

PART G: ENERGY CONSERVATION AND ALTERNATIVE ENERGY CREDITS

44. SOLAR ENERGY CREDITS

a. Basic Solar Credit

South Carolina Code §12-6-3587 allows a taxpayer a credit against income taxes equal to 25% of the costs incurred in the purchase and installation of a solar energy system, including a small hydropower system or “geothermal machinery and equipment” for heating water, space heating, air cooling, energy efficient daylighting, heat reclamation, energy-efficient demand response or the generation of electricity in or on a facility (or home) in South Carolina owned by the taxpayer. The credit cannot be claimed before installation of the system is completed. The amount of the credit may not exceed \$3,500 for each facility or 50% of the taxpayer’s tax liability for the taxable year, whichever is less. The credit in excess of \$3,500 for each facility can be carried forward for 10 years. The credit is claimed on Form TC-38, “Solar Energy Credit.”

A “system” includes all controls, tanks, pumps, heat exchangers, and other equipment used directly and exclusively for the solar energy system. It does not include any land or structural elements of the building such as walls and roofs or other equipment ordinarily contained in the structure. To qualify for the credit, the system must be certified for performance by the nonprofit Solar Rating and Certification Corporation or a comparable entity endorsed by the State Energy Office. The statute also defines “geothermal machinery and equipment.”

NOTE: The credit available for purchase and installation of “geothermal machinery and equipment” is effective until January 1, 2022.

b. Solar Energy Equipment Credit – Qualifying Sites

South Carolina Code §12-6-3775 provides an income tax credit equal to 25% of the cost, including installation, of solar energy property. “Solar energy property” is defined as any **nonresidential** solar energy equipment with a nameplate capacity of at least 1,900 kilowatts that uses solar radiation as a substitute for traditional energy for water heating, active space heating and cooling, passive heating, daylighting, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat. Certain related devices are also included in the term. South Carolina Code §12-6-3775(A) and (B).

In order to qualify for the credit, the taxpayer must construct, purchase or lease, and place in service in South Carolina, a solar energy property. In addition, the property must be located on a qualifying site as provided in the statute. If the taxpayer leases the property, certain additional requirements must be met. South Carolina Code §12-6-3775(B) and (E).

The credit is earned in the year in which the solar energy site is placed in service but must be taken in 5 equal annual installments, beginning in the year the property is placed in service. Unused credits can be carried forward for 5 years. A taxpayer who claims any other state credit allowed with respect to solar energy property may not take the credit under Code §12-6-3775 for the same property. South Carolina Code §12-6-3775(E). If the solar energy property is disposed of, taken out of service, or moved out of South Carolina, during the 5-year period for claiming the credit, then the credit expires and the taxpayer may not take any remaining credit. South Carolina Code §12-6-3775(C).

A credit for each installation of solar energy property cannot exceed \$2.5 million and the total amount of credit available to be taken, pursuant to the 5 equal annual installments, for all taxpayers in a taxable year, may not exceed \$2.5 million in the aggregate. The credit is allowed on a first-come, first-serve basis. A taxpayer may apply for the credit on Form TC-58A “Application for Solar Energy Property Credit” while the credit is claimed on Form TC-38 “Solar Energy Property Credit.”

NOTE: This credit is repealed on December 31, 2021. If a credit is earned before the repeal, the provisions of South Carolina Code §12-6-3775 continues to apply until all credits have been claimed.

45. ALTERNATIVE MOTOR VEHICLE CREDIT

South Carolina Code §12-6-3377 allows a resident taxpayer a credit against income taxes equal to 20% of the federal credit allowed under Internal Revenue Code §30B, without regard to the federal phase-out limits of Internal Revenue Code §30B(f). Any unused credit can be carried forward for 5 years. The credit is claimed on Form TC-35, “Alternative Motor Vehicle Credit.”

For a taxpayer to qualify for the credit, the taxpayer must be eligible for the federal credit pursuant to Internal Revenue Code §30B. Internal Revenue Code §30B provides an alternative motor vehicle credit equaling the total of the: (1) qualified fuel cell motor vehicle credit, (2) advanced lean burn technology motor vehicle credit, (3) qualified hybrid motor vehicle credit, and (4) qualified alternate fuel motor vehicle credit. For purposes of this credit, the provisions of Internal Revenue Code §30B are deemed permanent.

