Bill Number:	S. 1021 Introduced on February 6, 2024
Author:	Davis
Subject:	Abandoned Buildings Tax Credit
Requestor:	Senate Finance
RFA Analyst(s):	Manic
Impact Date:	February 20, 2024 - Updated for Revised Analysis and Fiscal Impact

Fiscal Impact Summary

This bill extends the provisions of the South Carolina Abandoned Buildings Revitalization Act in Chapter 67, Title 12 that is currently set to expire on December 31, 2025, through 2035 and increases the amount of the maximum tax credit that may be earned by a taxpayer in a tax year from $500,000 to $700,000.

The bill is not expected to impact expenditures for the Department of Revenue (DOR). As it is an extension of the existing credit, we anticipate that DOR will manage this extension with existing staff and resources.

This bill is expected to reduce General Fund revenue from individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes, or any combination thereof, by $133,400 beginning in FY 2024-25 and a total of approximately $7,733,400 per year beginning in FY 2026-27. Under the proposed legislation, the impact will continue through FY 2035-36 when the extension of the act expires. The impact will then begin to decline as no new credits may be earned and only existing installment and carryforward credits will be claimed. Please note, this estimate is based on available data for tax year 2022 as of October 2023 filings and estimates for returns that will be filed by February 15, 2024, under the extended filing deadline. If the final filings for tax year 2022 significantly affect these estimates, we will update this impact statement.

This impact statement has been revised to clarify the timing of the impact.

Explanation of Fiscal Impact

Introduced on February 6, 2024
State Expenditure
This bill extends the provisions of the South Carolina Abandoned Buildings Revitalization Act that is set to expire on December 31, 2025, through December 31, 2035. In addition, the bill increases the amount of the maximum tax credit that may be earned by a taxpayer in a tax year from $500,000 to $700,000. The bill is not expected to impact expenditures for DOR because the department can manage the extension with existing staff and resources.

State Revenue
This bill extends the provisions of the South Carolina Abandoned Buildings Revitalization Act that is set to expire on December 31, 2025, through December 31, 2035. In addition, the bill increases the amount of the maximum tax credit that may be earned by a taxpayer in a tax year from $500,000 to $700,000.

The act currently allows a taxpayer to claim a nonrefundable state tax credit equal to 25 percent of actual rehabilitation expenses of an abandoned building that is to be put into operation for income producing purposes. The tax credit may be applied against individual and corporate income taxes, bank taxes, savings and loan taxes, corporate license fees, insurance premium taxes (including retaliatory taxes), or any combination thereof. The tax credit may also be applied against real property taxes as levied by local taxing entities, although the Department of Revenue (DOR) is unaware of any claims against property taxes. The tax credit must be taken in equal installments over a three-year period and may not exceed $500,000 for any taxpayer in a tax year. The credit is earned in the tax year in which the applicable phase or portion of the building site is placed in service. Unused state tax credits may be carried forward for five years. Currently, the act is to be repealed on December 31, 2025. As specified in Act 50 of 2019, any credit carryforward will continue to be allowed after the act is repealed until the period allowed in Section 12-67-140 is completed.

The table below provides the total tax credit amount claimed since inception as well as the estimated initial new claims per year based upon the three-year installment requirement. These figures do not include any tax credit carryforwards that may be claimed in succeeding tax years.

Abandoned Buildings Revitalization Tax Credits

Fiscal Year	Tax Year	Total Credits Claimed	Estimated Initial Claims Under Three-year Installment
FY 2013-14	2013	$390,135	$390,135
FY 2014-15	2014	$1,127,443	$737,308
FY 2015-16	2015	$2,253,044	$1,125,601
FY 2016-17	2016	$7,414,442	$5,551,533
FY 2017-18	2017	$11,860,727	$5,183,593
FY 2018-19	2018	$16,616,591	$5,881,465
FY 2019-20	2019	$15,708,941	$4,643,883
FY 2020-21	2020	$16,666,164	$6,140,816
FY 2021-22	2021	$16,797,130	$6,012,431
FY 2022-23 (est.)	*2022*	*$24,590,000*	*$12,436,753*

Source: S.C. Department of Revenue, S.C. Department of Insurance; Revenue and Fiscal Affairs estimates; FY 2022-23 is estimated based on tax returns through October 2023 with estimates for remaining returns to be filed and historical data.

In recent years, with the exception of FY 2019-20 during the pandemic, the amount of new tax credits claimed annually when accounting for the three-year installment requirement averaged approximately an additional $7,600,000 each year. Extending the act would reduce revenue by this amount beginning in FY 2026-27 for tax year 2026 as taxpayers will be able to earn additional credits. The impact will continue through FY 2035-36 when the act is set to expire, at which time no new credits may be added. Please note, this estimate is based on available data for tax year 2022 as of October 2023 filings and estimates for returns that will be filed by February 15, 2024, under the extended filing deadline. If the final filings for tax year 2022 significantly affect these estimates, we will update this impact statement.

Further, the increase in the maximum credit amount that may be earned in a year may also increase the impact. This change is effective upon approval by the Governor. Since the credit must be taken in three installments, the additional $200,000 could increase credits by approximately $66,700 per taxpayer per year. However, a review of available data showed that very few returns claim the annual maximum currently. Based on this, we anticipate only 1 or 2 taxpayers will claim a larger credit due to the increase. The remaining additional credits earned may be carried forward for the five-year allowable period, which may extend the timing of the impact. Assuming 1 to 2 taxpayers claim the increase in a year, this change would potentially increase credits by approximately $133,400 per fiscal year beginning in FY 2024-25. Based on these assumptions, the proposal would reduce General Fund revenue from individual and corporate income taxes, corporate license fees, bank taxes, insurance taxes, or a combination thereof, by $133,400 beginning in FY 2024-25 and a total of approximately $7,733,400 per year beginning in FY 2026-27. Under the proposed legislation, the impact will continue through FY 2035-36 when the extension of the act expires. The impact will then begin to decline as no new credits may be earned and only existing installment and carryforward credits will be claimed.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director