~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

April 29, 2015

**H. 3579**

Introduced by Reps. Simrill, White, Lucas, Allison, Henderson, Limehouse, Newton, Ott, Clary, Collins, Delleney, Forrester, Gambrell, Hardwick, Hiott, Horne, Merrill, D.C. Moss, V.S. Moss, Murphy, Pitts, Sandifer, G.M. Smith, Sottile, Spires, Wells, Whitmire, Yow, Jefferson, Erickson, Funderburk, Hosey, Hixon, Clyburn, Knight, Herbkersman, H.A. Crawford, Felder, Willis, McCoy, Bradley, Douglas, Norrell, Long, Bales, Daning, Loftis, Tallon, Anthony, Howard, Gagnon, Riley, Williams, Hayes, G.A. Brown, R.L. Brown, Hart, Weeks, Whipper, Pope, Tinkler, Hicks, Brannon, Corley, Clemmons, Johnson, George, Alexander, Anderson and Duckworth

S. Printed 4/29/15--S. [SEC 4/30/15 3:53 PM]

Read the first time April 16, 2015.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (H. 3579) to amend the Code of Laws of South Carolina, 1976, so as to enact the “South Carolina Infrastructure Finance Reform and Tax Relief Act”; etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking all after the enacting words and inserting:

/ SECTION 1. A. Section 12‑28‑310 of the 1976 Code is amended to read:

“Section 12‑28‑310. (A) Subject to the exemptions provided in this chapter, a user fee of sixteen cents a gallon is imposed on:

(1) all gasoline, gasohol, or blended fuels containing gasoline that are used or consumed for any purpose in this State; and

(2) all diesel fuel, substitute fuels, or alternative fuels, or blended fuels containing diesel fuel that are used or consumed in this State in producing or generating power for propelling motor vehicles.

(B) The user fee levied on motor fuel subject to the user fee pursuant to this chapter is a levy and assessment on the consumer, and the levy and assessment on other persons as specified in this chapter are as agents of the State for the collection of the user fee. This section does not affect the method of collecting the user fee as provided in this chapter. The user fee imposed by this section must be collected and paid at those times, in the manner, and by the persons specified in this chapter.

(C) The license user fee imposed by this section is instead of all sales, use, or other excise tax that may be imposed otherwise by any municipality, county, or other local political subdivision of the State.

(D) On July 1, 2015, on July 1, 2016, and on July 1, 2017, the department shall permanently increase the amount of the user fees imposed pursuant to subsection (A) by four cents, for a total of twelve cents. Fifteen percent of the funds raised by the increase in the motor fuel user fee imposed by this subsection shall be credited to the Department of Transportation State Non‑Federal Aid Highway Fund. The remainder of the funds raised by the increase in the motor fuel user fee imposed by this subsection shall be credited to the State Highway Fund.

(E)(1) The department shall increase the amount of the motor fuel user fee imposed pursuant to (A) and (D) on an annual basis by an inflation factor equal to the annual average percentage adjustment over the last ten completed calendar years of the Consumer Price Index for all‑urban consumers as published by the United States Department of Labor, Bureau of Labor Statistics. Upon determining the increase, the department must then convert the weighted average price to a cents‑per‑gallon price for all motor fuel and round the price to the nearest one‑tenth of a cent. If the converted cents‑per‑gallon price is exactly between two‑tenths of a cent, the department must round the price up to the higher of the two. Then, the department must round the cents‑per‑gallon price to the nearest whole cent. The department shall determine the increase in the motor fuel user fee by March thirty‑first of each year, and the increase shall take effect the following July first. The department must notify affected taxpayers of the motor fuel user fee to be in effect for the coming July first to June thirtieth period.

(2) Notwithstanding the provisions of item (E)(1), the motor fuel user fee may not be increased by more than two cents in a single year.

(3) The provisions of item (E)(1) shall be suspended by the Director of the Department of Revenue if they result in the motor fuel user fee exceeding the same in North Carolina and the Georgia county with the highest cumulative motor fuel user fee. The suspension shall remain in place until such time as the motor fuel user fees in North Carolina and the Georgia county with the highest cumulative motor fuel user fee are greater than or equal to South Carolina.”

B. The first CPI adjustment made pursuant to this SECTION shall take effect July 1, 2018.

SECTION 2. Section 56‑1‑140 of the 1976 Code is amended to read:

“Section 56‑1‑140. (A) Upon payment of a fee of ~~twelve~~ twenty‑five dollars ~~and fifty cents~~ for a license that is valid for five years, or ~~twenty‑five~~ fifty dollars for a license that is valid for ten years, the Department of Motor Vehicles shall issue to every qualified applicant a driver’s license as applied for by law. The license must bear on it a distinguishing number assigned to the licensee, the full name, date of birth, residence address, a brief description and laminated colored photograph of the licensee, and a facsimile of the signature of the licensee, or a space upon which the licensee shall write his usual signature with pen and ink immediately upon receipt of the license. No license is valid until it has been so signed by the licensee. The license authorizes the licensee to operate only those classifications of vehicles as indicated on the license.

(B) An applicant for a new, renewed, or replacement South Carolina driver’s license may apply to the Department of Motor Vehicles to obtain a veteran designation on the front of his driver’s license by providing:

(1) a United States Department of Defense discharge certificate, also known as a DD Form 214, that shows a characterization of service, or discharge status of ‘honorable’ or ‘general under honorable conditions’ and establishes the person’s qualifying military service in the United States Armed Forces; and

(2) payment of a one dollar fee that must be retained by the department.

The Department of Motor Vehicles may determine the appropriate form of the veteran designation on the driver’s license authorized pursuant to this section.

(C) ~~The fees collected pursuant to this section must be credited to the Department of Transportation State Non‑Federal Aid Highway Fund.~~ Fifteen percent of the fees collected pursuant to this section shall be credited to the Department of Transportation State Non‑Federal Aid Highway Fund. The remaining fees collected pursuant to this section shall be credited to the State Highway Fund.”

SECTION 3. Section 56‑3‑620 of the 1976 Code is amended to read:

“Section 56‑3‑620. (A) For persons sixty‑five years of age or older or persons who are handicapped, as defined in Section 56‑3‑1950, the biennial registration fee for every private passenger motor vehicle, excluding trucks, is ~~twenty~~ thirty‑six dollars.

(B) ~~Beginning July 1, 1987, for~~ For persons under the age of sixty‑five years the biennial registration fee for every private passenger motor vehicle, excluding trucks, is ~~twenty‑four~~ forty dollars.

(C) For persons sixty‑five years of age or older, the biennial registration fee for a property‑carrying vehicle with a gross weight of six thousand pounds or less is ~~thirty~~ forty‑six dollars.

(D) For persons who are sixty‑four years of age, the biennial registration fee for a private passenger motor vehicle, excluding trucks, is ~~twenty‑two~~ thirty‑eight dollars.

(E) Applicable truck fees, established by Section 56‑3‑660, are not negated by this section.

(F) Annual license plate validation stickers which are issued for nonpermanent license plates on certified South Carolina public law enforcement vehicles must be issued without charge.

(G) From each biennial registration and license fee collected, sixteen dollars shall be credited as follows: fifteen percent to the Department of Transportation State Non‑Federal Aid Highway Fund and the remainder credited to the State Highway Fund.”

SECTION 4. Chapter 3, Title 56 of the 1976 Code is amended by adding:

“Section 56‑3‑645. (A) In addition to the registration fees imposed by this chapter, motor vehicles that are powered:

(1) exclusively by electricity, hydrogen, or any fuel other than motor fuel, as defined in Section 12‑28‑110(39), that are not subject to motor fuel user fees imposed by Chapter 28, Title 12 shall pay a biennial road user fee of one hundred twenty dollars; and

(2) by a combination of motor fuel subject to motor fuel user fees imposed by Chapter 28, Title 12 and electricity, hydrogen, or any fuel other than motor fuel that are not subject to motor fuel user fees imposed by Chapter 28, Title 12 shall pay a biennial road user fee of sixty dollars.

(B) Fifteen percent of the fees collected pursuant to this section shall be credited to the Department of Transportation State Non‑Federal Aid Highway Fund and the remainder of the fees shall be credited to the State Highway Fund.

(C) The Department of Motor Vehicles shall collect this fee at the same time as the vehicle subject to the fee is registered.”

SECTION 5. Section 12‑36‑2110(A) of the 1976 Code is amended to read:

“Section 12‑36‑2110. (A)(1) The maximum tax imposed by this chapter is ~~three~~ six hundred dollars for each sale made after June 30, 1984, or lease executed after August 31, 1985, of each:

~~(1)~~(a) aircraft, including unassembled aircraft which is to be assembled by the purchaser, but not items to be added to the unassembled aircraft;

~~(2)~~(b) motor vehicle;

~~(3)~~(c) motorcycle;

~~(4)~~(d) boat;

~~(5)~~(e) trailer or semitrailer, pulled by a truck tractor, as defined in Section 56‑3‑20, and horse trailers, but not including house trailers or campers as defined in Section 56‑3‑710 or a fire safety education trailer;

~~(6)~~(f) recreational vehicle, including tent campers, travel trailer, park model, park trailer, motor home, and fifth wheel; or

~~(7)~~(g) self‑propelled light construction equipment with compatible attachments limited to a maximum of one hundred sixty net engine horsepower.

(2) In the case of a lease, the total tax rate required by ~~law~~ this section applies on each payment until the total tax paid equals ~~three~~ six hundred dollars. Nothing in this section prohibits a taxpayer from paying the total tax due at the time of execution of the lease, or with any payment under the lease. To qualify for the tax limitation provided by this section, a lease must be in writing and specifically state the term of, and remain in force for, a period in excess of ninety continuous days.

(3) Beginning with Fiscal Year 2016‑17:

(a) the first twenty percent of revenue generated from the first three hundred dollars of the maximum imposed tax pursuant to this section shall be credited to the South Carolina Education Improvement Act Fund; and

(b) from the remainder of the revenue generated pursuant to this section:

(i) fifteen percent shall be credited to the Department of Transportation State Non‑Federal Aid Highway Fund.

(ii) the remainder of the revenue shall be credited to the State Highway Fund. The Department of Transportation shall transfer to the State Infrastructure Bank an amount equivalent to fifty percent of the revenues credited to the State Highway Fund pursuant to this section.

(c) the revenues transferred to the bank must be from non‑tax sources and must be used solely by the bank to finance road projects which may include the issuance of revenue bonds issued pursuant to Article 3. The revenues from this source may not be used for projects approved by the bank before July 1, 2015. The bank shall submit all projects proposed to be financed by revenue generated pursuant to this section to the Joint Bond Review Committee as provided in Section 11‑43‑180, prior to approving a project for financing. The bank shall then determine which projects are eligible projects and select from among the eligible projects those qualified to receive financial assistance from the bank. In selecting eligible projects, the bank must consider the projected feasibility of the project and the amount and degree of risk to be assumed by the bank. The bank also must consider the maximum statewide economic benefit, enhancement of mobility, enhancement of public safety, acceleration of project completion, and enhancement of transportation services of the project. The presence or absence of local financial support will not be a factor in determining preference for projects financed pursuant to this section. The bank may request the assistance of the South Carolina Department of Transportation in recommending or selecting eligible projects. Nothing in this section may be construed to mean that the bank is bound by the recommendations or selections of the department.”

SECTION 6. Section 12‑36‑2647 of the 1976 Code is repealed.

SECTION 7. Any revenues raised pursuant to this act shall not be used to hire additional personnel.

