Statement of Estimated State Revenue Impact

Date: January 22, 2013

Bill Number: S.B. 12

Authors: O'Dell

Committee Requesting Impact: Senate Finance

Bill Summary
A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-10-108 so as to provide a client company that contracts with a professional service employer and is assigned employees under that contract, is eligible for the job development credit, to specify the conditions under which the job development credit may be claimed, and to provide the process by which the Department of Revenue shall administer the credit with respect to a client company; and by adding section 40-68-145 so as to provide that for purposes of determining an incentive or business preference program based on employment, an assigned employee is considered an employee of the client company.

REVENUE IMPACT
This bill is not expected to impact General Fund or local revenues in FY2013-14.

Explanation
This bill would add Section 12-10-108, which would allow a client company that is a qualifying business, to be eligible for an overpayment of withholding resulting from a job development credit for new jobs filled by assigned employees. This will be subject to an executed revitalization agreement between the qualifying business that is a client company and the Coordinating Council for Economic Development. The assigned employees must be full-time employees and have a benefits package including health care.

Additionally, this bill would add Section 40-68-145, which states that for purposes of determining an incentive or business preference program, based on employment, an assigned employee is considered an employee solely of the client company, not the licensee. Additionally, the licensee will be the W-2 reporting employer and the client company will be entitled to the benefit of or to continue to qualify for an incentive, business program, or other benefit arising from the employment of assigned employees.

As this bill does not pertain to an expansion, it appears to be an organizational change of structure for qualifying employers, where qualifying companies contract to hire employees. Therefore, we do not expect an impact on General Fund or local revenues.

Upon approval by the Governor, this act will be effective for tax years beginning after December 31, 2012, and will only apply to revitalization agreements and retraining agreements entered into after December 31, 2012.
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"This statement meets the requirement of Section 27-71 for a state revenue impact by the BEA, or Section 27-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research."