



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
(803)734-3780 • RFA.SC.GOV/IMPACTS

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.

Bill Number:	S. 521	Introduced on February 9, 2023
Author:	Cromer	
Subject:	Community Development Tax Credits	
Requestor:	Senate Finance	
RFA Analyst(s):	Jolliff	
Impact Date:	April 18, 2023	

Fiscal Impact Summary

This bill increases the aggregate limit on the Community Development Tax Credit in Section 12-6-3530 by an additional \$6,000,000 and revises the sunset date from June 30, 2023, to June 30, 2029. Under Act 83 of 2021, the aggregate limit was increased from a total of \$6,000,000 to \$9,000,000 for all taxpayers for all tax years. This bill further increases that limit by an additional \$6,000,000 to \$15,000,000 for all tax years and increases the per tax year limit from \$2,000,000 to \$3,000,000.

This bill is not expected to have an expenditure impact for the Department of Revenue or the Department of Commerce to administer the extension of the credit because the tax credit is already in place, and the agencies can administer the change with existing staff and resources.

The per tax year limit on the tax credit has traditionally been reached in each year. Based on this experience, we estimate that the bill will reduce General Fund revenue from individual or corporate income tax, bank tax, insurance premium tax, or a combination thereof by a total of \$3,000,000 per year in FY 2023-24 and FY 2024-25 for tax years 2023 and 2024, respectively. However, the impact on a fiscal year basis may vary if a taxpayer chooses to carry forward the credits that were allocated in a particular tax year.

Explanation of Fiscal Impact

Introduced on February 9, 2023

State Expenditure

This bill increases the aggregate limit on the Community Development Tax Credit by an additional \$6,000,000 and revises the sunset date from June 30, 2023, to June 30, 2029. The Department of Commerce authorizes the amount of tax credits each year on a first-come, first-served basis. This bill is not expected to have an expenditure impact for the Department of Revenue or the Department of Commerce to administer the extension. The tax credit is already in place, and the agencies can administer the extension with existing staff and resources.

State Revenue

This bill increases the aggregate limit on the Community Development Tax Credit in Section 12-6-3530 by an additional \$6,000,000 and revises the sunset date from June 30, 2023, to June 30,

2029. The Community Development Tax Credit provides a tax credit against individual or corporate income tax, bank tax, or insurance premium tax for a taxpayer investing in a community development corporation or community development financial 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 3 years.

Under Act 83 of 2021, the aggregate limit on the Community Development Tax Credit was increased from a total of \$6,000,000 to \$9,000,000 for all taxpayers for all tax years. Currently, \$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 bill further increases the aggregate limit by an additional \$6,000,000 to \$15,000,000 for all tax years and increases the per tax year limit to \$3,000,000.

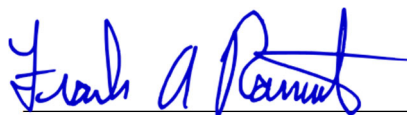
According to the Department of Commerce, \$1,000,000 was reserved in 2021, and \$1,988,853 was reserved in 2022, leaving \$11,147 available for 2023. The per tax year limit has traditionally been reached in each year. Based on this experience, we estimate that the bill will reduce General Fund revenue by a total of \$3,000,000 per year in FY 2023-24 and FY 2024-25 for tax years 2023 and 2024, respectively. However, the impact on a fiscal year basis may vary if a taxpayer chooses to carry forward the credits that were allocated in a particular tax year.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director