SECTION 8. If any section, subsection, paragraph, subparagraph, sentence, clause, phrase, or word of this act is for any reason held to be unconstitutional or invalid, such holding shall not affect the constitutionality or validity of the remaining portions of this act, the General Assembly hereby declaring that it would have passed this act, and each and every section, subsection, paragraph, subparagraph, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more other sections, subsections, paragraphs, subparagraphs, sentences, clauses, phrases, or words hereof may be declared to be unconstitutional, invalid, or otherwise ineffective.

SECTION 9. The General Assembly finds that the sections presented in this act constitute one subject as required by Article III, Section 17 of the South Carolina Constitution, in particular finding that each change and each topic relates directly to or in conjunction with other sections to the subject of directing additional funding for transportation infrastructure projects as clearly enumerated in the title.

The General Assembly further finds that a common purpose or relationship exists among the sections, representing a potential plurality but not disunity of topics, notwithstanding that reasonable minds might differ in identifying more than one topic contained in the act.

SECTION 10. This act takes effect upon approval by the Governor. /

Renumber sections to conform.

Amend title to conform.

Majority favorable. Minority unfavorable.

HUGH K. LEATHERMAN, SR. KEVIN L. BRYANT

For Majority. THOMAS C. DAVIS

For Minority.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Fiscal Impact Summary**

**State General Fund Revenue.** This bill is expected to reduce general fund sales and use tax revenue by an estimated $61,400,000 in FY 2015-16 as the result of the transfer of sales tax revenue to other funds. (This transfer would have a corresponding decrease in general fund expenditures.) This bill would also reduce general fund individual income tax revenue by a total of $1,337,963 in FY 2015-16, $26,848,740 in FY 2016-17, and $48,759,298 in FY 2017-18.

**Other Funds.** This bill is expected to increase other funds for the Department of Transportation from several sources for a net increase of $427,958,631. Motor fuel user fees are lowered from $0.16 to $0.10 per gallon which reduces revenue by $190,221,506 in FY 2015-16. An excise tax based on the price of motor fuel is expected to generate $497,880,137\*. The transfer of existing sales tax revenue on the purchase of vehicles is estimated to generate $61,400,000. Finally, the maximum sales tax cap on motor vehicles is increased by $200 which is estimated to generate $58,900,000. These items net a total of $427,958,631. This amount does not reflect the potential reallocation of any motor fuel user fee collections that may be distributed to the State Secondary “C” Fund Program from the transfer of state roads to the counties. Since county transportation committees may elect not to accept the transfer of any state roads, we are unable to determine the potential reallocation of these motor fuel user fee collections.

\*The average wholesale price of gasoline and diesel fuel is held constant at 2014 levels in this analysis. Future motor fuel revenue estimates are dependent on changes in the average wholesale prices of gasoline and diesel fuel.

**Local Revenue.** The local revenue impact does not reflect the potential reallocation of any motor fuel user fee collections that may be distributed to the State Secondary “C” Fund Program from the transfer of state roads to the counties. Since county transportation committees may elect not to accept the transfer of any state roads, we are unable to determine the potential reallocation of these motor fuel user fee collections.

**Local Expenditure.** The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and all forty-six county governments regarding the expenditure impact of this amendment. The Municipal Association nor the county governments have had ample time to review the amendment. Therefore, our office will provide an update on the expenditure impact of this amendment once the Municipal Association and county governments have had ample time to review our request.

**Explanation of Fiscal Impact**

**Explanation of Amendment (March 26, 2015) – By the Ways and Means Committee**

**State Expenditure**

General fund expenditures would be reduced by the transfer of sales tax on motor vehicles to the Department of Transportation.

**The Department of Transportation.** The department reports that any expenditure impact for implementing these changes would be minimal and can be absorbed by the agency. There would not be any impact on the general funds or federal funds.

**The Transportation Infrastructure Fund Board.** The board reports that this bill would not result in additional expenditures or savings. Program expenditures for road projects would increase by the amount of additional revenue.

**State Revenue**

The following sections would affect state revenue as follows:

**Section 12.** This section amends Article 1 of Title 57 by changing the amount of the motor fuel user fee collections that are allocated to the State Secondary “C” Fund Program. This section provides a framework for a portion of state roads to be transferred to the counties. County transportation boards would have the option of refusing the transfer. For counties participating in the transfer, the allocation of the motor fuel user fee would be increased. The additional county “C” fund revenue must first be distributed to each participating county based on the time the county began participating. For counties that participated in the 2016 transfer, each county shall receive one million dollars. For counties that began participating in the 2018 or 2020 transfers, each county shall receive five hundred thousand dollars or two hundred and fifty thousand dollars, respectively. The remaining funds will then be distributed in the same manner pursuant to Section 12-28-2740(A). Any money apportioned to a county that is not participating must instead be credited to the State Highway Fund.

Currently, the county “C” fund program receives $0.0266 of the $0.16 per gallon of gasoline revenue for local road improvements. Beginning July 1, 2016, an additional $0.0134 will be distributed to county “C” funds for a total of $0.04 per gallon of gasoline revenue. The additional distribution to county “C” funds is an estimated $33,339,241 in FY 2016-17. Beginning July 1, 2018, the amount distributed to county “C” funds will be increased by an additional one-cent per gallon to a total of $0.05 per gallon of gasoline, and the additional distribution is estimated to be $24,296,006 in FY 2018-19. Finally, beginning July 1, 2020, a total of $0.06 per gallon of gasoline would be distributed to county “C” funds. The additional distribution for FY 2020-21 is estimated to be $23,425,240. As a result of the July 1 start date, the motor fuel user fee revenue for July is to be remitted in August; therefore, additional revenue estimates represent eleven months of a full fiscal year. The total estimated additional distribution to county “C” funds from increasing the allocation amount from $0.0266 to $0.06 per gallon of gasoline is $87,625,647.

**Sections 15, 16, and 17.** Sections 12-28-310 and 56-11-410 are amended to lower the motor fuel user fee from the current rate of $0.16 per gallon to $0.010 per gallon. This analysis uses estimated motor fuel consumption trends based upon data from the U.S. Department of Energy. The estimated reduction in total motor fuel revenue from the user fee decrease is $190,221,506 in FY 2015-16. This change would take effect July 1, 2015. As a result of this start date, the motor fuel fee for July is remitted in August; therefore, the revenue reduction in FY 2015-16 represents eleven months of a full fiscal year. A full year reduction is approximately $207,514,370.

**Section 18.** This section would amend Section 12-36-2110 so as beginning after June 30, 2015, the maximum sales and use tax limitation would be increased from the current $300 per motor vehicle to $500 per motor vehicle. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an additional estimated $58,900,000 in FY 2015-16. Section 19 of this bill requires this revenue to be credited to the State Highway Fund, otherwise, $47,120,000 would be credited to state general fund and $11,780,000 would be deposited in the Education Improvement Act Fund.

**Section 19.** Currently, Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax credited to the general fund and does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in general fund sales and use tax revenue of $59,543,949 and a concomitant increase in State Non-Federal Aid Highway Fund revenue in FY 2013-14.

This section would amend Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to the State Highway Fund. Again, this transfer only affects the four percent component of the sales and use tax and does not affect the one percent for EIA. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue of an estimated $153,500,000 in FY 2015-16. Under current law, $61,400,000 is expected to be transferred to the Department of Transportation, $61,400,000 is expected for deposit to the general fund, and $30,700,000 is to be credited to the Education Improvement Act Fund. Pursuant to this amended bill, the remaining general fund allocation of $61,400,000 would be transferred to the State Highway Fund once the general fund receives $50,000,000 in these revenues. This transfer would affect the amount of general funds available for other projects and programs in FY 2015-16. This section also changed the recipient of the revenue transfer from the State Non-Federal Aid Highway Fund to the State Highway Fund within the Department of Transportation.

This section would also further amend Section 12-36-2647 to redirect any increase in revenue as the result of increasing the maximum sales and use tax cap from $300 per motor vehicle to $500 per motor vehicle to the State Highway Fund. This transfer would include the four percent component of the sales and use tax in the general fund as well as the one percent component of the sales and use tax in the EIA Fund. As mentioned in Section 18 above, based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an estimated $58,900,000 in FY 2015-16. This includes the general fund portion of the sales and use tax of $47,120,000 as well as the EIA Fund portion of $11,780,000 in FY 2015-16. These revenues must be used exclusively for highway, road, and bridge maintenance, construction, and repair. This section is further amended to limit the amount transferred to the State Highway Fund to no more than $50,000,000 more than was transferred to the State Non-Federal Highway Fund in FY 2014-15.

**Sections 20 and 21.** Sections 12-28-410 and 56-11-910 are added to impose an excise tax on motor fuel. The excise tax is determined by applying the cumulative state sales tax rate to a weighted average of the wholesale price of motor fuel and is recalculated at six month intervals. The current cumulative state sales tax rate is six percent. A wholesale price for gasoline and diesel is determined by averaging the wholesale price of each over a six month period ending March 31st and September 30th. The average wholesale prices of gasoline and diesel are then weighted by the relative proportion of their respective $0.10 excise tax collections to determine a weighted average price of the two. The excise tax is then determined by multiplying the cumulative state sales tax rate by the weighted average wholesale price and the excise tax is set for the six month period beginning January 1st and July 1st. Based upon data from the U.S. Department of Energy, we obtained the average wholesale prices of gasoline and diesel fuel in South Carolina for 2014. As a result, an average wholesale price of $2.56 per gallon of gasoline and $2.81 per gallon of diesel fuel was used for this estimate and based upon the current excise tax collections a relative weight of 78.67% was given to gasoline and 21.33% to diesel to create a weighted average of the wholesale price of $2.62. Applying the cumulative sales tax rate to this weighted average wholesale price results in an excise tax of $0.157 per gallon of motor fuel. Based upon these figures, the total motor fuel excise tax revenue is expected to raise $497,880,137 in FY 2015-16. Actual collections for FY 2015-16 and each year thereafter, will depend on the actual wholesale prices of motor fuel in the applicable periods. This change would take effect July 1, 2015. As a result of this start date, the motor fuel excise taxes charged in July will be remitted in August; therefore, the estimate for FY 2015-16 represents eleven months for the first fiscal year. A full fiscal year estimate is $543,141,968.

In sum, the net estimated impact from this bill on motor fuel revenue from the imposed excise tax and the reduced user fee is $307,658,631 for FY 2015-16. The full fiscal year estimate is $335,627,597.

**Section 22.** This section changes the individual income tax bracket range for tax year 2016 and 2017. Under current law, the tax brackets are adjusted annually by one-half the amount of inflation. Based upon our current assumptions for inflation, the taxable income bracket range for each marginal income tax rate is expected to be $2,940 for tax year 2016. Increasing the bracket amount for each tax rate by $140 to $3,080 as specified in the bill would reduce individual income tax revenue by approximately $25,485,000 for tax year 2016. For tax year 2017, the taxable income bracket range for each marginal income tax rate is expected to be $2,990. Increasing the projected 2017 bracket amount for each tax rate by $280 to $3,270 would reduce individual income tax revenue by approximately $51,461,000 for tax year 2017 compared to the current projected 2017 tax brackets. The impact by tax year is outlined in the attached detailed tables by taxable income range.

The impact on the general fund would be a reduction in individual income tax revenue of $1,337,963 in FY 2015-16, $26,848,740 in FY 2016-17, and $48,759,298 in FY 2017-18. The tax year estimates provided are adjusted to a fiscal year basis by recognizing two quarters of reduced estimated tax payments for the first half of the tax year, or second half of the fiscal year. We anticipate that taxpayers will reduce their estimated tax payments in response to the tax reduction by five and one-quarter percent of the total tax year impact, and the remaining impact is reflected in the following fiscal year for the remaining estimated tax payments and refunds.

