

# Legislative Oversight Committee

## Study of the Department of Revenue *November 2, 2018*



FULL COMMITTEE OPTIONS STANDARD PRACTICE 13	FULL COMMITTEE ACTION(S)	DATE(S) OF FULL COMMITTEE ACTION(S)
(1) Refer the study and investigation back to the Subcommittee or an ad hoc committee for further evaluation; (2) Approve the Subcommittee’s study; or (3) Further evaluate the agency as a full Committee, utilizing any of the available tools of legislative oversight	Study Available for Consideration  Study Presentation, Discussion, and Approval	October 8, 2018  October 23, 2018

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# AGENCY SNAPSHOT

## S.C. Department of Revenue

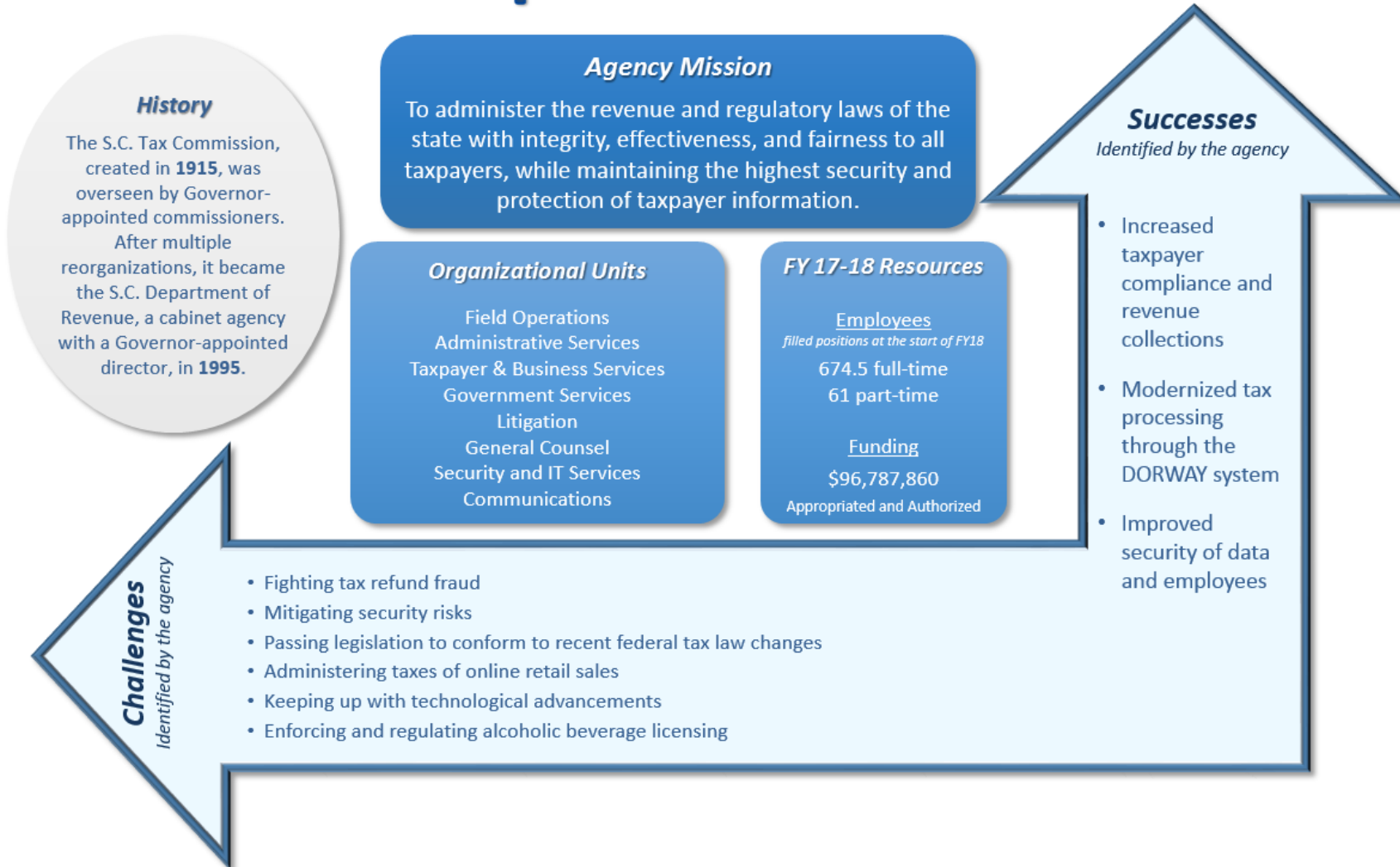


Figure 1. Snapshot of agency's history, mission, organizational units, Fiscal Year 2017-18 resources, successes, and challenges.<sup>1</sup>

# EXECUTIVE SUMMARY

## *Purpose of Oversight Study*

As stated in S.C. Code Ann. § 2-2-20(B), “[t]he **purpose of these oversight studies** and investigations is to **determine if agency laws and programs** within the subject matter jurisdiction of a standing committee: (1) **are being implemented** and carried out **in accordance with the intent of the General Assembly**; and (2) **should be continued, curtailed, or eliminated.**” In making these determinations, the Subcommittee evaluates (1) the application, administration, execution, and effectiveness of the agency’s laws and programs, (2) the organization and operation of the agency, and (3) any conditions or circumstances that may indicate the necessity or desirability of enacting new or additional legislation pertaining to the agency.<sup>2</sup>

## *Study Process*

The House Legislative Oversight Committee’s (Committee) process for studying the Department of Revenue (agency or DOR) includes actions by the full Committee; Economic Development, Transportation, and Natural Resources Subcommittee (Subcommittee); the agency; and the public. A summary of the key dates and actions is included below in Figure 2.

### Legislative Oversight Committee Actions

- December 19, 2017 - Prioritizes the agency for study
- January 12, 2018 - Provides the agency with notice about the oversight process
- January 23 - March 1, 2018 - Solicits input from the public about the agency in the form of an online survey
- March 1, 2018 - Holds **Meeting 1** to **obtain public input** about the agency
- October 23, 2018 - Holds **Meeting 6** to **receive a presentation of, discuss and approve study**

### Economic Development, Transportation, and Natural Resources Subcommittee Actions

- June 18, 2018 - Holds **Meeting 2** with the agency to discuss its **history; legal framework; mission; vision; organizational structure; deliverables and customers; resources; relationships with other agencies; and goals**
- July 10, 2018 - Holds **Meeting 3** with the agency to discuss the following agency divisions: **Government Services; Taxpayer and Business Services; Security and Information Technology Services; and Litigation and Appeals**
- August 13, 2018 - Holds **Meeting 4** with the agency to discuss **public input** and the following agency divisions: **Policy, Privacy, and Procurement; Communications and Strategic Initiatives; Field Operations; and Administrative Services**
- September 10, 2018 - Holds **Meeting 5** with the agency to discuss Subcommittee **recommendations**

### Department of Revenue Actions

- April 14, 2015 - Submits its **Annual Restructuring and Seven-Year Plan Report**
- January 12, 2016 - Submits its **2016 Annual Restructuring Report**
- September 2016 - Submits its **FY 2015-16 Accountability Report/Annual Restructuring Report**
- September 2017 - Submits its **FY 2016-17 Accountability Report/Annual Restructuring Report**
- May 31, 2018 - Submits its **Program Evaluation Report**
- June - September 2018 - Meets with and **responds to Subcommittee inquiries**
- September 2018 – Submits its **FY 2017-18 Accountability Report/Annual Restructuring Report**

### Public’s Actions

- January 23 - March 1, 2018 - Provides input about the agency via an **online public survey**
- March 1, 2018 - Provides **testimony** about the agency to the full Committee
- Ongoing - **Submits written comments on the Oversight Committee's webpage** on the General Assembly's website ([www.scstatehouse.gov](http://www.scstatehouse.gov))

Figure 2. Summary of key dates and actions of the study process.

## Recommendations

The **Committee has six recommendations** arising from its study of the agency. There are four recommendations for the General Assembly and two recommendations for the agency. All six recommendations would continue agency programs, with revisions.

Table 1. Summary of recommendations arising from the study process.

Topic	Recommendations for . . .
<b>. . . General Assembly</b>	
<b>Financial Institution Data Match Program</b>	1. Allow DOR to participate in the multistate Financial Institution Data Match program to share data files with financial institutions to identify financial assets of debtors with past due liabilities by amending S.C. Code Ann. § 12-54-265.
<b>Centralized Tax Lien System</b>	2. Allow DOR to implement a centralized system of filing and indexing of tax liens that is accessible to the public through DOR’s website by amending S.C. Code Ann. § 12-54-122(G).
<b>Tax Credit for Energy Efficient Vehicles</b>	3. Provide clear guidelines to determine eligibility for the income tax credit for the purchase of new energy efficient vehicles by amending S.C. Code Ann. Title 12, Chapter 6 and repealing the current guidelines.
<b>Taxation of Online Third-Party Sales</b>	4. Ensure that online third-party sales will be subject to tax by amending definitions in S.C. Code Ann. § 12-36-70.
<b>. . . Department of Revenue</b>	
<b>Collection of Local Sales Taxes through MyDORWAY</b>	5. Investigate the costs and benefits of giving local governments the option of collecting local taxes through the MyDORWAY system and update the Committee on its findings within six months of the publication of the full Committee report.
<b>Retail License Requirements</b>	6. Evaluate provisions in S.C. Code Ann. § 12-36-510, relating to retail license requirements, and report any recommendations for revision to the Committee

There are **no specific recommendations with regards to curtailing or eliminating agency programs.**

# AGENCY OVERVIEW

## *History*

DOR provides the Committee with an overview of the agency's history.<sup>3</sup> In addition, Committee staff confirms the accuracy of assertions of legislative action.

### *Creation of the Tax Commission*

**1915:** Governor Richard I. Manning signs Act 99 creating the South Carolina Tax Commission for the specific purpose of executing "the equitable assessment of property for taxation."<sup>4</sup> The Tax Commission consists of three Governor-appointed commissioners and one employee.

### *Evolution of the Tax Commission*

**1922:** Following a post-World War II depression and the damaging effect of a boll weevil attack on the state's cotton crop, the General Assembly seeks needed revenue by imposing income and inheritance taxes, which are administered by the Tax Commission.<sup>5</sup> At that time the Commission consists of two commissioners, one full-time chairman (appointed by Commission), and three employees.

**1930:** The Tax Commission opens Charleston, Greenville and Spartanburg district offices.

**1940:** With the full implementation of the Indirect Tax Program, the collection of property taxes is shifted from the Tax Commission to local governments.

**1945:** Act 211 directs the Tax Commission to administer the Alcoholic Beverage Control Act and increases the number of commissioners from three to five.

**1951:** The Tax Commission opens Florence and Columbia district offices.

**1957:** Act 347 requires the Tax Commission Chairman to be appointed by the Governor.

**1962:** The Tax Commission is the first state agency in the U.S. to enter the computer age with the use of the NCR 315 computer system.

### *Reorganization of the Tax Commission*

**1967:** Pursuant to Act 398, the Tax Commission is reorganized into two separate agencies: the Tax Commission (three commissioners) and the Alcohol Beverage Control Commission (reassignment of two tax commissioners).

**1993:** The South Carolina Tax Commission is restructured by merging the South Carolina Tax Commission, the Division of Motor Vehicles, and the licensing arm of the Alcohol Beverage Control Commission. It continues to be overseen by commissioners appointed by the Governor.<sup>6</sup>

### *Creation of the Department of Revenue*

**1995:** The South Carolina Tax Commission is dissolved and the South Carolina Department of Revenue and Taxation is created as a cabinet agency with a Governor-appointed director.<sup>7</sup>

- 1996:** The Division of Motor Vehicles is reassigned to the Department of Public Safety, leaving the administration of taxes and alcohol beverage licensing with the newly-named South Carolina Department of Revenue.<sup>8</sup>
- 2012:** A cyber-attack on the agency exposes approximately 3.6 million Social Security numbers, after which free credit monitoring is offered to those affected.<sup>9</sup>
- 2018:** Today, the South Carolina Department of Revenue remains a cabinet agency led by a Governor-appointed director. It is responsible for the administration of 72 taxes and fees.<sup>10</sup>

## Purpose, Mission, and Vision

DOR’s **purpose**, as stated in S.C. Code Ann. 12-4-10, is to administer and enforce South Carolina’s revenue laws and licensing laws and regulations related to alcohol and to assess penalties for violations of those laws.

Its **mission** is to administer the revenue and regulatory laws of the state with integrity, effectiveness, and fairness to all taxpayers, while maintaining the highest security and protection of taxpayer information.<sup>11</sup>

Its **vision** is to be an innovative and trustworthy service partner for all stakeholders.<sup>12</sup>

## Agency Organization

### Governing Body

DOR is a cabinet agency, governed by a director appointed by the Governor with the advice and consent of the Senate.<sup>13</sup> Table 2 shows the agency’s directors since 1995, as reported by DOR.

*Table 2. DOR directors since 1995, as reported by DOR in its PER.<sup>14</sup>*

Burnet R. Maybank, III	1995 – 1999
Elizabeth Carpentier	1999 – 2003
Burnet R. Maybank, III	2003 – 2006
Ray N. Stevens	2006 – 2010
James F. Etter	2011 – 2013
William M. Blume, Jr.	2013 – 2014
Rick Reames, III	2014 – 2016
W. Hartley Powell	2017 – present (2018)



*Agency Organizational Units*

During the study process the Committee asks the agency about its organization and major operating programs.<sup>15</sup> DOR informs the Committee it comprises nine major divisions, shown in Figure 3.<sup>16</sup>



Figure 3. DOR divisions. (Current as of June 18, 2018.)<sup>17</sup>

These divisions can be grouped under the major programs included in the agency’s budget. Table 3 includes information about employees in each of those groups.

