

**PRELIMINARY ANALYSIS OF
SOUTH CAROLINA'S
MAJOR INCENTIVES FOR
ECONOMIC DEVELOPMENT**

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Introduction

At the request of the Chairman of the Board of Economic Advisors (BEA) and the Governor's Office, the staff of the BEA was asked to review the incentives available under state law used to promote economic development to help clarify and improve transparency regarding the use of the incentives. While much of this data are available and published in summary form, detailed information is not readily available and much time and effort was devoted by several agencies in providing the additional statistics used in this report. Without the cooperation of and assistance from the South Carolina Coordinating Council for Economic Development (CCED), the South Carolina Department of Commerce, the South Carolina Department of Employment and Workforce, the South Carolina Department of Parks, Recreation, and Tourism, the South Carolina Department of Revenue, and the Office of the South Carolina State Treasurer, this report would not be possible. This report, hopefully, provides a basic review of the major economic development incentives and provides insight for further discussion and review.

This report attempts to provide the reader with a better understanding of:

- *the scope and use of the major incentives offered by the State*
- *the criteria and process used for claiming the incentives*
- *options for further review of the impact of the incentives*

This report does not address:

- *the impact of federal tax deductions or credits*
- *the impact of local incentives*
- *the effectiveness of, or whether the investment would occur but for, the incentive*
- *a comparison of incentives to other states*
- *the impact of multiple credits taken by a single taxpayer*

This report is divided into five sections:

- *the first section provides a brief description of the types of incentives*
- *the second section provides a review and analysis of incentives requiring an application or negotiation process*
- *the third section provides a review of the use of incentives generally available under state law*
- *the fourth section reviews the use of appropriated funds, revenue sources (grants), and general obligation debt as incentives*
- *the fifth section is an appendix which contains a detailed listing of all economic incentives for FY 2010-11 and a summary of all active Enterprise Zone Act projects by county*

Executive Summary

South Carolina offers a host of incentives to promote economic development. These incentives include direct methods such as budgetary programs and indirect methods like tax credits. For Fiscal Year 2010-11, the cost of these incentives for economic development was

Tax Credits	\$262,765,139
Budgetary Items	<u>\$127,202,427</u>
Total Incentives - FY 2010-11	\$389,967,566

This report attempts to summarize and place into perspective the use and relative magnitude of tax credits and appropriations utilized on the state level to attract business investment and jobs. To the extent other data exists regarding an incentive, this information is also presented to help the reader gain some insight on the incentive. While the report strives to be complete, many other details or facts exist elsewhere that the reader may find useful. A partial list of publications, that provide additional technical information is found at the end of the report.

- *Of the \$262,765,139 in economic development tax credits in FY 2010-11, \$142,992,000 offset corporate income tax, \$89,060,608 offset employee withholding tax, and \$30,712,531 reduced individual income tax liability.*
- *The top five individual, corporate, and withholding tax credits account for 72% of total tax credits in FY 2010-11.*

Negotiated or Application Credits:

- *More data is available on credits that require an approval or negotiation with the State and these credits account for \$82,258,696, or 31%, of the total credits discussed here.*
- *Of the five negotiated credits, the Job Development Credit (JDC) is the largest at \$65.7 million with 74,962 jobs associated with the credit from active agreements as of March 2012. These 74,962 jobs represent just over 4% of South Carolina total employment at that time.*
- *Revitalization Agreements (RVA) between a business and the CCED regarding JDCs are based on a cost-benefit analysis; from 2000 to 2011 the applications have promised almost 200,000 new jobs and \$73 billion in new investment.*
- *86% of the JDC credits taken are from companies still considered active as of March 2012. In other words, only 14% of credits claimed were businesses that completed or withdrew from their revitalization agreements; in either case, the minimum number of new jobs and required minimum investment levels must have been reached to claim the credit.*

- *The 74,962 jobs still considered active in March 2012 represent about 40% of the minimum jobs estimated in the approved revitalization agreements.*

Generally Available Credits:

- *Due to taxpayer confidentiality and time constraints, detailed data on the general incentives is not readily available for analysis. We do provide a summary of the qualifying criteria, the number of taxpayers claiming the credits, and the amount of the credits for FY 2005-06 to FY 2010-11 in Part III of the report.*

Appropriations and Revenue Sources:

- *South Carolina directly appropriated or allocated revenue sources totaling just over \$58 million in FY 2010-11.*
- *These allocations were used mostly to fund community grants to build new infrastructure or attract new businesses.*
- *Debt service obligations are another source of economic development funding, totaling just over \$69 million in FY 2010-11.*
- *General obligation debt is used to provide infrastructure funding for significant economic development projects and to provide the three Research Universities MUSC, USC, CU) with infrastructure to advance economic development and create a knowledge based economy.*

I. Major Incentives for Economic Development

South Carolina offers a host of incentives specifically designed to promote economic development. These incentives include both direct methods such as budgetary expenditures and indirect methods through preferential tax treatment. Appendix I provides a detailed list of incentives and the amounts claimed during FY 2010-11. For 2010-11, incentives for economic development were

Tax Credits	\$262,765,139
Budgetary Items	<u>\$127,202,427</u>
Total Incentives - FY 2010-11	\$389,967,566

These tax credits can be grouped into three major areas, Individual Income Tax, Corporate Income Tax, and Withholding Tax Liability. In general, the tax system may offer incentives in the form of tax deductions and exemptions, varying tax rates, and credits. The Department of Revenue’s Annual Report for FY 2010-11 lists over \$700 million in income tax credits. Approximately 37% of total credits are identified in this report as incentives for economic development. This report focuses on these credits which are designed to encourage business activity. For FY 2010-11, tax credits totaled

Individual Income	\$30,712,531
Corporate Income	\$142,992,000
Withholding Tax Liability	<u>\$89,060,608</u>
Total Credits – FY 2010-11	\$262,765,139

Direct methods of providing incentives include budgetary expenditures to provide specific services to encourage economic development. Budgetary items include direct appropriations, allocations from dedicated revenue sources, or debt service for items covered by a bond issue. For FY 2010-11, the budgetary items totaled

Appropriations/Revenue Sources	\$58,000,536
Debt Service	<u>\$69,201,891</u>
Total Budgetary Items	\$127,202,427

Please note that the Appropriations/Revenue Sources indicate the amount of annual appropriations or revenue credited for these programs. Because of grant requirements, timing of project expenses, and other factors, actual fiscal year expenditures may be different than appropriations and revenue figures. This detail is discussed later in this report.

Table 1 summarizes the recent history of these credits in relation to income tax collections. For the individual income tax analysis, only business income from self-employed individuals or income from pass-through entities such as partnerships or Subchapter S corporations is considered.

Table 1 reports:

- *Individual income tax (IIT) credits represent less than 10% of individual income tax collections from business activities*
- *During the past six years, corporate income tax (CIT) credits represent anywhere from 21% to 100% of net corporate income tax collections. The ratio is more dependent on variations in the economy and corporate net profits*
- *Withholding credits represent less than 2.5% of withholding collections each year*

Table 1 – Income Taxes and Economic Development Tax Credits

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
IIT (Estimated)	N/A	N/A	N/A	N/A	N/A	\$321,867,040
IIT Credits	N/A	N/A	N/A	N/A	N/A	\$30,712,531
Net Corp Tax	\$289,896,555	\$300,608,201	\$268,643,839	\$207,178,852	\$109,623,953	\$184,924,119
Corp Credits	\$62,068,598	\$100,269,077	\$77,215,054	\$105,618,246	\$110,735,627	\$142,992,000
Corp Credits Expired	\$2,385,069	\$742,572	\$589,273	\$2,740,273	\$1,353,395	\$2,916,669
Corp Credits Carry-forward	\$273,751,674	\$626,509,297	\$645,733,375	\$708,376,217	\$721,053,850	\$1,588,739,278
Withholding Taxes - Total	\$3,263,028,158	\$3,470,297,658	\$3,610,673,876	\$3,515,538,351	\$3,544,833,381	\$3,684,805,392
Withholding Credits	\$59,327,928	\$75,033,859	\$73,871,724	\$89,379,388	\$86,826,594	\$89,060,608

Source: SC Department of Revenue Annual Reports, BEA Revenue Reports and tax analysis.

Table 2 details the largest economic development tax credits for FY 2010-11. Given the number of incentives available, this report focuses on those incentives which totaled more than \$1,000,000 in any of the past five years.

Table 2 shows:

- *Top five IIT credits account for approximately 83% of individual income tax credits*
- *Top five CIT credits account for approximately 81% of the corporate income tax credits*

Table 2 – Largest Economic Development Tax Credits for FY 2010-11

	Individual Income	Corporate Income	Individual Withholding	Total
Jobs Tax Credits	\$8,871,452	\$57,023,551	-	\$65,895,003
Jobs Development	-	-	\$65,725,292	\$65,725,292
Recycling Facility	-	\$30,997,657	-	\$30,997,657
Economic Impact Zone Investment	\$677,215	\$10,948,070	-	\$11,625,285
Motion Picture Wage and Supplier Rebates	\$53,300	-	\$13,993,151	\$14,046,451
Conservation	\$7,636,450	-	-	\$7,636,450
Industry Partners	\$4,602,476	-	-	\$4,602,476
Textile Rehabilitation	\$3,430,922	\$473,645	-	\$3,904,567
Infrastructure	-	\$3,822,142	-	\$3,822,142
Job Retraining	-	-	\$2,090,453	\$2,090,453
Redevelopment Fees	-	-	\$7,251,712	\$7,251,712
Tax Moratorium	-	\$1,071,063	-	\$1,071,063
All Other Credits	\$5,440,716	\$38,655,872	-	\$44,096,588
TOTAL	\$30,712,531	\$142,992,000	\$89,060,608	\$262,765,139

Source: SC Department of Revenue Annual Reports and information provided by the SC Department of Parks, Recreation and Tourism. This analysis combines the expenditures on motion picture wages and supplier rebates.

A. Tax Credits

In Appendix I, and as discussed in this report, the tax credits are divided into two categories depending on whether the tax credit is offered through an application or negotiation process or if it is generally available under state tax law, as follows.