**Section 27.** Except as otherwise provided, this act takes effect July 1, 2015.

**Local Expenditure**

The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and all forty-six county governments regarding the expenditure impact of this amendment. The Municipal Association nor the county governments have had ample time to review the amendment. Therefore, our office will provide an update on the expenditure impact of this amendment once the Municipal Association and county governments have had ample time to review our request.

**Explanation of the bill filed on February 11, 2015**

**State Expenditure**

General fund expenditures would be reduced by the transfer of sales tax on motor vehicles to the Department of Transportation.

**The Department of Transportation.** The department reports that any expenditure impact for implementing these changes would be minimal and can be absorbed by the agency. There would not be any impact on the general funds or federal funds.

**The Transportation Infrastructure Fund Board.** The board reports that this bill would not result in additional expenditures or savings. Program expenditures for road projects would increase by the amount of additional revenue.

**State Revenue**

The following sections would affect state revenue as follows:

**Section 10.** This section amends Article 1 of Title 57 by changing the amount of the motor fuel user fee collections that are allocated to the State Secondary “C” Fund Program. This section provides a framework for a portion of state roads to be transferred to the counties. County transportation boards would have the option of refusing the transfer. For counties participating in the transfer, the allocation of the motor fuel user fee would be increased. The additional county “C” fund revenue will first be apportioned equally until each participating county receives one million dollars, then the remaining funds will be distributed in the same manner pursuant to Section 12-28-2740(A). Any money apportioned to a county that is not participating must instead be credited to the State Highway Fund. Currently, the county “C” fund program receives $0.0266 of the $0.16 per gallon of gasoline revenue for local road improvements. Beginning July 1, 2016, an additional $0.0134 will be distributed to county “C” funds for a total of $0.04 per gallon of gasoline revenue. The additional distribution to county “C” funds is an estimated $33,339,241 in FY 2016-17. Beginning July 1, 2018, the amount distributed to county “C” funds will be increased by an additional one-cent per gallon to a total of $0.05 per gallon of gasoline and the additional distribution is estimated to be $24,296,006 in FY 2018-19. Finally, beginning July 1, 2020, a total of $0.06 per gallon of gasoline would be distributed to county “C” funds. The additional distribution for FY 2020-21 is estimated to be $23,425,240. As a result of this start date, the motor fuel user fee revenue for July is to be remitted in August; therefore, additional revenue estimates represent eleven months of a full fiscal year. The total estimated additional distribution to county “C” funds from increasing the allocation amount from $0.0266 to $0.06 per gallon of gasoline is $87,625,647.

**Sections 12 and 13.** These sections amend Sections 12-28-310 and 56-11-410, which lowers the motor fuel user fee from the current rate of $0.16 per gallon to $0.010 per gallon. This analysis uses estimated motor fuel consumption trends based upon data from the U.S. Department of Energy. The estimated reduction in total motor fuel revenue from the user fee decrease is $190,221,506 in FY 2015-16. This change would take effect July 1, 2015. As a result of this start date, the motor fuel fee for July is remitted in August; therefore, the revenue reduction in FY 2015-16 represents eleven months of a full fiscal year. A full year reduction is approximately $207,514,370.

**Section 15.** This section would amend Section 12-36-2110 so as beginning after June 30, 2015, the maximum sales and use tax limitation would be increased from the current $300 per motor vehicle to $500 per motor vehicle. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an additional estimated $58,900,000 in FY 2015-16. Section 16 of this bill requires this revenue to be credited to the State Highway Fund, otherwise, $47,120,000 would be credited to state general fund and $11,780,000 would be deposited in the Education Improvement Act Fund.

**Section 16.** Currently, Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax credited to in the general fund and does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in general fund sales and use tax revenue of $59,543,949 and a concomitant increase in State Non-Federal Aid Highway Fund revenue in FY 2013-14.

This section would amend Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to the State Highway Fund. Again, this transfer only affects the four percent component of the sales and use tax and does not affect the one percent for EIA. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue of an estimated $153,500,000 in FY 2015-16. Under current law, $61,400,000 is expected to be transferred to the Department of Transportation, $61,400,000 is expected for deposit to the general fund, and $30,700,000 is to be credited to the Education Improvement Act Fund. Pursuant to this bill, the remaining general fund allocation of $61,400,000 would be transferred to the State Highway Fund. This transfer would affect the amount of general funds available for other projects and programs in FY 2015-16. This section also changed the recipient of the revenue transfer from the State Non-Federal Aid Highway Fund to the State Highway Fund within the Department of Transportation.

This section would also further amend Section 12-36-2647 to redirect any increase in revenue as the result of increasing the maximum sales and use tax cap from $300 per motor vehicle to $500 per motor vehicle to the State Highway Fund. This transfer would include the four percent component of the sales and use tax in the general fund as well as the one percent component of the sales and use tax in the EIA Fund. As mentioned in Section 15 above, based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an estimated $58,900,000 in FY 2015-16. This includes the general fund portion of the sales and use tax of $47,120,000 as well as the EIA Fund portion of $11,780,000 in FY 2015-16. These revenues must be used exclusively for highway, road, and bridge maintenance, construction, and repair.

**Section 17 and 18.** These sections add Sections 12-28-410 and 56-11-910 to impose an excise tax on motor fuel. The excise tax is determined by applying the cumulative state sales tax rate to a weighted average of the wholesale price of motor fuel and is recalculated at six month intervals. The current cumulative state sales tax rate is six percent. A wholesale price for gasoline and diesel is determined by averaging the wholesale price of each over a six month period ending March 31st and September 30th. The average wholesale prices of gasoline and diesel are then weighted by the relative proportion of their respective $0.10 excise tax collections to determine a weighted average price of the two. The excise tax is then determined by multiplying the cumulative state sales tax rate by the weighted average wholesale price and the excise tax is set for the six month period beginning January 1st and July 1st. Based upon data from the U.S. Department of Energy, we obtained the average wholesale prices of gasoline and diesel fuel in South Carolina for 2014. As a result, an average wholesale price of $2.56 per gallon of gasoline and $2.81 per gallon of diesel fuel was used for this estimate and based upon the current excise tax collections a relative weight of 78.67% was given to gasoline and 21.33% to diesel to create a weighted average of the wholesale price of $2.62. Applying the cumulative sales tax rate to this weighted average wholesale price results in an excise tax of $0.157 per gallon of motor fuel. Based upon these figures, the total motor fuel excise tax revenue is expected to raise $497,880,137 in FY 2015-16. Actual collections for FY 2015-16 and each year thereafter, will depend on the actual wholesale prices of motor fuel in the applicable periods. This change would take effect July 1, 2015. As a result of this start date, the motor fuel excise taxes charged in July will be remitted in August; therefore, the estimate for FY 2015-16 represents eleven months for the first fiscal year. A full fiscal year estimate is $543,141,968.

In sum, the net estimated impact from this bill on motor fuel revenue from the imposed excise tax and the reduced user fee is $307,658,631 for FY 2015-16. The full fiscal year estimate is $335,627,597.

**Section 21.** Except as otherwise provided, this act takes effect July 1, 2015.

**Local Expenditure**

The Revenue and Fiscal Affairs Office contacted twenty-five county governments regarding the expenditure impact of this bill. One county responded but could not place a dollar amount on the impact of this bill. Therefore, our office does not have sufficient data to determine the expenditure impact on county governments from accepting the responsibility of acquiring state roads.

**ESTIMATE OF TAX YEAR 2016 INCOME TAX ADJUSTMENT BY INCREASING BRACKETS FROM $2,940 TO $3,080**

**Objective: Increase tax brackets from $2,940 to $3,080 with rates unchanged.**

**With these brackets and rates, 100% of filers have a lower or unchanged liability and the General Fund is impact is ($ 25,485,000).**

**Current Tax Structure Estimate of Adjusted Tax Structure**

**Baseline Projected Adjusted Average Total**

**Taxable Projected Average Average Average Tax Dollar**

**Income # of Cumulative Cumulative Taxable Tax Tax Increase/ Increase/**

**Range Filers # of % of Income Liability Liability (Decrease) (Decrease)**

**2013 2016 Filers Filers 2016 2016 2016 2016 2016**

**col 1 col 2 (/a) col 3 col 4 col 5 (/b) col 6 col 7 col 8 col 9**

0 763,872 763,872 33.93% 0 0 0 0 0

1-5,000 269,839 1,033,711 45.92% 2,448 0 0 0 (430,235)

5,000-

10,000 185,378 1,219,089 54.15% 8,107 177 170 (7) (1,492,557)

10,000-

20,000 268,170 1,487,259 66.07% 16,060 624 601 (24) (5,380,738)

20,000-

30,000 187,592 1,674,851 74.40% 27,086 1,396 1,372 (24) (4,464,681)

30,000-

40,000 135,422 1,810,272 80.41% 38,063 2,165 2,141 (24) (3,223,032)

40,000-

50,000 98,703 1,908,975 84.80% 49,010 2,931 2,907 (24) (2,349,138)

50,000-

60,000 74,177 1,983,153 88.09% 60,028 3,702 3,678 (24) (1,765,424)

60,000-

70,000 57,177 2,040,330 90.63% 70,972 4,468 4,444 (24) (1,360,806)

70,000-

80,000 43,346 2,083,675 92.56% 81,900 5,233 5,209 (24) (1,031,628)

80,000-

90,000 33,165 2,116,841 94.03% 92,856 6,000 5,976 (24) (789,339)

90,000-

100,000 24,985 2,141,826 95.14% 103,782 6,765 6,741 (24) (594,643)

100,000-

110,000 19,054 2,160,880 95.99% 114,820 7,538 7,514 (24) (453,478)

110,000-

120,000 14,882 2,175,762 96.65% 125,722 8,301 8,277 (24) (354,193)

120,000-

130,000 11,640 2,187,402 97.17% 136,708 9,070 9,046 (24) (277,040)

130,000-

140,000 9,150 2,196,552 97.57% 147,638 9,835 9,811 (24) (217,772)

140,000-

150,000 7,237 2,203,789 97.90% 158,702 10,609 10,586 (24) (172,240)

150,000-

160,000 5,861 2,209,650 98.16% 169,648 11,376 11,352 (24) (139,501)

160,000-

170,000 4,877 2,214,528 98.37% 180,526 12,137 12,113 (24) (116,077)

170,000-

180,000 3,937 2,218,464 98.55% 191,509 12,906 12,882 (24) (93,696)

180,000-

190,000 3,351 2,221,816 98.70% 202,506 13,676 13,652 (24) (79,761)

190,000-

200,000 2,957 2,224,772 98.83% 213,518 14,446 14,423 (24) (70,372)

200,000-

225,000 5,469 2,230,241 99.07% 231,800 15,726 15,702 (24) (130,161)

225,000-

250,000 3,784 2,234,026 99.24% 259,375 17,656 17,633 (24) (90,070)

250,000-

300,000 5,046 2,239,072 99.46% 298,513 20,396 20,372 (24) (120,101)

300,000-

400,000 5,247 2,244,319 99.70% 376,077 25,826 25,802 (24) (124,870)

400,000-

500,000 2,405 2,246,723 99.80% 487,770 33,644 33,620 (24) (57,231)

500,000-

$1M 3,271 2,249,994 99.95% 729,139 50,540 50,516 (24) (77,848)

$1 M -

$2 M 835 2,250,829 99.98% 1,476,601 102,862 102,838 (24) (19,872)

$2 M + 347 2,251,176 100.00% 5,460,272 381,719 381,695 (24) (8,247)

**Total 2,251,176   $28,330 $1,483 $1,460 ($24) ($25,485,000)**

2016 Current Tax Brackets 0.00% $0 to 2,940 Adjusted Brackets 0.00% $0 to 3,080

3.00% $2,940 to 5,880 3.00% $3,080 to 6,160 4.00% $5,880 to 8,820 4.00% $6,160 to 9,240

