



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0655	Introduced on March 13, 2019
Author:	Peeler	
Subject:	Jobs Tax Credit	
Requestor:	Senate Finance	
RFA Analyst(s):	R. Martin	
Impact Date:	March 21, 2019	Updated for Revised Analysis and Fiscal Impact

Fiscal Impact Summary

This bill would reduce General Fund individual income tax, corporate income tax, bank tax, and/or insurance premium tax revenue by an estimated \$7,825,000 in FY2021-22. The loss would be reduced to \$7,600,000 in FY2026-27 until FY2036-37. This bill would not affect Other Fund revenue, Federal Fund revenue, or local revenue.

Explanation of Fiscal Impact

Updated for Revised Analysis and Fiscal Impact on March 21, 2019
Introduced on March 13, 2019

State Expenditure

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Other Funds, or Federal Funds from this bill. The Department can administer the legislative changes with existing resources.

State Revenue

The Enterprise Zone Act was adopted in 1995 to provide economic incentives to attract capital investment in the state's rural and economically distressed counties in the state. A system of awarding tax credits to companies that creates new full-time jobs was developed using a combination of unemployment rates and county per capita incomes. The more economically distressed the county the higher the job tax credit that could be claimed for each new job created. Tax credits range from \$1,500 to \$8,000 per year for each job created depending on the county designation. Since the passage of the Enterprise Zone Act, a total of 7,394 taxpayers have claimed \$802,492,575 in nonrefundable tax credits.

Section 1. The Carolina Panthers are interested in a new indoor practice facility to replace an outdoor practice facility currently located near Bank of America Stadium in downtown Charlotte, NC. The Panthers are considering moving their football operations to South Carolina. The team is interested in moving the team's headquarters and training facilities to either York or Lancaster County based on media reports. The move would involve 150 or more employees, coaches, players, team executives, offices, parking, and the team's other departments.

This bill would make several changes to existing statutory law as follows:

- Amends Section 12-6-3360(A) to add professional sports teams as a qualified industry that may be allowed an annual jobs tax credit as provided in this section.

- Amends Section 12-6-3360(M) to amend the definition of a “new job” for a professional sports team to include all jobs located at the professional sports team park regardless of whether an employee previously worked at an existing location in this State before 2019 as an employee of the same professional sports team.
- Amends Section 12-6-3360(M)(4) to amend the definition of “full-time” job for a professional sports team to require a minimum of one hundred eighty days of an employee’s time a year of which at least eighty percent of such days must be spent at a professional sports team park located in South Carolina.
- Adds Section 12-6-3360(M)(17) to define a professional sports team as a professional sports team or club included in a professional league, such as the National Football League, National Association for Stock Car Racing, or the National Basketball Association, primarily engaged in participating in live sporting events before a paying audience with an annual payroll for federal tax purposes of not less than \$190,000,000 and not less than 150 employees.
- Adds Section 12-6-3360(M)(18) to define a professional sports team park as a sports facility designed for use primarily as a professional park or stadium. Such a facility may include, with limitation, practice fields and features such as parking areas and facilities, office facilities for team use or other users of the facility as authorized by the professional sports team, and other ancillary facilities necessary for the sports facility. Such a facility also includes the landscaped grounds surrounding the park, stadium, and ancillary facilities.
- Adds Section 12-6-3360(M)(19) to define members of a professional sports team as active players, players on the disabled list, and any other persons required to travel and who do travel with and perform services on behalf of the professional sports team on a regular basis. This includes coaches, managers, and trainers.

A qualifying business is permitted a tax credit against income (corporate and individual) tax, bank tax, or insurance premium tax for creating new, full-time jobs in the state. Generally, a business may hire at least ten employees at a single location to qualify for the credit. Tax credits range from \$1,500 to \$8,000 per year for each job created depending on the county designation. The county designations are determined by the average ranking of the county’s unemployment rate and per capita income for the latest thirty-six month period as of November 1st of each year. Tax credits may be claimed beginning in tax Years 2 through 6 after job creation in Year 1 for a total of five years. Tax credits may be carried forward for fifteen years and are limited to fifty percent of tax liability of the company.

