



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

300A Outlet Pointe Blvd., Columbia, South Carolina 29210
P.O. Box 125, Columbia, South Carolina 29214-0575

SC INFORMATION LETTER #21-16

SUBJECT: Community Development Credits – Increase in Credit Limit for Tax Years 2021 and Thereafter

DATE: June 3, 2021

MODIFIES: SC Revenue Ruling #21-4

AUTHORITY: S.C. Code Ann. Section 12-4-320 (2014)
S.C. Code Ann. Section 1-23-10(4) (2005)
SC Revenue Procedure #09-3

SCOPE: An Information Letter is a written statement issued to the public to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

The purpose of this Information Letter is to inform taxpayers that the amount of income tax¹ credits available for making investments in, or donations to, community development corporations or community development financial institutions has been increased for tax years 2021 and thereafter. Taxpayers must apply for these tax credits, and the South Carolina Department of Commerce must authorize the tax credits each year on a first-come, first-served basis. Qualifying taxpayers are issued a certificate by the Department of Commerce.

The income tax credit is provided for in Code Section 12-6-3530 and is available to taxpayers who make equity investments in, or cash donations to, a certified community development corporation (“CDC”) or community development financial institution (“CDFI”) as defined under Code Section 34-43-20(2) and (3). The credit is equal to 33% of all investments for taxpayers making equity investments, or 50% of the cash donation for taxpayers making cash donations. The credits contain a limit on the total amount of credits that may be issued for all taxpayers for all years (\$6 million), and an annual limit which provides that up to \$1 million in tax credits may be issued to all taxpayers in a single year.² On May 18, 2021, the Governor signed Senate Bill 436 (Act No. 83), which increased the aggregate limit for credits for all taxpayers for all years by \$3 million.

¹ A credit is allowed against the income tax imposed under Chapter 6 or bank franchise tax under Chapter 11. The credit may also be used against insurance premium taxes. While all of these taxes are not income taxes, for simplicity, in this Information Letter, they are referred to as income taxes. Note: insurance premium taxes and credits are administered by the South Carolina Department of Insurance.

² The \$6 million limit for all taxpayers for all years has previously been allocated.

Of the additional \$3 million, \$1 million may be used for credits earned and certificates issued in tax year 2021, and the remaining \$2 million may only be used for credits earned and certificates issued for tax years beginning after 2021. Unless reauthorized by the General Assembly, Code Section 12-6-3530 is repealed on June 30, 2023.

Taxpayer's who make qualifying investments or donations and intend on claiming the credit should contact Amber Stewart with the South Carolina Association for Community Economic Development at Amber@scaced.org for further information about the certification process.