



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0463	Signed by Governor on May 17, 2021
Author:	Alexander	
Subject:	Expiration of Tax Credits for Purchase of Geothermal Machinery and Equipment	
Requestor:	Senate	
RFA Analyst(s):	Gallagher	
Impact Date:	August 11, 2021	

Fiscal Impact Summary

This bill extends the sunset provision related to the 25 percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment from January 1, 2022, to January 1, 2032. This bill will not have an expenditure impact for the Department of Revenue as the tax credit is already in place.

Without the extension of the sunset provision, no additional tax credits for geothermal machinery and equipment would be expected following tax year 2021, thereby increasing General Fund revenues due to the sunset repeal of credits. However, the extension of the sunset provision allows for a continuation of claims for these credits and is expected to reduce General Fund individual income tax revenue by \$2,407,000 and corporate income tax revenue by \$271,000 a year beginning in FY 2022-23 through FY 2031-32, for a total reduction of \$2,678,000 per year.

Explanation of Fiscal Impact

Signed by Governor on May 17, 2021

State Expenditure

Section 12-6-3587 allows a 25 percent income tax credit for the costs incurred by the taxpayer for the purchase and installation of specific residential renewable energy equipment, including geothermal machinery and equipment. Currently, this tax credit is set to repeal as of January 1, 2022. This bill extends this provision through January 1, 2032. This bill will not have an expenditure impact for the Department of Revenue because the tax credit is already in place, and extending the sunset provision will not have an operational or fiscal impact on the agency.

State Revenue

This bill extends the sunset provision related to the 25 percent state tax credit allowed for the purchase and installation of geothermal machinery and equipment from January 1, 2022, to January 1, 2032. Based on data from the Department of Revenue's 2019-2020 Annual Report, 6,033 individuals claimed \$17,377,765 and 32 corporations claimed \$1,461,716 in FY 2019-20 for the Solar Energy System Credit. This results in a total claimed amount of \$18,839,481. The tax credit information available from South Carolina state income tax forms reports the combined total for solar, small hydropower, and geothermal machinery and equipment systems. According to the U.S. Energy Information Administration's (EIA) Monthly Energy Review, geothermal energy consumption accounts for approximately 13.9 percent of total residential and 18.6 percent of total commercial renewable energy from solar and geothermal sources. Utilizing

these figures, we estimate that 836 individuals claimed approximately \$2,407,000 and 6 corporations claimed \$271,000 in FY 2019-20 for the geothermal machinery and equipment tax credit. This results in a total estimated claim amount of \$2,678,000.

Without the extension of the sunset provision, no additional tax credits for geothermal machinery and equipment would be expected following tax year 2021, thereby increasing General Fund revenues due to the repeal of credits. As such, the extension of the sunset provision allows a continuation of claims for these credits. Based upon the Annual Energy Outlook 2021 by EIA, geothermal energy production is not expected to change significantly through the period, and we anticipate credits will remain stable. Therefore, the extension of the sunset provision provides is expected to reduce General Fund individual income tax revenue by \$2,407,000 and corporate income tax revenue by \$271,000 a year beginning in FY 2022-23 through FY 2031-32, for a total reduction of \$2,678,000 per year.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director