



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

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*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.*

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|------------------------|-----------------------------------|------------------------------------|
| <b>Bill Number:</b>    | S. 0436                           | Signed by Governor on May 18, 2021 |
| <b>Author:</b>         | Cromer                            |                                    |
| <b>Subject:</b>        | Community Development Tax Credits |                                    |
| <b>Requestor:</b>      | Senate                            |                                    |
| <b>RFA Analyst(s):</b> | Gallagher                         |                                    |
| <b>Impact Date:</b>    | August 11, 2021                   |                                    |

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### Fiscal Impact Summary

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a community development corporation or community development financial institution to modify the current aggregate limits on the Community Development Tax Credit. This bill will not have an expenditure impact for the Department of Revenue or the Department of Commerce to administer the increase in the credit limit because the tax credit is already in place, and the agencies can administer the change with existing staff and resources.

This bill increases the current aggregate limit on the Community Development Tax Credit by \$3,000,000, from \$6,000,000 to \$9,000,000. Of this \$3,000,000, \$1,000,000 may be used for all taxpayers, each tax year until the aggregate limit is met or the claim is repealed. This credit has been consistently claimed up to the maximum amount allowed per year, and as of tax year 2019, the current aggregate credit limit of \$6,000,000 has been reached. Without this amendment, no additional credits would be available to be claimed. As such, we anticipate there is sufficient demand for this credit to meet the maximum cap permitted in this bill. Therefore, this bill will decrease General Fund revenue from individual income, corporate income, bank, insurance premium taxes, or any combination thereof, by \$1,000,000 a year in FY 2021-22, FY 2022-23, and FY 2023-24, at which time the full \$3,000,000 will have been claimed. The timing of the impact may vary if taxpayers carryforward any excess credits for the allowable three years.

### Explanation of Fiscal Impact

**Signed by Governor on May 18, 2021**

#### State Expenditure

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a community development corporation (corporation) or community development financial institution (institution) to increase the current aggregate credit limit on the Community Development Tax Credit. The Department of Commerce authorizes the amount of tax credits each year on a first-come, first-served basis. This bill will not have an expenditure impact for the Department of Revenue or the Department of Commerce to administer the tax credit increase. The tax credit is already in place, and the agencies can administer the change with existing staff and resources.

**State Revenue**

This bill amends Section 12-6-3530, which provides a tax credit against income tax, bank tax, or insurance premium tax for a taxpayer investing in a corporation or institution. The amount of the credit is 33 percent of any equity investment in a corporation or institution and 50 percent of any cash donation. If the amount of the credit exceeds the taxpayer's liability for the applicable tax year, the credit may be carried forward for three years. Currently, the aggregate credit limit is \$6,000,000 and the total credit that may be claimed by all taxpayers is \$1,000,000 per calendar year. The Community Development Tax Credit is repealed effective June 30, 2023.

This bill increases the current aggregate limit on the Community Development Tax Credit by \$3,000,000, resulting in an increased aggregate credit limit of \$9,000,000. Of this \$3,000,000, \$1,000,000 may be used for all taxpayers in tax year 2021 and \$2,000,000 is to be used for all taxpayers in tax years after 2021. This credit has been consistently claimed up to the maximum amount allowed per year, and as of tax year 2019, the current aggregate credit limit of \$6,000,000 has been reached. Without this amendment, no additional credits would be available to be claimed. As such, we anticipate there is sufficient demand for this credit to meet the maximum cap permitted in this bill. Additionally, as discussed above, §12-6-3530(B)(1) limits the total amount of credits that may be claimed in one calendar year to \$1,000,000. Therefore, this bill will decrease General Fund revenue from individual income, corporate income, bank, insurance premium taxes, or any combination thereof, by \$1,000,000 a year in FY 2021-22, FY 2022-23, and FY 2023-24, at which time the full \$3,000,000 will have been claimed. The timing of the impact may vary if taxpayers carryforward any excess credits for the allowable three years.

**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director