Table 3. Employee information by major program, as reported by DOR.<sup>18</sup>

Major Program	Divisions Included	Year	Turnover rate	Employee satisfaction tracked?	Anonymous feedback allowed?	Did any of the jobs require a certification?	If yes, did the agency pay for or provide education requirements for certification?
I. Administrative and Program Support	<ul style="list-style-type: none"> <li>Internal Audit</li> <li>Security (<i>partial division</i>)</li> <li>Communications and Strategic Initiatives</li> </ul>	2014-15:	7.69%	✓	✓	X	N/A
		2015-16:	0.00%	✓	✓	X	N/A
		2016-17:	6.67%	X	X	X	N/A
II.A Support Services	<ul style="list-style-type: none"> <li>Administrative Services</li> <li>Information Technology Services (<i>partial division</i>)</li> </ul>	2014-15:	23.53%	✓	✓	✓	✓
		2015-16:	17.76%	✓	✓	✓	✓
		2016-17:	8.40%	X	X	✓	✓
II.B Revenue and Regulatory	<ul style="list-style-type: none"> <li>Field Operations</li> <li>Taxpayer &amp; Business Services</li> <li>Government Services</li> <li>Litigation and Appeals</li> </ul>	2014-15:	12.42%	✓	✓	✓	✓
		2015-16:	10.90%	✓	✓	✓	✓
		2016-17:	14.34%	X	X	✓	✓
II.C Legal, Policy and Legislation	<ul style="list-style-type: none"> <li>Policy, Privacy, and Procurement</li> </ul>	2014-15:	0.00%	✓	✓	✓	✓
		2015-16:	0.00%	✓	✓	✓	✓
		2016-17:	37.50%	X	X	✓	✓

During the study process, DOR provides the information shown in Table 4 about each of its divisions.

Table 4. Division information, as reported by DOR.<sup>19</sup>

<b>Administrative Services</b>	<i>Employees: 51 FTEs, * 1 contractor</i>
<p><i>Related Agency Goals:</i><sup>^</sup></p> <ol style="list-style-type: none"> <li>1. Fairly administer and enforce the revenue and regulatory laws of the state of South Carolina</li> <li>3. Maintain a positive customer service experience for all stakeholders</li> <li>4. Promote and maintain a competent, productive, and diverse workforce</li> </ol> <p><i>Services and Products Provided to External Stakeholders:</i></p> <ul style="list-style-type: none"> <li>• Administer, enforce, and/or collect taxes and fees</li> <li>• Protect taxpayers' rights</li> <li>• Collect a tax/fee and remit revenue to the state's general fund</li> <li>• Collect a tax/fee and remit revenue to a state or local governmental entity or non-governmental entity</li> <li>• Support state government by distributing voluntary income tax contributions</li> <li>• Serve on a committee or board</li> <li>• Support local governments by sharing data and making reimbursements for certain tax exemptions</li> </ul>	
<b>Communications</b>	<i>Employees: 5 FTEs*</i>
<p><i>Related Agency Goals:</i><sup>^</sup></p> <ol style="list-style-type: none"> <li>1. Fairly administer and enforce the revenue and regulatory laws of the state of South Carolina</li> <li>3. Maintain a positive customer service experience for all stakeholders</li> </ol> <p><i>Services and Products Provided to External Stakeholders:</i></p> <ul style="list-style-type: none"> <li>• Administer the educational credit for exceptional needs children</li> </ul>	

## Field Operations

Employees: 117 FTEs\*

### *Related Agency Goals:*<sup>^</sup>

1. Fairly administer and enforce the revenue and regulatory laws of the state of South Carolina
3. Maintain a positive customer service experience for all stakeholders

### *Services and Products Provided to External Stakeholders:*

- Administer a license or issue a certificate to operate a place of business or sell a specific product
  - Bingo
  - Alcohol wholesalers
  - Alcohol retailers
  - Alcohol on-premise consumption
- Administer, enforce, and/or collect taxes and fees
- Assist the Catawba Indian Tribe with the administration of taxes
- Collect a tax/fee and remit revenue to the state's general fund
- Collect a tax/fee and remit revenue to a state or local governmental or non-governmental entity
- Determine and issue a refund to a taxpayer
- Support state government (e.g., by sharing information)
- Establish procedures for disagreements with taxpayers
- Evaluate and adjust tax rates
- Perform audit functions and compliance inspections to promote tax compliance
- Provide a report on the costs of the cigarette tax stamp program
- Regulate reporting of taxpayers

## Government Services

Employees: 46 FTEs\*

### *Related Agency Goals:*<sup>^</sup>

1. Fairly administer and enforce the revenue and regulatory laws of the state of South Carolina
3. Maintain a positive customer service experience for all stakeholders

### *Services and Products Provided to External Stakeholders:*

- Administer, enforce, and/or collect taxes and fees
  - Local option sales tax
  - Capital project sales tax
  - Local sales tax
  - Tourism development fee
  - Local option transportation tax
  - Homestead exemption
- Protect taxpayers' rights
- Assist local governments related to property taxes
- Assist the Catawba Indian Tribe with the administration of taxes
- Collect a tax/fee and remit revenue to a state or local governmental or non-governmental entity
- Support state government
- Establish partnerships to promote tax compliance and simplify tax administration
- Establish procedures for disagreements
- Notify taxpayers and external stakeholders
- Provide a report
- Serve on a committee or board
- Support local governments (e.g., by sharing data)

<b>Internal Audit</b>	<i>Employees: 6 FTEs*</i>
<p><i>Related Agency Goals:</i><sup>^</sup></p> <ol style="list-style-type: none"> <li>Fairly administer and enforce the revenue and regulatory laws of the state of South Carolina</li> </ol> <p><i>Services and Products Provided to External Stakeholders:</i></p> <ul style="list-style-type: none"> <li>Protect taxpayers' rights</li> <li>Support state government</li> </ul>	
<b>Litigation and Appeals</b>	<i>Employees: 19 FTEs*</i>
<p><i>Related Agency Goals:</i><sup>^</sup></p> <ol style="list-style-type: none"> <li>Fairly administer and enforce the revenue and regulatory laws of the State of South Carolina</li> <li>Maintain a positive customer service experience for all stakeholders</li> </ol> <p><i>Services and Products Provided to External Stakeholders:</i></p> <ul style="list-style-type: none"> <li>Administer, enforce, and/or collect taxes and fees</li> <li>Protect taxpayers' rights</li> <li>Establish procedures for disagreements with taxpayers</li> </ul>	
<b>Policy, Privacy, and Procurement</b>	<i>Employees: 11 FTEs*</i>
<p><i>Related Agency Goals:</i><sup>^</sup></p> <ol style="list-style-type: none"> <li>Fairly administer and enforce the revenue and regulatory laws of the state of South Carolina</li> <li>Maintain a positive customer service experience for all stakeholders</li> </ol> <p><i>Services and Products Provided to External Stakeholders:</i></p> <ul style="list-style-type: none"> <li>Administer, enforce, and/or collect taxes and fees</li> <li>Evaluate and adjust tax rates</li> <li>Notify taxpayers and external stakeholders</li> <li>Serve on a committee or board</li> </ul>	
<b>Security and Information Technology Services</b>	<i>Employees: 92 FTEs*, 30 contractors</i>
<p><i>Related Agency Goals:</i><sup>^</sup></p> <ol style="list-style-type: none"> <li>Ensure taxpayer security by utilizing state-of-the-art technology</li> </ol> <p><i>Services and Products Provided to External Stakeholders:</i></p> <ul style="list-style-type: none"> <li>Establish Fraudulent Tax Return Program</li> </ul>	

*Related Agency Goals:*<sup>^</sup>

1. Fairly administer and enforce the revenue and regulatory laws of the state of South Carolina
3. Maintain a positive customer service experience for all stakeholders

*Services and Products Provided to External Stakeholders:*

- Administer a license or issue a certificate to operate a place of business or sell a specific product
  - Tobacco products
  - Retail sales locations
  - Places of amusement
  - Drycleaners
- Administer, enforce, and/or collect taxes and fees
- Protect taxpayers' rights
- Assist the Catawba Indian Tribe with the administration of taxes
- Collect a tax/fee and remit revenue to the state's general fund
- Collect a tax/fee and remit revenue to a state or local governmental entity or non-governmental entity
- Determine and issue a refund to a taxpayer
- Support state government
- Establish partnerships to promote tax compliance and simplify tax administration
- Establish procedures for disagreements
- Evaluate and adjust tax rates
- Notify taxpayers and external stakeholders
- Provide a report
- Support local governments by sharing data

## Table Notes:

\* FTE = full-time equivalent

<sup>^</sup> For more information about the agency's four goals, see Tables 6, 8, 10, and 12.

Organizational Chart

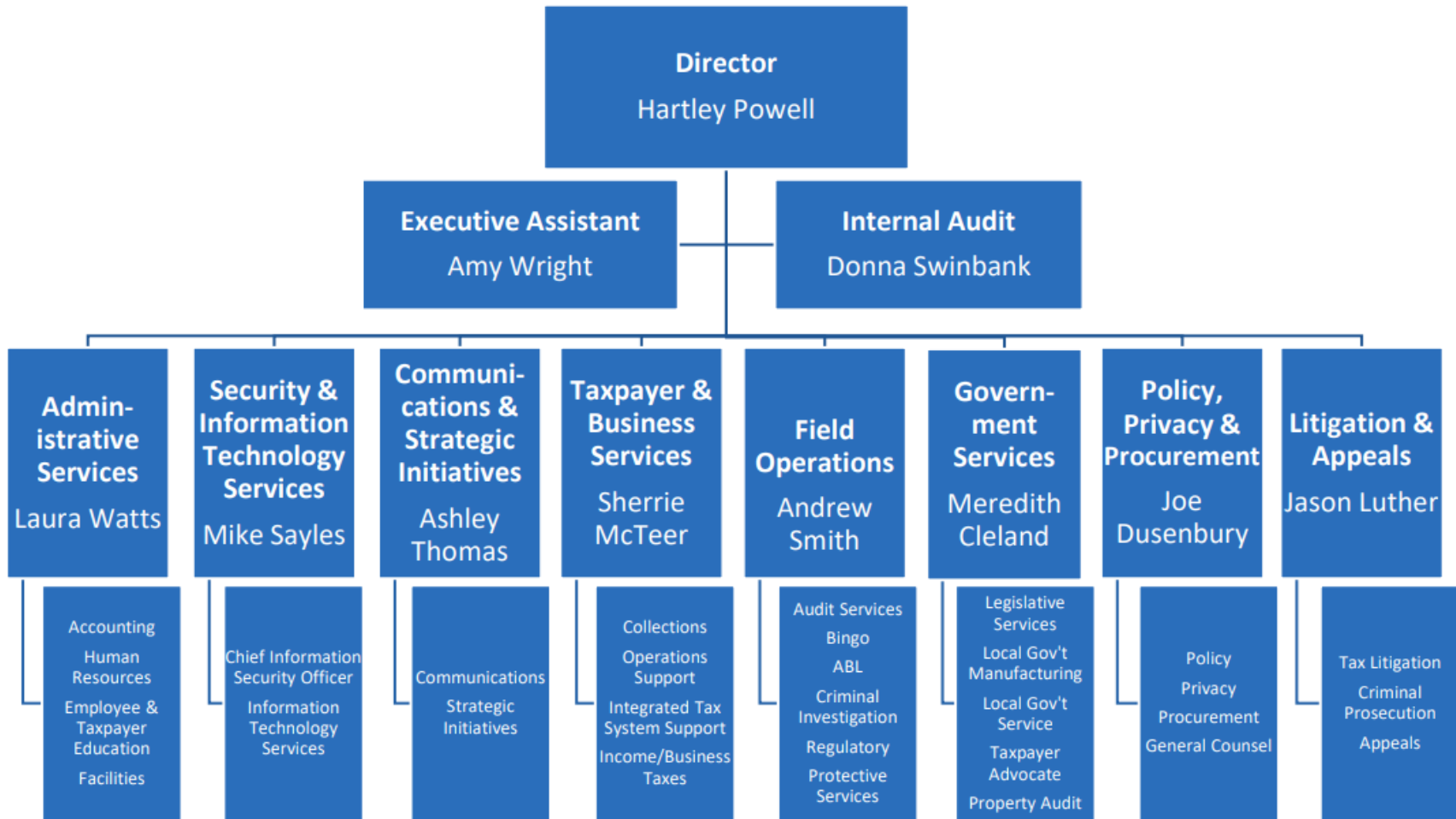


Figure 3. Organizational chart provided by the agency. (Current as of May 31, 2018.)<sup>20</sup>

## *Internal Audit Process*

In the Program Evaluation Report, the Committee asks the agency to provide information about its internal audit process, if it has one. The agency provides the information below:<sup>21</sup>

The DOR's Internal Audit Division has existed since at least 1998, though its original establishment date is unknown. The Internal Audit Director is hired by and reports to the DOR director. The Internal Audit team currently has six employees including the Internal Audit Director. The Internal Audit Division Charter (Exhibit 2), which is signed by the DOR director, outlines the following:

- Reporting structure, reporting directly to DOR director.
- Responsibility to obtain DOR director approval for the Annual Audit Plan.
- Authority to access any/all personnel, records, and systems.

The Internal Audit Division conducts two types of risk assessments:

1. Macro-Risk Assessment - This assessment is a continuous assessment with several components, which are completed throughout the fiscal year. Components include an employee survey, an employee analysis, a stakeholder analysis, and a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis. The results of these assessments are used to establish the Internal Audit Division's Annual Audit Plan. These results are used by DOR leadership to establish strategies and objectives for the Agency's annual strategic plan.
2. Micro-Risk Assessment - These assessments are completed during the preliminary audit of a particular DOR department or process to determine inherent risks, mitigating controls, and residual risks. These micro-risk assessments help ensure resources are focused on the most at-risk areas of a department or process.

Audits include reviewing the effectiveness, efficiency, and compliance of the area under review. While the Internal Audit Division's Annual Audit Plan is risk-based, a significant portion of the Audit Plan is dedicated to compliance and operational audits required by the IRS. Most reviews focus on information technology and security. The DOR director reviews and approves the Annual Audit Plan as a part of the Internal Audit Director's Annual Planning Stage. Over the last five years, the Internal Audit Division has completed 86 projects and has been heavily involved in the DOR's performance measurement processes.