Negotiated Credits	\$82,258,696
General Credits	<u>\$180,506,443</u>
Total	\$262,765,139

Type I - Negotiated or Application Credits

These incentives are discretionary to the agency that administers the program and requires an application or agency approval as part of the eligibility process to claim the credit in addition to any specific criteria or standards provided by statute. For FY 2010-11, this group of credits totaled \$82.3 million, or 21% of total incentives. Given the application process, there is more data available on these incentives which are discussed in detail in this report. This category includes three credits – Jobs Development, Job Retraining, and Motion Picture rebates that are credits against individual income withholding payments. A fourth - Port Volume Credits currently offset corporate income taxes, and beginning in tax year 2011 may also offset individual withholding payments. All port volume credits through FY 2010-11 reduced corporate income tax. The Coordinating Council for Economic Development of the Department of Commerce (DOC) administers these credits except for the Motion Picture Rebates which are administered by the Department of Parks, Recreation and Tourism.

The trend in allowing credits against income tax withholding of employees in South Carolina began with the passage of the Enterprise Zone Act of 1995. Prior to this, business incentives were generally limited to income tax and many of these incentives were limited in use. For example, the jobs tax credit is limited to 50% of the taxpayer’s liability with the remaining credits carried forward for fifteen years. These limits along with the cyclical nature of corporate net profits resulted in many situations where the business had created new jobs in South Carolina but was unable to utilize the anticipated tax credits. Unused tax credits do not reduce corporate income tax collections. As a result, South Carolina corporate income taxpayers reported over \$1.5 billion in tax credits carried forward from previous years. Large amounts of tax credits carried forward decrease the benefit of tax credits to the businesses that create the new jobs and investments in South Carolina. The trend towards credits against employee withholding allows businesses to more accurately forecast the cash flow implications of the incentives and removes some of the uncertainty of whether the credits will be fully utilized by the eligible businesses.

Type II - General or Open Eligibility

The second type of incentives includes credits generally available to taxpayers under the income tax system that satisfy certain statutory criteria but do not involve an application or approval process. A complete list of these credits for FY 2010-11 is contained in Appendix I, and Part II of this report provides detailed discussion on the incentives that total more than \$1,000,000 in a year, ranked by the dollar amount of credits claimed on tax returns. Except in a few circumstances, these credits can only be used to offset the tax liability of an individual or corporation and are not refundable.

Within each of these two categories, incentives may be defined by intent or purpose. These purposes include job creation, general business, industry specific, property rehabilitation, land conservation and environmental, energy conservation and alternatives, or investment.

As more detailed information becomes available, further analysis on the general or open type incentives will be included in future reports.

B. Budgetary Items

The third economic development incentive group involves the grant programs from specified revenue sources, funds appropriated by the General Assembly, and general obligation debt for economic development activities. Most of the grant funding is administered by the CCED which is chaired by the Secretary of the Department of Commerce. The CCED also receives funding from several specific sources to assist with economic development and community development programs. For FY 2010-11, state appropriations were as follows:

Appropriations/Revenue Sources	\$58,000,536
Debt Service	<u>\$69,201,891</u>
Total Budgetary Items	\$127,202,427

The General Assembly also provides up to 1% of the constitutional bonded indebtedness authority to provide infrastructure funding for significant economic development projects and the research universities. For FY 2010-11, state debt service payments for these projects totaled \$69,201,891. Section IV of this report provides greater detail on the annual amount of the grants, revenue sources or appropriations, and annual debt service obligations.

II. Incentives Involving an Application or Negotiated Process

A. Job Development Credit (§12-10-80)

Summary: This rebate of employee withholding tax, at the discretion of the CCED, is available to taxpayers who are primarily engaged in manufacturing, processing, tourism, warehousing, banking, distribution, research and development, certain service related facilities, corporate office, extraordinary retail, agribusiness operations or technology intensive facilities for creating a minimum of ten new full-time jobs. The job development credit is a refund of employee withholding, ranging from 2% to 5% of gross wages of the new employees. Once a business reaches the agreed upon new employment and investment levels, job development credits are available for up to fifteen years, but the CCED generally limits the period to ten years. A revitalization agreement approved by the CCED for each project authorizes the qualified credit expenditures by the companies. In general, companies use these credits to fund acquisition and improvements of real estate, improvements to public and private utility systems, pollution control equipment, and training costs.

The credit is limited by the county designation in which the project is located. The credit ranges from 100% of the allowable amount in Tier IV counties and falls to 55% of the allowable amount in Tier I counties. The difference between the maximum credit and the amount determined by the county designation is remitted to the Rural Infrastructure Fund (RIF) as defined in §12-10-85. The CCED administers the RIF and provides reimbursements to businesses for the cost of locating or expanding in South Carolina.

Criteria: To qualify, the taxpayer must:

1. be a type of business, that meets statutory provision (listed above)
2. submit an application and a \$4,000 fee to the CCED
3. offer a health insurance plan comparable to the state insurance plan and pay 50% of employee premiums
4. enter into a Revitalization Agreement (RVA) with the CCED which includes mandatory job and investment commitments
5. only jobs with wages equal to or exceeding the average county wage are eligible for the withholding rebate, unless otherwise determined by the CCED

6. employee withholdings and rebates must be audited by the Department of Revenue and quarterly reports must be submitted to the CCED
7. companies cannot collect more than \$3,250 per job per year unless otherwise permitted by the CCED

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$52,153,477	\$60,977,721	\$62,559,181	\$70,317,528	\$70,279,469	\$65,725,292

Analysis:

The Job Development Credit (JDC) is one of the two largest incentives allowed under the South Carolina Code. (The other is the Jobs Tax Credit, or JTC, which does not require an application or Revitalization Agreement, and are often taken in conjunction with JDCs.)

1. Cost-Benefit Model

Prior to CCED approval of an application, the CCED staff performs a cost-benefit analysis on the project. This analysis is designed to measure the net cost or net benefit to the State over a ten year period. The model used in the cost-benefit analysis was developed by the Board of Economic Advisors. Table 3 summarizes the data from these models below. The table includes all Enterprise Zone projects approved. However, not all approved projects signed revitalization agreements, and some may no longer be participating in the program.

The key points to be gathered from this table are:

- *The economic benefits measured in the model include the increased amount of private sector income earned by South Carolina residents from the direct and indirect benefits of construction of the new buildings, purchases of machinery and equipment, and employee payroll. Public sector benefits include the net increase in state and local tax revenues after the additional costs such as increased educational expenses and the cost of the tax credits and grants are taken into account*
- *The minimum number of jobs promised by all businesses seeking revitalization agreements averaged over 10,000 per year for the nineteen years of the Enterprise Zone Act. Not all jobs are created in the year the agreement was approved, but over time the businesses must achieve their job goals or the credits may not be available.*
- *The increased number of jobs and investment by these firms created total economic benefits for South Carolina of \$202.8 billion during the eighteen years of the program.*

Table 3 - Summary of Cost-Benefit Analysis

Year Approved	Total Minimum Number of Jobs	Total Minimum Investment	Total Net Economic Impact
1995	12,778	\$2,832,807,532	\$11,936,891,609
1996	18,622	\$2,417,030,806	\$20,494,619,577
1997	12,063	\$1,965,783,296	\$5,579,044,264
1998	13,360	\$1,667,335,789	\$6,968,206,271
1999	12,427	\$1,864,948,747	\$9,635,897,230
2000	11,831	\$1,766,253,919	\$10,078,075,568
2001	6,539	\$2,527,598,430	\$7,827,857,579
2002	6,192	\$1,579,468,675	\$6,208,728,607
2003	6,400	\$815,954,333	\$5,591,277,134
2004	6,964	\$1,442,541,962	\$6,239,155,221
2005	32,381	\$8,595,726,262	\$40,806,961,687
2006	9,076	\$2,565,599,054	\$10,965,472,276
2007	8,092	\$1,639,504,294	\$10,210,721,661
2008	6,681	\$1,882,712,511	\$7,726,747,373
2009	5,251	\$406,093,760	\$5,074,014,803
2010	7,154	\$2,107,518,914	\$8,519,939,426
2011	12,591	\$4,376,306,924	\$18,096,627,817
2012	8,806	\$2,144,411,736	\$10,837,278,073
Grand Total	187,208	\$42,597,596,945	\$202,797,516,176

Source: The South Carolina Coordinating Council for Economic Development

2. Revitalization Agreements

a. Statewide Activity

The following set of tables show data gathered from the CCED regarding project applications and approvals for Job Development Credits.

Table 4A shows the number of projects still active by year of initial approval. Overall,

- *As of March 2012, 37% of Approved applications are considered Active*
- *Active means the business was operating under the terms of a revitalization agreement as of March 2012*

- Annual applications have trended down to about half the number experienced in the first five years of the program. One reason this occurred was due to a CCED policy change concerning the application process. More restrictive policy guidelines were instituted that had the effect of limiting the number of applications to include only the more committed projects
- The smaller percentage of Active for the earlier years was one of the reasons for the policy change to require more commitments from applicants

Table 4A – Enterprise Zone Applicants by Year

ENTERPRISE ZONE PROJECT APPLICATIONS Projects Approved for vs. Active Projects 1995-2011			
Year Commitment Letter Approved	Projects Approved	Projects Active as of 3/31/2012	Percent Active of Approved
1995	105	22	20.95%
1996	154	40	25.97%
1997	103	19	18.45%
1998	123	34	27.64%
1999	109	23	21.10%
2000	88	16	18.18%
2001	66	16	24.24%
2002	65	21	32.31%
2003	72	21	29.17%
2004	52	23	44.23%
2005	86	31	36.05%
2006	72	32	44.44%
2007	66	39	59.09%
2008	56	37	66.07%
2009	43	33	76.74%
2010	41	38	92.68%
2011	67	65	97.01%
Grand Total	1368	510	37.28%

Source: The South Carolina Coordinating Council for Economic Development

Table 4B shows the minimum number of jobs for active projects compared to the total of all approved jobs by initial year of approval.

