

Statement of Estimated State Revenue Impact

Date: January 21, 2014

Bill Number: S.867

Authors: Hayes

Committee Requesting Impact: Senate Finance

Bill Summary

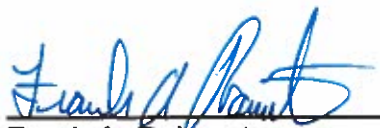
TO AMEND ACT 101 OF 2013, RELATING TO THE 2013-2014 GENERAL APPROPRIATIONS ACT, SO AS TO REVISE PARAGRAPH 1.85, SECTION 1, PART 1B, THAT ALLOWS FOR A TAX CREDIT FOR CONTRIBUTIONS TO A NONPROFIT SCHOLARSHIP FUNDING ORGANIZATION BY SPECIFYING THE TAXES FOR WHICH THE CREDIT MAY BE CLAIMED AGAINST, TO AMEND THE DEFINITION OF "EXCEPTIONAL NEEDS", TO ESTABLISH AN APPLICATION PROCESS TO DETERMINE THE AMOUNT OF CREDIT AVAILABLE TO BE CLAIMED, AND TO DELETE A PROVISION RELATING TO MARRIED PERSONS FILING SEPARATELY.

REVENUE IMPACT ^{1/}

This bill is will reduce General Fund income and bank taxes by \$840,000 in FY 2013-14 and an additional \$7,160,000 in FY 2014-15. The Board of Economic Advisors has previously certified these revenue reductions in Proviso 1.85 of the FY 2013-14 General Appropriation Act, therefore, this bill is not expected to further impact state revenue in FY 2014-15.

Explanation

This bill amends Proviso 1.85 of the FY 2013-14 General Appropriations Act by specifying that the credits for contributions to nonprofit scholarship funding organizations are taken against income and bank taxes. The bill requires the Department of Revenue to establish an application process to determine the amount of tax credits available and to establish priorities for taxpayers. A contribution deadline of June 30, 2014 is set for taxpayers to claim the credit. The Proviso is further amended by deleting the subsection relating to married persons filing separately. Proviso 1.85 as amended allows a tax credit for contributions to nonprofit scholarship funding organizations of up to \$8 million per year for exceptional needs' children. The tax credit is limited to 60% of a taxpayers' tax liability and is nonrefundable. Based on the experience of similar tax credits in other states, we expect that South Carolina taxpayers will claim the total \$8 million in tax credits allowed for contributions made between January 1, 2014 and June 30, 2014. Because some taxpayers will reduce quarterly declarations or withholdings in anticipation of this tax credit, we expect that this bill will reduce General Fund income and bank taxes by \$840,000 in FY 2013-14 and an additional \$7,160,000 in FY 2014-15. The Board of Economic Advisors has previously certified these revenue reductions in Proviso 1.85 of the FY 2013-14 General Appropriation Act, therefore, this bill is not expected to further impact state revenue in FY 2014-15.



Frank A. Rainwater
Chief Economist

Analyst: Shuford

^{1/} This statement meets the requirement of Section 2-7-71 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.