The Internal Audit Division undergoes external peer review every five years according to standards established by the International Institute of Internal Auditors. External peer reviews are performed by the South Carolina State Internal Auditor's Association (SCSIAA). The most recent external peer review was performed in 2012, and the Internal Audit Division is currently due for a peer review. The SCSIAA board is in the process of putting together a team to conduct the review.



## Legal Obligations

In the Program Evaluation Report, the Committee asks the agency to list the laws applicable to it. Listed below is a summary of the information the agency provides.<sup>22</sup>

Table 5. Summary of laws applicable to DOR, as provided by the agency in its PER.

Code Section		Summary of Laws that Apply to DOR
Title 1 <i>Administration of the Government</i>		Establishes DOR as a cabinet agency
Title 3 <i>U.S. Government, Agreements and Regulations</i>		Agency responsibilities related to gambling vessels
Title 4 <i>Counties</i>		Agency responsibilities related to administration, collection, and distribution of county taxes, as well as related data sharing
Title 6 <i>Local Government - Provisions Applicable to Special Purpose Districts and Other Political Subdivisions</i>		Agency responsibilities related to: <ul style="list-style-type: none"> <li>• assessment of property values</li> <li>• data sharing associated with the accommodation tax</li> <li>• taxation of 'rent by owner' vacation rentals</li> </ul>
Title 11 <i>Public Finance</i>		Various responsibilities related to: <ul style="list-style-type: none"> <li>• Board of Economic Advisors</li> <li>• provision of information to other state entities</li> <li>• reimbursement of counties for Homestead Exemption credits (i.e., a tax credit for homeowners who are over age 65, disabled, or blind)<sup>23</sup></li> <li>• the angel investor tax credit (i.e., a tax credit for qualified investments in certain small businesses)<sup>24</sup></li> <li>• cigarette taxes</li> </ul>
Title 12 <i>Taxation</i>	Chapter 2	Appointment and removal of director
	Chapter 4	Major agency duties, including: <ul style="list-style-type: none"> <li>• administration and enforcement of revenue laws and licensing and regulation of alcoholic liquors, beer, and wine</li> <li>• recommend tax legislation</li> <li>• publish statistics &amp; share information with local governments</li> <li>• conduct tax audits</li> <li>• Educate and oversee county assessors</li> <li>• Appraisal and assessment of certain types of property</li> <li>• Determine property tax exemptions</li> </ul>

Code Section		Summary of Laws that Apply to DOR
Title 12 <i>Taxation</i> <i>(continued)</i>	Chapter 6	South Carolina income tax: <ul style="list-style-type: none"> <li>• DOR's administration</li> <li>• annual adjustment to income tax brackets</li> <li>• tax credit administration</li> <li>• eligibility and certification procedures</li> </ul>
	Chapter 8	Income tax withholding: DOR's administrative responsibilities
	Chapter 10	Enterprise Zone Act of 1995 (i.e., economic incentives for certain types of businesses to locate in S.C.): DOR's administrative and audit responsibilities in coordination with the State Rural Infrastructure Fund
	Chapter 11	Taxation: income tax on banks
	Chapter 20	Corporate license fees, DOR's corporate infrastructure credit report due to the General Assembly
	Chapter 21	Stamp and business license tax: DOR's administrative responsibilities for the Tobacco Stamp Tax, Bingo Licensing and Admissions Tax
	Chapter 23	License taxes on other businesses: DOR's administrative responsibility of the Electric Power Tax and Hospital Tax
	Chapter 24	DOR's allocation requirements of the Deed Recording Fee
	Chapter 28	Motor fuel user fees (i.e., gas tax): DOR administrative and allocation requirements
	Chapter 33	Alcohol beverages license: DOR's administrative and allocation requirements
	Chapter 35	The Simplified Sales and Use Tax Administration Act: DOR's required representative and agreement
	Chapter 36	Agency responsibilities related to: <ul style="list-style-type: none"> <li>• Sales tax</li> <li>• Retailer license fee</li> <li>• Accommodations tax</li> <li>• Sales tax holidays and exemptions</li> </ul>
	Chapter 37	DOR's assessment and disbursement requirements for property taxes

Code Section		Summary of Laws that Apply to DOR
Title 12 <i>Taxation</i> <i>(continued)</i>	Chapter 39	DOR's requirement to provide continuing education to county auditors and DOR partnership responsibilities with counties to assess property
	Chapter 43	County equalization and reassessment: DOR's responsibility to promulgate regulations to ensure equalization which must be adhered to by all assessing officials in the state
	Chapter 44	DOR's administration responsibilities related to the Fee In Lieu of Tax Simplification Act (i.e., a method of reducing taxes on manufacturing and certain commercial properties)
	Chapter 45	County treasurers and collection of taxes: DOR's requirement to provide continuing education to county treasurers and DOR partnership responsibilities with counties to collect
	Chapter 53	Tax collection by the department of revenue: DOR's responsibility to remit to the clerk of court liens against the property seized and sold
	Chapter 54	Uniform method of collection and enforcement of taxes levied and assessed by DOR
	Chapter 55	Overdue Tax Debt Collection Act: DOR's responsibility to notify the taxpayer of collection assistance fee and fee credit requirements
	Chapter 56	DOR's administrative responsibility related to the Setoff Debt Collection Act (i.e., a program allowing DOR to garnish tax refunds to collect debts to other government entities)
	Chapter 58	South Carolina Taxpayers' Bill of Rights: DOR's administrative responsibilities, including: <ul style="list-style-type: none"> <li>• Establishment of a taxpayer advocate</li> <li>• Implementation of a taxpayer education program</li> <li>• Procedures for lien appeals and correcting erroneous liens</li> </ul>
	Chapter 60	South Carolina Revenue Procedures Act: DOR's responsibility to provide a straightforward procedure to determine a dispute
Chapter 62	South Carolina Motion Picture Incentive Act: DOR's responsibility for issuance of a sales tax exemption once a motion picture incentive is approved	
Title 13 <i>Planning, Research and Development</i>		DOR director's service on the Coordinating Council for Economic Development

Code Section	Summary of Laws that Apply to DOR
Title 16 <i>Crimes and Offenses</i>	Responsibilities related to: <ul style="list-style-type: none"> <li>• Distribution to businesses of placards advertising penalties for armed robbery</li> <li>• Enforcement of laws relating to use of cigarettes and nicotine products</li> </ul>
Title 23 <i>Law Enforcement and Public Safety</i>	Responsibilities related to: <ul style="list-style-type: none"> <li>• 911 fees</li> <li>• Inspection of cigarette packages</li> </ul>
Title 27 <i>Property and Conveyances: Catawba Indian Claims Settlement Act</i>	Responsibilities related to: <ul style="list-style-type: none"> <li>• Tribal bingo tax</li> <li>• Administration of tribal sales and property taxes</li> </ul>
Title 30 <i>Public Records. Freedom of Information Act (FOIA)</i>	Fees for FOIA requests
Title 31 <i>Housing and Redevelopment: Mobile Homes and House Trailers</i>	Mobile home decals and moving permits
Title 34 <i>Banking, Financial Institutions and Money. Bank Deposits</i>	Ability to retain non-sufficient fund fee
Title 38 <i>Insurance</i>	DOR reporting of suspected false statements to the Insurance Fraud Division of the Office of Attorney General
Title 40 <i>Professions and Occupations</i>	Provision of continuing education for property assessors
Title 43 <i>Social Services</i>	Provision of income tax returns and information to the Department of Social Services upon request
Title 44 <i>Health: South Carolina Hazardous Waste Management Act and South Carolina Solid Waste Policy and Management Act</i>	Responsibilities related to: <ul style="list-style-type: none"> <li>• Dry Cleaning Facility Restoration Trust Fund</li> <li>• Solid waste disposal fees</li> <li>• Waste tire disposal fee</li> <li>• Lead acid battery fee</li> <li>• White good disposal fee</li> </ul>

Code Section		Summary of Laws that Apply to DOR
Title 46 <i>South Carolina Farm Aid Fund</i>		DOR assistance to the Department of Agriculture in the administration of the Farm Aid Grant program (i.e., financial assistance to farmers affected by October 2015 flooding)
Title 48 <i>Environmental Protection and Conservation</i>		Responsibilities related to: <ul style="list-style-type: none"> <li>• Primary forest product assessment</li> <li>• Payments on low level reactive waste</li> </ul>
Title 55 <i>Aeronautics. State Aeronautical Regulatory Act</i>		Responsibilities related to the aircraft tax
Title 56 <i>Motor Vehicles. Rental of Private Passenger Automobiles</i>		Responsibilities related to the heavy equipment rental fee
Title 58 <i>Public Utilities, Services and Carriers</i>		Responsibilities related to assessments on: <ul style="list-style-type: none"> <li>• utility companies</li> <li>• railway companies</li> <li>• household goods carriers</li> <li>• hazardous waste for disposal carriers</li> </ul>
Title 59 <i>Education</i>		Responsibilities related to: <ul style="list-style-type: none"> <li>• Calculation of an Index of Taxpaying Ability, which is provided annually to the Department of Education and county auditors</li> <li>• Computation of the value of fees-in-lieu of taxes</li> <li>• Sales tax imposed by the Education Improvement Act</li> </ul>
Title 61 <i>Alcohol and Alcoholic Beverages</i>	Chapter 2	General provisions: DOR administrative duties to license, permit and certify alcohol beverage retail location
	Chapter 4	Beer, ale, porter and wine: DOR's administrative duties to issue certificate of registration for producers and wholesalers of beer and wine
	Chapter 6	Procedures related to: <ul style="list-style-type: none"> <li>• suspension and revocation of alcohol licenses</li> <li>• temporary and special alcohol licenses</li> <li>• alcohol license requirements, forms, and fees</li> </ul>
Local Laws		Provision of tax-related data to school districts; administration and collection of school district taxes

Code Section	Summary of Laws that Apply to DOR
Code of Regulations, Chapter 117	Procedures related to: <ul style="list-style-type: none"> <li>• completion and submission of tax returns</li> <li>• required reporting of sales and purchases</li> <li>• various DOR forms and requirements</li> </ul>
Proviso 1.48*	Impute index value for owner-occupied residential property
Proviso 1A.7*	Quarterly disbursement of funds to other entities, with some exceptions
Proviso 47.2*	Reimbursement of DNR for the cost of collecting the casual sales tax
Proviso 93.7*	Reduction in rate of interest paid on eligible refunds to benefit the Guardian ad Litem program
Proviso 109.2*	Carry forward of funds awarded to the DOR by court order
Proviso 109.3*	Deposit of additional Rural Infrastructure Fund revenues
Proviso 109.4*	Funding of the South Carolina Business One Stop program
Proviso 109.6*	Candidate Tax Return Programs
Proviso 109.7*	Fraudulent Tax Return Detection Program
Proviso 109.8*	Retention of some revenues to offset costs of the Federal Treasury Offset Program
Proviso 109.9*	Remittance of accommodation tax funds to Horry County for special purposes upon request
Proviso 109.10*	Educational credit for exceptional needs children
Proviso 117.86*	Reduction in rate of interest paid on eligible refunds to benefit the Joint Citizens and Legislative Committee on Children and the Department of Juvenile Justice
Proviso 118.10(c) and (d)*	Tax deduction for consumer protection services

Table Note:

\* Provisos referenced are from the General Appropriations Act for FY 2018-19, Act 264 of 2018.

## Customers

In its Accountability Report for FY 2016-17, DOR asserts that it serves four types of customers, which it describes as follows:<sup>25</sup>

### **Individual Taxpayers**

The individual taxpayers of this state rely on the Department of Revenue to administer taxes and licensing fees. The primary taxes and fees include: individual income, estate, fiduciary, property, and use taxes, as well as deed recording fees. The primary services provided in administering these taxes and fees include: producing formal Department rulings on various laws and policies; offering informal advice on various laws and policies; providing educational events and literature to taxpayers; offering various methods and options for taxpayers to use to comply with and pay taxes; and registration.

### **Business Taxpayers**

Business taxpayers rely on the Department of Revenue to administer business-related taxes, licenses, and licensing fees. The primary business taxes and licenses include: alcohol beverage licensing (ABL), beer and wine, accommodations, tobacco, corporate income, motor fuel, property, sales and use, withholding, indigent hospital, and deed recording. The primary services provided in administering these taxes and fees include: producing formal Department rulings on various laws and policies; offering informal advice on various laws and policies; providing educational events and literature to taxpayers; offering various methods and options for taxpayers to use to comply with and pay taxes; and registration.

### **Tax Professionals**

Professionals in the tax industry rely on the Department of Revenue to provide services related to the individual and business taxes, licenses, and fees administered by the Department. The primary services provided to tax professionals include: producing formal Department rulings on various laws and policies; offering informal advice on various laws and policies; providing educational events and literature; and offering various methods and options for taxpayers to use to comply with and pay taxes.

### **Local Governments**

Local governments of this state rely on the Department of Revenue to impose various local taxes, primarily including: property, local option sales, accommodations, and admissions taxes. The primary services provided include: producing formal Department rulings on various laws and policies; offering informal advice on various laws and policies; providing educational events and literature; and collecting debts through the GEAR (Governmental Enterprise Accounts Receivable) and Debt Set-Off programs.

## Strategic Resource Allocation and Performance

Annually, each agency submits a strategic plan.<sup>26</sup> Of interest in the oversight process are the total resources available to an agency and how the agency allocates human and financial resources to the goals and objectives in the agency's strategic plan. The agency tracks its progress toward these goals with a number of performance measures, which can be found in its Program Evaluation Report (PER) and annual Accountability Report.<sup>27</sup> The tables below show the agency's strategic plan and the resources it used or budgeted for each goal and strategy during the last two fiscal years, followed by the performance measures that are associated with each goal.