This table shows:

- *As of March 2012, almost 75,000 jobs in the state are within the Enterprise Zone program*
- *Approximately 40% of the minimum number of jobs committed to by businesses in the approved applications are still active*

Table 4B – Enterprise Zone Applicants Minimum Jobs

ENTERPRISE ZONE MINIMUM JOBS Projects Approved for vs. Active Projects 1995-2011			
Year Commitment Letter Approved	Approved Applicants Sum of Minimum Jobs Committed	Sum of Minimum Jobs Committed Active Projects as of 3/31/2012	Percent Active of Approved
1995	15,336	3,079	20.08%
1996	18,812	5,910	31.42%
1997	11,549	2,657	23.01%
1998	13,219	4,366	33.03%
1999	11,333	4,335	38.25%
2000	10,543	3,238	30.71%
2001	6,814	1,356	19.90%
2002	6,595	3,428	51.98%
2003	7,295	3,401	46.62%
2004	25,993	2,920	11.23%
2005	10,856	3,926	36.16%
2006	8,672	4,168	48.06%
2007	8,073	5,532	68.52%
2008	6,284	3,403	54.15%
2009	5,531	4,782	86.46%
2010	6,728	6,042	89.80%
2011	12,509	12,419	99.28%
Grand Total	186,142	74,962	40.27%

Source: The South Carolina Coordinating Council for Economic Development

Table 4C shows the minimum investment of active projects compared to the total value of approved projects by initial year of approval.

This table indicates:

- *Nearly 42% of approved applicants remain active in meeting the minimum investment requirements set by the RVA*
- *The actual percentage may be understated because some firms have already received their maximum tax credits under the RVA's from their expanded employment and investments*
- *The improvement in the percentage active in 2007 to 2011 suggests that the CCED and business firms are more able to match tax credit usage and business investment*

Table 4C – Enterprise Zone Investments

ENTERPRISE ZONE INVESTMENTS			
Projects Approved for vs. Active Projects 1995-2011			
Year Commitment Letter Approved	Approved Applicants Sum of Minimum Investment	Sum of Minimum Investment Active Projects as of 3/31/2012	Percent Active of Approved
1995	\$3,072,275,159	\$431,131,676	14.03%
1996	\$2,394,822,813	\$1,062,391,776	44.36%
1997	\$2,013,302,365	\$686,512,214	34.10%
1998	\$1,931,553,522	\$643,080,072	33.29%
1999	\$2,078,286,913	\$908,270,672	43.70%
2000	\$1,687,046,857	\$265,793,072	15.75%
2001	\$2,223,351,177	\$474,008,805	21.32%
2002	\$1,526,804,692	\$984,405,517	64.47%
2003	\$1,172,387,052	\$666,114,176	56.82%
2004	\$4,074,954,507	\$696,497,865	17.09%
2005	\$6,131,094,434	\$911,042,728	14.86%
2006	\$2,466,509,408	\$491,650,304	19.93%
2007	\$1,617,791,667	\$912,142,732	56.38%
2008	\$1,785,022,105	\$1,226,111,405	68.69%
2009	\$455,441,224	\$384,854,037	84.50%
2010	\$2,056,763,935	\$2,022,110,914	98.32%
2011	\$4,324,089,314	\$4,313,729,314	99.76%
Grand Total	\$41,011,497,144	\$17,079,847,279	41.65%

Source: The South Carolina Coordinating Council for Economic Development

b. County Data

As with most employment, Enterprise Zone Projects are concentrated around other large employment areas. Tables 5-A, 5-B, and 5-C list the counties by the most number of Revitalization Agreements, the largest number of proposed jobs, and the largest amount of proposed investments. Appendix II contains these details regarding all counties.

These tables show:

- *In terms of number of projects, the top 10 counties accounted for 64% of all active projects (Table 5-A and Appendix II)*
- *In terms of jobs, the top 10 counties accounted for 73% of jobs (Table 5-B and Appendix II)*
- *In terms of investment, the top 10 counties accounted for 76% of investments (Table 5-C and Appendix II)*
- *Only twelve counties are represented in the three top 10 categories*

Table 5A - Top 10 Counties for Enterprise Zone Projects

ACTIVE ENTERPRISE ZONE PROJECTS COUNTIES WITH >20 PROJECTS (as of March 31, 2012)				
Rank	County	Project Count	Minimum Jobs	Minimum Investment
1	Greenville	55	9,003	\$1,118,315,160
2	Spartanburg	54	8,182	\$2,462,425,689
3	York	47	10,131	\$869,566,954
4	Lancaster	30	4,823	\$279,488,710
5	Richland	27	6,654	\$1,133,958,768
6	Berkeley	27	2,237	\$875,708,293
7	Anderson	26	3,151	\$2,143,276,808
8	Charleston	25	3,396	\$506,702,208
9	Aiken	24	3,199	\$2,178,176,057
10	Lexington	22	4,235	\$1,252,567,160
Grand Total		337	55,011	\$17,790,846,160

Source: The South Carolina Coordinating Council for Economic Development

Table 5B – Top 10 Counties for Enterprise Zone Jobs

ACTIVE ENTERPRISE ZONE PROJECTS COUNTIES WITH >2,000 JOBS (as of March 31, 2012)				
Rank	County	Project Count	Minimum Jobs	Minimum Investment
1	York	47	10,131	\$869,566,954
2	Greenville	55	9,003	\$1,118,315,160
3	Spartanburg	54	8,182	\$2,462,425,689
4	Richland	27	6,654	\$1,133,958,768
5	Lancaster	30	4,823	\$279,488,710
6	Lexington	22	4,235	\$1,252,567,160
7	Florence	17	3,489	\$347,677,043
8	Charleston	25	3,396	\$506,702,208
9	Aiken	24	3,199	\$2,178,176,057
10	Anderson	26	3,151	\$2,143,276,808
Grand Total		327	56,263	\$12,292,154,557

Source: The South Carolina Coordinating Council for Economic Development

Table 5C – Top 10 Counties for Enterprise Zone Investments

ACTIVE ENTERPRISE ZONE PROJECTS COUNTIES WITH >\$500M INVESTMENT (as of March 31, 2012)				
Rank	County	Project Count	Minimum Jobs	Minimum Investment
1	Spartanburg	54	8,182	\$2,462,425,689
2	Aiken	24	3,199	\$2,178,176,057
3	Anderson	26	3,151	\$2,143,276,808
4	Lexington	22	4,235	\$1,252,567,160
5	Richland	27	6,654	\$1,133,958,768
6	Greenville	55	9,003	\$1,118,315,160
7	Laurens	14	2,386	\$1,051,173,471
8	Berkeley	27	2,237	\$875,708,293
9	York	47	10,131	\$869,566,954
10	Charleston	25	3,396	\$506,702,208
Grand Total		321	52,574	\$13,591,870,568

Source: The South Carolina Coordinating Council for Economic Development

3. Job Development Credits by Year

As previously noted, the state rebates approximately \$70 million of JDCs to approved businesses on an annual basis. In any one year, these credits correspond to agreements entered into over the past 15 or more years. The following tables show the amount of credits taken each tax year based on the original year the project was approved by the CCED. Data for the most recent year is incomplete or not available as businesses may take up to five years to create the required minimum number of new jobs and make the required minimum investment pursuant to the RVAs and begin to utilize the JDC for up to fifteen years. These credits are based on the additional withholding tax generated from the increased employment, and represent only a portion of the increased withholding tax remitted from the companies.

In general, these tables show that:

- *Most credits are from Revitalization Agreements signed in prior years; it takes a few years before companies can expand and start hiring*
- *The recent recession resulted in a drop in JDCs due to lower employment, but overall, employment was still high enough to continue eligibility for many companies*

Annual JDCs against employer withholdings may continue to increase as credits may be earned and taken for up to 15 years.

Table 6A summarizes the total JDCs claimed from 2006 through 2010 by year in which the Revitalization Agreement was certified and the amount attributable to active companies. It also shows the amount of income tax withholding which generated the JDCs.

- *87% of the total JDCs taken from 1995-2010 are for companies that were still active as of March 2012*
- *The JDCs over this time period represented 19% of the total additional withholding; from employment covered under the Revitalization Agreements*
- *70% of taken JDCs are for Revitalization Agreements prior to 2000*
- *Given the 15 year eligibility period, it will take more time before all eligible businesses complete their RVAs and total credits can be completely analyzed*

Table 6A – Active Job Development Credits, Jobs, and Investments

ECONOMIC ENTERPRISE TOTAL WITHHOLDINGS AND JDC CREDITS CLAIM YEARS 2006-2010							
Year Approved	Total Active	Current Active Withholdings	Current Active JDCs	Total Withholdings	Total JDCs	Sum of Minimum Jobs Committed Active Projects as of 3/31/2012	Sum of Minimum Investment Active Projects as of 3/31/2012
1995	22	\$250,645,323	\$35,346,753	\$304,634,134	\$57,941,659	3,079	\$431,131,676
1996	40	\$277,209,481	\$87,338,460	\$345,256,159	\$93,003,948	5,910	\$1,062,391,776
1997	19	\$209,016,291	\$35,836,462	\$251,603,407	\$38,498,842	2,657	\$686,512,214
1998	34	\$196,811,004	\$33,258,661	\$230,262,358	\$35,878,808	4,366	\$643,080,072
1999	23	\$119,920,933	\$31,189,292	\$183,293,421	\$38,927,097	4,335	\$908,270,672
2000	16	\$118,612,212	\$23,052,388	\$145,404,638	\$24,579,861	3,238	\$265,793,072
2001	16	\$69,779,088	\$10,142,885	\$71,971,281	\$11,065,497	1,356	\$474,008,805
2002	21	\$116,848,204	\$19,323,556	\$142,031,244	\$21,283,855	3,428	\$984,405,517
2003	21	\$132,824,546	\$16,026,881	\$159,778,881	\$19,926,598	3,401	\$666,114,176
2004	23	\$64,218,643	\$11,239,099	\$69,577,688	\$11,484,284	2,920	\$696,497,865
2005	31	\$49,084,410	\$6,856,039	\$49,084,410	\$6,856,039	3,926	\$911,042,728
2006	32	\$49,413,719	\$7,736,511	\$49,413,719	\$7,736,511	4,168	\$491,650,304
2007	39	\$8,254,819	\$984,109	\$8,402,602	\$1,045,291	5,532	\$912,142,732
2008	37	\$9,697,418	\$882,814	\$9,697,418	\$882,814	3,403	\$1,226,111,405
2009	33	\$3,781,649	\$2,480,924	\$3,781,649	\$2,480,924	4,782	\$384,854,037
2010	38	\$1,553,188	\$668,441	\$1,553,188	\$668,441	6,042	\$2,022,110,914
Grand Total	445	\$1,677,670,928	\$322,363,275	\$2,025,746,197	\$372,260,469	62,543	\$12,766,117,965