Since the possible relocation of the Carolina Panthers’ practice facilities is still in the early stages of development and several potential sites are under consideration, this analysis assumes that the professional sports team will relocate its facilities to York County, SC. Pursuant to Section 12-6-3360(B), York County has a combination of the lowest unemployment rate and the highest per capita income based on the latest data available and is classified as a Tier I county. A Tier I

county may receive an initial job tax credit of \$1,500 for each new full-time job created in the county. Multiplying no less than 150 employees of a professional sports team by a jobs tax credit of \$1,500 per each new full-time job yields a reduction in General Fund individual income tax, corporate income tax, bank tax, and/or insurance premium tax revenue by \$225,000 annually. Since it will take some time to construct the facility, it is not expected to be completed and placed in service until 2020. Since the job tax credit may not be applied until the second year after the professional sports team has achieved a minimum of 150 new full-time jobs, General Fund individual income tax, corporate income tax, bank tax, and/or insurance premium tax revenue would be reduced by an estimated \$225,000 in FY2021-22, and each fiscal year thereafter through FY2025-26.

The professional sports team would also be eligible to claim a job development credit (JDC) against a qualified investment after creating a minimum number of new full-time jobs in South Carolina. The professional sports team must also provide a benefits package that includes health care to all full-time employees, enter into a revitalization agreement with the Coordinating Council for Economic Development with the Department of Commerce, and the Council must determine that the total benefits of the proposed project exceed the total costs to the public. The company must agree to create at least ten new, full time jobs at the project within five years of the effective date of a revitalization agreement. The company remits qualified employee withholding taxes due to the State. Each quarter the company may claim a credit for the amount of allowable job development benefits based upon the hourly gross wage rate of the qualified employee pursuant to Section 12-10-80(B). The withholding overpayment is refunded to the company.

The Department of Commerce anticipates utilizing the job development credit as part of the incentive package for the Carolina Panthers. Under provisions in this bill and applying the standard formula for calculating the JDC, the maximum credits are estimated by multiplying the minimum qualifying payroll of \$190,000,000 by the eighty percent of time the employee must be in South Carolina and by the five percent bracket which would result in a maximum credit of \$7,600,000. (In discussions with the executive offices of the National Football League, allocation of income by place of earnings is a complicated formula.) The maximum credit allocated to a business may then be limited by a percentage based on the economic tier in which the county is ranked. In this estimate, York County is a Tier 1 county and the statute would limit the credit to a qualifying business to fifty-five percent of the maximum credit and remaining forty-five percent would be redirected to the state Rural Infrastructure Fund under Section 12-10-85. Of the maximum credit, this provision would allocate \$4,180,000 to the Carolina Panthers and \$3,420,000 to the Rural Infrastructure Fund. The statute further allows, however, an option for the Department of Commerce to grant a waiver of the fifty-five percent limit and allow a business to claim up to ninety-five percent of the maximum credit. Under this option, \$7,220,000 of the maximum credit could be allocated to Carolina Panthers and \$380,000 to the Rural Infrastructure Bank.

Based on this analysis, we expect General Fund Revenue for FY 2020-21 to be reduced by \$7,600,000 due to the qualifying JDC. This estimate, however, could be impacted by the exact terms and conditions negotiated in the Revitalization Agreement.

This section of the fiscal impact statement has been updated for a revised analysis.

Section 5. This section includes a severability clause.

Section 6. This act takes effect upon approval of the Governor.

Local Expenditure

N/A

Local Revenue

Section 2. This section would amend Section 4-9-30(12) to state that no county license fees or taxes may be levied on a professional sports team as defined in Section 12-6-3360(M)(17). Since no professional sports team as defined in Section 12-6-3360(M)(17) is currently remitting any county license fees or taxes, there would be no loss of county license fees, taxes, or revenue as a result of this change in FY2019-20.

Section 3. This section would amend Section 5-7-30 to state that a business engaged in operating a professional sports team as defined in Section 12-6-3360(M)(17) is not subject to the business license tax. Since no professional sports team as defined in Section 12-6-3360(M)(17) is currently remitting any business license tax revenue, there would be no loss of local business license tax revenue as a result of this change in FY2019-20.

Section 4. This section would add Section 5-3-20 to ensure that no municipality may annex any real property owned by a professional sports team as defined in Section 12-6-3360(M)(17) without prior written consent of the professional sports team. This section is not expected to affect state General Fund revenue, Other Funds revenue, Federal Fund revenue, or local revenue in FY2019-20.

Introduced on March 13, 2019

State Expenditure

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State Revenue

The Rural Development Act was adopted in 1996 to provide economic incentives to attract capital investment in the state's rural and economically distressed counties in the state. A system of awarding tax credits to companies that creates new full-time jobs was developed using a combination of unemployment rates and county per capita incomes. The more economically distressed the county the higher the job tax credit that could be claimed for each new job created. Tax credits range from \$1,500 to \$8,000 per year for each job created depending on the county designation. Since the passage of the Rural Development Act, a total of 7,394 taxpayers have claimed \$802,492,575 in nonrefundable tax credits.

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Frank A. Rainwater, Executive Director