5.00% $8,820 to 11,760 5.00% $9,240 to 12,320

6.00% $11,760 to 14,700 6.00% $12,320 to 15,400

7.00% Over $14,700 7.00% Over $15,400

**ESTIMATE OF TAX YEAR 2017 INCOME TAX ADJUSTMENT BY INCREASING BRACKETS FROM $2,990 TO $3,270**

**Objective: Increase tax brackets from $2,990 to $3,270 with rates unchanged.**

**With these brackets and rates, 100% of filers have a lower or unchanged liability and the General Fund is impact is ($ 51,461,000).**

**Current Tax Structure Estimate of Adjusted Tax Structure**

**Baseline Projected Adjusted Average Total**

**Taxable Projected Average Average Average Tax Dollar**

**Income # of Cumulative Cumulative Taxable Tax Tax Increase/ Increase/**

**Range Filers # of % of Income Liability Liability (Decrease) (Decrease)**

**2013 2017 Filers Filers 2017 2017 2017 2017 2017**

**col 1 col 2 (/a) col 3 col 4 col 5 (/b) col 6 col 7 col 8 col 9**

0 771,511 771,511 33.93% 0 0 0 0 0

1-5,000 272,537 1,044,048 45.92% 2,528 0 0 0 (853,179)

5,000-

10,000 187,232 1,231,280 54.15% 8,372 185 171 (14) (2,994,168)

10,000-

20,000 270,852 1,502,132 66.07% 16,585 653 605 (48) (10,887,913)

20,000-

30,000 189,468 1,691,599 74.40% 27,971 1,450 1,402 (48) (9,018,656)

30,000-

40,000 136,776 1,828,375 80.41% 39,306 2,243 2,196 (48) (6,510,524)

40,000-

50,000 99,690 1,928,065 84.80% 50,611 3,034 2,987 (48) (4,745,258)

50,000-

60,000 74,919 2,002,984 88.09% 61,989 3,831 3,783 (48) (3,566,157)

60,000-

70,000 57,749 2,060,733 90.63% 73,291 4,622 4,574 (48) (2,748,829)

70,000-

80,000 43,779 2,104,512 92.56% 84,576 5,412 5,364 (48) (2,083,888)

80,000-

90,000 33,497 2,138,009 94.03% 95,890 6,204 6,156 (48) (1,594,464)

90,000-

100,000 25,235 2,163,244 95.14% 107,173 6,994 6,946 (48) (1,201,179)

100,000-

110,000 19,244 2,182,488 95.99% 118,572 7,792 7,744 (48) (916,025)

110,000-

120,000 15,031 2,197,519 96.65% 129,830 8,580 8,532 (48) (715,469)

120,000-

130,000 11,757 2,209,276 97.17% 141,174 9,374 9,326 (48) (559,620)

130,000-

140,000 9,242 2,218,517 97.57% 152,462 10,164 10,116 (48) (439,899)

140,000-

150,000 7,309 2,225,827 97.90% 163,887 10,964 10,916 (48) (347,925)

150,000-

160,000 5,920 2,231,747 98.16% 175,191 11,755 11,707 (48) (281,792)

160,000-

170,000 4,926 2,236,673 98.37% 186,424 12,541 12,494 (48) (234,476)

170,000-

180,000 3,976 2,240,649 98.55% 197,766 13,335 13,288 (48) (189,266)

180,000-

190,000 3,385 2,244,034 98.70% 209,123 14,130 14,083 (48) (161,117)

190,000-

200,000 2,986 2,247,020 98.83% 220,494 14,926 14,879 (48) (142,151)

200,000-

225,000 5,524 2,252,544 99.07% 239,373 16,248 16,200 (48) (262,926)

225,000-

250,000 3,822 2,256,366 99.24% 267,850 18,241 18,194 (48) (181,941)

250,000-

300,000 5,097 2,261,463 99.46% 308,266 21,070 21,023 (48) (242,604)

300,000-

400,000 5,299 2,266,762 99.70% 388,365 26,677 26,630 (48) (252,238)

400,000-

500,000 2,429 2,269,191 99.80% 503,707 34,751 34,704 (48) (115,607)

500,000-

$1M 3,304 2,272,494 99.95% 752,963 52,199 52,152 (48) (157,254)

$1 M -

$2 M 843 2,273,338 99.98% 1,524,846 106,231 106,183 (48) (40,141)

$2 M + 350 2,273,688 100.00% 5,638,677 394,199 394,151 (48) (16,659)

**Total 2,273,688     $29,256 $1,540 $1,492 ($48) ($51,461,000)**

2017 Current Tax Brackets 0.00% $0 to 2,990 Adjusted Brackets 0.00% $0 to 3,270 3.00% $2,990 to 5,980 3.00% $3,270 to 6,540

4.00% $5,980 to 8,970 4.00% $6,540 to 9,810

5.00% $8,970 to 11,960 5.00% $9,810 to 13,080

6.00% $11,960 to 14,950 6.00% $13,080 to 16,350

7.00% Over $14,950 7.00% Over $16,350

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Fiscal Impact Summary**

**State General Fund Revenue.** This bill as amended is expected to reduce general fund sales and use tax revenue by an estimated $50,000,000 in FY 2015-16 as the result of the transfer of sales tax revenue to other funds. (This transfer would have a corresponding decrease in general fund expenditures.) This bill would also reduce general fund individual income tax revenue by a total of $1,337,963 in FY 2015-16, $26,848,740 in FY 2016-17, and $48,759,298 in FY 2017-18.

**Other Funds.** This bill as amended is expected to increase other funds for the Department of Transportation from several sources for a net increase of $437,335,843. Motor fuel user fees are lowered from $0.16 to $0.10 per gallon which reduces revenue by $190,221,506 in FY 2015-16. An excise tax based on the price of motor fuel is expected to generate $507,257,349\*. The transfer of existing sales tax revenue on the purchase of vehicles is estimated to generate $61,400,000. Finally, the maximum sales tax cap on motor vehicles is increased by $200 per vehicle which is estimated to generate $58,900,000. These items net a total of $437,335,843. This amount does not reflect the potential reallocation of any motor fuel user fee collections that may be distributed to the State Secondary “C” Fund Program from the transfer of state roads to the counties. Since county transportation committees may elect not to accept the transfer of any state roads, we are unable to determine the potential reallocation of these motor fuel user fee collections.

\*The average wholesale price of gasoline and diesel fuel is held constant at 2014 levels in this analysis. Future motor fuel revenue estimates are dependent on changes in the average wholesale prices of gasoline and diesel fuel.

**Local Revenue.** The local revenue impact does not reflect the potential reallocation of any motor fuel user fee collections that may be distributed to the State Secondary “C” Fund Program from the transfer of state roads to the counties. Since county transportation committees may elect not to accept the transfer of any state roads, we are unable to determine the potential reallocation of these motor fuel user fee collections.

**Local Expenditure.** The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and all forty-six county governments regarding the expenditure impact of this amendment. The Municipal Association nor the county governments have had ample time to review the amendment. Therefore, our office will provide an update on the expenditure impact of this amendment once the Municipal Association and county governments have had ample time to review our request.

**Explanation of Fiscal Impact**

**Explanation of Amendment (April 15, 2015) – By the House of Representatives**

Section 57-3-275 is added so that by September 1, 2015 and each September first thereafter, the Department of Transportation shall transfer $25,000,000 from the State Highway Fund to the County Transportation Fund. This distribution will be disbursed equally pursuant to Section 12-28-2740 and must be expended solely on state-owned roads. This transfer would not affect general fund revenue.

Section 12-28-410 is amended so that the wholesale price used to determine the excise tax rate is effective for the entire calendar year and is based on the wholesale price of motor fuels in the twelve month period from the September thirtieth immediately preceding the upcoming fiscal year and the September thirtieth of the preceding calendar year. Based on data from the U.S. Department of Energy, the average wholesale prices from September 30, 2013 to September 30, 2014 were $2.71 and $2.98 for gasoline and special fuel, respectively. As a result, an average wholesale price of $2.71 per gallon of gasoline and $2.98 per gallon of diesel fuel was used for this estimate and based upon the current excise tax collections a relative weight of 78.67% was given to gasoline and 21.33% to diesel to create a weighted average of the wholesale price of $2.77. Applying the cumulative sales tax rate to this weighted average wholesale price results in an excise tax of $0.166 per gallon of motor fuel. Pursuant to this section, the excise tax rate may not exceed $0.16 per gallon of fuel; therefore, it is set at a rate of $0.16 per gallon of motor fuel. Based upon these figures, the total motor fuel excise tax revenue is expected to raise $507,257,349 in FY 2015-16. Actual collections for FY 2015-16 and each year thereafter, will depend on the actual wholesale prices of motor fuel in the applicable periods. This change would take effect July 1, 2015. As a result of this start date, the motor fuel excise taxes charged in July will be remitted in August; therefore, the estimate for FY 2015-16 represents eleven months for the first fiscal year. A full fiscal year estimate is $553,371,654.

**The Department of Transportation.** The department reports that any expenditure impact for implementing these changes would be minimal and can be absorbed by the agency. There would not be any impact on the general funds or federal funds.

**The Transportation Infrastructure Fund Board.** The board reports that this bill would not result in additional expenditures or savings. Program expenditures for road projects would increase by the amount of additional revenue.

**State Revenue**

The following sections would affect state revenue as follows:

**Section 12.** This section amends Article 1 of Title 57 by changing the amount of the motor fuel user fee collections that are allocated to the State Secondary “C” Fund Program. This section provides a framework for a portion of state roads to be transferred to the counties. County transportation boards would have the option of refusing the transfer. For counties participating in the transfer, the allocation of the motor fuel user fee would be increased. The additional county “C” fund revenue must first be distributed to each participating county based on the time the county began participating. For counties that participated in the 2016 transfer, each county shall receive one million dollars. For counties that began participating in the 2018 or 2020 transfers, each county shall receive five hundred thousand dollars or two hundred and fifty thousand dollars, respectively. The remaining funds will then be distributed in the same manner pursuant to Section 12-28-2740(A). Any money apportioned to a county that is not participating must instead be credited to the State Highway Fund.

Currently, the county “C” fund program receives $0.0266 of the $0.16 per gallon of gasoline revenue for local road improvements. Beginning July 1, 2016, an additional $0.0134 will be distributed to county “C” funds for a total of $0.04 per gallon of gasoline revenue. The additional distribution to county “C” funds is an estimated $33,339,241 in FY 2016-17. Beginning July 1, 2018, the amount distributed to county “C” funds will be increased by an additional one-cent per gallon to a total of $0.05 per gallon of gasoline, and the additional distribution is estimated to be $24,296,006 in FY 2018-19. Finally, beginning July 1, 2020, a total of $0.06 per gallon of gasoline would be distributed to county “C” funds. The additional distribution for FY 2020-21 is estimated to be $23,425,240. As a result of the July 1 start date, the motor fuel user fee revenue for July is to be remitted in August; therefore, additional revenue estimates represent eleven months of a full fiscal year. The total estimated additional distribution to county “C” funds from increasing the allocation amount from $0.0266 to $0.06 per gallon of gasoline is $87,625,647.

**Sections 15, 16, and 17.** Sections 12-28-310 and 56-11-410 are amended to lower the motor fuel user fee from the current rate of $0.16 per gallon to $0.010 per gallon. This analysis uses estimated motor fuel consumption trends based upon data from the U.S. Department of Energy. The estimated reduction in total motor fuel revenue from the user fee decrease is $190,221,506 in FY 2015-16. This change would take effect July 1, 2015. As a result of this start date, the motor fuel fee for July is remitted in August; therefore, the revenue reduction in FY 2015-16 represents eleven months of a full fiscal year. A full year reduction is an estimated $207,514,370.

