of textile mill sites eligible for this tax credit or have a substantial impact on total tax credits claimed. There will likely be a subsection of a project that qualifies for this tax credit due to the change, but this impact is expected to be limited in scope. Therefore, while we do anticipate some additional increase in qualifying expenses as a result of the change, the decrease in General Fund revenue as a result of the increase in tax credits is expected to be limited.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director

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