Table 6. Goal 1 (Fairly administer and enforce the revenue and regulatory laws of the state of South Carolina): Allocation of resources, as reported by DOR in its PER.<sup>28</sup>

		# of FTEs Utilized	Amount Spent/ Budgeted*	% of Total Budget
Goal 1 - Fairly administer and enforce the revenue and regulatory laws of the state of South Carolina.	FY17	525	\$59,271,933	59%
	FY18	535	\$71,014,994	73%
Strategy 1.1 - Increase tax compliance of all taxpayers.	FY17	490	\$55,672,510	56%
	FY18	500	\$62,476,715	65%
Objectives: 1.1.1 - Collect tax revenue in support of the State's General Fund. 1.1.2 - Reduce debt owed to South Carolina organizations and governmental entities by expanding external stakeholder partnerships. 1.1.3 - Ensure equity across South Carolina taxpayers by pursuing non-compliant taxpayers through fair identification, audit, and litigation. 1.1.4 - Increase taxpayer awareness and compliance through outreach and by simplifying filing and payment methods.				
Strategy 1.2 - Protect taxpayers and State revenues by enhancing fraud prevention and detection.	FY17	20	\$2,110,845	2%
	FY18	20	\$3,538,279	4%
Objectives: 1.2.1 - Increase the prevention rate of fraudulent tax refunds distributed. 1.2.2 - Increase employee and public awareness of personal protection strategies to prevent fraud.				
Strategy 1.3 - Consolidate DOR's multiple tax processing systems into one efficient system, known as DORWAY.	FY17	15	\$1,488,578	1%
	FY18	15	\$5,000,000	5%
Objectives: 1.3.1 - Monitor and refine the taxes transitioned to DORWAY in Phase I (FY15) and Phase II (FY16). 1.3.2 - Prepare for and implement Phase III of DORWAY, scheduled for rollout in September of 2017. 1.3.3 - Prepare for Phase IV of DORWAY, scheduled for rollout in September of 2018.				

Table Note:

\* Because the agency submitted this information during FY 2017-18, the table reflects the agency's budgeted allocation for that year.



Table 7. Goal 1: Performance measures, as reported by DOR in its PER.<sup>29</sup>

Performance Measure	Type (as determined by agency)	Required or Selected?	Time Period		Time Period 1	Time Period 2	Time Period 3	Time Period 4	Time Period 5 (last completed)	Time Period 6 (current)
Total SCDOR General Fund tax revenue collections (dollars in billions)	Outcome	Agency Selected	July - June	Target:	DNE	\$9.1	\$10.5	\$10	\$7.75	\$8.12
				Actual:	\$8.9	\$9.1	\$10.5	\$10.9	\$7.78	
Total SCDOR Other Fund tax revenue collections (dollars in billions)	Outcome	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	\$3.9	\$3.9
				Actual:	Reported Above	Reported Above	Reported Above	Reported Above	\$3.9	
Percentage of tax returns filed electronically	Efficiency	Agency Selected	July - June	Target:	DNE	70%	70%	70%	70%	70%
				Actual:	DNE	64%	68%	65%	69%	
Percentage of dollars collected through electronic services	Efficiency	Agency Selected	July - June	Target:	DNE	90%	85%	80%	85%	85%
				Actual:	DNE	83%	84%	85%	82%	
Cost per dollar collected	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	\$0.0071	\$0.0071	\$0.0065
				Actual:	\$0.0076	0.0074	0.0079	\$0.0071	\$0.0065	
Number of nexus (i.e., the sufficient connection between S.C. and a taxpayer) registrations	Output	Agency Selected	July - June	Target:	DNE	DNE	DNE	200	200	DNE
				Actual:	287	DNE	DNE	273	118	
Number tax audits completed	Output	Agency Selected	July - June	Target:	DNE	DNE	DNE	45,000	45,000	DNE
				Actual:	DNE	DNE	DNE	45,638	43,056	
Dollars assessed by SCDOR's audit services (dollars in millions)	Output	Agency Selected	July - June	Target:	DNE	DNE	DNE	\$172	\$172	DNE
				Actual:	DNE	DNE	DNE	\$172	\$288	
Percentage increase in collections from the Debt Setoff Program	Outcome	Agency Selected	January - December	Target:	DNE	DNE	DNE	10%	10%	9%
				Actual:	DNE	DNE	DNE	9%	9%	
Collections from the Governmental Enterprise Accounts Receivable Program (GEAR) (dollars)	Outcome	Agency Selected	January - December	Target:	DNE	\$14.2	\$13.8	\$12.5	\$12.5	\$16.1
				Actual:	\$11.79	\$14.2	\$13.8	\$12.8	\$16.1	
Percentage increase in the total tax dollars saved from the identification of fraudulent activity	Outcome	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	DNE	DNE
				Actual:	DNE	DNE	DNE	62%	-19%	
Percentage of total tax dollars saved due to the identification of fraudulent activity as a result of the new data mining activities initiated	Outcome	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	DNE	DNE
				Actual:	DNE	DNE	DNE	29%	42%	

Performance Measure	Type (as determined by agency)	Required or Selected?	Time Period		Time Period 1	Time Period 2	Time Period 3	Time Period 4	Time Period 5 (last completed)	Time Period 6 (current)
Number of tax types migrated to DORWay Phase III	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	13	15
				Actual:	DNE	DNE	DNE	DNE	13	
Percentage of completion for migrating tax types to DORWay Phase III	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	100%	100%
				Actual:	DNE	DNE	DNE	DNE	100%	
Number of taxpayer accounts migrated to DORWay Phase III	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	1,060,654	DNE
				Actual:	DNE	DNE	DNE	DNE	4,255,394	
Percentage of completion for migrating taxpayer accounts to DORWay Phase III	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	100%	100%
				Actual:	DNE	DNE	DNE	DNE	100%	
Number of transaction tests performed in DORWay Phase III	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	8,828	DNE
				Actual:	DNE	DNE	DNE	DNE	8,828	
Percentage completion rate of DORWay, Phase III, transaction testing	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	100%	100%
				Actual:	DNE	DNE	DNE	DNE	100%	

Table Note:

DNE = Does/did not exist

Table 8. Goal 2 (Ensure taxpayer security by utilizing state-of-the-art technology): Allocation of resources, as reported by DOR in its PER.<sup>30</sup>

		# of FTEs Utilized	Amount Spent/ Budgeted*	% of Total Budget
Goal 2 – Ensure taxpayer security by utilizing state-of-the-art technology.	FY17	37	\$15,034,219	15%
	FY18	37	\$13,034,625	13%
Strategy 2.1 - Cultivate an increasingly mature security governance Program.	FY17	5	\$1,926,359	2%
	FY18	5	\$2,000,000	2%
Objectives: 2.1.1 - Achieve satisfactory results from each external regulatory body performing a security assessment or audit. 2.1.2 - Increase employee knowledge by providing in-class and e-learning training opportunities regarding security and disclosure. 2.1.3 - Perform oversight of partners and vendors.				
Strategy 2.2 - Increase efficiency and security by effectively utilizing state-of-the-art security technology and processes.	FY17	30	\$6,321,544	6%
	FY18	30	\$6,495,000	7%
Objectives: 2.2.1 - Ensure security resources (appliances, hardware, software, etc.) are fully leveraged. 2.2.2 - Provide flexibility to agency business operations by streamlining security processes. 2.2.3 - Increase taxpayer customer service by reducing the "time to market" for new products and services. 2.2.4 - Maintain and enhance employee and stakeholder safety in the workplace.				
Strategy 2.3 - Increase security by consolidating multiple antiquated tax processing systems through the implementation of DORWAY.	FY17	2	\$6,786,316	7%
	FY18	2	\$4,539,625	5%
Objectives: 2.3.1 - Conduct a risk assessment of DORWAY, Phase III, and achieve a score of 95% or greater. 2.3.2 - Complete an application security scan of MyDORWAY (online taxpayer portal). 2.3.3 - Complete an access review of DORWAY users.				

Table Note:

\* Because the agency submitted this information during FY 2017-18, the table reflects the agency's budgeted allocation for that year.

Table 9. Goal 2: Performance measures, as reported by DOR in its PER.<sup>31</sup>

Performance Measure	Type (as determined by agency)	Required or Selected?	Time Period		Time Period 1	Time Period 2	Time Period 3	Time Period 4	Time Period 5 (last completed)	Time Period 6 (current)
Percentage of external security assessments and audits passed successfully	Outcome	Agency Selected	July - June	Target:	DNE	DNE	DNE	100%	100%	100%
				Actual:	DNE	DNE	DNE	100%	100%	
Percentage compliance rate achieved on a risk assessment of DORWay, Phase III	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	95%	97%
				Actual:	DNE	DNE	DNE	DNE	97%	
Percentage completion rate of MyDORWay application security scan	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	100%	100%
				Actual:	DNE	DNE	DNE	DNE	100%	
Percent of new employees fingerprinted and background checked	Efficiency	Federal government	July - June	Target:	DNE	DNE	100%	100%	100%	100%
				Actual:	DNE	DNE	100%	100%	100%	
Percentage of existing, active SCDOR employees to complete required security and disclosure trainings	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	100%	100%	100%
				Actual:	DNE	DNE	DNE	100%	100%	
Number of enhancements made to the security of SCDOR facilities	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	10	10	10%	DNE
				Actual:	DNE	DNE	10	10	1,424	

Table Note:

DNE = Does/did not exist

Table 10. Goal 3 (Maintain a positive customer service experience for all stakeholders): Allocation of resources, as reported by DOR in its PER.<sup>32</sup>

		# of FTEs Utilized	Amount Spent/ Budgeted*	% of Total Budget
Goal 3 – Maintain a positive customer service experience for all stakeholders.	FY17	101	\$6,823,448	7%
	FY18	111	\$6,910,000	7%
Strategy 3.1 - Increase taxpayer satisfaction by enhancing how the Agency interfaces with customers.	FY17	50	\$2,326,291	2%
	FY18	50	\$2,350,000	2%
Objectives: 3.1.1 - Maintain a positive customer satisfaction score as reported through an independent third-party surveyor. 3.1.2 - Enhance the customer service experience for stakeholders who utilize the agency's public facing teams (i.e., call center, taxpayer assistance officers, etc.). 3.1.3 - Increase employee knowledge by providing in-class and e-learning training opportunities regarding Phase III of DORWAY.				
Strategy 3.2 - Streamline tax processing to ensure effective, accurate, and timely service for all taxpayers.	FY17	44	\$3,694,291	4%
	FY18	54	\$3,750,000	4%
Objectives: 3.2.1 - Increase the percentage of total tax returns received electronically. 3.2.2 - Increase taxpayer usage of the MyDORWAY portal. 3.2.3 - Increase tax payments and license fees received electronically.				
Strategy 3.3. - Increase customer satisfaction by offering assistance through the interpretation and dissemination of tax law.	FY17	7	\$802,866	1%
	FY18	7	\$810,000	1%
Objectives: 3.3.1 - Offer formal and informal legal interpretation of tax laws to advocate taxpayer compliance. 3.3.2 - Increase customer satisfaction by disseminating information to taxpayers to advocate tax compliance.				

Table Note:

\* Because the agency submitted this information during FY 2017-18, the table reflects the agency's budgeted allocation for that year.

Table 11. Goal 3: Performance measures, as reported by DOR in its PER.<sup>33</sup>

Performance Measure	Type (as determined by agency)	Required or Selected?	Time Period		Time Period 1	Time Period 2	Time Period 3	Time Period 4	Time Period 5 (last completed)	Time Period 6 (current)
Number of formal advisory opinions resolved and published by SCDOR's Policy Division	Output	Agency Selected	July - June	Target:	DNE	DNE	DNE	151	151	DNE
				Actual:	DNE	DNE	DNE	151	730	
Percentage increase in the number of recipients and subscribers to external communications	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	20%	40%	40%
				Actual:	DNE	DNE	DNE	38%	127%	
Number of taxpayer education courses offered	Output	Agency Selected	July - June	Target:	DNE	5	6	6	6	5
				Actual:	DNE	5	6	6	5	
Number of participants in taxpayer education courses	Output	Agency Selected	July - June	Target:	DNE	550	500	500	500	500
				Actual:	DNE	530	485	702	783	
Percentage of taxpayers reporting an excellent satisfaction rate for external taxpayers classes attended	Outcome	Agency Selected	July - June	Target:	DNE	DNE	DNE	60%	60%	60%
				Actual:	DNE	DNE	DNE	58%	56%	
Number of SCDOR tweets	Outcome	Agency Selected	July - June	Target:	DNE	DNE	121	200	200	DNE
				Actual:	DNE	DNE	121	254	199	
Number of SCDOR new twitter followers	Outcome	Agency Selected	July - June	Target:	DNE	DNE	805	150	150	DNE
				Actual:	DNE	DNE	805	198	98	
Number of links clicked through SCDOR tweets	Outcome	Agency Selected	July - June	Target:	DNE	DNE	412	500	500	DNE
				Actual:	DNE	DNE	412	720	520	
Number of SCDOR external communications and publications	Output	Agency Selected	July - June	Target:	DNE	DNE	147	150	150	108
				Actual:	DNE	DNE	147	149	108	
Percentage increase in SCDOR website page views	Outcome	Agency Selected	July - June	Target:	DNE	DNE	DNE	50%	50%	DNE
				Actual:	DNE	DNE	DNE	170%	-14%	
Percentage increase in SCDOR website users	Outcome	Agency Selected	July - June	Target:	DNE	DNE	DNE	50%	50%	DNE
				Actual:	DNE	DNE	DNE	86%	-2%	
SCDOR website bounce rate	Outcome	Agency Selected	July - June	Target:	DNE	DNE	31.90%	30%	30%	DNE
				Actual:	DNE	DNE	31.90%	35.98%	45%	

