



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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<b>Bill Number:</b>	H. 3485	Amended by the Senate on March 5, 2020
<b>Author:</b>	Jefferson	
<b>Subject:</b>	Income Tax Credit, Rehabilitation Expenditures for Historic Structures	
<b>Requestor:</b>	Senate Finance	
<b>RFA Analyst(s):</b>	Gallagher and Jolliff	
<b>Impact Date:</b>	August 17, 2020	

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### **Fiscal Impact Summary**

This bill will increase the Department of Archives and History's (DAH) Other Funds expenditures by approximately \$740,639 per year to provide grants from the new State Historic Preservation Grant Fund. These funds will be used for the rehabilitation of historic structures, with expenditures from this fund beginning when the fees have been fully implemented in FY 2021-22. Expenditures will also increase by \$26,876 beginning in FY 2020-21 for purchasing or preserving collections. DAH indicates the department will manage administrative expenses associated with administering the fund within existing appropriations.

This bill will increase Other Funds revenue of DAH by approximately \$740,639 per year from fees paid by taxpayers claiming a tax credit for rehabilitation expenses on a historic site. DAH has indicated that they do not expect to charge the fee to projects that have already entered the application process for tax credits. The agency anticipates that the fee will apply to new projects and will begin in FY 2020-21 as new applications are received. Therefore, fee collections will begin in FY 2020-21 but likely will not be fully implemented until FY 2021-22 due to the timing of applications. Other Funds revenues of DAH for purchasing or preserving collections will increase by approximately \$26,876 per year beginning in FY 2020-21 from contributions on the individual income tax form.

### **Explanation of Fiscal Impact**

#### **Amended by the Senate on March 5, 2020**

#### **State Expenditure**

The bill establishes the State Historic Preservation Grant Fund to be administered by DAH. Based upon information from DAH, the agency expects to process applications and distribute funds with existing staff and using current appropriations. The bill will increase DAH's Other Fund's expenditures for issuing grants from the State Historic Preservation Grant Fund by approximately \$740,639 per year beginning in FY 2021-22 from fees charged to taxpayers claiming a tax credit for rehabilitation expenses on a historic site as outlined under State Revenue below. These funds will be used for the rehabilitation of historic structures, with expenditures from this fund beginning when the fees have been fully implemented in FY 2021-22. Expenses will also increase by approximately \$26,876 beginning in FY 2020-21 for purchasing or preserving collections using revenue generated by individual income tax return contributions.

## State Revenue

This bill imposes a fee for a taxpayer claiming a credit pursuant to Section 12-6-3535 for rehabilitation expenses of a historic structure. Taxpayers applying for these tax credits administered by DAH are required to pay a preliminary fee based on estimated qualified rehabilitation expenses before the review of a Historic Preservation Certification Application, Part 2, or a Certified Rehabilitation Application, S2. These fees will be credited to the State Historic Preservation Grant Fund. The preliminary fee schedule is as follows:

Historic Preservation Fund Preliminary Fee Schedule	
Projects less than \$500,000	0.0% of estimated expenses
Projects at least \$500,000 but less than \$2,000,000	0.1% of estimated expenses
Projects at least \$2,000,000 but less than \$4,000,000	0.25% of estimated expenses
Projects \$4,000,000 or greater	0.5% of estimated expenses

The final fee must be paid before the review of a Historic Preservation Certification Application, Part 3, or a Certified Rehabilitation Application, S3, less any amount paid as a preliminary fee. The final fee schedule is as follows:

Historic Preservation Fund Final Fee Schedule	
Projects less than \$500,000	0.0% of actual expenses
Projects at least \$500,000 but less than \$2,000,000	0.25% of actual expenses
Projects at least \$2,000,000 but less than \$4,000,000	0.5% of actual expenses
Projects \$4,000,000 or greater	1.0% of actual expenses

All fees obtained will go to the new State Historic Preservation Grant Fund to be distributed as grants. DAH will develop an application process for the distribution of funds from the State Historic Preservation Grant Fund to include eligibility criteria and grant requirements. The agency is not currently assessing a fee for taxpayers who apply for these credits and will not retain these fees for operations.

DAH provided the following data regarding projects that were approved from 2015 to 2019 and the total fees that would have been collected from these projects:

Potential Fees from Qualified Rehabilitation Expenses Based Upon 2015-2019 Projects			
Project Cost Range	Fee Scale	Qualified Rehabilitation Expenses 2015-2019	Total Fees
Projects less than \$500,000	0.0%	\$9,729,678	\$0
Projects at least \$500,000 but less than \$2,000,000	0.25%	\$43,036,608	\$107,592
Projects at least \$2,000,000 but less than \$4,000,000	0.5%	\$58,406,230	\$292,031
Projects \$4,000,000 or greater	1.0%	\$330,357,080	\$3,303,571
Total fees that would have been collected from 2015 to 2019			\$3,703,194

Based upon the reported rehabilitation expenses, fees under this new requirement would have totaled \$3,703,194 from 2015-2019, or \$740,639 per year on average. Therefore, this bill will increase Other Funds of DAH by an estimated \$740,639 per year from fees paid by taxpayers claiming a tax credit for rehabilitation expenses on a historic site. The bill takes effect upon approval by the Governor and applies to income tax years beginning after 2019. DAH has indicated that they do not expect to charge the fee to projects that have already entered the application process for tax credits. The fee will apply to new projects and would begin in FY 2020-21 as new applications are received. Therefore, this section of the bill would increase Other Funds by approximately \$740,639 per year to be expended for grant projects when fully implemented in FY 2021-22.