**Section 18.** This section would amend Section 12-36-2110 so as beginning after June 30, 2015, the maximum sales and use tax limitation would be increased from the current $300 per motor vehicle to $500 per motor vehicle. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an additional estimated $58,900,000 in FY 2015-16. Section 19 of this bill requires this revenue to be credited to the State Highway Fund, otherwise, $47,120,000 would be credited to state general fund and $11,780,000 would be deposited in the Education Improvement Act Fund.

**Section 19.** Currently, Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax credited to the general fund and does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in general fund sales and use tax revenue of $59,543,949 and a concomitant increase in State Non-Federal Aid Highway Fund revenue in FY 2013-14.

This section would amend Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to the State Highway Fund. Again, this transfer only affects the four percent component of the sales and use tax and does not affect the one percent for EIA. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue of an estimated $153,500,000 in FY 2015-16. Under current law, $61,400,000 is expected to be transferred to the Department of Transportation, $61,400,000 is expected for deposit to the general fund, and $30,700,000 is to be credited to the Education Improvement Act Fund. Pursuant to this amended bill, the remaining general fund allocation of $61,400,000 would be transferred to the State Highway Fund once the general fund receives $50,000,000 in these revenues. Pursuant to sub item (C), the amount transferred to the State Highway Fund, however, may not exceed $50,000,000 in FY 2015-16 only. In FY 2016-17, and each fiscal year thereafter, the State Highway Fund would receive up to $50,000,000 and any amounts over $50,000,000 of the revenues from the sale, use, and titling of a motor vehicle. This would include an estimated $11,400,000 in FY 2016-17. This transfer would affect the amount of general fund revenue available for other projects and programs in FY 2015-16. This section also changed the recipient of the revenue transfer from the State Non-Federal Aid Highway Fund to the State Highway Fund within the Department of Transportation.

This section would also further amend Section 12-36-2647 to redirect any increase in revenue as the result of increasing the maximum sales and use tax cap from $300 per motor vehicle to $500 per motor vehicle to the State Highway Fund. This transfer would include the four percent component of the sales and use tax in the general fund as well as the one percent component of the sales and use tax in the EIA Fund. As mentioned in Section 18 above, based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an estimated $58,900,000 in FY 2015-16. This includes the general fund portion of the sales and use tax of $47,120,000 as well as the EIA Fund portion of $11,780,000 in FY 2015-16. These revenues must be used exclusively for highway, road, and bridge maintenance, construction, and repair. This section is further amended to limit the amount transferred to the State Highway Fund to no more than $50,000,000 more than was transferred to the State Non-Federal Highway Fund in FY 2014-15.

**Sections 20 and 21.** Sections 12-28-410 and 56-11-910 are added to impose an excise tax on motor fuel. The excise tax is determined by applying the cumulative state sales tax rate to a weighted average of the wholesale price of motor fuel and is recalculated at six month intervals. The current cumulative state sales tax rate is six percent. A wholesale price for gasoline and diesel is determined by averaging the wholesale price of each over a six month period ending March 31st and September 30th. The average wholesale prices of gasoline and diesel are then weighted by the relative proportion of their respective $0.10 excise tax collections to determine a weighted average price of the two. The excise tax is then determined by multiplying the cumulative state sales tax rate by the weighted average wholesale price and the excise tax is set for the six month period beginning January 1st and July 1st. Based upon data from the U.S. Department of Energy, we obtained the average wholesale prices of gasoline and diesel fuel in South Carolina for 2014. As a result, an average wholesale price of $2.56 per gallon of gasoline and $2.81 per gallon of diesel fuel was used for this estimate and based upon the current excise tax collections a relative weight of 78.67% was given to gasoline and 21.33% to diesel to create a weighted average of the wholesale price of $2.62. Applying the cumulative sales tax rate to this weighted average wholesale price results in an excise tax of $0.157 per gallon of motor fuel. Based upon these figures, the total motor fuel excise tax revenue is expected to raise $497,880,137 in FY 2015-16. Actual collections for FY 2015-16 and each year thereafter, will depend on the actual wholesale prices of motor fuel in the applicable periods. This change would take effect July 1, 2015. As a result of this start date, the motor fuel excise taxes charged in July will be remitted in August; therefore, the estimate for FY 2015-16 represents eleven months for the first fiscal year. A full fiscal year estimate is $543,141,968.

In sum, the net estimated impact from this bill on motor fuel revenue from the imposed excise tax and the reduced user fee is $307,658,631 for FY 2015-16. The full fiscal year estimate is $335,627,597.

**Section 22.** This section changes the individual income tax bracket range for tax year 2016 and 2017. Under current law, the tax brackets are adjusted annually by one-half the amount of inflation. Based upon our current assumptions for inflation, the taxable income bracket range for each marginal income tax rate is expected to be $2,940 for tax year 2016. Increasing the bracket amount for each tax rate by $140 to $3,080 as specified in the bill would reduce individual income tax revenue by approximately $25,485,000 for tax year 2016. For tax year 2017, the taxable income bracket range for each marginal income tax rate is expected to be $2,990. Increasing the projected 2017 bracket amount for each tax rate by $280 to $3,270 would reduce individual income tax revenue by approximately $51,461,000 for tax year 2017 compared to the current projected 2017 tax brackets. The impact by tax year is outlined in the attached detailed tables by taxable income range.

The impact on the general fund would be a reduction in individual income tax revenue of $1,337,963 in FY 2015-16, $26,848,740 in FY 2016-17, and $48,759,298 in FY 2017-18. The tax year estimates provided are adjusted to a fiscal year basis by recognizing two quarters of reduced estimated tax payments for the first half of the tax year, or second half of the fiscal year. We anticipate that taxpayers will reduce their estimated tax payments in response to the tax reduction by five and one-quarter percent of the total tax year impact, and the remaining impact is reflected in the following fiscal year for the remaining estimated tax payments and refunds.

**Section 27.** Except as otherwise provided, this act takes effect July 1, 2015.

**Local Expenditure**

The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and all forty-six county governments regarding the expenditure impact of this amendment. The Municipal Association nor the county governments have had ample time to review the amendment. Therefore, our office will provide an update on the expenditure impact of this amendment once the Municipal Association and county governments have had ample time to review our request.

**The Municipal Association.** This amendment, as passed by the House of Representatives, amends Section 12 which allows the Department of Transportation to transfer certain state roads to political subdivisions.  The bill as originally filed, allowed the transfer of state roads to counties.

The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina regarding the expenditure impact of this amendment.  The Municipal Association responded to our request but could not provide an estimate on the expenditure impact of this amendment.

**Explanation of Amendment (March 26, 2015) – By the Ways and Means Committee**

**State Expenditure**

General fund expenditures would be reduced by the transfer of sales tax on motor vehicles to the Department of Transportation.

**The Department of Transportation.** The department reports that any expenditure impact for implementing these changes would be minimal and can be absorbed by the agency. There would not be any impact on the general funds or federal funds.

**The Transportation Infrastructure Fund Board.** The board reports that this bill would not result in additional expenditures or savings. Program expenditures for road projects would increase by the amount of additional revenue.

**State Revenue**

The following sections would affect state revenue as follows:

**Section 12.** This section amends Article 1 of Title 57 by changing the amount of the motor fuel user fee collections that are allocated to the State Secondary “C” Fund Program. This section provides a framework for a portion of state roads to be transferred to the counties. County transportation boards would have the option of refusing the transfer. For counties participating in the transfer, the allocation of the motor fuel user fee would be increased. The additional county “C” fund revenue must first be distributed to each participating county based on the time the county began participating. For counties that participated in the 2016 transfer, each county shall receive one million dollars. For counties that began participating in the 2018 or 2020 transfers, each county shall receive five hundred thousand dollars or two hundred and fifty thousand dollars, respectively. The remaining funds will then be distributed in the same manner pursuant to Section 12-28-2740(A). Any money apportioned to a county that is not participating must instead be credited to the State Highway Fund.

Currently, the county “C” fund program receives $0.0266 of the $0.16 per gallon of gasoline revenue for local road improvements. Beginning July 1, 2016, an additional $0.0134 will be distributed to county “C” funds for a total of $0.04 per gallon of gasoline revenue. The additional distribution to county “C” funds is an estimated $33,339,241 in FY 2016-17. Beginning July 1, 2018, the amount distributed to county “C” funds will be increased by an additional one-cent per gallon to a total of $0.05 per gallon of gasoline, and the additional distribution is estimated to be $24,296,006 in FY 2018-19. Finally, beginning July 1, 2020, a total of $0.06 per gallon of gasoline would be distributed to county “C” funds. The additional distribution for FY 2020-21 is estimated to be $23,425,240. As a result of the July 1 start date, the motor fuel user fee revenue for July is to be remitted in August; therefore, additional revenue estimates represent eleven months of a full fiscal year. The total estimated additional distribution to county “C” funds from increasing the allocation amount from $0.0266 to $0.06 per gallon of gasoline is $87,625,647.

**Sections 15, 16, and 17.** Sections 12-28-310 and 56-11-410 are amended to lower the motor fuel user fee from the current rate of $0.16 per gallon to $0.010 per gallon. This analysis uses estimated motor fuel consumption trends based upon data from the U.S. Department of Energy. The estimated reduction in total motor fuel revenue from the user fee decrease is $190,221,506 in FY 2015-16. This change would take effect July 1, 2015. As a result of this start date, the motor fuel fee for July is remitted in August; therefore, the revenue reduction in FY 2015-16 represents eleven months of a full fiscal year. A full year reduction is approximately $207,514,370.

**Section 18.** This section would amend Section 12-36-2110 so as beginning after June 30, 2015, the maximum sales and use tax limitation would be increased from the current $300 per motor vehicle to $500 per motor vehicle. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an additional estimated $58,900,000 in FY 2015-16. Section 19 of this bill requires this revenue to be credited to the State Highway Fund, otherwise, $47,120,000 would be credited to state general fund and $11,780,000 would be deposited in the Education Improvement Act Fund.

**Section 19.** Currently, Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax credited to the general fund and does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in general fund sales and use tax revenue of $59,543,949 and a concomitant increase in State Non-Federal Aid Highway Fund revenue in FY 2013-14.

This section would amend Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to the State Highway Fund. Again, this transfer only affects the four percent component of the sales and use tax and does not affect the one percent for EIA. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue of an estimated $153,500,000 in FY 2015-16. Under current law, $61,400,000 is expected to be transferred to the Department of Transportation, $61,400,000 is expected for deposit to the general fund, and $30,700,000 is to be credited to the Education Improvement Act Fund. Pursuant to this amended bill, the remaining general fund allocation of $61,400,000 would be transferred to the State Highway Fund once the general fund receives $50,000,000 in these revenues. This transfer would affect the amount of general funds available for other projects and programs in FY 2015-16. This section also changed the recipient of the revenue transfer from the State Non-Federal Aid Highway Fund to the State Highway Fund within the Department of Transportation.

This section would also further amend Section 12-36-2647 to redirect any increase in revenue as the result of increasing the maximum sales and use tax cap from $300 per motor vehicle to $500 per motor vehicle to the State Highway Fund. This transfer would include the four percent component of the sales and use tax in the general fund as well as the one percent component of the sales and use tax in the EIA Fund. As mentioned in Section 18 above, based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an estimated $58,900,000 in FY 2015-16. This includes the general fund portion of the sales and use tax of $47,120,000 as well as the EIA Fund portion of $11,780,000 in FY 2015-16. These revenues must be used exclusively for highway, road, and bridge maintenance, construction, and repair. This section is further amended to limit the amount transferred to the State Highway Fund to no more than $50,000,000 more than was transferred to the State Non-Federal Highway Fund in FY 2014-15.

