SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0397 As signed by the Governor on March 27, 2015
Author:	Leatherman
Requestor:	Senate Finance
Date:	June 11, 2015
Subject:	2014 Internal Revenue Code Conformity
RFA Analyst(s):	Shuford and Shealy

Estimate of Fiscal Impact

	FY 2014-15	FY 2015-16
State Expenditure		
General Fund	$0	N/A
Other and Federal	$0	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	$196,281	N/A
Other and Federal	N/A	N/A
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary
This bill would have no expenditure impact to the General Fund, Federal Funds, or Other Funds.

This bill would increase General Fund income tax revenue by $196,281 in FY 2014-15 due to the expiration of the refinery property provision.

Explanation of Fiscal Impact

Explanation of Amendment (February 19, 2015) – By the Senate
The amendment would adopt expired provisions of the Internal Revenue Code previously adopted by the State in the event any of these expired sections are extended, but not otherwise amended, by the federal government in 2015. This amendment proactively adopts these expired provisions in the event Congress retroactively reinstates these enhanced deductions and exclusions from income. This amendment is not expected to impact state revenue or expenditures, and the impact of the bill as amended is unchanged from the bill as filed.

Explanation of Bill Filed on February 3, 2015
State Expenditure
The Department of Revenue anticipates that this bill would have no expenditure impact to the General Fund, Federal Funds, or Other Funds.

State Revenue

This bill updates South Carolina's conformity to the Internal Revenue Code (IRC) through December 31, 2014. Research by the Department of Revenue reports the only significant federal tax legislation enacted in 2014 was the Tax Increase Prevention Act of 2014. This legislation retroactively restored over fifty federal tax provisions that expired at the end of 2013. Of these extended provisions, twenty-four directly impact South Carolina taxpayers. The attached table provides a brief summary of the twenty-four provisions including the year they were first enacted.

South Carolina has proactively adopted the twenty-four extended federal tax provisions that impact South Carolina taxpayers pursuant to §12-6-40(A)(1)(c), as added in Act 126 of 2014. This new subsection adopted these expired provisions of the federal IRC for South Carolina income tax purposes in the event any of these expired sections were extended, but not otherwise amended, by the federal government in 2014.

These twenty-four temporary provisions have generally been in the Internal Revenue Code for years and are routinely extended as they were most recently extended in the Tax Increase Prevention Act of 2014. While Congress extended these provisions in 2014, this is a one-year extension that expires at the end of 2014. Additional federal legislation is necessary to continue their effectiveness for 2015 and beyond.

Given the continuing nature of these twenty-four provisions, proactively adopted under the South Carolina income tax code, we expect no revenue impact from the continuation of the extended provisions.

One provision that impacts South Carolina taxpayers was not extended for 2014. This provision allows taxpayers to expense 50 percent of the cost of qualified refinery property when placed in service. Normally, this type of property is depreciated over a ten-year time frame. Qualified refinery property includes assets used in the refining of liquid fuels, including biomass or biodiesel. The federal provision was originally enacted as part of the Energy Policy Act of 2005. It was extended through 2013 as part of the Emergency Economic Stabilization Act of 2008. Based on U.S. revenue estimates of extending this provision by the U.S. Joint Committee on Taxation and adjusting for South Carolina taxpayers only, we expect that the expiration of this provision will increase income tax revenue by $196,281 in FY 2014-15 when the impacted taxpayers file their 2014 tax returns.

The Tax Increase Prevention Act of 2014 also created the Achieving a Better Life Experience Act (ABLE) tax-favored savings accounts for individuals with disabilities for tax years after 2014. The ABLE Act authorizes states to create an ABLE program similar to Code Section 529 college savings accounts. Any revenue impact from this authorization will be determined when the South Carolina enabling legislation is introduced.

Local Expenditure and Revenue

N/A

Frank A. Rainwater

Frank A. Rainwater, Executive Director