Performance Measure	Type (as determined by agency)	Required or Selected?	Time Period		Time Period 1	Time Period 2	Time Period 3	Time Period 4	Time Period 5 (last completed)	Time Period 6 (current)
Number of DORWay, Phase III, training attendees	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	700	700	444
				Actual:	DNE	DNE	DNE	700	444	
Number of DORWay, Phase III, training sessions held	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	118	95
				Actual:	DNE	DNE	DNE	DNE	95	
Number of external partners interfacing with DORWay, Phase III	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	53	50
				Actual:	DNE	DNE	DNE	DNE	53	
Number of enhancements made to DORWay, Phase I and Phase II	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	1,100	1351
				Actual:	DNE	DNE	DNE	DNE	1,351	
Number of tax revenue data requests received and responded to	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	0	0	207
				Actual:	DNE	DNE	DNE	156	207	
Percentage of tax revenue data requests completed within one business day	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	50%	50%	95%
				Actual:	DNE	DNE	DNE	81%	95%	

Table Note:

DNE = Does/did not exist

Table 12. Goal 4 (Promote and maintain a competent, productive, and diverse workforce): Allocation of resources, as reported by DOR in its PER.<sup>34</sup>

		# of FTEs Utilized	Amount Spent/ Budgeted*	% of Total Budget
Goal 4 – Promote and maintain a competent, productive, and diverse workforce.	FY17	16	\$1,168,154	1%
	FY18	21	\$1,185,000	1%
Strategy 4.1 - Recruit and develop a competent, productive, and diverse workforce.	FY17	9	\$712,892	0.7%
	FY18	12	\$725,000	0.7%
<p>Objectives:</p> <p>4.1.1 - Recruit and hire candidates that meet or exceed the minimum qualifications to ensure Agency needs are met and sustained.</p> <p>4.1.2 - Increase employee knowledge by providing in-class, e-learning, and mentoring training opportunities.</p> <p>4.1.3 - Support employee advancement through the attainment of relevant industry credentials.</p> <p>4.1.4 - Continuously review and enhance succession planning efforts.</p>				
Strategy 4.2 - Value and retain a competent, productive, and diverse workforce.	FY17	7	\$455,262	0.5%
	FY18	9	\$460,000	0.5%
<p>Objectives:</p> <p>4.2.1 - Increase the percentage of employee evaluations (EPMS) completed by the due date.</p> <p>4.2.2 - Enhance the Agency's competitiveness in the marketplace by conducting salary studies.</p> <p>4.2.3 - Promote employee participation in health, wellness, and community outreach opportunities.</p> <p>4.2.4 - Meet or exceed State diversity goals.</p>				

Table Note:

\* Because the agency submitted this information during FY 2017-18, the table reflects the agency's budgeted allocation for that year.



Table 13. Goal 4: Performance measures, as reported by DOR in its PER.<sup>35</sup>

Performance Measure	Type (as determined by agency)	Required or Selected?	Time Period		Time Period 1	Time Period 2	Time Period 3	Time Period 4	Time Period 5 (last completed)	Time Period 6 (current)
Number of internal training courses offered to SCDOR employees	Input/Activity	Agency Selected	July - June	Target:	DNE	6	6	7	7	8
				Actual:	DNE	5	6	7	8	
Percentage of employees reporting an excellent satisfaction rate for internal training classes attended	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	65%	65%	65%
				Actual:	DNE	DNE	DNE	68%	63%	
Percentage increase in knowledge resulting from SCDOR's Audit Mentor Program	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	20%	20%	52%
				Actual:	DNE	DNE	DNE	33%	52%	
Number of community outreach opportunities offered to employees	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	12	30	30	12
				Actual:	DNE	DNE	11	30	12	
Percentage of personnel participating in community outreach activities	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	40%	40%	20%
				Actual:	DNE	DNE	DNE	40%	20%	
Total dollars donated by personnel to community outreach activities	Outcome	Agency Selected	July - June	Target:	DNE	DNE	DNE	\$12,000	\$12,000	\$9,723
				Actual:	DNE	DNE	DNE	\$12,000	\$9,723	
Number of boxes of goods donated by personnel to community outreach activities	Outcome	Agency Selected	July - June	Target:	DNE	DNE	DNE	52	52	40
				Actual:	DNE	DNE	DNE	52	40	
Average number of health and wellness activities offered each quarter	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	2	1
				Actual:	DNE	DNE	DNE	DNE	1	
Percentage of employees participating in health and wellness activities	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	53%	53%	46%
				Actual:	DNE	DNE	DNE	53%	46%	
SCDOR's health and wellness score	Outcome	Agency Selected	July - June	Target:	DNE	DNE	DNE	B	B	DNE
				Actual:	DNE	DNE	DNE	B	DNE	
Number of opportunities provided to personnel to provide input for Strategic and Annual Business Planning	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	3	3	3
				Actual:	DNE	DNE	DNE	3	3	
Percentage of employees providing Strategic and Process Improvement feedback	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	50%	50%	45%
				Actual:	DNE	DNE	DNE	48%	45%	

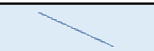


Performance Measure	Type (as determined by agency)	Required or Selected?	Time Period		Time Period 1	Time Period 2	Time Period 3	Time Period 4	Time Period 5 (last completed)	Time Period 6 (current)
Number of employees who participated by providing feedback for Strategic and Annual Business Planning	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	457	457	400
				Actual:	DNE	DNE	DNE	441	400	
Percentage employee turnover rate	Input/Activity	Agency Selected	July - June	Target:	DNE	DNE	DNE	DNE	DNE	13%
				Actual:	12.88%	10.65%	12.06%	14.10%	13.24%	
Average monthly equal opportunity goal met	Efficiency	Agency Selected	July - June	Target:	DNE	DNE	DNE	95%	95%	96%
				Actual:	94.6%	94.5%	93.9%	95.4%	96%	

Table Note:

DNE = Does/did not exist

# STUDY PROCESS

## *Agency Selection*

DOR is an agency subject to legislative oversight.<sup>36</sup> On December 19, 2017, during the 122<sup>nd</sup> General Assembly, the Committee prioritizes the agency for study.<sup>37</sup>

As the Committee encourages **collaboration in its legislative oversight process**, the Committee notifies the following individuals about the agency study: Speaker of the House, standing committee chairs in the House, members of the House, Clerk of the Senate, and Governor.

## *Subcommittee Membership*

The **Economic Development, Transportation, and Natural Resources Subcommittee of the House Legislative Oversight Committee studies the agency** during the 122<sup>nd</sup> General Assembly.<sup>38</sup> Throughout the study, the Honorable Bruce W. Bannister serves as chair. Other Subcommittee Members include:

- The Honorable Neal A. Collins;
- The Honorable Mandy Powers Norrell; and
- The Honorable Robert L. Ridgeway, III.

## *Agency Reports to Legislative Oversight Committee*

During the legislative oversight process, the **Committee asks the agency to conduct self-analysis** by requiring it to complete and submit annual Restructuring Reports, a Seven-Year Plan for cost savings and increased efficiencies, and a Program Evaluation Report. The Committee posts each report on the agency page of the Committee's website.

### *Restructuring Report*

The Annual Restructuring Report fulfills the requirement in S.C. Code Ann. § 1-30-10(G)(1) that annually each agency report to the General Assembly "detailed and comprehensive recommendations for the purposes of merging or eliminating duplicative or unnecessary divisions, programs, or personnel within each department to provide a more efficient administration of government services." The report, at a minimum, includes information in the following areas: history, mission and vision, laws strategic plan, human and financial resources, performance measures, and restructuring recommendations.

DOR submits its Annual Restructuring Reports on April 14, 2015, and January 12, 2016.<sup>39</sup> Starting in September 2016, the Annual Accountability Reports the agency has submitted to the Governor and General Assembly serve as its Annual Restructuring Reports.<sup>40</sup>

## *Seven-Year Plan for Cost Savings and Increased Efficiencies*

SC Code §1-30-10 requires agencies to submit “a seven year plan that provides initiatives and/or planned actions that implement cost savings and increased efficiencies of services and responsibilities within the projected seven-year period.”<sup>41</sup> DOR submits its plan on April 14, 2015.<sup>42</sup>

## *Program Evaluation Report*

When an agency is selected for study, the Committee may acquire evidence or information by any lawful means, including, but not limited to, "requiring the agency to prepare and submit to the investigating committee a program evaluation report by a date specified by the investigating committee." S.C. Code Ann. § 2-2-60 outlines what an investigating committee's request for a program evaluation report must contain. Also, it provides a list of information an investigating committee may request. The Committee sends guidelines for DOR's Program Evaluation Report (PER) on January 23, 2018. The agency submits its report on May 31, 2018.<sup>43</sup>

The PER includes information in the following areas: agency successes and challenges, legal directives, strategic plan, resources, performance, agency ideas/recommendations, agency organization, and additional documents submitted by the agency. **The Program Evaluation Report serves as the base document for the Subcommittee's study of the agency.**

## *Information from the Public*

**Public input is a cornerstone of the House Legislative Oversight Committee's process.** There are a variety of opportunities for public input during the legislative oversight process. Members of the public have an opportunity to participate anonymously in a public survey, provide comments anonymously via a link on the Committee's website, and appear in person before the Committee.<sup>44</sup> During the study, media articles related to the agency are compiled for member review.

### *Public Survey*

From January 23 - March 1, 2018, the Committee posts an **online survey to solicit comments from the public about DOR** and five other agencies. The Committee sends information about this survey to all House members to forward to their constituents. Additionally, in an effort to communicate this public input opportunity widely, the Committee issues a statewide media release.<sup>45</sup>

There are 501 responses to the survey, with 226 of these relating to DOR. The responses relating to the agency come from 26 of South Carolina's 46 counties.<sup>46</sup> These comments are not considered testimony.<sup>47</sup> As the survey notes, “input and observations from those citizens who [chose] to provide responses are very important . . . because they may help direct the Committee to potential areas for improvement with these agencies.”<sup>48</sup> The Committee posts the survey results on the Committee's website. **The public is informed it may continue to submit written comments about agencies online** after the public survey closes.<sup>49</sup>

A majority of respondents report a **positive or very positive opinion of DOR**.<sup>50</sup>

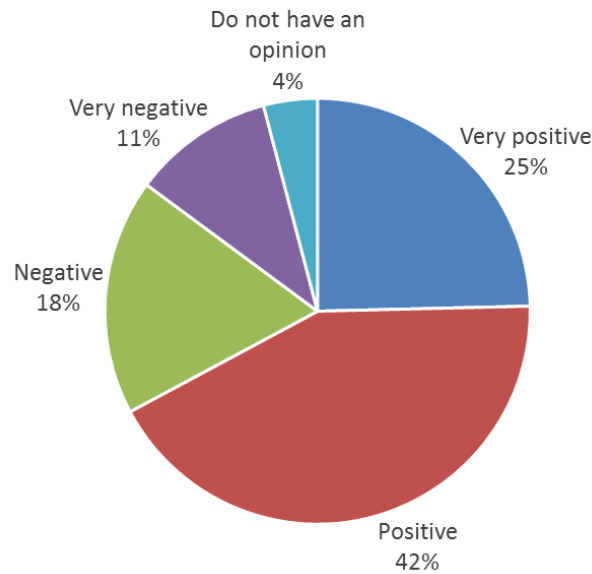


Figure 4. January 2018 public survey respondent opinion of DOR.

Over three-quarters of respondents base their opinions on personal or business experience with the agency. A majority of those responding about DOR indicate that they are state employees. **Many of the comments provided relate to human resources**, including concerns about unfair hiring and promotion of employees, inequitable or insufficient salaries, and employee morale.<sup>51</sup>

#### *Public Input via Committee Website*

Throughout the course of the study, people are able to submit comments anonymously on the Committee website. The Committee posts comments verbatim to the website, but they are not the comment or expression of the House Legislative Oversight Committee, any of its Subcommittees, or the House of Representatives.<sup>52</sup>

The Committee receives 38 comments about DOR in this manner. Similar to the comments provided in the public survey, many of these relate to human resources issues. They also include concerns about agency management.<sup>53</sup>

#### *Public Input via In-Person Testimony*

During the study, the Committee offers the opportunity for the public to appear and provide sworn testimony.<sup>54</sup> A press release announcing this opportunity is sent to media outlets statewide on February 9, 2018.<sup>55</sup> The Committee holds a meeting dedicated to public input about DOR and other agencies on March 1, 2018.<sup>56</sup> Further detail on the public input meeting is in the meetings section of this report.

## Meetings Regarding the Agency

The Committee meets with, or about, the agency on two occasions, and the Subcommittee meets with, or about, the agency on four occasions. All meetings are open to the public and stream live online; also, the videos are archived and the minutes are available online. A timeline of meetings is set forth in [Figure 2](#).

### 122<sup>nd</sup> General Assembly (2017-2018)

#### December 2017

On **December 19, 2017**, the full Committee selects the agency for study.<sup>57</sup>

#### March 2018

On **March 1, 2018**, the full Committee holds **Meeting 1** with DOR to **receive public testimony** about it and the Department of Labor, Licensing and Regulation and the Department of Parks, Recreation and Tourism.<sup>58</sup> One person, Mr. Jeff Davis of Greenville County, testifies about DOR. He relates a negative experience he has had with the agency during an audit and shares his belief that the agency needs more oversight. DOR Director W. Hartley Powell makes brief comments to the Committee.

#### June 2018

On **June 18, 2018**, the Economic Development, Transportation, and Natural Resources Subcommittee holds **Meeting 2** with the agency.<sup>59</sup> Director Powell provides an **overview of the agency, including its history, mission, strategic goals, stakeholders, resources, and organization**. He also explains **major functions of the agency**, including revenue collections, tax processing, external and internal audits, and taxpayer appeals. He concludes with a discussion of the **agency's successes, challenges, and emerging issues** and an explanation of the **law changes recommended by the agency**. During his testimony, he responds to questions from Subcommittee members about collection of local taxes, taxpayer refunds, average tax assessments, electronic filing, alcohol beverage licensing, retail licensing, bankruptcies and foreclosures, tax refund fraud, and conformity to the federal tax code.