**Sections 20 and 21.** Sections 12-28-410 and 56-11-910 are added to impose an excise tax on motor fuel. The excise tax is determined by applying the cumulative state sales tax rate to a weighted average of the wholesale price of motor fuel and is recalculated at six month intervals. The current cumulative state sales tax rate is six percent. A wholesale price for gasoline and diesel is determined by averaging the wholesale price of each over a six month period ending March 31st and September 30th. The average wholesale prices of gasoline and diesel are then weighted by the relative proportion of their respective $0.10 excise tax collections to determine a weighted average price of the two. The excise tax is then determined by multiplying the cumulative state sales tax rate by the weighted average wholesale price and the excise tax is set for the six month period beginning January 1st and July 1st. Based upon data from the U.S. Department of Energy, we obtained the average wholesale prices of gasoline and diesel fuel in South Carolina for 2014. As a result, an average wholesale price of $2.56 per gallon of gasoline and $2.81 per gallon of diesel fuel was used for this estimate and based upon the current excise tax collections a relative weight of 78.67% was given to gasoline and 21.33% to diesel to create a weighted average of the wholesale price of $2.62. Applying the cumulative sales tax rate to this weighted average wholesale price results in an excise tax of $0.157 per gallon of motor fuel. Based upon these figures, the total motor fuel excise tax revenue is expected to raise $497,880,137 in FY 2015-16. Actual collections for FY 2015-16 and each year thereafter, will depend on the actual wholesale prices of motor fuel in the applicable periods. This change would take effect July 1, 2015. As a result of this start date, the motor fuel excise taxes charged in July will be remitted in August; therefore, the estimate for FY 2015-16 represents eleven months for the first fiscal year. A full fiscal year estimate is $543,141,968.

In sum, the net estimated impact from this bill on motor fuel revenue from the imposed excise tax and the reduced user fee is $307,658,631 for FY 2015-16. The full fiscal year estimate is $335,627,597.

**Section 22.** This section changes the individual income tax bracket range for tax year 2016 and 2017. Under current law, the tax brackets are adjusted annually by one-half the amount of inflation. Based upon our current assumptions for inflation, the taxable income bracket range for each marginal income tax rate is expected to be $2,940 for tax year 2016. Increasing the bracket amount for each tax rate by $140 to $3,080 as specified in the bill would reduce individual income tax revenue by approximately $25,485,000 for tax year 2016. For tax year 2017, the taxable income bracket range for each marginal income tax rate is expected to be $2,990. Increasing the projected 2017 bracket amount for each tax rate by $280 to $3,270 would reduce individual income tax revenue by approximately $51,461,000 for tax year 2017 compared to the current projected 2017 tax brackets. The impact by tax year is outlined in the attached detailed tables by taxable income range.

The impact on the general fund would be a reduction in individual income tax revenue of $1,337,963 in FY 2015-16, $26,848,740 in FY 2016-17, and $48,759,298 in FY 2017-18. The tax year estimates provided are adjusted to a fiscal year basis by recognizing two quarters of reduced estimated tax payments for the first half of the tax year, or second half of the fiscal year. We anticipate that taxpayers will reduce their estimated tax payments in response to the tax reduction by five and one-quarter percent of the total tax year impact, and the remaining impact is reflected in the following fiscal year for the remaining estimated tax payments and refunds.

**Section 27.** Except as otherwise provided, this act takes effect July 1, 2015.

**Local Expenditure**

The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and all forty-six county governments regarding the expenditure impact of this amendment. The Municipal Association nor the county governments have had ample time to review the amendment. Therefore, our office will provide an update on the expenditure impact of this amendment once the Municipal Association and county governments have had ample time to review our request.

**Explanation of the bill filed on February 11, 2015**

**State Expenditure**

General fund expenditures would be reduced by the transfer of sales tax on motor vehicles to the Department of Transportation.

**The Department of Transportation.** The department reports that any expenditure impact for implementing these changes would be minimal and can be absorbed by the agency. There would not be any impact on the general funds or federal funds.

**The Transportation Infrastructure Fund Board.** The board reports that this bill would not result in additional expenditures or savings. Program expenditures for road projects would increase by the amount of additional revenue.

**State Revenue**

The following sections would affect state revenue as follows:

**Section 10.** This section amends Article 1 of Title 57 by changing the amount of the motor fuel user fee collections that are allocated to the State Secondary “C” Fund Program. This section provides a framework for a portion of state roads to be transferred to the counties. County transportation boards would have the option of refusing the transfer. For counties participating in the transfer, the allocation of the motor fuel user fee would be increased. The additional county “C” fund revenue will first be apportioned equally until each participating county receives one million dollars, then the remaining funds will be distributed in the same manner pursuant to Section 12-28-2740(A). Any money apportioned to a county that is not participating must instead be credited to the State Highway Fund. Currently, the county “C” fund program receives $0.0266 of the $0.16 per gallon of gasoline revenue for local road improvements. Beginning July 1, 2016, an additional $0.0134 will be distributed to county “C” funds for a total of $0.04 per gallon of gasoline revenue. The additional distribution to county “C” funds is an estimated $33,339,241 in FY 2016-17. Beginning July 1, 2018, the amount distributed to county “C” funds will be increased by an additional one-cent per gallon to a total of $0.05 per gallon of gasoline and the additional distribution is estimated to be $24,296,006 in FY 2018-19. Finally, beginning July 1, 2020, a total of $0.06 per gallon of gasoline would be distributed to county “C” funds. The additional distribution for FY 2020-21 is estimated to be $23,425,240. As a result of this start date, the motor fuel user fee revenue for July is to be remitted in August; therefore, additional revenue estimates represent eleven months of a full fiscal year. The total estimated additional distribution to county “C” funds from increasing the allocation amount from $0.0266 to $0.06 per gallon of gasoline is $87,625,647.

**Sections 12 and 13.** These sections amend Sections 12-28-310 and 56-11-410, which lowers the motor fuel user fee from the current rate of $0.16 per gallon to $0.010 per gallon. This analysis uses estimated motor fuel consumption trends based upon data from the U.S. Department of Energy. The estimated reduction in total motor fuel revenue from the user fee decrease is $190,221,506 in FY 2015-16. This change would take effect July 1, 2015. As a result of this start date, the motor fuel fee for July is remitted in August; therefore, the revenue reduction in FY 2015-16 represents eleven months of a full fiscal year. A full year reduction is approximately $207,514,370.

**Section 15.** This section would amend Section 12-36-2110 so as beginning after June 30, 2015, the maximum sales and use tax limitation would be increased from the current $300 per motor vehicle to $500 per motor vehicle. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an additional estimated $58,900,000 in FY 2015-16. Section 16 of this bill requires this revenue to be credited to the State Highway Fund, otherwise, $47,120,000 would be credited to state general fund and $11,780,000 would be deposited in the Education Improvement Act Fund.

**Section 16.** Currently, Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax credited to in the general fund and does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in general fund sales and use tax revenue of $59,543,949 and a concomitant increase in State Non-Federal Aid Highway Fund revenue in FY 2013-14.

This section would amend Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to the State Highway Fund. Again, this transfer only affects the four percent component of the sales and use tax and does not affect the one percent for EIA. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue of an estimated $153,500,000 in FY 2015-16. Under current law, $61,400,000 is expected to be transferred to the Department of Transportation, $61,400,000 is expected for deposit to the general fund, and $30,700,000 is to be credited to the Education Improvement Act Fund. Pursuant to this bill, the remaining general fund allocation of $61,400,000 would be transferred to the State Highway Fund. This transfer would affect the amount of general funds available for other projects and programs in FY 2015-16. This section also changed the recipient of the revenue transfer from the State Non-Federal Aid Highway Fund to the State Highway Fund within the Department of Transportation.

This section would also further amend Section 12-36-2647 to redirect any increase in revenue as the result of increasing the maximum sales and use tax cap from $300 per motor vehicle to $500 per motor vehicle to the State Highway Fund. This transfer would include the four percent component of the sales and use tax in the general fund as well as the one percent component of the sales and use tax in the EIA Fund. As mentioned in Section 15 above, based upon the latest data on motor vehicle sales, the Board of Economic Advisors’ maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an estimated $58,900,000 in FY 2015-16. This includes the general fund portion of the sales and use tax of $47,120,000 as well as the EIA Fund portion of $11,780,000 in FY 2015-16. These revenues must be used exclusively for highway, road, and bridge maintenance, construction, and repair.

**Section 17 and 18.** These sections add Sections 12-28-410 and 56-11-910 to impose an excise tax on motor fuel. The excise tax is determined by applying the cumulative state sales tax rate to a weighted average of the wholesale price of motor fuel and is recalculated at six month intervals. The current cumulative state sales tax rate is six percent. A wholesale price for gasoline and diesel is determined by averaging the wholesale price of each over a six month period ending March 31st and September 30th. The average wholesale prices of gasoline and diesel are then weighted by the relative proportion of their respective $0.10 excise tax collections to determine a weighted average price of the two. The excise tax is then determined by multiplying the cumulative state sales tax rate by the weighted average wholesale price and the excise tax is set for the six month period beginning January 1st and July 1st. Based upon data from the U.S. Department of Energy, we obtained the average wholesale prices of gasoline and diesel fuel in South Carolina for 2014. As a result, an average wholesale price of $2.56 per gallon of gasoline and $2.81 per gallon of diesel fuel was used for this estimate and based upon the current excise tax collections a relative weight of 78.67% was given to gasoline and 21.33% to diesel to create a weighted average of the wholesale price of $2.62. Applying the cumulative sales tax rate to this weighted average wholesale price results in an excise tax of $0.157 per gallon of motor fuel. Based upon these figures, the total motor fuel excise tax revenue is expected to raise $497,880,137 in FY 2015-16. Actual collections for FY 2015-16 and each year thereafter, will depend on the actual wholesale prices of motor fuel in the applicable periods. This change would take effect July 1, 2015. As a result of this start date, the motor fuel excise taxes charged in July will be remitted in August; therefore, the estimate for FY 2015-16 represents eleven months for the first fiscal year. A full fiscal year estimate is $543,141,968.

In sum, the net estimated impact from this bill on motor fuel revenue from the imposed excise tax and the reduced user fee is $307,658,631 for FY 2015-16. The full fiscal year estimate is $335,627,597.

**Section 21.** Except as otherwise provided, this act takes effect July 1, 2015.

**Local Expenditure**

The Revenue and Fiscal Affairs Office contacted twenty-five county governments regarding the expenditure impact of this bill. One county responded but could not place a dollar amount on the impact of this bill. Therefore, our office does not have sufficient data to determine the expenditure impact on county governments from accepting the responsibility of acquiring state roads.