Source: The South Carolina Coordinating Council for Economic Development and SC Department of Commerce

Table 6B – Withholdings and Job Development Credits CY2006 – 2007

ECONOMIC ENTERPRISE WITHHOLDINGS AND JDCs PROJECTS THAT CLAIMED MORE THAN \$10,000 ADJUSTED FOR DUPLICATES													
Year Claimed	2006						2007						
Year Approved	Active Project Count Filing	Current Active Withholdings	Current Active JDCs	Active Percent JDCs to Withholdings	All Approved Withholdings	All Approved JDCs	Active Project Count Filing	Current Active Withholdings	Current Active JDCs	Active Percent JDCs to Withholdings	All Approved Withholdings	All Approved JDCs	
1995	22	\$41,082,565	\$5,712,294	13.90%	\$56,629,662	\$11,754,915	22	\$42,976,182	\$5,918,315	13.77%	\$57,638,763	\$11,241,023	
1996	40	\$47,483,844	\$16,013,562	33.72%	\$71,006,353	\$19,369,688	40	\$47,628,170	\$15,969,356	33.53%	\$67,696,083	\$17,204,802	
1997	19	\$42,339,042	\$6,414,986	15.15%	\$53,739,377	\$7,121,004	19	\$42,338,969	\$6,154,402	14.54%	\$53,860,714	\$6,691,207	
1998	33	\$25,073,775	\$5,720,898	22.82%	\$37,356,151	\$6,761,040	33	\$36,964,691	\$5,134,544	13.89%	\$46,573,579	\$5,949,594	
1999	23	\$21,506,937	\$5,200,460	24.18%	\$44,236,304	\$8,454,614	22	\$20,671,534	\$5,180,077	25.06%	\$36,166,196	\$7,600,335	
2000	15	\$17,142,582	\$3,441,052	20.07%	\$25,576,147	\$4,123,748	15	\$22,510,815	\$4,721,815	20.98%	\$31,227,302	\$5,109,983	
2001	14	\$9,772,309	\$750,930	7.68%	\$10,377,935	\$975,017	14	\$8,912,888	\$2,085,218	23.40%	\$9,522,291	\$2,295,862	
2002	13	\$13,290,280	\$2,091,084	15.73%	\$16,654,351	\$2,672,172	13	\$13,993,121	\$2,349,468	16.79%	\$22,987,932	\$2,952,870	
2003	7	\$4,133,031	\$692,933	16.77%	\$9,803,680	\$1,211,801	7	\$4,509,652	\$1,158,731	25.69%	\$10,194,567	\$2,362,905	
2004	<5	N/A	N/A	N/A	N/A	N/A	7	\$8,580,699	\$1,138,179	13.26%	\$9,554,201	\$1,151,062	
2005	6	\$4,845,809	\$11,946	0.25%	\$4,845,809	\$11,946	6	\$5,551,097	\$455,759	8.21%	\$5,551,097	\$455,759	
2006	<5	N/A	N/A	N/A	N/A	N/A	7	\$4,488,586	\$360,901	8.04%	\$4,488,586	\$360,901	
2007	N/A						N/A						
2008	N/A						N/A						
2009	N/A						N/A						
2010	N/A						N/A						
Grand Tot	192	\$226,670,174	\$46,050,145	20.32%	\$330,225,769	\$62,455,945	205	\$259,126,404	\$50,626,765		\$355,461,311	\$63,376,303	

Source: The South Carolina Coordinating Council for Economic Development and SC Department of Commerce

Table 6C – Withholdings and Job Development CreditsCY2008 - 2009

ECONOMIC ENTERPRISE WITHHOLDINGS AND JDCs PROJECTS THAT CLAIMED MORE THAN \$10,000 ADJUSTED FOR DUPLICATES												
Year Claimed	2008						2009					
Year Approved	Active Project Count Filing	Current Active Withholdings	Current Active JDCs	Active Percent JDCs to Withholdings	All Approved Withholdings	All Approved JDCs	Active Project Count Filing	Current Active Withholdings	Current Active JDCs	Active Percent JDCs to Withholdings	All Approved Withholdings	All Approved JDCs
1995	22	\$42,564,569	\$6,349,231	14.92%	\$57,658,332	\$10,755,007	19	\$41,183,094	\$5,424,242	13.17%	\$44,777,968	\$8,279,424
1996	41	\$45,323,835	\$15,583,521	34.38%	\$66,300,028	\$16,517,519	35	\$42,627,699	\$12,695,336	29.78%	\$44,036,480	\$12,695,336
1997	19	\$44,145,470	\$6,048,489	13.70%	\$55,140,551	\$6,526,194	14	\$27,095,469	\$5,573,436	20.57%	\$31,869,383	\$5,987,082
1998	35	\$46,579,758	\$5,798,577	12.45%	\$55,789,874	\$6,243,625	21	\$26,155,053	\$5,157,879	19.72%	\$27,953,511	\$5,285,772
1999	22	\$19,704,499	\$5,480,708	27.81%	\$33,823,764	\$7,219,813	17	\$15,629,261	\$4,825,741	30.88%	\$26,658,455	\$5,150,029
2000	16	\$19,779,070	\$3,726,368	18.84%	\$28,457,491	\$3,944,832	14	\$18,873,430	\$3,322,054	17.60%	\$19,202,896	\$3,427,473
2001	16	\$12,974,389	\$2,151,609	16.58%	\$13,527,543	\$2,373,661	16	\$9,618,257	\$1,455,632	15.13%	\$9,866,317	\$1,644,316
2002	18	\$17,678,819	\$3,507,949	19.84%	\$25,456,573	\$4,156,963	18	\$20,459,699	\$3,344,450	16.35%	\$25,506,103	\$3,471,245
2003	13	\$9,775,908	\$2,823,765	28.88%	\$18,016,192	\$3,861,155	20	\$30,030,011	\$2,950,983	9.83%	\$35,428,909	\$3,783,408
2004	11	\$7,876,903	\$1,893,333	24.04%	\$9,753,344	\$1,986,776	19	\$14,055,632	\$2,374,017	16.89%	\$14,785,617	\$2,418,585
2005	10	\$7,045,654	\$1,359,317	19.29%	\$7,045,654	\$1,359,317	10	\$6,816,532	\$1,089,938	15.99%	\$6,816,532	\$1,089,938
2006	8	\$5,200,287	\$1,201,262	23.10%	\$5,200,287	\$1,201,262	12	\$7,054,868	\$1,638,880	23.23%	\$7,054,868	\$1,638,880
2007	<5	N/A	N/A	N/A	N/A	N/A	<5	N/A	N/A	N/A	N/A	N/A
2008	N/A						0	\$0	\$0	0	\$0	
2009	N/A						N/A					
2010	N/A						N/A					
Grand Tot	234	\$278,649,161	\$55,924,129	20.07%	\$376,169,633	\$66,146,124	219	\$259,599,005	\$49,852,588	19.20%	\$293,957,039	\$54,871,488

Source: The South Carolina Coordinating Council for Economic Development and SC Department of Commerce

Table 6D – Withholdings and Job Development CreditsCY2010 - 2011

ECONOMIC ENTERPRISE WITHHOLDINGS AND JDCs PROJECTS THAT CLAIMED MORE THAN \$10,000 ADJUSTED FOR DUPLICATES												
Year Claimed	2010						2011					
Year Approved	Active Project Count Filing	Current Active Withholdings	Current Active JDCs	Active Percent JDCs to Withholdings	All Approved Withholdings	All Approved JDCs	Active Project Count Filing	Current Active Withholdings	Current Active JDCs	Active Percent JDCs to Withholdings	All Approved Withholdings	All Approved JDCs
1995	18	\$42,808,978	\$6,202,302	14.49%	\$47,237,366	\$9,794,733	22	\$40,029,935	\$5,740,369	14.34%	\$40,692,043	\$6,116,557
1996	34	\$47,045,858	\$12,271,454	26.08%	\$47,640,677	\$12,315,282	36	\$47,100,075	\$14,805,231	31.43%	\$48,576,538	\$14,901,321
1997	14	\$24,266,250	\$5,734,227	23.63%	\$26,532,419	\$6,112,893	17	\$28,831,091	\$5,910,922	20.50%	\$30,460,963	\$6,060,462
1998	21	\$23,084,905	\$5,310,909	23.01%	\$23,419,379	\$5,447,250	24	\$38,952,822	\$6,135,854	15.75%	\$39,169,864	\$6,191,527
1999	17	\$21,177,659	\$5,109,490	24.13%	\$21,177,659	\$5,109,490	15	\$21,231,043	\$5,392,816	25.40%	\$21,231,043	\$5,392,816
2000	14	\$20,893,847	\$3,633,304	17.39%	\$21,309,737	\$3,755,748	14	\$19,412,468	\$4,207,795	21.68%	\$19,631,065	\$4,218,077
2001	14	\$13,436,438	\$1,609,011	11.97%	\$13,612,388	\$1,686,156	15	\$15,064,807	\$2,090,485	13.88%	\$15,064,807	\$2,090,485
2002	16	\$24,711,651	\$3,871,295	15.67%	\$24,711,651	\$3,871,295	17	\$26,714,634	\$4,159,310	15.57%	\$26,714,634	\$4,159,310
2003	19	\$39,658,619	\$3,960,055	9.99%	\$41,618,208	\$4,266,915	21	\$44,717,325	\$4,440,414	9.93%	\$44,717,325	\$4,440,414
2004	13	\$9,688,074	\$2,474,017	25.54%	\$9,721,738	\$2,489,705	19	\$18,448,370	\$3,228,790	17.50%	\$18,495,771	\$3,266,510
2005	11	\$11,261,514	\$1,630,965	14.48%	\$11,261,514	\$1,630,965	14	\$13,563,804	\$2,308,114	17.02%	\$13,563,804	\$2,308,114
2006	13	\$7,919,413	\$1,928,766	24.35%	\$7,919,413	\$1,928,766	17	\$24,486,272	\$2,606,702	10.65%	\$24,486,272	\$2,606,702
2007	7	\$2,757,873	\$351,105	12.73%	\$2,757,873	\$351,105	5	\$2,227,778	\$374,415	16.81%	\$2,227,778	\$374,415
2008	<5	N/A	N/A	N/A	N/A	N/A	5	\$5,429,037	\$731,377	13.47%	\$5,429,037	\$731,377
2009	<5	N/A	N/A	N/A	N/A	N/A	<5	N/A	N/A	N/A	N/A	N/A
2010	N/A						<5	N/A	N/A	N/A	N/A	N/A
Grand Tot	216	\$288,711,079	\$54,086,900	18.73%	\$298,920,022	\$58,760,303	247	\$346,209,461	\$62,132,594	17.95%	\$350,460,944	\$62,858,087

Source: The South Carolina Coordinating Council for Economic Development and SC Department of Commerce

4. *Employment*

This study attempted to determine the effectiveness of the job development credit enacted by the Enterprise Zone Act of 1995 by comparing the employment growth of participating firms from the time they began taking the credit to similar firms in South Carolina and the nation. Unfortunately, data on participating firms is unavailable before 2005. The Department of Employment and Workforce (DEW) is currently collecting employment data for firm's that began utilizing the job development credit in 2005 and later years. Comparing these firms employment growth to similar firms in South Carolina and the U.S. should shed some light on the effectiveness of this tax credit.

