Statement of Estimated State Revenue Impact

Date: February 18, 2011

Bill Number: H.B. 3695

Author: Delleney

Committee Requesting Impact: House Ways & Means Committee

Bill Summary
A bill to amend Section 12-36-2120, as amended, of the Code of Laws of South Carolina, 1976, relating to the requirements for a sales tax exemption of certain items for certain facilities researching and testing the impact of natural disasters, so as to provide that the qualifying investment of at least twenty million dollars may begin at any time period after January 1, 2009, and all or a portion may occur before the taxpayer notifies the Department of Revenue of its intention.

REVENUE IMPACT
This bill is not expected to impact General Fund sales and use tax revenue in FY2011-12.

Explanation
Currently, pursuant to Section 12-36-2120(78), a tax exempt organization that focuses its research on mitigating insurance losses due to catastrophic events by testing the effects of the natural hazards of wind, fire, flood, earthquake, and hail on architectural models will qualify for a sales and use tax exemption on the machinery and equipment, building and other raw materials, and electricity used to test the materials in the facility. There is one entity that has located and constructed a facility in South Carolina that qualifies for this sale tax exemption. This bill would amend Section 12-36-2121 (78) to allow a qualifying organization to change the date the organization is required to begin capital investment in a testing facility “for the period beginning January 1, 2009”. The bill would also allow the qualifying investment of at least $20,000,000 in real or personal property at a single site in this State over a three-year period to begin at any time period after December 31, 2008. Also, all or a portion of the investment may occur before the taxpayer provides notice to the Department of Revenue that the organization has started construction on the facility. This changes the tolling date of the qualified investment to any time after December 31, 2008 up to and including the date the organization gives notice to the Department of Revenue of its intent to begin construction of the facility. The construction of this facility had started before the passage of Act 280 of 2010 and the research and testing facility completed construction and debuted in October 2010. Since the BEA has already deducted sales and use tax revenue from its General Fund revenue for the facility in its February 9, 2011 estimate, this bill is not expected to impact sales and use tax revenue in FY2011-12.

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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(8) for an estimate of the shift in local property tax incidence by the Office of Economic Research.