



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0397
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Requestor:	Senate Finance
Date:	February 9, 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, and 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

State Expenditure

The Department of Revenue anticipates that this bill would have no expenditure impact to the General Fund, Federal Funds, and 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

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

	Federal Tax Provisions Impacting South Carolina Taxpayers Extended though Tax Year 2014 by the "Tax Increase Prevention Act of 2014"	First Enacted
1	Deduction for qualified tuition and related expenses	1978
2	Tax credit for research and experimentation expenses (SC credit uses federal credit to calculate SC tax liability reduction, without federal credit the state credit is limited to credits earned in previous years and carried forward due to lack of tax liability)	1981
3	Empowerment zone tax incentives	1993
4	Accelerated depreciating for business property on Indian reservations	1993
5	Special rules applicable to qualified small business stock	1993
6	Above the line deduction of up to \$250 for teacher classroom expenses	2002
7	Increase in section 179 expensing amounts and threshold limits to \$500,000/\$2,000,000. In 2014 limitations would revert back to \$25,000 with a \$200,000 investment limit without further federal legislation.	2003
8	15 year straight line cost recovery for qualified leasehold, restaurant, and retail improvements	2004
9	Special rule for sales or dispositions to implement Federal Energy Regulatory Commission or state electric restructuring policy	2004
10	Seven year recovery period for certain motorsports racing facilities	2004
11	Special expensing rules for certain film and television productions	2004
12	Enhanced charitable deduction for contributions of food inventory	2005
13	Tax free distributions from IRAs to certain public charities for individuals aged 70-1/2 or older, not to exceed \$100,000 per taxpayer per year; special transition rules for certain distributions made in December 2012 and January 2013	2006
14	Premiums for mortgage insurance deductible as interest that is qualified residential interest	2006
15	Extension of energy efficient commercial buildings deduction	2006
16	Basis adjustment to stock of S corporations making charitable contributions of property	2006
17	Automatic extension of the period of years required to amortize certain unfunded liabilities for multiemployer defined benefit pension plans and additional funding rules endangered or critical status plans	2006
18	Contributions of capital gain real property made for qualified conservation purposes	2006
19	Election to expense advanced mine safety equipment	2006
20	Modify tax treatment of certain payments under existing arrangements to controlling exempt organizations	2006
21	Discharge of indebtedness on principal residence excluded from gross income of individuals	2007
22	Change the depreciation classification for race horses that are two-years old or younger from seven-year property to three-year property	2008
23	Reduction in recognition period for S corporation built in gains tax	2009
24	Extends income exclusion for employer provided mass transit and parking benefits	2009