**ESTIMATE OF TAX YEAR 2016 INCOME TAX ADJUSTMENT BY INCREASING BRACKETS FROM $2,940 TO $3,080**

**Objective: Increase tax brackets from $2,940 to $3,080 with rates unchanged.**

**With these brackets and rates, 100% of filers have a lower or unchanged liability and the General Fund is impact is ($ 25,485,000).**

**Current Tax Structure Estimate of Adjusted Tax Structure**

**Baseline Projected Adjusted Average Total**

**Taxable Projected Average Average Average Tax Dollar**

**Income # of Cumulative Cumulative Taxable Tax Tax Increase/ Increase/**

**Range Filers # of % of Income Liability Liability (Decrease) (Decrease)**

**2013 2016 Filers Filers 2016 2016 2016 2016 2016**

**col 1 col 2 (/a) col 3 col 4 col 5 (/b) col 6 col 7 col 8 col 9**

0 763,872 763,872 33.93% 0 0 0 0 0

1-5,000 269,839 1,033,711 45.92% 2,448 0 0 0 (430,235)

5,000-

10,000 185,378 1,219,089 54.15% 8,107 177 170 (7) (1,492,557)

10,000-

20,000 268,170 1,487,259 66.07% 16,060 624 601 (24) (5,380,738)

20,000-

30,000 187,592 1,674,851 74.40% 27,086 1,396 1,372 (24) (4,464,681)

30,000-

40,000 135,422 1,810,272 80.41% 38,063 2,165 2,141 (24) (3,223,032)

40,000-

50,000 98,703 1,908,975 84.80% 49,010 2,931 2,907 (24) (2,349,138)

50,000-

60,000 74,177 1,983,153 88.09% 60,028 3,702 3,678 (24) (1,765,424)

60,000-

70,000 57,177 2,040,330 90.63% 70,972 4,468 4,444 (24) (1,360,806)

70,000-

80,000 43,346 2,083,675 92.56% 81,900 5,233 5,209 (24) (1,031,628)

80,000-

90,000 33,165 2,116,841 94.03% 92,856 6,000 5,976 (24) (789,339)

90,000-

100,000 24,985 2,141,826 95.14% 103,782 6,765 6,741 (24) (594,643)

100,000-

110,000 19,054 2,160,880 95.99% 114,820 7,538 7,514 (24) (453,478)

110,000-

120,000 14,882 2,175,762 96.65% 125,722 8,301 8,277 (24) (354,193)

120,000-

130,000 11,640 2,187,402 97.17% 136,708 9,070 9,046 (24) (277,040)

130,000-

140,000 9,150 2,196,552 97.57% 147,638 9,835 9,811 (24) (217,772)

140,000-

150,000 7,237 2,203,789 97.90% 158,702 10,609 10,586 (24) (172,240)

150,000-

160,000 5,861 2,209,650 98.16% 169,648 11,376 11,352 (24) (139,501)

160,000-

170,000 4,877 2,214,528 98.37% 180,526 12,137 12,113 (24) (116,077)

170,000-

180,000 3,937 2,218,464 98.55% 191,509 12,906 12,882 (24) (93,696)

180,000-

190,000 3,351 2,221,816 98.70% 202,506 13,676 13,652 (24) (79,761)

190,000-

200,000 2,957 2,224,772 98.83% 213,518 14,446 14,423 (24) (70,372)

200,000-

225,000 5,469 2,230,241 99.07% 231,800 15,726 15,702 (24) (130,161)

225,000-

250,000 3,784 2,234,026 99.24% 259,375 17,656 17,633 (24) (90,070)

250,000-

300,000 5,046 2,239,072 99.46% 298,513 20,396 20,372 (24) (120,101)

300,000-

400,000 5,247 2,244,319 99.70% 376,077 25,826 25,802 (24) (124,870)

400,000-

500,000 2,405 2,246,723 99.80% 487,770 33,644 33,620 (24) (57,231)

500,000-

$1M 3,271 2,249,994 99.95% 729,139 50,540 50,516 (24) (77,848)

$1 M -

$2 M 835 2,250,829 99.98% 1,476,601 102,862 102,838 (24) (19,872)

$2 M + 347 2,251,176 100.00% 5,460,272 381,719 381,695 (24) (8,247)

**Total 2,251,176   $28,330 $1,483 $1,460 ($24) ($25,485,000)**

2016 Current Tax Brackets 0.00% $0 to 2,940 Adjusted Brackets 0.00% $0 to 3,080

3.00% $2,940 to 5,880 3.00% $3,080 to 6,160 4.00% $5,880 to 8,820 4.00% $6,160 to 9,240

5.00% $8,820 to 11,760 5.00% $9,240 to 12,320

6.00% $11,760 to 14,700 6.00% $12,320 to 15,400

7.00% Over $14,700 7.00% Over $15,400

**ESTIMATE OF TAX YEAR 2017 INCOME TAX ADJUSTMENT BY INCREASING BRACKETS FROM $2,990 TO $3,270**

**Objective: Increase tax brackets from $2,990 to $3,270 with rates unchanged.**

**With these brackets and rates, 100% of filers have a lower or unchanged liability and the General Fund is impact is ($ 51,461,000).**

**Current Tax Structure Estimate of Adjusted Tax Structure**

**Baseline Projected Adjusted Average Total**

**Taxable Projected Average Average Average Tax Dollar**

**Income # of Cumulative Cumulative Taxable Tax Tax Increase/ Increase/**

**Range Filers # of % of Income Liability Liability (Decrease) (Decrease)**

**2013 2017 Filers Filers 2017 2017 2017 2017 2017**

**col 1 col 2 (/a) col 3 col 4 col 5 (/b) col 6 col 7 col 8 col 9**

0 771,511 771,511 33.93% 0 0 0 0 0

1-5,000 272,537 1,044,048 45.92% 2,528 0 0 0 (853,179)

5,000-

10,000 187,232 1,231,280 54.15% 8,372 185 171 (14) (2,994,168)

10,000-

20,000 270,852 1,502,132 66.07% 16,585 653 605 (48) (10,887,913)

20,000-

30,000 189,468 1,691,599 74.40% 27,971 1,450 1,402 (48) (9,018,656)

30,000-

40,000 136,776 1,828,375 80.41% 39,306 2,243 2,196 (48) (6,510,524)

40,000-

50,000 99,690 1,928,065 84.80% 50,611 3,034 2,987 (48) (4,745,258)

50,000-

60,000 74,919 2,002,984 88.09% 61,989 3,831 3,783 (48) (3,566,157)

60,000-

70,000 57,749 2,060,733 90.63% 73,291 4,622 4,574 (48) (2,748,829)

70,000-

80,000 43,779 2,104,512 92.56% 84,576 5,412 5,364 (48) (2,083,888)

80,000-

90,000 33,497 2,138,009 94.03% 95,890 6,204 6,156 (48) (1,594,464)

90,000-

100,000 25,235 2,163,244 95.14% 107,173 6,994 6,946 (48) (1,201,179)

100,000-

110,000 19,244 2,182,488 95.99% 118,572 7,792 7,744 (48) (916,025)

110,000-

120,000 15,031 2,197,519 96.65% 129,830 8,580 8,532 (48) (715,469)

120,000-

130,000 11,757 2,209,276 97.17% 141,174 9,374 9,326 (48) (559,620)

130,000-

140,000 9,242 2,218,517 97.57% 152,462 10,164 10,116 (48) (439,899)

140,000-

150,000 7,309 2,225,827 97.90% 163,887 10,964 10,916 (48) (347,925)

150,000-

160,000 5,920 2,231,747 98.16% 175,191 11,755 11,707 (48) (281,792)

160,000-

170,000 4,926 2,236,673 98.37% 186,424 12,541 12,494 (48) (234,476)

170,000-

180,000 3,976 2,240,649 98.55% 197,766 13,335 13,288 (48) (189,266)

180,000-

190,000 3,385 2,244,034 98.70% 209,123 14,130 14,083 (48) (161,117)

190,000-

200,000 2,986 2,247,020 98.83% 220,494 14,926 14,879 (48) (142,151)

200,000-

225,000 5,524 2,252,544 99.07% 239,373 16,248 16,200 (48) (262,926)

225,000-

250,000 3,822 2,256,366 99.24% 267,850 18,241 18,194 (48) (181,941)

250,000-

300,000 5,097 2,261,463 99.46% 308,266 21,070 21,023 (48) (242,604)

300,000-

400,000 5,299 2,266,762 99.70% 388,365 26,677 26,630 (48) (252,238)

400,000-

500,000 2,429 2,269,191 99.80% 503,707 34,751 34,704 (48) (115,607)

500,000-

$1M 3,304 2,272,494 99.95% 752,963 52,199 52,152 (48) (157,254)

$1 M -

$2 M 843 2,273,338 99.98% 1,524,846 106,231 106,183 (48) (40,141)

$2 M + 350 2,273,688 100.00% 5,638,677 394,199 394,151 (48) (16,659)

**Total 2,273,688     $29,256 $1,540 $1,492 ($48) ($51,461,000)**

2017 Current Tax Brackets 0.00% $0 to 2,990 Adjusted Brackets 0.00% $0 to 3,270 3.00% $2,990 to 5,980 3.00% $3,270 to 6,540