Section 2 of the bill allows an individual income taxpayer to elect to contribute to DAH. Any funds received through this tax return election must be used to purchase or preserve collections with significant historical value to the State. Based upon Department of Revenue data for tax year 2018, a total of 29,046 taxpayers contributed a total of \$456,888 to the existing seventeen income tax elections for an average of \$26,876 per election. Based upon these figures, we estimate that this will increase Other Funds revenue of DAH for purchasing or preserving collections by approximately \$26,876 per year beginning in FY 2020-21.

**Amended by Senate Finance on February 4, 2020**

**State Expenditure**

The bill establishes the State Historic Preservation Grant Fund to be administered by DAH. Based upon information from DAH, they expect to process applications and distribute funds with existing staff and using current appropriations. The bill will increase DAH’s Other Fund’s expenditures for issuing grants from the State Historic Preservation Grant Fund by approximately \$740,639 per year likely beginning in FY 2021-22 as outlined below. These funds will be used for the rehabilitation of historic structures, with expenditures from this fund beginning when the fees have been fully implemented.

**State Revenue**

This bill imposes a fee for a taxpayer claiming a credit pursuant to Section 12-6-3535 for rehabilitation expenses of a historic structure. Taxpayers applying for these tax credits administered by DAH are required to pay a preliminary fee based on estimated qualified rehabilitation expenses before review of a Historic Preservation Certification Application, Part 2, or a Certified Rehabilitation Application, S2. These fees will be credited to the State Historic Preservation Grant Fund. The preliminary fee schedule is as follows:

Historic Preservation Fund Preliminary Fee Schedule	
Projects less than \$500,000	0.0% of estimated expenses
Projects at least \$500,000 but less than \$2,000,000	0.1% of estimated expenses
Projects at least \$2,000,000 but less than \$4,000,000	0.25% of estimated expenses
Projects \$4,000,000 or greater	0.5% of estimated expenses

The final fee must be paid before review of a Historic Preservation Certification Application, Part 3, or a Certified Rehabilitation Application, S3, less any amount paid as a preliminary fee. The final fee schedule is as follows:

Historic Preservation Fund Final Fee Schedule	
Projects less than \$500,000	0.0% of estimated expenses
Projects at least \$500,000 but less than \$2,000,000	0.25% of estimated expenses
Projects at least \$2,000,000 but less than \$4,000,000	0.5% of estimated expenses
Projects \$4,000,000 or greater	1.0% of estimated expenses

All fees obtained will go to the new State Historic Preservation Grant Fund to be distributed as grants. DAH will develop an application process for distribution of funds from the State Historic Preservation Grant Fund to include eligibility criteria and grant requirements. The agency is not currently assessing a fee for taxpayers who apply for these credits and will not retain these fees for operations.

DAH provided the following data regarding projects that were approved from 2015 to 2019 and the total fees that would have been collected from these projects:

Fees from Qualified Rehabilitation Expenses 2015-2019			
Project Cost Range	Fee Scale	Qualified Rehabilitation Expenses 2015-2019	Total Fees
Projects less than \$500,000	0.0%	\$9,729,678	\$0
Projects at least \$500,000 but less than \$2,000,000	0.25%	\$43,036,608	\$107,592
Projects at least \$2,000,000 but less than \$4,000,000	0.5%	\$58,406,230	\$292,031
Projects \$4,000,000 or greater	1.0%	\$330,357,080	\$3,303,571
Total fees that would have been collected from 2015 to 2019			\$3,703,194

Based upon the reported rehabilitation expenses, fees under this new requirement would have totaled \$3,703,194 from 2015-2019, or \$740,639 per year on average. Therefore, this bill will increase Other Funds of DAH by an estimated \$740,639 per year from fees paid by taxpayers claiming a tax credit for rehabilitation expenses on a historic site. The bill takes effect upon approval by the Governor and applies to income tax years beginning after 2019. DAH has indicated that they do not expect to charge the fee to projects that have already entered the application process for tax credits. The fee will apply to new projects and would begin in FY 2020-21 as new applications are received. Therefore, this section of the bill would increase Other Funds by approximately \$740,639 per year to be expended for grant projects when fully implemented likely in FY 2021-22.

Section 2 of the bill allows an individual income taxpayer to elect to contribute to DAH. Any funds received through this tax return election must be used to purchase or preserve collections with significant historical value to the State. Based upon Department of Revenue data for tax year 2017, a total of 25,733 taxpayers contributed a total of \$425,370 to the existing seventeen income tax elections for an average of \$25,022 per election. Based upon these figures, we estimate that this will increase Other Funds of DAH for purchasing or preserving collections by approximately \$25,022 per year beginning in FY 2020-21.