In the interim, an attempt was made to utilize less specific data to measure the effectiveness of the Enterprise Zone credit. This method involved analyzing the change in employment for all firms that are eligible for the tax credit in South Carolina to nationwide employment for similar firms. From the list of economic development projects that have a certified revitalization agreement under the Enterprise Zone Act of 1995, the Department of Employment and Workforce provided the BEA with a list of 301 six-digit level non-duplicated North American Industry Classification System (NAICS) codes. Employment Data was then gathered for South Carolina and the U.S. from 2001 and 2011 for each of the NAICS codes. The 301 NAICS codes, however, returned data on almost 30,000 South Carolina establishments and over 500,000 employees. Unfortunately, this means that the 301 firms with certified revitalization agreements account for only 1% of this employment history and makes this comparison meaningless.

B. Job Retraining Credits (§12-10-95)

Summary: Approved companies may claim a credit against employee withholding equal up to \$500 per employee per year for a five-year period. The maximum credit per eligible employee cannot exceed \$2,000 during the five-year period. Companies may utilize these refunds for retraining qualified employees in order for the business to remain competitive or to introduce new technologies. Companies cannot claim Job Development Credits and Job Retraining Credits for the same employee.

Criteria: An eligible business must be primarily engaged in manufacturing, processing, or technology intensive activity. Qualifying companies must apply to the CCED and demonstrate the retraining is necessary for the business to remain competitive or to introduce new technology. The business must match the amount claimed as a credit on a dollar-for-dollar basis and provide a benefits package that includes health care, to the retrained employees. The business must submit a training plan to the CCED and a technical college in the state must approve the retraining program. The CCED has published a policies and procedures which includes program details on the training requirements necessary to claim the credit along with the forms required to apply for the credit and to file the annual report on retraining activities.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$2,567,268	\$2,003,543	\$2,004,535	\$2,059,613	\$2,195,382	\$2,090,453
Filers	520	394	312	303	228	219

Analysis:

- *CCED data report that this program has assisted in retraining over 21,000 employees annually since FY 2005-06*
- *Job retraining credit utilization has fallen from over \$6 million annually in fiscal years 2000-01 and 2001-02 to \$2 million in FY 2010-11*

C. Motion Picture Credits or Rebates (§§12-6-2560, 12-6-3570, 12-62-50, 12-62-60)

Summary: The motion picture industry benefits from rebates for payroll and supplier expenses made in South Carolina on a motion picture production. The two rebates are administered by the Department of Parks, Recreation and Tourism. The payroll rebate is up to 20% of the total aggregate South Carolina payroll of persons employed in connection with the production of a motion picture in South Carolina. The supplier rebate is up to 30% of expenditures, not including payroll, made in South Carolina on a motion picture production. Motion picture companies typically receive both of these rebates when filming in South Carolina. Because of this fact, we have combined the wage and supplier rebates in our analysis even though the source of revenue for the supplier rebate is an allocation of 26% of General Fund admissions tax collections. The wage rebate is funded through a maximum \$10,000,000 annual appropriation from the state General Fund.

Investment in motion picture productions, facilities, or post production facilities may be eligible for income tax credits. Eligible taxpayers may claim tax credits of 20%, up to \$100,000, of a taxpayer's cash investment in a company that develops or produces a qualified South Carolina motion picture, 20% of an investment in a company that constructs, converts, or equips a motion picture production or post production facility, and 10% of a company's investment in commercial advertising productions for multi-market distribution. The Department of Parks, Recreation and Tourism must certify that the motion picture project is eligible for the income tax credits.

Criteria: Depending on the specific incentive, companies may be required to meet minimum investment or filming days, and salary limitations.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Income Tax Credits	\$42,140	\$51,431	\$62,895	\$38,823	\$13,060	\$53,300
Filers	7	8	7	3	3	2
Wage and Supplier Rebates	NA	\$7,300,885	\$4,753,296	\$12,677,755	\$7,359,169	\$13,993,151
Filers	NA	9	4	3	2	3

Analysis:

- *Utilization of the wage and supplier rebate fluctuates due to the number of productions filmed in South Carolina*
- *The increase in FY 2010-11 is due to a budget proviso that reallocated unexpended funds from the wage rebate to destination specific tourism advertising*
- *The payroll rebates, because of the nature of this industry, do not create permanent full time employees and there is no requirement that the employees be South Carolina residents*

D. Port Volume (§12-6-3375)

Summary: A taxpayer who uses port facilities in this state and increases its port cargo volume by a minimum of 5% in a year over its base volume may claim a credit against income tax in an amount and type determined by the Coordinating Council for Economic Development. Beginning January 1, 2011, the CCED may award the credits as a rebate of withholding taxes. All of the credits reflected in the table below are income tax credits.

Criteria: A taxpayer must be engaged in manufacturing, warehousing, or distribution which uses port facilities in this state. The taxpayer must apply for the credit and provide detailed records on port usage to allow the CCED staff to review and verify the base volume and 5% growth in port cargo volume. The CCED must approve the application and set the amount of the credit per increased shipping container unit. The total credit for all taxpayers per year is limited to eight million dollars. Of which a maximum credit of four million dollars can be taken against employee withholding by all companies is four million dollars annually.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$0	\$57,249	\$153,508	\$1,744,481	\$21,063	\$396,500
Filers	0	40	13	9	<5	<5

Analysis:

- *The credit usage is dependent on income tax liability and growth in port usage volume.*
- *The use of this credit has fluctuated with the general economic cycle.*
- *If the taxpayers' port usage does not increase by more than 5% from the previous year, no credit can be claimed.*

III. Incentives Generally Available to Taxpayers

The remaining credits are generally available to qualifying individuals or corporations when filing an income or other tax form. State law defines eligibility and there is no application process. As previously noted, Appendix I contains a complete list of these credits which are further categorized by type or purpose. Those credits which totaled more than \$1,000,000 in a year are summarized below.

A. Jobs Tax Credits (§12-6-3360)

Summary: This credit is available to taxpayers who operate manufacturing, tourism, processing, warehousing, distribution, research and development, corporate office, qualifying service-related facilities, extraordinary retail establishments, agribusiness operations qualifying technology intensive facilities, and banks. The credit per job created ranges from \$1,500 to \$8,000 depending on the ranking of the county in which the job is created. Relative per capita income and unemployment rates rank the counties. The lowest ranking counties have the larger tax credits.

Criteria: To qualify, companies must create a monthly average of 10 new jobs and maintain them for a full year for eligibility for the credit. Businesses may claim the credit for five years and the credit is limited to 50% of the taxpayer's liability. Qualifying taxpayers with ninety-nine or less workers are required to create a monthly average of two jobs. Unused credits may be carried forward for fifteen years.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$43,081,390	\$78,056,004	\$43,836,627	\$51,248,095	\$41,525,257	\$65,895,003
Filers	364	402	463	551	481	548

B. Recycling Facility Tax Credit (§12-6-3460)

Summary: A credit against corporate income or license tax or sales and use tax equal to 30 % of an investment in businesses that construct or operate a qualified recycling facility.

Criteria: The facility must manufacture products comprised of 50% or more post-consumer waste. Investment in the facility must reach at least \$300 million within five years of operations.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$0	\$12,187,836	\$7,026,056	\$7,877,996	\$12,287,073	\$30,977,657
Filers	0	<5	<5	<5	<5	<5

C. Research and Development Credit (§12-6-3415)

Summary: A credit against income taxes or corporate license fees of 5% of qualified research expenses made in South Carolina. The credit is limited to 50% of a taxpayer's liability after all other credits are applied. Credits may be carried forward for ten years.

Criteria: Qualified research expenses are the same as outlined in the Internal Revenue Code §41 and the taxpayer must claim the federal income tax credit for increasing research activities.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$4,538,943	\$4,142,805	\$7,425,132	\$16,098,321	\$13,032,215	\$14,279,733
Filers	31	33	47	138	170	258

D. Credit for investing in qualified manufacturing and productive equipment (§12-14-60)

Summary: A credit of up to 2.5 % of qualifying manufacturing or productive equipment placed in service.

Criteria: The credit ranges from 0.5% to 2.5% based on the applicable recovery period for property under IRC §168(e). Unused credits may be carried forward for ten years. The property basis is reduced for the credit and a prorated portion of the credits may be recaptured if the property is removed from the state before the end of the recovery period.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$19,328,674	\$11,343,145	\$22,135,435	\$24,357,670	\$20,094,540	\$11,625,285
Filers	226	250	261	192	165	198

E. Conservation Credit (§12-6-3515)

Summary: A credit equal to 25% of the federal deduction attributable to the gift of land for conservation or a qualified conservation contribution on real property interest. The credit is 25% of the federal deduction allowable under IRC §170, but is limited to a maximum of \$250 per acre. The total credit claimed by a taxpayer per year cannot exceed \$52,500. Unused credits may be carried forward with no limitation.