46. ETHANOL OR BIODIESEL PRODUCTION CREDITS

a. General Provisions

South Carolina Code §12-6-3600 provided several income tax credits for facilities that produce ethanol or biodiesel at a plant in South Carolina at which all fermentation, distillation, and dehydration takes place. These credits are not allowed for ethanol or biodiesel produced or sold for use in the production of distilled spirits. Although most of the credits are no longer available for facilities that did not already qualify because the time period for meeting the “name plate design capacity requirement” has passed, there remains one credit potentially available to companies that increase their production of ethanol or biodiesel in the future.

1. Credit for Qualified New Production Beginning January 1, 2017. South Carolina Code §12-6-3600(C) provides a tax credit of 7.5¢ a gallon of ethanol or biodiesel for “new production” by an ethanol or biodiesel facility **beginning January 1, 2017**. The credit is allowed for a period not to exceed 36 consecutive months. Further, not more than 10 million gallons of ethanol or biodiesel produced during a 12-consecutive month period at an ethanol or biodiesel facility is eligible for the credit. An ethanol or biodiesel facility receiving a credit under South Carolina Code §12-6-3600(A) (the previous provision relating to such facilities) may not receive a credit under South Carolina Code §12-6-3600(C) until its eligibility to receive the credit in South Carolina Code §12-6-3600(A) has been completed. This credit has to be approved by the State Energy Office.

b. Definitions

South Carolina Code §12-6-3600(B) contains definitions for the following terms:

1. “Biodiesel facility” - a plant or facility primarily engaged in the production of plant or animal based fuels used as a substitute for diesel fuel.
2. “Ethanol facility” - a plant or facility primarily engaged in the production of ethanol or ethyl alcohol derived from renewable and sustainable bioproducts used as a substitute for gasoline fuel.
3. “New production” means production which results from a new facility, a facility which has not received credits before 2017, or the expansion of the capacity of an existing facility by at least 2 million gallons if the expansion is first placed in service after 2016, as certified by the design engineer of the facility to the State Energy Office.

For expansion of the capacity of an existing facility, it means annual production in excess of 12 times the 3-month average amount of the highest 3 months of ethanol or biodiesel production at an ethanol or biodiesel facility during the 24-month period immediately preceding certification by the design engineer.

Credit is not allowed for an expansion of capacity at the existing facility until production is in excess of 12 times the 3-month average during a 12 month consecutive period beginning January 1, 2017 or thereafter.

c. Credit Application and Allocation

Each taxpayer must submit a request for credit to the State Energy Office by January 31st for all gallons of qualifying fuel produced in the previous calendar year. The State Energy Office will notify the taxpayer of the amount of credit it may claim by March 1st.

These credits are claimed on Form TC-40, "Ethanol or Biodiesel Production Credit."

47. BIOMASS RESOURCES CREDIT – EXPIRED CREDIT

South Carolina Code §12-6-3620 allows a corporation a credit against income taxes imposed by South Carolina Code §12-6-530 or corporate license fees imposed by South Carolina Code §12-20-50, or both, for 25% of the costs incurred for the purchase and installation of equipment used to create power, heat, steam, electricity, or another form of energy for commercial use from a fuel consisting of 90% or more biomass resource.

The statute defines the following terms:

1. "Biomass resource" - non-commercial wood, by-products of wood processing, demolition debris containing wood, agricultural or animal waste, sewage, landfill gas, and other organic materials, not including fossil fuels.
2. "Commercial use" - a use intended for the purposes of generating a profit.

The credit is claimed in the year the equipment is placed in service for all expenses incurred for the purchase and installation of the equipment. All costs must be certified by the State Energy Office. The taxpayer may use up to \$650,000 of credit in a single tax year. Any unused credit may be carried forward 15 years. The credit is claimed on Form TC-50, "Biomass Resource Credit."

Each taxpayer must submit a request for credit to the Department of Revenue by January 31st for qualifying equipment placed in service in the previous calendar year. The Department will notify the taxpayer of the amount of credit it may claim by March 1st. The request can be sent to the Department of Revenue, Attn: Tax Credits, P.O. Box 11189, Columbia, SC 29211-1189 or may be scanned and PDF emailed to TaxTech@dor.sc.gov.