## **Local Expenditure**

N/A

## **Local Revenue**

N/A

## **Amended by the House of Representatives on April 9, 2019**

### **State Expenditure**

The bill establishes the State Historic Preservation Grant Fund to be administered by DAH. Based upon information from DAH, they expect to process applications and distribute funds with existing staff. Therefore, the bill is not expected to impact state expenditures for the agency.

### **State Revenue**

This bill imposes a fee for a taxpayer claiming a credit pursuant to Section 12-6-3535 for rehabilitation expenses of a historic structure. Taxpayers applying for these tax credits administered by DAH are required to pay a fee, which will be credited to the State Historic Preservation Grant Fund. The preliminary fee is one half of one percent of the estimated qualified rehabilitation expenses or the rehabilitation expenses to be paid before review of a Historic Preservation Certification Application Part 2 or a Certified Rehabilitation Application, S2. The final fee is one percent of the actual qualified rehabilitation expenses or the rehabilitation expenses to be paid before review of an Historic Preservation Certification Application Part 3 or a Certified Rehabilitation Application, S3, less any amount paid as a preliminary fee. All fees obtained will go to the new State Historic Preservation Grant Fund to be distributed as grants. DAH will develop an application process for distribution of funds from the State Historic Preservation Grant Fund to include eligibility criteria and grant requirements. The agency is not currently assessing a fee for taxpayers who apply for these credits and will not retain these fees for operations.

DAH provided data regarding projects that were approved from 2014 to 2018. Based upon the reported rehabilitation expenses, fees under this new requirement would have totaled approximately \$987,000 per year on average. The bill takes effect upon approval by the Governor and applies to income tax years beginning after 2018. DAH has indicated that they do not expect to charge the fee to projects that have already entered the application process for tax credits. The fee will apply to new projects and would begin in FY 2019-20 as new applications are received. Therefore, this section of the bill would increase Other Funds by approximately \$987,000 per year to be expended for grant projects when fully implemented.

Section 2 of the bill allows an individual income taxpayer to elect to contribute to the Department of Archives and History. Any funds received through this tax return election must be used to purchase or preserve collections with significant historical value to the State. Based upon Department of Revenue data for tax year 2015, a total of 14,677 taxpayers contributed a total of \$189,966 to the existing sixteen income tax elections for an average of \$11,880 per election. Based upon these figures, we estimate that this will increase Other Funds of DAH for purchasing or preserving collections by approximately \$11,880 per year beginning in FY 2019-20.

Section 3 of this bill extends the placed in service date for rehabilitated abandoned buildings meeting specific requirements. If a taxpayer files a notice of intent to rehabilitate and has been rehabilitating an abandoned building continuously for the preceding year and is more than 60 percent complete, then the taxpayer must be allowed to extend the placed in service date until 90 days after completion of construction, provided construction continues diligently until that date. The taxpayer may not earn a tax credit until the applicable phase or portion of the building site is placed in service. Also, pursuant to Section 1 in Act 265 of 2018, the provisions of Chapter 67, Title 12 (Abandoned Buildings Revitalization Act) are repealed on December 31, 2021. Any carryforward credits shall continue to be allowed until the 5 or 8 year time period in Section 12-67-140 is completed. This legislation was passed into law on May 16, 2019 and will not affect state General Fund revenue, Other Funds revenue, or Federal Funds in FY2019-20 or any fiscal year thereafter.

### **Local Expenditure**

N/A

### **Local Revenue**

N/A

### **Introduced on January 9, 2019**

#### **State Expenditure**

The bill establishes the State Historic Preservation Grant Fund to be administered by DAH. Based upon information from DAH, they expect to process applications and distribute funds with existing staff. Therefore, the bill is not expected to impact state expenditures for the agency.

#### **State Revenue**

This bill imposes a fee for a taxpayer claiming a credit pursuant to Section 12-6-3535 for rehabilitation expenses of a historic structure. Taxpayers applying for these tax credits administered by DAH are required to pay a fee, which will be credited to the State Historic Preservation Grant Fund. The preliminary fee is one half of one percent of the estimated qualified rehabilitation expenses or the rehabilitation expenses to be paid before review of a Historic Preservation Certification Application Part 2 or a Certified Rehabilitation Application, S2. The final fee is one percent of the actual qualified rehabilitation expenses or the rehabilitation expenses to be paid before review of an Historic Preservation Certification Application Part 3 or a Certified Rehabilitation Application, S3, less any amount paid as a preliminary fee. All fees obtained will go to the new State Historic Preservation Grant Fund to be distributed as grants. DAH will develop an application process for distribution of funds from the State Historic Preservation Grant Fund to include eligibility criteria and grant requirements. The agency is not currently assessing a fee for taxpayers who apply for these credits and will not retain these fees for operations.

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credits. The fee will apply to new projects and would begin in FY 2019-20 as new applications are received. Therefore, this section of the bill would increase Other Funds by approximately \$987,000 per year to be expended for grant projects when fully implemented.

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**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director