Criteria: The property must be located in South Carolina and the contribution must meet the requirements defined in IRC § 170. A qualified appraiser must substantiate the fair market value of the donated land or interest in the property. A taxpayer may transfer unused credits upon application to and approval by the Department of Revenue.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$1,996,166	\$3,113,628	\$6,914,141	\$5,917,680	\$11,578,340	\$7,636,450
Filers	99	121	223	237	300	331

F. Redevelopment Fees (§ 12-10-88)

Summary: The Enterprise Zone Act of 1995 in §12-10-88 requires the Department of Revenue to remit to redevelopment authorities that oversee closed or realigned military installations individual income tax withholding equal to 5% of all South Carolina wages paid to federal employers at the closed or realigned military installations. The redevelopment authorities were established to return these closed or realigned military installations to the local property tax rolls and replace lost jobs. The redevelopment fees may be remitted for fifteen years or through January 1, 2017, whichever occurs last.

Criteria: Closed or realigned military installation means a federal defense site in which permanent employment was reduced by three thousand jobs or more after December 31, 1990, or a military base that was closed or realigned under the Defense Base Closure and

Realignment Act of 1990. The redevelopment authorities for the Charleston Naval Complex, the Savannah River Site, and the Myrtle Beach Air Force Base qualify for the redevelopment fees.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$4,607,183	\$4,751,705	\$4,554,712	\$4,324,492	\$6,992,574	\$7,251,712
Filers	3	3	3	3	3	3

G. Industry Partnership (§12-6-3585)

Summary: A credit against income taxes or corporate license fees, individual income, bank, or insurance taxes equal to 100% of contributions made to the Industry Partnership Fund administered by the South Carolina Research Authority in collaboration with SC Launch. Contributions to the Industry Partnership Fund are used by SC Launch to support entrepreneurs, start-up companies, and to commercialize research at Clemson University, the Medical University of South Carolina, and the University of South Carolina. Unused credits may be carried forward for ten years.

Criteria: The maximum annual credit is limited to \$2,000,000 per taxpayer and \$6,000,000 in total credits to all taxpayers.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$0	\$843,997	\$2,862,707	\$3,267,051	\$3,422,718	\$4,602,476
Filers	0	22	99	100	125	172

H. Textile Revitalization Credit (§12-65-30)

Summary: A credit is allowed against income, corporate license, insurance premium, or property tax equal to 25% of qualified renovation, improvement, or redevelopment expenses of abandoned textile mills in SC. The credit against income taxes, corporate license, or insurance premiums is claimed in equal installments over five years and is limited to 50% of a taxpayer's liability. Alternatively, the credit against property tax can offset up to 75% of real property taxes due on the mill site each year for eight years. Unused credits may be carried forward for five years.

Criteria: The credit is not available to the taxpayer that abandoned the textile mill. If the credit is taken against property taxes, the county or municipality must determine that the textile mill site and the proposed rehabilitation expenses are eligible for the credit. Additionally, there must be a public hearing and the municipality or county shall approve the textile mill site for the credit by ordinance.

Recent History: (The amounts below are for credits against income or corporate license taxes. The amount of property tax credits is unavailable.)

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$1,374,124	\$1,496,926	\$920,028	\$1,113,010	\$565,802	\$3,904,567
Filers	43	52	48	48	<22	<47

I. Infrastructure Construction (§12-6-3420)

Summary: A credit is allowed against corporate income or bank taxes equal to 50% of expenses for the construction or improvement of water lines, sewer lines, or road projects.

Criteria: The credit is limited to \$10,000 per project per year with a total project maximum of \$40,000.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$1,760,366	\$673,570	\$1,218,781	\$3,043,408	\$2,289,535	\$3,822,142
Filers	5	5	8	9	10	17

J. Corporate Headquarter Tax Credit (§12-6-3410)

Summary: A credit equal to 20% of the qualifying costs is allowed for establishing or expanding a corporate headquarters in South Carolina.

Criteria: The credit may be taken against corporate income tax, corporate license tax, or bank tax if the company meets specific job and per capita income requirements. Unused credits may be carried forward for ten to fifteen years depending on the number of new jobs created. The company must establish a national or regional headquarters in South Carolina.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$14,807	\$434,737	\$434,736	\$9,287,269	\$422,647	\$727,568
Filers	<5	<5	<5	5	<5	<5

K. Water Impoundments and Controls (§12-6-3370)

Summary: A credit against income taxes equal to 25% of expenditures incurred for the construction, installation, or restoration of certain ponds, lakes, and other water impoundment and control structures. The maximum credit per taxpayer is \$2,500. Any unused credits may be carried forward for five years.

Criteria: A taxpayer must obtain a construction permit or proof of exemption from the Department of Health and Environmental Control.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$51,859	\$65,243	\$167,182	\$1,109,344	\$50,873	\$ 178,233
Filers	30	43	40	44	39	<52

L. Tax Moratorium (§§12-6-3365, 3367)

Summary: A moratorium on corporate income or insurance premium taxes is allowed for qualifying companies who create and maintain at least 100 jobs and invest in certain economically depressed counties in South Carolina. The moratorium is generally for ten years, but can be extended to fifteen if the business creates and maintains at least 200 new jobs.

Criteria: Taxpayer must be a type of business that is qualified for the jobs tax credit and must create and maintain within five years, at least 100 new full-time jobs in a county with an average unemployment rate of at least twice the statewide average, or in one of the three lowest per capita income counties over the last three years. The Department of Revenue designates the counties meeting the unemployment and per capita income requirements annually. The CCED must certify that the facility will have a significant positive economic impact on the region.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Amount	\$741,919	\$922,428	---	---	\$2,702,416	\$1,471,063
Filers	<5	<5	---	---	<10	<10

IV. Budgetary Items – Appropriations, Revenue Sources, and Debt Service

Appropriations/Revenue Sources	\$58,000,536
Debt Service	<u>\$69,201,891</u>
Total Budgetary Items	\$127,202,427

A. Appropriations and Revenue Sources

Summary: Several direct appropriations or allocations of revenue sources are used to help provide funding for economic development projects.

- 1) The Coordinating Council for Economic Development currently administers the Economic Development Set-Aside Fund which is funded by utility tax revenue. This fund began in 1987 with a \$10,000,000 appropriation from gasoline taxes. The annual appropriation was later increased to \$18,000,000 and in FY 2006-07 to \$20,000,000 from a combination of gasoline and utility taxes. In FY 2007-08, the entire \$20,000,000 revenue source was derived from utility tax revenue. The Set-Aside Fund provides grants to local governments to develop infrastructure for new and expanding businesses. These grants must go through an application process, show the project receiving the grant will have a significant economic impact through a cost-benefit analysis, and receive final approval by the CCED. These grants are discussed in detail below.
- 2) The Department of Parks, Recreation and Tourism (PRT) receives 26% of General Fund admission tax revenue to rebate expenses of motion picture production companies. The department also administers the wage rebate available to motion picture production companies. These rebates are funded through a maximum \$10,000,000 reduction in the state's General Fund. Beginning in FY 2010-11, any wage rebate funding under the \$10,000,000 limit not utilized in the prior fiscal year is allocated to destination specific tourism promotion also administered within PRT.
- 3) The DOC administers the South Carolina Community Economic Development Act which provides grants to state certified community development corporations and community development financial institutions. The program received recurring appropriations in FY 2006-07 and FY 2007-08. Appropriations were discontinued the next year.

- 4) The DOC provides funds to regional economic development organizations through two nonrecurring appropriations in FY 2007-08 and FY 2009-10. These funds must be matched on a dollar for dollar basis with private funds that had not been previously allocated or designated for economic development from the regional economic development organizations. The DOC acts as the pass-through administration agency for these appropriations.
- 5) The CCED administers the Rural Infrastructure Fund (RIF) which provides financial assistance to local governments in primarily rural counties for infrastructure and other economic development activities. The RIF is funded through job development credits of participating businesses in Tier I, II, and III counties. Businesses in these counties are entitled to claim 55% to 85% of the job development credits from new workers. The Department of Revenue transfers the difference between the full job development credits and the county tier limitation to the RIF. County tier designations are published annually by the Department of Revenue and correspond to the county designation for the jobs tax credit. Grants from this fund are discussed below.
- 6) The CCED has been awarded Closing Fund appropriations in three separate years since FY 2005-06 through FY 2010-11. These funds were appropriated to encourage and facilitate economic development and competitive recruitment purposes. The funds shall be used as approved by the CCED.
- 7) The Tourism Infrastructure Admissions Tax Act specifies that one-fourth of the admission tax revenue remitted from a major tourism or recreation facility must be paid to the county or municipality in which the tourism facility is located. The admissions tax allocation must be used for infrastructure improvements. An additional one-fourth of the admissions tax revenue derived from the tourism facility is administered by the CCED. These funds are used to provide grants to local governments within five miles of the major tourism or recreation area for infrastructure improvements. The amounts in the table below include the two allocations to local governments and the CCED for local grants.
- 8) The Department of Revenue administers the Energy Freedom and Rural Development Act provisions that provide incentive payments for alternative fuel purchases from sales and use tax revenue. These retailer incentives include a five cent rebate on each gallon of E70 fuel and twenty-five cents per gallon of pure biodiesel fuel for road and off-road use. Additional incentives provided from the General Fund, excluding sales and use tax revenue are provided for the production of electricity or energy from biomass resources. Electricity produced from biomass resources is eligible for a rebate of one cent per kilowatt hour, and thirty cents per therm (100,000 Btu) for energy produced from biomass resources.

Table 7A summarizes the appropriations and revenue sources for economic development for FY 2005-06 to FY 2010-11.