If the equipment ceases using biomass resources as its primary fuel source before the entire credit is used, any unused credit cannot be used until it resumes using biomass resources as at least 90% of its fuel source. The carryforward period is not extended if the credit is suspended.

See, SC Private Letter Ruling #11-6 for additional information about the biomass resources credit and the pass through of the credit and application of the \$650,000 cap.

NOTE: This credit expired for taxable years ending after December 31, 2019.

48. CREDIT FOR RENEWABLE FUELS – ETHANOL AND BIODIESEL – EXPIRED CREDIT

South Carolina Code §12-6-3610 allows a taxpayer tax credits for: (a) placing in service property that is used for distributing or dispensing renewable fuels or (b) constructing a commercial facility that produces renewable fuels.

1. Credit for Property Placed in Service at a Distribution or Dispensing Facility. South Carolina Code §12-6-3610(A) allows an income tax credit to a taxpayer that purchases or constructs and installs property that is placed in service at a new or existing commercial fuel distribution or dispensing facility in South Carolina that is used for distributing or dispensing renewable fuel. The credit is equal to 25% of the cost of purchasing, constructing and installing the property. The credit must be taken in 3 equal annual installments beginning with the tax year the property is placed in service. If in one of the years the credit installment accrues the property used for distributing, dispensing, or storing renewable fuel is disposed of or taken out of service and is not replaced, the credit expires and the taxpayer may not take any remaining installment of the credit.

Eligible property includes pumps, storage tanks, and related equipment, that is used directly and exclusively for distribution, dispensing, or storing renewable fuel. The equipment must be labeled for this purpose and clearly identified as associated with renewable fuel.

For purposes of this credit, “renewable fuel” is E70 or greater ethanol fuel dispensed at the retail level for use in motor vehicles and pure ethanol or biodiesel fuel dispensed by a distributor or facility that blends these non-petroleum liquids with gasoline fuel or diesel fuel for use in motor vehicles.

2. Credit for a Production Facility. South Carolina Code §12-6-3610(B) allows an income tax credit to a taxpayer that constructs and places in service in South Carolina a commercial facility for the production of renewable fuels. The credit is equal to 25% of the cost of constructing or renovating the building and equipping the facility. The credit is taken in 7 equal annual installments beginning with the tax year the facility is placed in service.

A taxpayer that claims any other credit in Article 25 of Chapter 6, Title 12 with respect to the costs of constructing and installing a facility may not take this credit with respect to the same costs. Further, if the processing facility is disposed of or taken out of service in one of the years the credit installment accrues, the credit expires and the taxpayer may not take any remaining installment of the credit.

For purposes of this credit, “renewable fuel” is liquid nonpetroleum based fuels that can be placed in motor vehicle fuel tanks and used as a fuel in highway vehicles, and includes all forms of fuel known as biodiesel and ethanol. Production of renewable fuel includes intermediate steps such as milling, crushing, and handling of feedstock and the distillation and manufacture of the final product.

General Provisions. General provisions relating to the above credits are summarized below.

1. Any unused portion of the unexpired credit may be carried forward for 10 tax years.
2. These credits are claimed on Form TC-41, “Renewable Fuels Tax Credits.”
3. Each taxpayer must submit a request for credit to the State Energy Office by January 31st for all qualifying property or qualifying facility, as appropriate, placed in service in the previous year. The State Energy Office will notify the taxpayer of the amount of credit it may claim by March 1st.

NOTE: South Carolina Code §12-6-3610 is repealed effective for facilities placed in service after December 31, 2019.

49. CREDIT FOR DISTRIBUTION, DISPENSING, AND STORING EQUIPMENT FOR ALTERNATIVE FUELS

For tax years beginning after 2015, South Carolina Code §12-6-3695 allows a taxpayer a tax credit for purchasing, constructing, installing and placing in service in this State eligible property that is used for distribution, dispensing, or storing alternative fuel at a new or existing commercial fuel distribution or dispensing facility in South Carolina. The credit is equal to 25% of the cost of purchasing, constructing and installing the eligible property. The credit must be taken in 3 equal annual installments beginning with the tax year the property is placed in service. If in one of the years the credit installment accrues the property used for distributing, dispensing, or storing renewable fuel is disposed of or taken out of service and is not replaced, the credit expires and the taxpayer may not take any remaining installment of the credit.

