



LEGISLATIVE AGENDA 2018

Perfecting the current Community Economic Development Law

This bill will increase the community development tax credit from 33% to 100%, cap the annual amount of tax credits to \$5 million and expand the eligibility of financial institutions to use the tax credits for targeted investments in low wealth communities. This means that an investment in a certified community development corporation (CDC) or community development financial institution (CDFI) will benefit the investor by allowing them a 100% credit against their state income, bank, corporate tax or premium tax liability. This law follows an established precedent in South Carolina state tax credits.

Background

Currently, the Community Economic Development law provides a 33% state tax credit to donors and investors who invest in certified CDCs and CDFIs. Additionally, the law limits the tax credits to \$1 million annually and \$5 million in the aggregate. These credits have attracted over \$15 million in private capital to low-wealth communities to increase economic activities by creating over 5,500 jobs, over 100 small businesses and having an economic impact of over \$250 million. This innovative economic development tool is almost completely depleted.

Senate Bill S.412 will increase economic development by:

- » Increasing the tax credit from 33% to 100% for contributions and permanent equity and 33% for loans, creating an even greater incentive for private capital to flow into low-wealth communities.
- » Increasing the amount of credits available statewide from one million dollars annually to five million dollars annually.
- » Ensures equitable distribution of tax credits by stipulating that a portion of the tax credits (25%) must be available to small rural-based CDCs and CDFIs during the first three quarters of each tax year.
- » Expanding the program to all banks and financial institutions that have operations and tax liabilities in SC rather than just those chartered in the state. This will improve the likelihood of investments in CDCs and CDFIs working in rural and under resourced communities.

Additional Amendments

- » Unused tax credits will no longer be carried forward, so the program is capped at \$5M per year. However, individual taxpayers will continue to be allowed to carry forward tax credits for up to ten years when those credits exceed the taxpayer's tax liability for a given year.
- » House Bill H.3842 includes all parts of S.412 except it keeps the tax credits at 33%.

Conclusion

Many South Carolina families and communities are still not able to benefit from the Palmetto State's economic prosperity. This is due largely to their inability to attract capital to their communities. The community development tax credit has proven to be an innovative and effective tool to attract private capital into these communities, resulting in job creation, small business development, workforce development and the production of workforce housing. The proposed amendments will help improve the law and increase opportunities for private capital to flow to these communities. Please support bills S.412 and H.3842.

