

REPORT OF THE ECONOMIC DEVELOPMENT, CAPITAL IMPROVEMENT & OTHER TAXES SUBCOMMITTEE

(Loftis, Cobb-Hunter, Stavrinakis, Lowe, & Long - Staff Contact: AJ Newton)

HOUSE BILL 4525

H. 4525 -- Reps. Simrill and Loftis: A BILL TO AMEND SECTION 38-7-20, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE IMPOSITION OF THE INSURANCE PREMIUM TAX, SO AS TO EXTEND THE DATE THAT CERTAIN REVENUE MUST BE SENT TO THE SOUTH CAROLINA FORESTRY COMMISSION TO 2027.

Summary of Bill:

The legislation extends the timeframe ten additional years for which two and one-quarter percent of the annual insurance premium tax shall be allocated to the Forestry Commission for firefighting and firefighting equipment replacement. The measure was set to sunset in 2017 and this will extend it until 2027.

Estimated Revenue Impact:

The bill is not expected to have an additional fiscal impact on the General Fund. The BEA has already incorporated the revenue transfer from the insurance premium tax and will continue to do it into the future. The amount coming out of the insurance premium tax per year is expected to be approximately \$3 Million dollars.

Subcommittee Recommendation:

Favorable

Committee Recommendation:

N/A



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H.4525
Author: Simrill
Subject: Insurance Premium Tax
Requestor: House Ways and Means
RFA Analyst(s): Martin
Impact Date: January 23, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

This bill is not expected to affect General Fund insurance premium tax revenue in FY2016-17 or any fiscal year through FY2026-27. Since the BEA has already incorporated the revenue transfer into its annual revenue estimate and will continue to do so in the future, this bill will not affect General Fund insurance tax revenue estimates.

Explanation of Fiscal Impact

State Expenditure

This bill would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the South Carolina Forestry Commission pursuant to Act 155 of 2013. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

State Revenue

Currently, pursuant to Act 155 of 2013, Section 38-7-20(B) permits the transfer of two and one-quarter percent of General Fund insurance premium tax revenue to the South Carolina Forestry Commission. The transferred funds are used by the Forestry Commission for firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue remains in the General Fund. Additionally, this transfer does not affect the amount of revenue to be allocated to local fire departments.

Since the passage of Act 155 of 2013, the Board of Economic Advisors (BEA) has recognized the transfer of a portion of General Fund insurance premium tax revenue to the S.C. Forestry Commission in its official General Fund revenue forecast each year. The transfer will amount to an estimated \$3,304,679 in FY2016-17. This revenue transfer is scheduled to cease July 1, 2017. This bill would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2027. The current transfer of revenues would remain in effect for an additional ten fiscal years through June 30, 2027. Since the BEA has already incorporated the revenue transfer into its revenue estimate and will continue to do so in the future, this bill would not affect the BEA's General Fund insurance premium tax revenue forecast in future fiscal years,

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

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A BILL

TO AMEND SECTION 38-7-20, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE IMPOSITION OF THE INSURANCE PREMIUM TAX, SO AS TO EXTEND THE DATE THAT CERTAIN REVENUE MUST BE SENT TO THE SOUTH CAROLINA FORESTRY COMMISSION TO 2027.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 38-7-20 of the 1976 Code is amended to read:

“Section 38-7-20. (A) In addition to all license fees and taxes otherwise provided by law, there is levied upon each insurance company licensed by the director or his designee an insurance premium tax based upon total premiums, other than workers’ compensation insurance premiums, and annuity considerations, written by the company in the State during each calendar year ending on the thirty-first day of December. For life insurance, the insurance premium tax levied herein is equal to three-fourths of one percent of the total premiums written. For all other types of insurance, the insurance premium tax levied in this section is equal to one and one-fourth percent of the total premiums written. In computing total premiums, return premiums on risks and dividends paid or credited to policyholders are excluded.

(B) Effective July 1, 2013, through June 30, ~~2017~~ 2027, two and one-quarter percent of the revenue of the premium taxes collected pursuant to this section must be transferred to the South Carolina Forestry Commission and used by that agency for firefighting and firefighting equipment replacement. The remaining insurance premium taxes collected pursuant to this section must be deposited to the credit of the general fund of the State.”

SECTION 2. This act takes effect upon approval by the Governor.

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