#### July 2018

On **July 10, 2018**, the Subcommittee holds **Meeting 3** with the agency.<sup>60</sup> Director Powell reviews his testimony from the previous meeting, and then the following agency deputy directors provide **overviews of their respective divisions**:

- Mr. Meredith Cleland – **Government Services Division**
- Ms. Sherrie McTeer – **Taxpayer and Business Services Division**
- Mr. Mike Sayles – **Security and Information Technology Services Division**
- Mr. Jason Luther – **Litigation Division**

During and after this testimony, agency representatives respond to questions from Subcommittee members about the calculation of the Index of Taxpaying Ability, property tax exemptions, collection of local taxes, the taxpayer advocate, payment plans for overdue taxes, revenue officers, the Financial Institution Data Match program, bankruptcies, hazards of litigation, prosecution of criminal cases, and other topics.

### August 2018

On **August 13, 2018**, the Subcommittee holds **Meeting 4** with the agency.<sup>61</sup> Director Powell and Ms. McTeer, Deputy Director of Taxpayer and Business Services, make comments about the **new performance measures for collections staff**. They respond to questions from Subcommittee members about employee caseload, assignment of cases, and visits to businesses. Subcommittee members ask a number of other **questions related to public comments** received during the study, including those received through the public survey and the Committee's website. Director Powell and other agency representatives respond to these questions, the topics of which include management structure, information security, the agency's third-party payment processor, employee morale, hiring and promotion practices, employee turnover, and an allegation of retaliation against an employee. At the conclusion of these questions, the following agency deputy directors provide **overviews of their respective divisions**:

- Mr. Andy Smith – **Field Operations Division**
- Ms. Laura Watts – **Administrative Services Division**
- Mr. Joe Dusenbury – **Policy, Privacy, and Procurement Division**
- Ms. Ashley Thomas – **Communications and Strategic Initiatives Division**

During and after this testimony, agency representatives respond to questions from Subcommittee members about audits, appeals, social media messaging, carry forward funds, and other topics. Director Powell also responds to questions from Subcommittee members about the agency's recommendations to amend state laws related to the collection of sales tax by online marketplace retailers and the creation of a statewide tax lien filing system.<sup>62</sup>

### September 2018

On **September 10, 2018**, the Subcommittee holds **Meeting 5** with the agency.<sup>63</sup> At the request of a Subcommittee member, Director Powell responds to a **legislator's concerns related to taxation of out-of-state internet retailers** in the wake of the recent Supreme Court decision in *South Dakota v. Wayfair*.<sup>64</sup> Then, the Subcommittee reviews the agency's seven recommendations for statutory changes and, after discussion with Director Powell, adopts some of them as **Subcommittee recommendations**.<sup>65</sup> The Subcommittee also makes an additional recommendation to the agency (see the *Recommendations* section). Then, Subcommittee Chair Bannister directs Committee staff to draft the study report with the Subcommittee's recommendations.

### October 2018

On **October 23, 2018**, the Committee holds **Meeting 6** with the agency. The Committee receives a presentation of the study from the Subcommittee Chair Bannister. Topics discussed include: cybersecurity, study recommendations, and retail licensing requirements for special events (e.g., festivals). Subcommittee Chair Bannister notes the agency wishes to withdraw its recommendation relating to alcohol liability coverage for government entities as further discussion, facilitated by the study process, between the agency and the Insurance Reserve Fund indicate the underlying issue has been sufficiently addressed. Subcommittee Chair Bannister notes a clarification to the recommendation relating to tax credits for energy efficient vehicles. Representative Bill Hixon notes his ongoing conversations with the agency about retail licensing requirements for special events and desire for input from the agency on this issue. The Committee amends and approves the study of the agency.

## *Study Process Completion*

Pursuant to Committee Standard Practice 13.4, **Committee members may provide a separate written statement for inclusion with the Committee's study report.** The study, and written statements, are published online and the agency, as well as all House Standing Committees, receive a copy. The Committee may offer at least one briefing to members of the House about the contents of the final oversight study approved by the Committee.<sup>66</sup> The Committee Chair may provide briefings to the public about the final oversight study.<sup>67</sup>

**To support the Committee's ongoing oversight by maintaining current information about the agency, the agency may receive an annual Request for Information.**



# RECOMMENDATIONS

## General Information

The following **recommendations include areas** the Subcommittee identifies **for potential improvement**. These recommendations are based on the agency’s self-analysis requested by the Committee, discussions with the agency during multiple meetings, and analysis of the information obtained by the Subcommittee. This information, including, but not limited to, the Program Evaluation Report, Accountability Report, Restructuring Report and videos of meetings with the agency, is available on the Committee’s website.

## Continue

The **Subcommittee has six recommendations to continue agency programs with revisions**. All recommendations are adopted at the Subcommittee meeting on September 10, 2018.<sup>68</sup> The first five recommendations are for the General Assembly and involve statutory changes. The sixth recommendation is for DOR. These recommendations are summarized in Table 14. Further details on each recommendation follow the table.

Table 14. Summary of recommendations arising from the study process.

Topic	Recommendations for . . .
<b>. . . General Assembly</b>	
<b>Financial Institution Data Match Program</b>	1. Allow DOR to participate in the multistate Financial Institution Data Match program to share data files with financial institutions to identify financial assets of debtors with past due liabilities by amending S.C. Code Ann. § 12-54-265.
<b>Centralized Tax Lien System</b>	2. Allow DOR to implement a centralized system of filing and indexing of tax liens that is accessible to the public through DOR’s website by amending S.C. Code Ann. § 12-54-122(G).
<b>Tax Credit for Energy Efficient Vehicles</b>	3. Provide clear guidelines to determine eligibility for the income tax credit for the purchase of new energy efficient vehicles by amending S.C. Code Ann. Title 12, Chapter 6 and repealing the current guidelines.
<b>Taxation of Online Third-Party Sales</b>	4. Ensure that online third-party sales will be subject to tax by amending definitions in S.C. Code Ann. § 12-36-70.
<b>. . Department of Revenue</b>	
<b>Collection of Local Sales Taxes through MyDORWAY</b>	5. Investigate the costs and benefits of giving local governments the option of collecting local taxes through the MyDORWAY system and update the Committee on its findings within six months of the publication of the full Committee report.
<b>Retail License Requirements</b>	6. Evaluate provisions in S.C. Code Ann. § 12-36-510, relating to retail license requirements, and report any recommendations for revision to the Committee

### Recommendation 1

That the General Assembly amend S.C. Code § 12-54-265 to **allow DOR to participate in the Financial Institution Data Match program** to share data files with financial institutions to identify financial assets of debtors with past due liabilities (see draft language below).

Discussion In its PER, DOR asserts that participating in the Financial Institution Data Match (FIDM) program would allow it to share data files with financial institutions to identify financial assets of debtors with past due liabilities in order to streamline the collection process.<sup>69</sup> In response to Subcommittee questioning, the agency indicates it anticipates collecting \$105 million of outstanding debt through this program, and there is no cost to the agency of participating. Any fees to participating financial institutions would be paid from collected funds. Further, DOR reports sixteen other states' revenue agencies participate in this program.<sup>70</sup> The South Carolina Department of Social Services currently is permitted to participate in FIDM in order to collect child support obligations.<sup>71</sup> This recommendation was adopted by the Subcommittee on September 10, 2018. All members present voted in favor.<sup>72</sup>

Draft Language Chapter 54 of Title 12 is amended by adding the following section:

SECTION 1. Section 12-54-265. Notwithstanding any other provision of law, the department may submit to a financial institution, as defined in Section 63-17-2310(A)(2), information that identifies a debtor named on a warrant for distraint that has been issued and filed by the department or whose debt has been submitted to the department for collection under the provisions of Section 12-4-580. For purposes of debts named on warrants for distraint, the debt must be at least one hundred eighty days old from the date of assessment. The department may submit the information to the financial institution on a quarterly basis or, with the agreement of the financial institution, on a more frequent basis. A financial institution that receives the information must conduct a data match. The financial institution must then provide to the department, in a manner and form prescribed by the department, information concerning the debtor for purposes of collecting outstanding debts. The information provided to the department must include, but is not limited to, the information required pursuant to Section 63-17-2320(A). The financial institution must be paid a reasonable fee out of the collected funds not to exceed actual cost.

SECTION 2. This Act takes effect upon the signature of the Governor.

### Recommendation 2

That the General Assembly amend S.C. Code Ann. § 12-54-122(G) to allow DOR to implement **a centralized system of filing and indexing of tax liens** that is accessible to the public through DOR's website (see draft language below).

Discussion DOR reports filing approximately 56,213 tax liens across South Carolina's 46 counties in FY 17-18.<sup>73</sup> The South Carolina Department of Employment and Workforce (DEW) reports filing over 9,000 tax liens in 2017.<sup>74</sup> As provided by S.C. Code Ann. § 8-21-

300(20)(a), DOR and DEW pay a \$10 fee to the county for each lien. Liens filed in any county are public records, and many counties provide online access. However, these documents generally must be accessed through each county's website and there may be a fee to view documents online.<sup>75</sup> DOR anticipates saving over \$600,000 annually if allowed to implement a statewide tax lien filing system instead of filing its liens with counties. Most of the savings would be in the \$10 recording fee it would no longer owe for each lien.<sup>76</sup> This change would also increase the ease of public access to these documents, as all of DOR's tax liens would be available to the public on a single website. This recommendation was adopted by the Subcommittee on September 10, 2018. All members present voted in favor.<sup>77</sup>

Draft Language Section 12-54-122(G) of the 1976 Code is amended by adding an appropriately numbered item at the end to read:

SECTION 1. Instead of filing a tax lien notice pursuant to item (1), the department may implement a system of filing and indexing liens which must be accessible to the public over the Internet or through other means as the department considers appropriate. A lien filed pursuant to this item is effective statewide from the date and time it is recorded and encumbers all the taxpayer's property and rights to property as provided in Section 12-54-120, regardless of the property's location. A lien filed pursuant to item (1) remains effective from the date and time it was recorded. Nothing in this item may be construed so as to extend the effectiveness of a lien beyond ten years from the date of filing, as provided in Section 12-54-120.

SECTION 2. This act takes effect July 1, 2019.

### *Recommendation 3*

That the General Assembly amend S.C. Code Ann. Title 12, Chapter 6 to provide clear guidelines to determine eligibility for **the income tax credit for the purchase of new energy efficient vehicles** (see draft language below).

Discussion DOR reports that South Carolina law allows for an income tax credit for those who claim a federal tax credit for the purchase of new qualified fuel cell motor vehicles, advanced lean burn technology motor vehicles, or hybrid motor vehicles. However, this federal tax credit is no longer available. This addition to statute would provide clear guidelines for the administration of this tax credit independent of federal requirements.<sup>78</sup> This recommendation was adopted by the Subcommittee on September 10, 2018. All members present voted in favor.<sup>79</sup>

Draft Language Amend Title 12, Chapter 6 by adding the following new section:

SECTION 1. (A) For tax years beginning on or after January 1, 2018 and before January 1, 2021, a resident individual taxpayer is allowed an income tax credit for the purchase of a new motor vehicle that meets the requirements of subsection (D). The credit must be claimed for the tax year in which the new motor vehicle is purchased.

(B) The credit amount for any new motor vehicle is:

(1) one hundred dollars for each new motor vehicle for which the mileage is at least forty-five but less than fifty-five; or

(2) three hundred dollars for each new motor vehicle for which the mileage is at least fifty-five.

(C) The credit allowed by this section is nonrefundable. If the amount of the credit exceeds the taxpayer's income tax liability for the applicable tax year, any unused credit may be carried forward for five years.

(D) For purposes of this section:

(1) 'new motor vehicle' means a car or truck that:

(a) is classified as a 'private passenger motor vehicle' pursuant to Section 56-3-630;

(b) is registered for operation upon the highways in this State; and

(c) has incurred five thousand or fewer miles at the time of purchase.

(2) 'mileage' means the combined miles per gallon of gasoline ("MPG") or miles per gallon of gasoline equivalent ("MPGe") for the make and model of the vehicle as published in the Fuel Economy Guide for the applicable model year.

(3) 'Fuel Economy Guide' means the annual Fuel Economy Guide published by the United States Department of Energy, Office of Energy Efficiency and Renewable Energy, and the United States Environmental Protection Agency.

SECTION 2. This act takes effect upon approval by the Governor and applies to income tax years beginning on or after January 1, 2018 and before January 1, 2021.

Repeal S.C. Code Ann. §12-6-3377, which contains references to a federal tax credit that has been discontinued

~~**SECTION 12-6-3377.** Hybrid, fuel cell, alternative fuel or lean burn motor vehicle tax credit.~~

~~(A) A South Carolina resident taxpayer who is eligible for and claims the new qualified fuel cell motor vehicle credit, the new advanced lean burn technology motor vehicle credit, the new qualified hybrid motor vehicle credit based on the combined city/highway metric or standard set by federal Internal Revenue Code Section 30B, and the new qualified alternative fuel motor vehicle credit allowed pursuant to Internal Revenue Code Section 30B is allowed a credit against the income taxes imposed pursuant to this chapter in an amount equal to twenty percent of that federal income tax credit. The credit allowed by this section is nonrefundable and if the amount of the credit exceeds the taxpayer's liability for the applicable taxable year, any unused credit may be carried forward and claimed in the five succeeding taxable years.~~

~~(B) The credit amount allowed by this section must be calculated without regard to the phaseout period limits of Internal Revenue Code Section 30B(f) and for purposes of the credits allowed pursuant to this section, the provisions of Internal Revenue Code Section 30B are deemed permanent law.~~

#### *Recommendation 4*

That the General Assembly amend definitions in S.C. Code Ann. § 12-36-70 to ensure that **online third-party sales will be subject to tax** (see draft language below).