7A – Appropriations and Revenue Sources for Economic Development

Revenue and Administering Agency	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Motor Fuel User Fees – (CCED)	\$12,000,000	\$6,000,000	\$0	\$0	\$0	\$0
Electric Power Tax – (CCED)	\$7,000,000	\$14,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
Admissions Tax for motion picture supplier rebate - (PRT)	\$5,885,835	\$5,740,048	\$6,369,143	\$6,435,117	\$6,175,897	\$6,163,235
General Fund allocation for motion picture wage rebate – (PRT)	-	\$8,922,599	\$2,120,506	\$7,157,366	\$4,292,979	\$11,994,184
Community Development Corporations and Community Development Financial Institutions – (DOC)	-	\$1,000,000	\$1,400,000	\$0	\$0	\$0
Regional Economic Development Organizations – (DOC)	-	-	\$3,000,000	-	\$3,450,000	--
Rural Infrastructure Fund – (CCED)	\$11,235,612	\$10,900,000	\$11,674,019	\$11,442,745	\$11,400,000	\$12,000,000
Closing Fund – (CCED)	-	\$7,000,000	\$7,000,000	-	-	\$5,000,000
Tourism Infrastructure Admission Tax Allocations and Grants – (CCED)	\$3,084,379	\$2,536,120	\$2,970,231	\$2,557,403	\$2,627,816	\$2,287,873
Alternative Fuel Incentives – (DOR)	-	-	-	-	\$475,323	\$555,244
Total	\$39,205,826	\$56,098,767	\$54,133,899	\$47,592,631	\$48,422,015	\$58,000,536

Source: The South Carolina Coordinating Council for Economic Development

B. Grants (CCED)

As previously noted, the annual revenue or appropriations are not always expended in the same fiscal year. The following table represents the total expenditure by CCED on grants from its revenue and budget funds on a calendar year basis.

Grants	2006	2007	2008	2009	2010	2011
Amount	\$19,703,089	\$13,378,014	\$29,158,230	\$26,377,176	\$31,265,057	\$87,114,026
Number	51	35	22	38	49	78

These grants cover two major issues – Community Development and Economic Development. Grants for Community Development are designed to help communities to be economically competitive and provide sustainable economic opportunities. Communities need a plan for economic development, as well as an established inventory of available, development-ready sites and buildings where new or expanding employers can locate. These grants do not require Performance Agreements, as they are not being used as an incentive to encourage project location or expansion decisions. Instead, community development grants are provided to local governments to benefit the community itself, to address obstacles to economic development and to prepare the community and/or its workforce to compete for and win new industrial and business locations.

By comparison, Economic Development Grants, or those required to assist a local community with infrastructure or other requirements needed to attract a new business or facilitate the expansion of an existing business, are considered an incentive to both the business and the community. Performance Agreements have been required for all economic development grants since 2005, with both the business and the local government grant recipient signing the Performance Agreement. Business performance under the Performance Agreement is measured in terms of jobs and/or capital investment benchmarks that the company was required to commit to create, but the grant is made to the local government of the community where the project is locating or expanding.

Funding sources for community development include the state Rural Infrastructure Fund (RIF) and the federal CDBG program. The RIF was initially targeted almost exclusively to developing projects for communities, revitalizing downtowns and developing tourism. Beginning around 2005, RIF revenues had increased while state resources for economic development funds like the Governor’s Closing Fund had decreased, and the state began to use RIF funds for both community and economic development. Funds from the federal CDBG program are not reflected in these tables.

Table 7B shows all grants awarded by CCED since 2000, both in terms of volume and funds awarded. Only economic development grants have related Performance Agreements and can be evaluated on the basis of performance by the related companies under those agreements.

Table 7B - Grants Awarded by Purpose

Year	Economic Development		Community Development		Total	
	# Grants	Total Awarded	# Grants	Total Awarded	# Grants	Total Awarded
2000	31	\$25,671,199	7	\$3,437,280	38	\$29,108,479
2001	15	\$6,107,072	6	\$1,395,700	21	\$7,502,772
2002	20	\$11,286,773	17	\$5,224,726	37	\$16,511,499
2003	9	\$9,990,673	16	\$3,724,183	25	\$13,714,856
2004	19	\$16,417,870	16	\$7,047,000	35	\$23,464,870
2005	17	\$11,155,028	17	\$6,451,439	34	\$17,606,467
2006	27	\$14,589,860	24	\$5,113,228	51	\$19,703,089
2007	25	\$9,655,251	10	\$3,722,763	35	\$13,378,014
2008	16	\$26,838,230	6	\$2,320,000	22	\$29,158,230
2009	24	\$19,884,983	14	\$6,492,193	38	\$26,377,176
2010	39	\$26,899,394	10	\$4,365,663	49	\$31,265,057
2011	55	\$83,284,939	23	\$3,829,087	78	\$87,114,026
Total	297	\$261,781,272	166	\$53,123,262	463	\$314,904,535

Source: The South Carolina Coordinating Council for Economic Development

Because this study focuses on grant funds used as part of an economic development incentive package for new and expanding businesses, the bulk of the data provided below involves economic development grants only and differentiates the data based on the status of the Performance Agreement (PA). Grants may cover up-front costs such as roads, other infrastructure, site preparation, or building improvements for projects that may take several years before being completed. Delays can be experienced during either phase, with timing of the business phase often depending upon unexpected economic conditions or downturns. For these reasons, Performance Agreements define periods for job creation and capital investment based on initial estimates for construction and project implementation timeframes, but extensions are often required and/or interim benefit is often achieved with realization of all planned investment and job creation activity occurring later.

Performance Agreements can therefore be in one of three stages:

- ***Satisfied*** -the grant funded improvements are complete and the business has met the job and investment benchmarks
- ***In Progress*** - the grant funded improvements are underway or complete but the benchmark dates for jobs and investment have not yet been reached
- ***Past Due*** - the grant funded improvements are complete and the business is operational but investment and job creation are still ongoing and not yet sufficient to meet benchmarks and satisfy the Performance Agreement

- *Non-performing* - the Performance Agreement was not satisfied and the CCED efforts to resolve the non-performance have been unsuccessful

Tables 7C (1-5) reflect the following:

- 90% of the PAs and 96% of the amounts awarded are still in progress or satisfied; only 9% of the PA and 3% of the funding has been terminated
- Of the PAs satisfied, total jobs created exceeded the number of jobs committed and actual total investment exceeded total investment committed
- 65% of the jobs committed and 76% of the investment committed is still in progress

These tables do not include additional benefits that resulted from additional privately generated benefits in the form of jobs and investment.

**Table 7C-1
Economic Development Grants with Performance Agreements by Status**

Year	PA in Progress		PA Satisfied		PA Terminated		PA Pending	
	Number Grants	Amount Awarded	Number Grants	Amount Awarded	Number Grants	Amount Awarded	Number Grants	Amount Awarded
2005	1	\$2,500,000	11	\$7,978,917	3	\$265,000	-	-
2006	3	\$3,210,543	17	\$7,126,380	7	\$4,252,937	-	-
2007	7	\$1,452,274	14	\$7,002,976	4	\$1,200,000	-	-
2008	6	\$21,285,950	8	\$5,465,000	2	\$87,280	-	-
2009	12	\$15,169,983	10	\$4,600,000	2	\$115,000	-	-
2010	36	\$26,109,281	3	\$790,113	-	-	-	-
2011	54	\$82,284,939	-	-	-	-	1	\$1,000,000
Grand Total	119	\$152,012,970	63	\$32,963,386	18	\$5,920,217	1	\$1,000,000

Source: The South Carolina Coordinating Council for Economic Development

**Table 7C-2
Economic Development Grants with Performance Agreements by Status
As Percent of Total Number and Funds Awarded as Reported in Table 7B**

Year	PA in Progress		PA Satisfied		PA Terminated	
	Number Grants	Amount Awarded	Number Grants	Amount Awarded	Number Grants	Amount Awarded
2005	6%	22%	65%	72%	18%	2%
2006	11%	22%	63%	49%	26%	29%
2007	28%	15%	56%	73%	16%	12%
2008	38%	79%	50%	20%	13%	0%
2009	50%	76%	42%	23%	8%	1%
2010	92%	97%	8%	3%	0%	0%
2011	98%	99%	0%	0%	0%	0%
Grand Total	59%	79%	31%	17%	9%	3%

Source: The South Carolina Coordinating Council for Economic Development

**Table 7C-3 Performance Agreement Satisfied
(Grants with Performance Agreements)
Jobs and Investment Committed and Actual**

Year	Number Grants	Total Awarded	Jobs		Investment	
			Total Jobs Committed	Total Jobs Created	Total Investment Committed	Total Actual Investment
2005	11	\$7,978,917	1,510	1,653	\$389,365,181	\$221,545,000
2006	17	\$7,126,380	3,044	3,437	\$477,539,414	\$606,177,221
2007	14	\$7,002,976	2,542	2,616	\$335,560,210	\$397,524,922
2008	8	\$5,465,000	1,647	1,508	\$557,905,283	\$573,933,000
2009	10	\$4,600,000	903	910	\$153,855,000	\$144,840,000
2010	3	\$790,113	126	206	\$51,375,000	\$50,737,500
2011	-	-	-	-	-	-
Grand Total	63	\$432,963,385	9,772	10,330	\$1,965,600,088	\$1,994,757,643

Source: The South Carolina Coordinating Council for Economic Development

**Table 7C-4 Performance Agreements in Progress
(Grants with Performance Agreements)
Jobs and Investment Committed and Actual**

Year	Number Grants	Total Awarded	Jobs		Investment	
			Total Jobs Committed	Total Jobs Created*	Total Investment Committed	Total Actual Investment*
2005	1	\$2,500,000	120	-	\$208,828,400	-
2006	3	\$3,210,543	438	-	\$253,300,000	\$5,300,000
2007	7	\$1,452,274	524	226	\$41,800,000	\$37,705,763
2008	6	\$1,285,950	2,150	-	\$1,968,700,000	-
2009	12	\$15,169,983	2,944	167	\$535,700,000	\$3,600,000
2010	36	\$26,109,281	6,888	46	\$1,294,339,000	\$8,030,000
2011	54	\$82,284,939	7,691	-	\$2,625,599,797	-
Grand Total	119	\$152,012,970	20,755	439	\$6,928,267,197	\$4,635,763

Source: The South Carolina Coordinating Council for Economic Development

* Interim figures where available from companies

**Table 7C-5 Performance Agreements Terminated
(Grants with Performance Agreements)
Jobs and Investment Committed to Actual**

Year	Number Grants	Total Awarded	Jobs		Investment	
			Total Jobs Committed	Total Jobs Created*	Total Investment Committed	Total Actual Investment*
2005	3	\$265,000	79	-	\$10,812,921	-
2006	7	\$4,252,937	544	-	\$110,278,563	-
2007	4	\$1,200,000	440	7	\$42,300,000	\$9,862,563
2008	2	\$87,280	50	-	\$2,500,000	-
2009	2	\$115,000	75	-	\$2,250,000	-
2010	-	-	-	-	-	-
2011	-	-	-	-	-	-
Grand Total	18	\$5,920,217	1,188	7	\$168,141,484	\$9,862,563

Source: The South Carolina Coordinating Council for Economic Development

* Jobs and investment reported by companies prior to termination

C. Debt Service for Economic Development

1. South Carolina General Obligation Economic Development Bond Act (§ 11-41-20)

Summary: Act 254 of 2002 and Act 187 of 2004 increased the 5% constitutional limitation on maximum annual debt service on all general obligations bonds of the state to 5.5%. The additional debt service is to provide infrastructure required for significant economic development projects including life science projects. Since the first bonds were issued in 2004, just over \$491 million in G.O. economic development bonds have been issued.