“Taxpayer” means any sole proprietor, partnership, corporation of any classification, limited liability company, or association taxable as a business entity. Also, the word taxpayer includes the State or any agency or instrumentality, authority, or political subdivision, including municipalities.

“Eligible property” includes pumps, compressors, storage tanks, and related equipment that is directly and exclusively used for distribution, dispensing, or storing alternative fuel. The equipment must be labeled for this purpose and clearly identified as associated with alternative fuel.

“Alternative fuel” means compressed natural gas, liquified natural gas, or liquefied petroleum gas, dispensed for use in motor vehicles and compressed natural gas, liquified natural gas, or liquefied petroleum gas, dispensed by a distributor or facility.

General Provisions. General provisions relating to the above credits are summarized below.

1. Any unused portion of the unexpired credit may be carried forward for 10 tax years.
2. These credits are claimed on Form TC-59, “Alternative Fuel Property Credit.”
3. A taxpayer who claims any other credit for the cost of purchasing, constructing and installing property at the facility, may not claim the credit under South Carolina Code §12-6-3695 for the same costs.

4. The State or any agency or instrumentality, authority or political subdivision, including municipalities, may transfer the credit, but if the entity transfers the credit, it must notify the Department of the transfer.

NOTE: This credit is only available for property or facilities placed in service before January 1, 2026.

50. CREDIT FOR MANUFACTURERS OF RENEWABLE ENERGY SYSTEMS AND COMPONENTS – EXPIRED CREDIT

South Carolina Code §12-6-3588 provides a nonrefundable income tax credit equal to 10% of qualifying expenditures to qualifying companies in the clean energy field who are expanding or locating in South Carolina. To qualify, the company must: 1) manufacture clean energy systems and components in this State for solar, wind, geothermal, or other clean energy uses; 2) invest at least (a) \$50 million in a Tier IV county, (b) \$100 million in a Tier III county, (c) \$150 million in a Tier II county, or (d) \$200 million in a Tier I county in new qualifying plant and equipment in the year the tax credit is claimed; and 3) meet certain job and wage requirements.¹

A taxpayer's total credit for all expenditures cannot exceed \$500,000 for any taxable year and \$5 million total for all taxable years. Unused credits can be carried forward for 15 years. The credit is in lieu of all other credits or abatements allowed by state law, but the taxpayer may select the credit or abatement desired in the manner prescribed by the Department. The credit is claimed on Form TC-54, "Clean Energy Credit."

The credit is allowed for up to 60 months beginning with the first year for which the business is eligible to receive the credit, provided it becomes eligible no later than the tax year ending December 31, 2020.

Expenditures qualifying for the credit must be certified by the Department of Revenue. A qualifying taxpayer must submit a request for the credit to the Department by January 31st for expenditures incurred in the previous calendar year. The request can be sent to the Department of Revenue, Attn: Tax Credits, P.O. Box 11189, Columbia, SC 29211-1189 or may be scanned and PDF emailed to TaxTech@dor.sc.gov. By March 1st, the taxpayer will be notified of qualifying expenditures and the allocated credit amount.

¹ The county ranking is determined by Code Section 12-6-3360(B), the job tax credit statute.

51. CREDIT FOR ENERGY CONSERVATION AND RENEWABLE ENERGY

South Carolina Code §12-6-3340 allows a taxpayer a credit equal to 25% of all expenditures incurred during the taxable year for the purchase and installation of the following energy conservation and renewable energy production measures:

- ◆ Conservation tillage equipment
- ◆ Drip/trickle irrigation systems including all necessary measures and equipment
- ◆ Dual purpose combination truck and crane equipment.

A taxpayer may claim the credit only one time for each of the three measures in a lifetime. The maximum credit that may be claimed for each measure is \$2,500. In the case of pass-through entities, the credit is determined at the entity level and is limited to \$2,500. Any unused credit can be carried forward for 5 years. The credit is claimed on Form TC-1, "Drip/Trickle Irrigation Systems Credit."