

## **Dairy Tax Credit Update**

The SC Dairy Tax Credit Program paid out \$2,167,500 to 79 dairies in SC in 2005. Three quarters of the 2005 calendar year qualified for the credit because at farm price of milk was below the production price calculated by formula for the program in 2005.

In 2006 with prices down it is expect that in all likelihood the states' dairy farmers will qualify for all four quarters of the calendar year. This program has been very timely in helping dairy farmers during a time when prices started to drop again. The Department of Agriculture has worked out a good system of administration between them and the Department of Revenue to facilitate the Dairy Tax Credit Program.

There have been very few problems in getting the program working and getting the funds to the farmers. The Dairy Tax Credit Program is working well.

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## **Income tax credit for milk producer**

SECTION 41. Article 25, Chapter 6, Title 12 of the 1976 Code, is amended by adding:

"Section 12-6-3590. (A) A resident taxpayer engaged in the business of producing milk for sale is allowed a refundable income tax credit based on the amount of milk produced and sold. The credit may be claimed against the taxes due pursuant to Section 12-6-510 or 12-6-530. The credit is allowed when the USDA Class I price of fluid milk in South Carolina drops below the production price anytime during the taxable year.

(B) The Department of Agriculture shall promulgate regulations to implement the provisions of this section, including the establishment of the production price, which must consider the following factors, including but not limited to:

- (1) the average price of milk in the top five states where milk is imported to South Carolina;
- (2) the average transportation cost of importing milk from those five states; and
- (3) the cost of production in South Carolina.

(C)(1) Each qualifying taxpayer is eligible for a ten thousand dollar tax credit based on the production and sale of the first five hundred thousand pounds of milk sold below the production price over a calendar year. The credit must be prorated on a quarterly basis.

(2) For each additional five hundred thousand pounds of milk sold below the production price, there is allowed an additional credit of five thousand dollars, also prorated on a quarterly basis.

(D) If no taxes are due, or the credit exceeds the tax liability of the taxpayer for the taxable year, the amount of the credit or excess over the tax liability must be refunded to the taxpayer. The South Carolina Commissioner of Agriculture shall certify to the Department of Revenue that producers claiming credits have met the eligibility requirements provided in this section.

(E) The credit allowed pursuant to this section must be reviewed after it has been in place for two taxable years."

B. Notwithstanding the general effective date of this act, this SECTION is effective for taxable years beginning after 2004.