Discussion            DOR reports that this statutory change would allow it to force internet marketplace retailers, such as Amazon and eBay, to collect and remit sales tax on items sold by third-party vendors through the marketplace sites. Without this ability, DOR would have the right to collect sales tax directly from some third-party sellers, but it predicts that the significant administrative burden of collecting from so many individuals and companies would result in a large percentage of these taxes going uncollected. As an example of the potential impact of this statutory change on sales tax revenues, DOR estimates that, if there had been a law like this in 2016, Amazon’s additional sales tax liability for that year would have been \$57 million.<sup>80</sup> This recommendation was adopted by the Subcommittee on September 10, 2018. All members present voted in favor.<sup>81</sup>

Draft Language      SECTION 1

The General Assembly finds that the South Carolina Sales and Use Tax Act requires any person engaged in business as a retailer to remit the sales and use tax on all retail sales of tangible personal property not otherwise excluded or exempted from the tax. This requirement applies to all retail sales of tangible personal property by the retailer, whether the tangible personal property is owned by the retailer or another person. Retailers selling tangible personal property at retail on consignment, by auction, or in any other manner must remit the sales and use tax on such retail sales.

The General Assembly further finds that Internet marketplaces where a person sells tangible personal property at retail by listing or advertising, or allowing the listing or advertising of another person’s products on an online marketplace, and collects or processes the payment from the customer are retailers required to remit the sales and use tax on such retail sales under the provisions of the South Carolina sales and use tax law.

The General Assembly also finds, with the changing economy and ever expanding role of the Internet in the retail market, that the longstanding requirement in the sales and use tax law that a retailer remit the tax on retail sales of tangible personal property owned by another person must apply to all retailers, including both Internet retailers and brick and mortar retailers.

Therefore, to ensure retailers selling another person's tangible personal property on the Internet clearly understand, and are complying with, the sales and use tax law in the same manner as retailers selling another person's tangible personal property in a brick and mortar store, the following provisions, which do not represent a change in policy, are enacted to further set forth South Carolina's longstanding position:

## SECTION 2

Amend code section 12-36-70 to add item (3) as follows:

SECTION 12-36-70. "Retailer" and "seller".

"Retailer" and "seller" include every person:

(1)(a) selling or auctioning tangible personal property whether owned by the person or others;

(b) furnishing accommodations to transients for a consideration, except an individual furnishing accommodations of less than six sleeping rooms on the same premises, which is the individual's place of abode;

(c) renting, leasing, or otherwise furnishing tangible personal property for a consideration;

(d) operating a laundry, cleaning, dyeing, or pressing establishment for a consideration;

(e) selling electric power or energy;

(f) selling or furnishing the ways or means for the transmission of the voice or of messages between persons in this State for a consideration. A person engaged in the business of selling or furnishing the ways or means for the transmission of the voice or messages as used in this subitem (f) is not considered a processor or manufacturer;

(2)(a) maintaining a place of business or qualifying to do business in this State; or

(b) not maintaining an office or location in this State but soliciting business by direct or indirect representatives, manufacturers agents, distribution of catalogs, or other advertising matter or by any other means, and by reason thereof receives orders for tangible personal property or for storage, use, consumption, or distribution in this State; or

(3) operating as a marketplace facilitator, as defined in Code Section 12-36-71.

The department, when necessary for the efficient administration of this chapter, may treat any salesman, representative, trucker, peddler, or canvasser as the agent of the dealer, distributor, supervisor, employer, or other person under whom

they operate or from whom they obtain the tangible personal property sold by them, regardless of whether they are making sales on their own behalf or on behalf of the dealer, distributor, supervisor, employer, or other person. The department may also treat the dealer, distributor, supervisor, employer, or other person as a retailer for purposes of this chapter.

Add new code section 12-36-71 to read:

SECTION 12-36-71: Marketplace facilitator

(A) "Marketplace facilitator" means any person engaged in the business of facilitating a retail sale of tangible personal property by:

(1) listing or advertising, or allowing the listing or advertising of, the products of another person in any marketplace where sales at retail occur; and

(2) collecting or processing payments from the purchaser, either directly or indirectly through an agreement or arrangement with a third party;

regardless of whether the marketplace facilitator receives compensation or other consideration in exchange for its services.

(B) A marketplace may be physical or electronic and includes, but is not limited to, any space, store, booth, catalog, website, television or radio broadcast, or similar place, medium, or forum.

(C) For purposes of subsection (A), a marketplace facilitator includes any related entities assisting the marketplace facilitator in sales, storage, distribution, payment collection, or in any other manner with respect to the marketplace.

(D) When a marketplace facilitator is comprised of multiple entities, the entity that lists or advertises, or allows the listing or advertising of, the products sold at retail in the marketplace is the entity responsible for remitting the sales and use tax to the State.

Amend code section 12-36-90(1)(a) to read:

SECTION 12-36-90. "Gross proceeds of sales".

Gross proceeds of sales, or any similar term, means the value proceeding or accruing from the sale, lease, or rental of tangible personal property.

(1) The term includes:

(a) the proceeds from the sale of property sold on consignment by the taxpayer of property of another person, including proceeds from property sold on consignment and property sold through a marketplace by a marketplace facilitator.

Amend code section 12-36-130(1) to read:

SECTION 12-36-130. "Sales price".

"Sales price" means the total amount for which tangible personal property is sold, without any deduction for the cost of the property sold, the cost of the materials used, labor or service cost, interest paid, losses, or any other expenses.

(1) The term includes:

(a) any services or transportation costs that are a part of the sale, whether paid in money or otherwise; and

(b) any manufacturers or importers excise tax imposed by the United States; and,

(c) the proceeds from the sale of property sold on consignment by the taxpayer of property of another person, including proceeds from property sold on consignment and property sold through a marketplace by a marketplace facilitator.

Amend code section 12-36-1340 as follows:

Each seller making retail sales of tangible personal property for storage, use, or other consumption in this State shall collect and remit the tax in accordance with this chapter and shall obtain from the department a retail license as provided in this chapter, if the retail seller:

(1) maintains a place of business;

(2) qualifies to do business;

(3) solicits and receives purchases or orders by an agent, independent contractor, representative, Internet website, or any other means or salesman; or

(4) distributes catalogs, or other advertising matter, and by reason of that distribution receives and accepts orders from residents within the State; or

(5) operates as a marketplace facilitator; or

(6) meets constitutional standards for economic nexus with South Carolina for purposes of the sales and use tax.



## SECTION 3

This Act takes effect on July 1, 2019.

### *Recommendation 5*

That the Department of Revenue investigate the costs and benefits of **giving local governments the option of collecting local taxes through the MyDORWAY system** and update the Committee on its findings within six months of the publication of the full Committee report.

Discussion        MyDORWAY is DOR's new online tax portal, designed to allow taxpayers to manage and pay their taxes online.<sup>82</sup> In response to questions from Subcommittee members, agency representatives testify that they have not examined the possibility of allowing local governments to collect property taxes through MyDORWAY, in part because DOR is not responsible for collecting those taxes.<sup>83</sup> Discussions during subcommittee meetings revealed an interest in this possibility due to the potential for increased security and convenience for taxpayers.<sup>84</sup> This recommendation was adopted by the Subcommittee on September 10, 2018. All members present voted in favor.<sup>85</sup>

### *Recommendation 6*

That the Department of Revenue **evaluate provisions in S.C. Code Ann. § 12-36-510, relating to retail license requirements, and report any recommendations for revision to the Committee**<sup>86</sup>

### *Curtail and Eliminate*

There are **no specific recommendations with regards to curtailing or eliminating agency programs.**

## SELECTED AGENCY INFORMATION

**Department of Revenue. “Program Evaluation Report, 2018.”**

<https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/PER-CompletePDF-DOR.PDF> (accessed September 19, 2018).

**Department of Revenue. “Restructuring and Seven-Year Plan Report, 2015.”**

<https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/2015AgencyRestructuringandSevenYearPlanReports/2015%20Department%20of%20Revenue.pdf> (accessed September 19, 2018).

**Department of Revenue. “Agency Accountability Report, FY 2016-2017.”**

<https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/Reports%20&%20Audits%20-%20Reports%20and%20Reviews/Accountability%20Report%20-%202016-2017.pdf> (accessed September 19, 2018).

**S.C. House of Representatives, Legislative Oversight Committee. “January-March 2018 Survey Results.”**

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/LLR/Public\\_Survey\\_January\\_February\\_2018.PDF](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/LLR/Public_Survey_January_February_2018.PDF) (accessed September 19, 2018).

## APPENDIX: ADDITIONAL INFORMATION

The Subcommittee accepts for information purposes only the following agency recommendation:<sup>87</sup>

That the General Assembly amend S.C. Code Title 61, Chapter 2 to provide consistent statutory guidance for DOR and the courts in applying penalties for alcohol licensing violations.

Draft Language      Amend Title 61, Chapter 2 by adding the following section:

SECTION 1. (A) Notwithstanding any other provision in Title 61, the Department has the sole authority to revoke or suspend any license issued under Title 61 for any violation of this title.

(B) Should the Department not use the authority allowed in subsection (A) of this section the following penalties shall be imposed for any violation of this Title:

- (1) First offense there shall be imposed a penalty on the license holder of not less than five hundred dollars;
- (2) Second offense there shall be imposed a penalty on the license holder of not less than one thousand dollars;
- (3) Third offense there shall be imposed a penalty of suspension of the license issued under this Title of not less than forty-five days;
- (4) Fourth offense there shall be imposed a penalty of revocation of the license issued under this Title.

The Department shall review the prior three years from the date of the most recent violation to determine which offense applies.

SECTION 2. This Act takes effect upon the signature of the Governor.

# CONTACT INFORMATION

## Committee Contact Information

### Physical:

South Carolina House of Representatives  
Legislative Oversight Committee  
1105 Pendleton Street, Blatt Building Room 228

### Mailing:

Post Office Box 11867  
Columbia, South Carolina 29211

Telephone: 803-212-6810

### Online:

You may visit the South Carolina General Assembly Home Page (<http://www.scstatehouse.gov>) and click on "Citizens' Interest" then click on "House Legislative Oversight Committee Postings and Reports". This will list the information posted online for the Committee; click on the information you would like to review. Also, a direct link to Committee information is <http://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee.php>.

## Agency Contact Information

### Address:

Department of Revenue  
300A Outlet Pointe Boulevard  
Columbia, SC 29210

### Telephone:

803-898-5000

### Online:

<https://dor.sc.gov/>  
<https://mydorway.dor.sc.gov/>

# ENDNOTES

<sup>1</sup> Visual Summary Figure 1 is compiled from information in the Department of Revenue study materials available online under "Citizens' Interest," under "House Legislative Oversight Committee Postings and Reports," and then under "Department of Revenue" <https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyPHPFiles/DOR.php> (accessed September 11, 2018).

<sup>2</sup> S.C. Code Ann. § 2-2-20(C).

<sup>3</sup> S.C. House of Representatives, House Legislative Oversight Committee, "Program Evaluation Report (May 31, 2018)," under "Committee Postings and Reports," under "House Legislative Oversight Committee," and under "Department of Revenue" <https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/PER-CompletePDF-DOR.PDF> (accessed September 11, 2018). Hereinafter, "Agency PER (May 31, 2018)."

<sup>4</sup> Act 99 of 1915, Section 1.

<sup>5</sup> Acts 478 and 502 of 1922.

<sup>6</sup> Act 181 of 1993.

<sup>7</sup> Act 181 of 1993.

<sup>8</sup> Act 459 of 1996;

Act 458 of 1996, Part II, Section 88.

<sup>9</sup> S.C. Department of Revenue, "SC Department of Revenue Responds to Cyber Attack, Will Provide Credit Monitoring and Identity Theft Protection to Taxpayers" (October 26, 2012);

Act 104 of 2013.

<sup>10</sup> For information on the taxes and fees administered by DOR, see:

S.C. Department of Revenue, "Tax Index," <https://dor.sc.gov/tax> (Accessed September 26, 2018).

<sup>11</sup> Agency PER (May 31, 2018), p. 114.

<sup>12</sup> Agency PER (May 31, 2018), p. 114.

<sup>13</sup> S.C. Code Ann. § 12-4-30.

<sup>14</sup> Agency PER (May 31, 2018), p. 13.

<sup>15</sup> Agency PER (May 31, 2018).

<sup>16</sup> S.C. House of Representatives, House Legislative Oversight Committee, "Agency Presentation" (June 18, 2018), under "Committee Postings and Reports," under "House Legislative Oversight Committee," and under "Department of Revenue"

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[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/6.18.18\\_DOR\\_PowerPoint.pdf](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/6.18.18_DOR_PowerPoint.pdf) (accessed September 11, 2018), slide 15. Hereinafter, “Agency Presentation (June 18, 2018).”

<sup>17</sup> Agency Presentation (June 18, 2018), slide 15.

<sup>18</sup> Agency PER (May 31, 2018), p. 101.

<sup>19</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Meeting Packet” (July 10, 2018), under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” and under “Department of Revenue” [https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/7.10.18\\_Meeting\\_Packet\\_EDTNR.PDF](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/7.10.18_Meeting_Packet_EDTNR.PDF) (accessed September 12, 2018). Hereinafter, “Meeting Packet (July 10, 2018)”;

S.C. House of Representatives, House Legislative Oversight Committee, “Meeting Packet” (August 13, 2018), under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” and under “Department of Revenue” [https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/8.13.18\\_Meeting\\_Packet\\_EDTNR-DOR&LLR.pdf](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/8.13.18_Meeting_Packet_EDTNR-DOR&LLR.pdf) (accessed September 12, 2018). Hereinafter, “Meeting Packet (August 13, 2018)”;

Agency PER (May 31, 2018).

<sup>20</sup> Agency PER (May 31, 2018), p. 141.

<sup>21</sup> Agency PER (May 31, 2018), pp. 14-15.

<sup>22</sup> Agency PER (May 31, 2018), Laws Chart.

<sup>23</sup> S.C. Department of Revenue, “Homestead Exemption,” <https://dor.sc.gov/lgs/homestead-exemption> (accessed September 22, 2018).

<sup>24</sup> S.C. Secretary of State, “High Growth Small Business Job Creation Act,” under “Business Filings,” [http://www.sos.sc.gov/High\\_Growth\\_Small\\_Business\\_Job\\_Creation\\_Act](http://www.sos.sc.gov/High_Growth_Small_Business_Job_Creation_Act) (accessed September 22, 2018).