Criteria: The state may issue general obligation bonds for: 1) an economic development project that creates at least 400 new jobs and invests at least \$400 million in the state, 2) a life science project that creates at least 200 new jobs with an average compensation level of at least twice the annual per capita income in the state and invests \$100 million, 3) a tourism training infrastructure facility, including equipment, that provides trained personnel to support the state’s tourism industry, and 4) a state owned national or international convention and trade show center. The maximum annual debt service on bonds must not exceed 0.5% of the general fund revenue of the state for the preceding fiscal year.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Debt Service Amount	\$12,523,378	\$21,343,042	\$21,284,088	\$21,229,184	\$21,181,263	\$36,345,128

2. Additional General Obligation Economic Development Bond Act (11-41-50(B))

Summary: Exclusive of economic development bonds subject to the 0.5% constitutional limitation above, additional economic development bonds may be issued with an aggregate principal amount not to exceed \$170 million at any time. In addition, no more than \$170 million of the proceeds may be used for any one project. Bonds totaling \$170 million were issued in 2010.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Debt Service Amount	N/A	N/A	N/A	N/A	N/A	\$11,838,075

3. South Carolina Research University Infrastructure Act (§ 11-51-10)

Summary: Act 187 of 2004 increased the constitutional limitation on maximum annual debt service on all general obligations bonds of the state to 6.0%. The additional debt service is to provide the three research universities with the infrastructure necessary to advance economic development and create a knowledge based economy. Program guidelines for the Research University Infrastructure Act are available on the South Carolina Commission on Higher Education’s website www.che.sc.gov. Since 2005, \$218.6 million in bonds have been issued for this program.

Criteria: Eligible expenditures include land acquisition, acquisition, or construction of buildings, equipment, furnishings, site preparation, road and highway improvements, and water and sewer infrastructure. The Research Centers of Excellence Review Board must certify to the SC Budget and Control Board that at least 50% of the research infrastructure project is provided by private sources or non-state government funding. Of the total amount of funds authorized under this Act, the non-research universities may use 12% for deferred maintenance or other infrastructure projects as approved by the Joint Bond Review Committee and the SC Budget and Control Board. The maximum annual debt service on bonds must not exceed 0.5% of the general fund revenue of the state for the preceding fiscal year.

Recent History:

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Debt Service Amount	\$3,216,775	\$13,979,675	\$13,881,956	\$13,776,881	\$16,150,615	\$21,018,688

Acknowledgements

Without the cooperation of and assistance from the South Carolina Coordinating Council for Economic Development, the South Carolina Department of Commerce, the South Carolina Department of Employment and Workforce, the South Carolina Department of Parks, Recreation, and Tourism, the South Carolina Department of Revenue, and the Office of the South Carolina State Treasurer this report would not be possible. We greatly appreciate their cooperation and assistance.

APPENDIX I
Incentives for Economic Development – FY 2010-11 Amounts

<u>Tax Incentives by Category</u>	<u>Total</u>
Negotiated or Application	
- Jobs Development Credits	\$65,725,292
- Jobs Retraining Credits	\$2,090,453
- Motion Picture Project and Production Facility	\$53,300
- Motion Picture Wage and Supplier Rebates	\$13,993,151
- Port Volume Increase	\$396,500
Jobs and Employees	
- Jobs Tax Credit (Income)	\$65,895,003
- Corporate Tax Moratorium	\$1,071,063
- Redevelopment Authority Fees	\$7,251,712
- Apprenticeship	\$345,279
- Hiring Displaced Workers/Family Ind. Recipients	\$99,264
- Small Business	\$271,498
General Business	
- Investing in Economic Impact Zone	\$11,625,285
- Corporate Headquarters	\$727,568
- Infrastructure Construction	\$3,822,142
- Research and Development	\$14,279,733
- Employer Child Care Programs	\$37,717
- Minority Business	\$69,085
- Quality Improvement Program	\$1,250
Industry Specific	
- Commercial Production	\$52,500
- Milk Producer	0
- Agriculture – Anhydrous Ammonia	0
- Whole Effluent Toxicity	\$169,458

APPENDIX I - Continued
Incentives for Economic Development – FY 2010-11 Amounts

<u>Tax Incentives by Category</u>	<u>Total</u>
Energy Conservation and Alternatives	
- Solar Energy	\$775,699
- Alternative Motor Fuel	\$218,134
- Plug-in Hybrid Vehicle	\$8,626
- Ethanol or Biodiesel Production	\$39,289
- Ethanol or Biodiesel Research	0
- Biomass Resources	\$36,057
- Renewable Fuels	\$585,866
- Energy Conservation and Renewable Energy	\$103,952
Land Conservation and Environmental	
- Conservation	\$7,636,450
- Water Impoundments and Controls	\$150,725
- Habitat Management	0
- Brownfield Voluntary Cleanup	\$34,964
- Recycling Facility	\$30,997,657
- Mercury Switch Disposal	\$438
Property Rehabilitation	
- Textile Revitalization	\$3,904,567
- Retail Facility Revitalization	\$141,077
- Rehabilitation of Certified Historic Facility	\$676,636
Investment Contributions	
- Community Development Corporation	\$275,545
- Venture Capital	0
- Palmetto Seed Capital	0
- Industry Partnership Fund	\$4,602,476
- Hydrogen Fund	\$4,376
Unspecified (Corporate)	\$24,595,352
Subtotal – Credits	\$262,765,139

APPENDIX I - Continued
Incentives for Economic Development – FY 2010-11 Amounts

<u>Budgetary Incentives by Category</u>	<u>Total</u>
Appropriations and Revenue Sources	
- Electric Power Tax (CCED)	\$20,000,000
- Rural Infrastructure Fund (CCED)	\$12,000,000
- Closing Fund (CCED)	\$5,000,000
- Tourism Infrastructure admission tax allocation (CCED and local Governments)	\$2,287,873
- Admissions Tax for motion picture supplier rebates (PRT)	\$6,163,235
- General Fund allocation for motion picture wage rebates (PRT)	\$11,994,184
- Alternative fuel incentives (DOR)	\$555,244
Debt Service for Economic Development	
Economic Development Bond Act	\$36,345,128
Additional Economic Development Bond Act	\$11,838,075
Research University Infrastructure Act	\$21,018,688
Subtotal – Budgetary Incentives	\$127,202,427
 Grand Total – Incentives for Economic Development Debt	 \$389,967,566

Sources: S.C. Department of Revenue, Department of Commerce, and Office of State Treasurer annual reports for FY 2010-11.

APPENDIX II
Active Enterprise Zone Projects by County

ACTIVE* ENTERPRISE ZONE PROJECTS BY COUNTY (as of March 31, 2012)			
County	Project Count	Minimum Jobs	Minimum Investment
Abbeville	<5	N/A	N/A
Aiken	24	3,199	\$2,178,176,057
Allendale	<5	N/A	N/A
Anderson	26	3,151	\$2,143,276,808
Bamberg	<5	N/A	N/A
Barnwell	<5	N/A	N/A
Beaufort	<5	N/A	N/A
Berkeley	27	2,237	\$875,708,293
Calhoun	<5	N/A	N/A
Charleston	25	3,396	\$506,702,208
Cherokee	11	837	\$142,821,957
Chester	12	1,128	\$359,027,845
Chesterfield	6	1,147	\$166,990,664
Clarendon	6	516	\$228,898,413
Darlington	<5	N/A	N/A
Dillon	<5	N/A	N/A
Dorchester	10	710	\$239,901,742
Edgefield	<5	N/A	N/A
Fairfield	5	419	\$95,951,000
Florence	17	3,489	\$347,677,043
Georgetown	<5	N/A	N/A
Greenville	55	9,003	\$1,118,315,160
Greenwood	7	615	\$133,110,000
Hampton	<5	N/A	N/A
Jasper	<5	N/A	N/A
Kershaw	6	1,040	\$145,302,611
Lancaster	30	4,823	\$279,488,710
Laurens	14	2,386	1,051,173,471
Lee	<5	N/A	N/A
Lexington	22	4,235	\$1,252,567,160
Marion	<5	N/A	N/A
Marlboro	9	2,110	\$317,575,439
Newberry	9	1,208	\$217,065,863
Oconee	8	374	\$256,590,750
Orangeburg	8	598	\$117,353,460
Pickens	10	1,300	\$80,790,490
Richland	27	6,654	\$1,133,958,768
Saluda	<5	N/A	N/A
Spartanburg	54	8,182	\$2,462,425,689
Sumter	9	598	\$95,838,550
Union	6	1,038	\$222,180,566
Williamsburg	9	556	\$138,793,974
York	47	10,131	\$869,566,954
Grand Total**	528	77,207	\$17,790,846,160

Source: The South Carolina Coordinating Council for Economic Development

*Active is defined as companies still operating under a performance agreement as of June 2012

**Grand Total includes data for counties under 5 projects

END OF REPORT

This report is available at www.bea.sc.gov

Other relevant information may be found at

www.sccommerce.com

www.sctax.org

www.endowedchairs.org

www.filmsc.com

More comprehensive information on these incentives may be found in:

- *Tax Incentives for Economic Development in South Carolina, South Carolina Board of Economic Advisors, June 23, 2011*
- *Business Incentives, South Carolina Department of Commerce, January 2013*
- *2012 Annual Report of Enterprise Act Activity, South Carolina Coordinating Council for Economic Development, May 14, 2013*
- *South Carolina Incentives for Economic Development, 2013 Edition, South Carolina Department of Revenue, February 2013*
- *South Carolina Department of Revenue Annual Report, various years*
- *South Carolina Motion Picture Incentive Act Policies and Procedures, South Carolina Film Commission, May 2013*

Any questions or comments should be referred to:

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