

Statement of Estimated State Revenue Impact

Date: January 22, 2014

Bill Number: S.B. 329

Authors: Reese and Hembree

Committee Requesting Impact: Senate Finance Committee

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-3586 so as to allow an income and other specified tax credits for twenty-five percent of the total cost of a solar energy system placed in service in 2013 through 2018, to provide ceilings on the amount of the credit that may be claimed in one year and provide for the timing of credits, to provide for the allocation of the credit in the case of certain pass-through entities, and to require the taxpayer to elect the credit to apply in the case of overlapping credit.

REVENUE IMPACT ¹¹

This bill would reduce General Fund income tax revenue by \$333,333 in FY2014-15.

Explanation

This bill would add Section 12-6-3586 granting an income and other specified tax credits for twenty-five percent of the total cost of a solar energy system used for water heating, active space heating and cooling, daylighting, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat placed in service by taxpayers. Additionally, devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy would be included. This applies to systems placed in service in 2013 through 2018. The credit may be claimed against a taxpayer's individual income, corporate income, bank tax, license fees, or insurance premiums taxes. The credit also applies to taxpayers who operate as a partnership or limited liability company. In this case, the credit may be passed through to the partners or members and may be allocated by the taxpayer among any of its partners or members on an annual basis, without limitation, an allocation of the entire credit to any partner or member who was a member or partner at any time during the year the credit is allocated. This bill also provides ceilings on the amount of credit that can be claimed per installation. For solar energy equipment placed into service for residential purposes, the ceilings range from \$3,500 to \$1,000,000, based upon the purpose of the solar energy equipment. For solar energy systems placed into service for any purpose other than residential, the ceiling amount equals \$1,000,000 and must be taken in three equal annual installments. Currently, Section 12-6-3587 allows the same income tax credit of twenty-five percent of certain solar energy equipment purchases and installation costs. The income tax credit pursuant to Section 12-6-3587 is capped at \$3,500 per facility or fifty-percent of the taxpayer's tax liability for that taxable year, whichever is less.

Based on data from the South Carolina Department of Revenue, 260 taxpayers claimed the existing solar energy tax credit for a total of \$774,940, or approximately \$2,980 per taxpayer, in 2012. Based upon our analysis of the solar energy equipment tax credit over the past four years, the average tax credit per tax payer is \$2,531, which equates to an average unit cost of approximately \$10,124. Therefore, we estimate that the increased ceilings for residential solar energy equipment will have no impact in FY2014-15.

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Regarding non-residential installations, based on data from the South Carolina Department of Revenue, we estimate 2 commercial firms claimed the solar energy tax credit in 2012. Based upon our analysis of solar energy equipment tax credits for non-residential purposes over the past three years, we estimate that 2 commercial firms will claim the tax credit in FY 2014-15, for a total of \$2,000,000. Adjusting for the fact that the tax credit is to be taken in three equal annual installments and applying the fifty percent tax liability limitation, it is estimated that this bill would reduce State General Fund income tax, bank tax, license fees, or insurance premium tax revenue by an estimated \$333,333 in FY2014-15.

The credits allowed by this section are in lieu of any other applicable income or other tax credits or abatements allowed by state law for related purposes, and if there is an overlap or conflict in available credits or abatements to a taxpayer, the taxpayer must elect the credit or abatement the taxpayer desires in the manner prescribed by the Department of Revenue to the extent the credits or abatements conflict or overlap.

This act takes effect upon approval by the Governor and applies for installations of solar energy systems placed in service in taxable years beginning after 2012 and ending in 2018.



Frank A. Rainwater
Chief Economist

Analyst: Wren

^v This statement meets the requirement of Section 27-71 for a state revenue impact by the BEA or Section 2-7-76 for a local revenue impact of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.