<sup>25</sup> Department of Revenue, “Fiscal Year 2016-17 Accountability Report,” under “Publications,” under “Current State Agency Reports,” under “State Agency Accountability Reports for Fiscal Year 2016-2017,” and under “Revenue, Department of” <https://www.scstatehouse.gov/reports/aar2017/R440.pdf> (accessed September 12, 2018), pp. 55-56. Hereinafter, “FY 2016-17 Agency Accountability Report”

<sup>26</sup> FY 2016-17 Agency Accountability Report.

<sup>27</sup> Agency PER (May 31, 2018), pp. 111-113;

FY 2016-17 Agency Accountability Report, pp. 3-9.

<sup>28</sup> Agency PER (May 31, 2018), pp. 114-118.

<sup>29</sup> Agency PER (May 31, 2018), pp. 111-118.

<sup>30</sup> Agency PER (May 31, 2018), pp. 114-118.

<sup>31</sup> Agency PER (May 31, 2018), pp. 111-118.

<sup>32</sup> Agency PER (May 31, 2018), pp. 114-118.

<sup>33</sup> Agency PER (May 31, 2018), pp. 111-118.

<sup>34</sup> Agency PER (May 31, 2018), pp. 114-118.

<sup>35</sup> Agency PER (May 31, 2018), pp. 111-118.

<sup>36</sup> SC Code Ann. § 2-2-10(1).

<sup>37</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Meeting Minutes” (December 19, 2017), under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Meetings,”

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/FullCommitteeMinutes/12.19.17\\_Meeting\\_Minutes\\_Full\\_Comm.pdf](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/FullCommitteeMinutes/12.19.17_Meeting_Minutes_Full_Comm.pdf) (accessed September 18, 2018). A video of the meeting is available at

<https://www.scstatehouse.gov/video/archives.php?key=7461>. Hereinafter, “12/19/17 Meeting Minutes and Video.”

<sup>38</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Subcommittees -2018,” under “Committee Information,” under “House Legislative Oversight Committee,”

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/Subcommittee\\_2018\\_71518.pdf](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/Subcommittee_2018_71518.pdf) (accessed September 18, 2018).

<sup>39</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Restructuring and Seven Year Plan Report” (April 14, 2015), under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Department of Revenue,” and under “Other Reports, Reviews, and Audits,”

<https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/2015AgencyRestructuringandSevenYearPlanReports/2015%20Department%20of%20Revenue.pdf> (accessed September 26, 2018);

S.C. House of Representatives, House Legislative Oversight Committee, “2016 Annual Restructuring Report” (January 12, 2016), under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Department of Revenue,” and under “Other Reports, Reviews, and Audits,”

<https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/2016%20ARR/2016%20ARR%20-%20DOR.PDF> (accessed September 26, 2018).

<sup>40</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Oversight Reports” under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Other Reports, Reviews,

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and Audits,” <https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyPHPFiles/DOR.php> (accessed September 18, 2018).

<sup>41</sup> S.C. Code Ann. § 1-30-10.

<sup>42</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Restructuring and Seven-Year Plan Report” under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Other Reports, Reviews, and Audits,”

<https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/2015AgencyRestructuringandSevenYearPlanReports/2015%20Department%20of%20Revenue.pdf> (accessed September 18, 2018).

<sup>43</sup> Agency PER (May 31, 2018).

<sup>44</sup> A brochure about the House Legislative Oversight’s Committee process is available online

<http://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/Brochure%205.18.17.pdf> (accessed September 18, 2018).

Also, there are ongoing opportunities to request notification when meetings are scheduled and to provide feedback about state agencies under study that can be found on the Committee’s website at

<https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee.php> (accessed September 18, 2018).

<sup>45</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Press Release announcing Public Survey (January 23, 2018),” under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Public Survey and Public Input,”

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/Press\\_Release\\_Announcing\\_Public\\_Survey\\_1.23.18.PDF](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/Press_Release_Announcing_Public_Survey_1.23.18.PDF) (accessed September 18, 2018). Hereinafter, “Press Release announcing Public Survey (January 23, 2018).”

<sup>46</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Survey Results (January 23 – March 1, 2018),” under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Public Survey and Public Input,”

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/LLR/Public\\_Survey\\_January\\_February\\_2018.PDF](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/LLR/Public_Survey_January_February_2018.PDF) (accessed September 18, 2018). Hereinafter, “Survey Results (January 23 – March 1, 2018).”

<sup>47</sup> Committee Standard Practice 10.4.

<sup>48</sup> This text is included in the online survey as seen by survey respondents, and is not available after the survey closes.

<sup>49</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Submit Public Input,” under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” and under “Public Participation”

<https://www.research.net/r/ProvideInputtotheSCHouseLegislativeOversightCommittee> (accessed September 18, 2018).

<sup>50</sup> Survey Results (January 23 – March 1, 2018).

<sup>51</sup> Survey Results (January 23 – March 1, 2018).

<sup>52</sup> Committee Standard Practice 10.4.2 allows for the redaction of profanity.

<sup>53</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Public Input received via House Legislative Oversight Committee webpage” under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Public Survey and Public Input,”

<https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyPHPFiles/DOR.php> (accessed September 18, 2018).

<sup>54</sup> Also, the chair of any Committee or Subcommittee meeting has the discretion to allow testimony during meetings.

<sup>55</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Statewide Media Release Inviting the Public to Provide Testimony about Six Agencies Under Study (February 9, 2018)” under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Public Survey and Public Input,”

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/ETV/Statewide%20Media%20Release%20Inviting%20the%20Public%20to%20Provide%20Testimony%20about%20Six%20Agencies%20Under%20Study%20\(Feb%209%202018\).pdf](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/ETV/Statewide%20Media%20Release%20Inviting%20the%20Public%20to%20Provide%20Testimony%20about%20Six%20Agencies%20Under%20Study%20(Feb%209%202018).pdf) (accessed September 18, 2018).

<sup>56</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Meeting Minutes” (March 1, 2018), under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Meetings,”

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/FullCommitteeMinutes/3.1.18\\_Meeting\\_Minutes\\_HLOC\\_Full.pdf](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/FullCommitteeMinutes/3.1.18_Meeting_Minutes_HLOC_Full.pdf) (accessed September 18, 2018). A video of the meeting is available at

<https://www.scstatehouse.gov/video/archives.php?key=7820>. Hereinafter, “3/1/18 Meeting Minutes and Video.”

<sup>57</sup> 12/19/17 Meeting Minutes and Video.

<sup>58</sup> 3/1/18 Meeting Minutes and Video.

<sup>59</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Meeting Minutes” (June 18, 2018), under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Meetings,”

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/SubcommitteeMinutes/EconomicSub/6.18.18\\_Minutes\\_EDTNR.pdf](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/SubcommitteeMinutes/EconomicSub/6.18.18_Minutes_EDTNR.pdf) (accessed September 18, 2018). A video of the meeting is available at

<https://www.scstatehouse.gov/video/archives.php?key=8454>. Hereinafter, “6/18/18 Meeting Minutes and Video.”

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<sup>60</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Meeting Minutes” (July 10, 2018), under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Meetings,” [https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/SubcommitteeMinutes/EconomicSub/7.10.18\\_Minutes\\_EDTNR.pdf](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/SubcommitteeMinutes/EconomicSub/7.10.18_Minutes_EDTNR.pdf) (accessed September 18, 2018). A video of the meeting is available at

<https://www.scstatehouse.gov/video/archives.php?key=8475>. Hereinafter, “7/10/18 Meeting Minutes and Video.”

<sup>61</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Meeting Minutes” (August 13, 2018), under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Meetings,”

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/SubcommitteeMinutes/EconomicSub/8.13.18\\_Minutes\\_EDTNR.pdf](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/SubcommitteeMinutes/EconomicSub/8.13.18_Minutes_EDTNR.pdf) (accessed September 22, 2018). A video of the meeting is available at

<https://www.scstatehouse.gov/video/archives.php?key=8509>. Hereinafter, “8/13/18 Meeting Minutes and Video.”

<sup>62</sup> Agency PER (May 31, 2018), pp. 28, 33-35.

<sup>63</sup> S.C. House of Representatives, House Legislative Oversight Committee, “Meeting Minutes” (September 10, 2018), under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Meetings,”

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/9.10.18\\_Minutes\\_EDTNR.pdf](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/9.10.18_Minutes_EDTNR.pdf) (accessed October 5, 2018). A video of the meeting is available at

<https://www.scstatehouse.gov/video/archives.php?key=8531>. Hereinafter, “9/10/18 Meeting Minutes and Video.”

<sup>64</sup> The concerns were raised in Rep. Garry Smith’s emails to Meredith Cleland (DOR staff), which were copied to all House members and staff, on August 21 and August 29, 2018.

<sup>65</sup> Agency PER (May 31, 2018), pp. 27-35.

<sup>66</sup> Committee Standard Practice 14.1.

<sup>67</sup> Committee Standard Practice 14.2.

<sup>68</sup> 9/10/18 Meeting Minutes and Video.

<sup>69</sup> Agency PER (May 31, 2018), p. 27.

<sup>70</sup> S.C. House of Representatives, House Legislative Oversight Committee, “DOR Response to Subcommittee (July 31, 2018)” under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Correspondence,”

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/DOR\\_Response\\_7.31.18.PDF](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/DOR_Response_7.31.18.PDF) (accessed September 19, 2018). Hereinafter, “DOR Response to Subcommittee (July 31, 2018)”;

9/10/18 Meeting Minutes and Video at 2:22:40;

Email correspondence between Virginia Wetzell (DOR staff) and Kendra Wilkerson (Legislative Oversight Committee staff), September 20, 2018.

<sup>71</sup> S.C. Code Ann. § 63-17-2320.

<sup>72</sup> 9/10/18 Meeting Minutes and Video. Members present at the time of this vote: Rep. Neal A. Collins, Rep. Robert L. Ridgeway, III, and Rep. Bruce W. Bannister.

<sup>73</sup> S.C. House of Representatives, House Legislative Oversight Committee, “DOR Response to Subcommittee (August 31, 2018)” under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Correspondence,”

[https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/DOR\\_Response\\_to\\_Follow-Up-8.31.18.PDF](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/DOR_Response_to_Follow-Up-8.31.18.PDF) (accessed September 19, 2018). Hereinafter, “DOR Response to Subcommittee (August 31, 2018).”

<sup>74</sup> Telephone conversation between Kendra Wilkerson and Jennifer Dobson (Legislative Oversight Committee Staff) and Mark Hendrick (DEW Director of Governmental Affairs) and other DEW personnel, August 23, 2018.

<sup>75</sup> Examples of counties that provide free online access:

Charleston (<https://www.charlestoncounty.org/departments/rmc/index.php#deeds>);

Greenville (<https://www.greenvillecounty.org/rod/searchrecords.aspx>)

Barnwell, Cherokee, Chesterfield, Edgefield, Georgetown, Hampton, Kershaw, Williamsburg

(<https://www.sclandrecords.com/sclr/>)

Spartanburg (<http://search.spartanburgdeeds.com/>)

Lexington (<http://www.lex-co.com/rod/public/viewer.aspx>)

Example of county that charges for online access:

Richland (<http://www.richlandcountysc.gov/Online-Services/Online-Data-Services>)

<sup>76</sup> DOR Response to Subcommittee (August 31, 2018).

<sup>77</sup> 9/10/18 Meeting Minutes and Video. Members present at the time of this vote: Rep. Neal A. Collins, Rep. Robert L. Ridgeway, III, and Rep. Bruce W. Bannister.

<sup>78</sup> Agency PER (May 31, 2018), p. 32.

See also: S.C. Code § 12-6-3377; 26 USCA § 30B

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<sup>79</sup> 9/10/18 Meeting [Minutes](#) and [Video](#). Members present at the time of this vote: Rep. Neal A. Collins, Rep. Robert L. Ridgeway, III, and Rep. Bruce W. Bannister.

<sup>80</sup> [Agency PER](#) (May 31, 2018), pp. 7-8; 33;

S.C. House of Representatives, House Legislative Oversight Committee, “Revision: Agency Law Recommendation #7 (September 6, 2018)” under “Committee Postings and Reports,” under “House Legislative Oversight Committee,” under “Revenue, Department of,” and under “Other Reports, Reviews, and Audits,” [https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/9.6.18\\_PER\\_Revisi-on-Rec7.PDF](https://www.scstatehouse.gov/CommitteeInfo/HouseLegislativeOversightCommittee/AgencyWebpages/DOR/9.6.18_PER_Revisi-on-Rec7.PDF) (accessed September 19, 2018).

9/10/18 Meeting [Minutes](#) and [Video](#) at 2:45:00.

<sup>81</sup> 9/10/18 Meeting [Minutes](#) and [Video](#). Members present at the time of this vote: Rep. Neal A. Collins, Rep. Robert L. Ridgeway, III, and Rep. Bruce W. Bannister.

<sup>82</sup> S.C. Department of Revenue, “MyDORWAY,” [https://mydorway.dor.sc.gov/\\_/](https://mydorway.dor.sc.gov/_/) (Accessed September 19, 2018);

[Agency PER](#) (May 31, 2018), p. 2.

<sup>83</sup> 7/10/18 Meeting [Minutes](#) and [Video](#) at 00:27:30.

<sup>84</sup> 9/10/18 Meeting [Minutes](#) and [Video](#) at 2:52:40.

<sup>85</sup> 9/10/18 Meeting [Minutes](#) and [Video](#). Members present at the time of this vote: Rep. Neal A. Collins, Rep. Robert L. Ridgeway, III, and Rep. Bruce W. Bannister.

<sup>86</sup> See 10/23/18 Meeting [Video](#). The minutes will be posted online once approved.

<sup>87</sup> [Agency PER](#) (May 31, 2018), pp. 31-32;

9/10/18 Meeting [Minutes](#) and [Video](#).