South Carolina Board of Economic Advisors
Statement of Estimated State Revenue Impact

Date: January 28, 2010 **Bill Number:** S.B. 1054

Authors: Pinckney and Malloy

Committee Requesting Impact: Senate Judiciary Committee

Bill Summary

A bill to amend Chapter 1, Title 4 of the 1976 Code of Laws, relating to extraordinary commercial facilities, by adding Section 4-1-180 to allow counties that create a multicounty business park to designate a portion or all of that park as a designated economic development site for extraordinary commercial facilities.

REVENUE IMPACT [1/]

This bill is expected to reduce General Fund sales and use tax revenue by an estimated $4,500,000 in FY2010-11, and each fiscal year through FY2014-15. The collection of the EIA penny and the Homestead Exemption Fund penny is not affected by this legislation.

Explanation

This bill would add Section 4-1-180 to allow counties that create a multicounty business park to designate a portion or that entire park as a designated economic development site for "extraordinary commercial facilities" to be reimbursed sales tax revenue collected from retail sales within facilities located at a multicounty business park. The reimbursement rate would equal three-fourths of the total sales tax revenue collected in the designated economic development site. The sales tax revenue would be transferred from the General Fund of the State and allocated to the counties in a multicounty business park agreement pursuant to Section 4-1-170 and Section 13 of Article VIII of the Constitution of this State. Only sales tax revenue collected pursuant to Section 12-36-2620(1), the first four pennies of sales tax revenue, is transferred back to the counties. The collection of the EIA penny, pursuant to Section 12-36-2620(2), and the Homestead Exemption Fund penny, pursuant to Section 12-36-1110, is not affected by this legislation.

To qualify as a designated economic development site, the commercial facility must meet the following conditions: the extraordinary commercial facility must have capital investment of at least $100,000,000; there must be at least 1,000 new jobs at the time the facility is initially staffed; and the facility must generate at least $6,000,000 in total sales tax receipts each year. The qualified capital investment must either be placed in service, or have a certificate of occupancy issued, after July 1, 2009. The qualified new jobs must be created at the time the facility is initially staffed. If at any time the number of jobs falls below an average of 500 jobs for the most recent four quarters, the receipt of payments shall be suspended until the next filing of an annual report that shows an average of 500 jobs during the next reporting period. This bill does not help to create productive capacity that sells product outside the state. Because the facility adds to an already well established retail sector, it is difficult to expect that the facility will create new sales, but rather will shift sales from existing retailers and not add to sales that would otherwise occur in the absence of the provision. Based upon the qualifications of a designated economic development site in a multicounty business park, multiplying $6,000,000 by 0.75 yields a reduction in General Fund sales and use tax revenue of an estimated $4,500,000 in FY2009-10, and each fiscal year through FY2013-14. The provisions of Section 4-1-180 expire five years from the effective date of this section.

/s/ William C. Gillespie, Ph.D.
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[1/] 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 or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.