4.00% $5,980 to 8,970 4.00% $6,540 to 9,810

5.00% $8,970 to 11,960 5.00% $9,810 to 13,080

6.00% $11,960 to 14,950 6.00% $13,080 to 16,350

7.00% Over $14,950 7.00% Over $16,350

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, SO AS TO ENACT THE “SOUTH CAROLINA INFRASTRUCTURE FINANCE REFORM AND TAX RELIEF ACT”; TO AMEND SECTIONS 57‑1‑310, 57‑1‑320, 57‑1‑325, AND 57‑1‑330, ALL AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE COMMISSION OF THE DEPARTMENT OF TRANSPORTATION, SO AS TO PROVIDE THAT ALL THE COMMISSIONERS MUST BE APPOINTED BY THE GOVERNOR AND SERVE AT THE PLEASURE OF THE GOVERNOR, TO PROVIDE THAT APPOINTEES MUST BE SCREENED BY THE JOINT TRANSPORTATION REVIEW COMMITTEE, AND TO PROVIDE THAT NO PERSON MAY SERVE AS A COMMISSIONER FOR MORE THAN TWELVE YEARS AND NO COUNTY MAY HAVE A RESIDENT COMMISSIONER FOR MORE THAN TWELVE CONSECUTIVE YEARS; TO AMEND SECTION 57‑1‑410, AS AMENDED, RELATING TO THE SECRETARY OF THE DEPARTMENT OF TRANSPORTATION, SO AS TO PROVIDE THAT THE COMMISSION OF THE DEPARTMENT OF TRANSPORTATION, INSTEAD OF THE GOVERNOR, SHALL APPOINT THE SECRETARY; TO AMEND SECTIONS 57‑1‑730 AND 57‑1‑740, AS AMENDED, RELATING RESPECTIVELY TO THE DUTIES OF THE JOINT TRANSPORTATION REVIEW COMMITTEE, BOTH SO AS TO REQUIRE THE COMMITTEE TO SCREEN APPOINTEES TO THE COMMISSION OF THE DEPARTMENT OF TRANSPORTATION IN A SIMILAR MANNER AS CURRENTLY ELECTED COMMISSIONERS ARE SCREENED; BY ADDING SECTION 57‑1‑95 SO AS TO PROHIBIT THE COMMENCEMENT OF ANY NEW ROAD CONSTRUCTION PROJECTS IN THIS STATE UNTIL JULY 1, 2020, AND TO PROVIDE EXCEPTIONS; TO AMEND SECTION 11‑43‑140, RELATING TO THE BOARD OF DIRECTORS OF THE SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK, SO AS TO INCREASE THE BOARD TO THIRTEEN MEMBERS AND TO SET FORTH THE MEMBERSHIP, AND TO PROVIDE THAT NO MEMBER MAY SERVE MORE THAN TWELVE YEARS; TO AMEND SECTION 11‑43‑180, RELATING TO FINANCIAL ASSISTANCE GIVEN BY THE INFRASTRUCTURE BANK, SO AS TO PROHIBIT THE BANK FROM PROVIDING ANY LOANS OR OTHER FINANCIAL ASSISTANCE TO ANY PROJECT UNLESS THE ELIGIBLE COSTS OF THE PROJECT ARE AT LEAST TWENTY‑FIVE MILLION DOLLARS; BY ADDING SECTION 11‑43‑265 SO AS TO REQUIRE THE INFRASTRUCTURE BANK TO PRIORITIZE ALL PROJECTS IN ACCORDANCE WITH THE PRIORITIZATION CRITERIA ESTABLISHED IN ACT 114 OF 2007, AND TO PROVIDE AN EXCEPTION; BY ADDING SECTION 57‑1‑100 SO AS TO SET FORTH THE OPTIONAL PROCESS BY WHICH THE DEPARTMENT OF TRANSPORTATION TRANSFERS CERTAIN STATE ROADS TO THE COUNTIES OF THIS STATE, TO INCREASE THE AMOUNT DISTRIBUTED TO THE PARTICIPATING COUNTIES OVER TIME, TO PROVIDE THAT EACH PARTICIPATING COUNTY MUST RECEIVE ONE MILLION DOLLARS BEFORE THE FUNDS ARE DISTRIBUTED BASED ON A FORMULA, TO AMEND SECTION 12‑28‑2740, RELATING TO THE DISTRIBUTION OF THE GASOLINE USER FEE TO THE COUNTIES OF THIS STATE, TO ABOLISH THE CURRENT COUNTY TRANSPORTATION COMMITTEES AND THEN RECONSTITUTE THEM WITH THE ADDITION OF MUNICIPAL REPRESENTATION, AND TO SPECIFY THE MANNER IN WHICH “C” FUNDS MUST BE EXPENDED; TO AMEND SECTIONS 56‑5‑4210 AND 56‑5‑4220, BOTH RELATING TO ROAD RESTRICTIONS, SO AS TO SPECIFY CERTAIN RESTRICTIONS ON LOCALITIES; TO AMEND SECTION 12‑28‑310, RELATING TO THE USER FEE ON GASOLINE, SO AS TO REDUCE THE FEE TO TEN CENTS A GALLON; TO AMEND SECTION 56‑11‑410, RELATING TO THE ROAD TAX, SO AS TO REDUCE THE TAX TO TEN CENTS A GALLON; TO AMEND SECTION 56‑11‑450, RELATING TO THE CREDIT AGAINST ROAD TAX, SO AS TO REDUCE THE CREDIT TO TEN CENTS A GALLON; TO AMEND SECTION 12‑36‑2110, RELATING TO THE MAXIMUM TAX, SO AS TO INCREASE THE MAXIMUM TAX FROM THREE HUNDRED TO FIVE HUNDRED DOLLARS ON THE SALE OR LEASE OF A MOTOR VEHICLE; TO AMEND SECTION 12‑36‑2647, RELATING TO THE TAX REVENUES COLLECTED FROM THE SALE OR LEASE OF A MOTOR VEHICLE, SO AS TO CREDIT ALL THE REVENUES TO THE STATE HIGHWAY FUND EXCEPT FOR CERTAIN AMOUNTS THAT ARE USED FOR THE EDUCATION IMPROVEMENT ACT; BY ADDING ARTICLE 4 TO CHAPTER 28, TITLE 12 SO AS TO IMPOSE AN EXCISE TAX ON THE WHOLESALE PRICE OF MOTOR FUEL EQUAL TO THE CUMULATIVE STATE SALES TAX RATE, TO PROVIDE THAT THE REVENUE MUST BE CREDITED TO THE STATE HIGHWAY FUND, TO PROVIDE THAT THE EXCISE TAX MAY NOT EXCEED THE EQUIVALENT OF SIXTEEN CENTS A GALLON, AND TO PROVIDE THE MANNER IN WHICH THE EXCISE TAX IS CALCULATED AND ADMINISTERED; BY ADDING ARTICLE 9 TO CHAPTER 11, TITLE 57 SO AS TO IMPOSE AN EXCISE TAX ON MOTOR CARRIERS IN THE SAME MANNER AS THE EXCISE TAX ON MOTOR FUEL; AND TO AMEND SECTION 12‑6‑510, RELATING TO TAX RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS, SO AS TO INCREASE THE SIZE OF THE TAX BRACKETS FOR EACH TAX RATE; AND TO AMEND SECTION 12‑6‑520, RELATING TO THE ANNUAL ADJUSTMENT OF INCOME TAX BRACKETS, SO AS PROVIDE THE BRACKETS SHALL NOT BE ADJUSTED IN TAX YEARS 2016 AND 2017.

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

Part 1

Citation and Findings

SECTION 1. This act may be cited as the “South Carolina Infrastructure Finance Reform and Tax Relief Act”.

SECTION 2. (A) The General Assembly finds that the State of South Carolina’s transportation infrastructure is inexorably linked to its economic future and ability to recruit, retain, and promote businesses and that deterioration of the state’s transportation infrastructure creates direct costs to businesses and opportunity costs with respect to deferred business and employment growth.

(B) The General Assembly further finds that substantial improvements to the State Highway System cannot be realized without increasing the financial resources dedicated to the purpose of preserving, maintaining, and rebuilding the State Highway System.

(C) The General Assembly further finds that increasing revenues to the State Highway System through an increase of transportation‑related user fees, such as those levied on motor fuels, would present an economic burden on South Carolina’s citizens and that a complementary decrease in taxes would lessen the financial impact on taxpayers and further the goal of economic development through lower taxes.

(D) Finally, the General Assembly finds that maximizing the impact, and therefore economic development potential, of such additional revenues allocated to the State Highway System requires the restructuring of the governance and subject approval processes to refocus upon statewide interests.

Part 2

Commission of the Department of Transportation

SECTION 3. Sections 57‑1‑310 through Section 57‑1‑330 of the 1976 Code, all as last amended by Act 114 of 2007, are further amended to read:

“Section 57‑1‑310. (A) The congressional districts of this State are constituted and created Department of Transportation Districts of the State, designated by numbers corresponding to the numbers of the respective congressional districts. The Commission of the Department of Transportation shall be composed of one member from each transportation district ~~elected by the delegations of the congressional district~~ and one member ~~appointed by the Governor~~ from the State at large, all appointed by the Governor. ~~Such elections or appointment, as the case may be,~~ Appointments shall take into account race and gender so as to represent, to the greatest extent possible, all segments of the population of the State; however, consideration of these factors in making an appointment ~~or in an election~~ in no way creates a cause of action or basis for an employee grievance for a person appointed or elected or for a person who fails to be appointed or elected.

(B)~~(1)~~ ~~Candidates for election to the commission must be screened by the Joint Transportation Review Committee, as provided in Article 7 of this chapter, and determined to meet the qualifications contained in subsection (C) in order to be eligible for election~~.

~~(2)~~ ~~The at‑large appointment~~ All appointments made by the Governor must be transmitted to the Joint Transportation Review Committee. The Joint Transportation Review Committee must ~~determine whether the at‑large appointee meets the qualifications in subsection (C)~~ screen each appointee, as provided in Article 7, and report its findings to the General Assembly and the Governor. Until the Joint Transportation Review Committee finds a gubernatorial appointee qualified, the appointee must not take the oath of office and the full rights and privileges and powers of the office shall not vest. An appointee may not take the oath of office until the Joint Transportation Review Committee notifies the Clerk of the Senate and the Clerk of the House of Representatives that the appointee is qualified pursuant to Section 57‑1‑740(B)(2)(b).

(C) The qualifications that each commission member must possess, include, but are not limited to:

(1) a baccalaureate or more advanced degree from:

(a) a recognized institution of higher learning requiring face‑to‑face contact between its students and instructors prior to completion of the academic program;

(b) an institution of higher learning that has been accredited by a regional or national accrediting body; or

(c) an institution of higher learning chartered before 1962; or

(2) a background of at least five years in any combination of the following fields of expertise:

(a) transportation;

(b) construction;

(c) finance;

(d) law;

(e) environmental issues;

(f) management; or

(g) engineering.

(D) ~~No~~ A member of the General Assembly or member of his immediate family ~~shall~~ may not be ~~elected or~~ appointed to the commission while the member is serving in the General Assembly; nor shall a member of the General Assembly or a member of his immediate family be ~~elected or~~ appointed to the commission for a period of four years after the member either:

(1) ceases to be a member of the General Assembly; or

(2) fails to file for election to the General Assembly in accordance with Section 7‑11‑15.

Section 57‑1‑320. ~~(A)~~ ~~A county that is divided among two or more Department of Transportation districts, for purposes of electing a commission member, is deemed to be considered in the district which contains the largest number of residents from that county.~~

~~(B)~~ ~~No~~ A county within a Department of Transportation district ~~shall~~ may not have a resident commission member for more than ~~one consecutive term~~ twelve consecutive years and in no event shall any two persons from the same county serve as a commission member simultaneously except as provided hereinafter.

~~Section 57‑1‑325.~~ ~~Legislators residing in the congressional district shall meet upon written call of a majority of the members of the delegation of each district at a time and place to be designated in the call for the purpose of electing a commissioner to represent the district. A majority present, either in person or by written proxy, of the delegation from a given congressional district constitutes a quorum for the purpose of electing a district commissioner. No person may be elected commissioner who fails to receive a majority vote of the members of the delegation.~~

~~The delegation must be organized by the election of a chairman and a secretary, and the delegations of each congressional district shall adopt such rules as they consider proper to govern the election. Any absentee may vote by written proxy. When the election is completed, the chairman and the secretary of the delegation shall immediately transmit the name of the person elected to the Secretary of State who shall issue to the person, after he has taken the usual oath of office, a certificate of election as commissioner. The Governor shall then issue a commission to the person, and pending the issuance of the commission, the certificate of election is sufficient warrant to the person to perform all of the duties and functions of his office as commissioner. Each commissioner shall serve until his successor is elected and qualified.~~

Section 57‑1‑330. (A) ~~For the purposes of electing a commission member, a legislator shall vote only in the congressional district in which he resides. All commission members are elected to a term of office of four years which expires on February fifteenth of the appropriate year.~~ All commission members serve at the pleasure of the Governor, but a commission member may not serve more than twelve years, regardless of when the term was served. Commissioners shall continue to serve until their successors are ~~elected~~ appointed and qualify, provided that a commissioner ~~may~~ only may serve in a hold‑over capacity for a period not to exceed six months. Any vacancy occurring in the office of commissioner shall be filled by ~~election or~~ appointment in the manner provided in this article for the unexpired term only. Except for the at‑large member, ~~no~~ a person is not eligible to serve as a commission member who is not a resident of that district at the time of his appointment. Failure by ~~an elected~~ such commission member to maintain residency in the district for which he is ~~elected~~ appointed shall result in the forfeiture of his office.

(B) ~~The at‑large commission member shall serve at the pleasure of the Governor.~~ The at‑large commission member may be appointed from any county in the State unless another commission member is serving from that county. Failure by the at‑large commission member to maintain residence in the State shall result in a forfeiture of his office.

~~(C)~~ ~~All elected commission members may be removed from office as provided in Section 1‑3‑240(C)(1).~~”

SECTION 4. Section 57‑1‑410 of the 1976 Code, as last amended by Act 114 of 2007, is further amended to read:

“Section 57‑1‑410. The ~~Governor~~ commission shall appoint, with the advice and consent of the Senate, a Secretary of Transportation who shall serve at the pleasure of the ~~Governor~~ commission. A person appointed to this position shall possess practical and successful business and executive ability and be knowledgeable in the field of transportation. The Secretary of Transportation shall receive such compensation as may be established under the provisions of Section 8‑11‑160 and for which funds have been authorized in the general appropriations act.”

SECTION 5. Section 57‑1‑730 of the 1976 Code, as added by Act 114 of 2007, is amended to read:

“Section 57‑1‑730. The review committee has the following powers and duties:

(1) to screen ~~each candidate applying for election~~ each person appointed to the commission;

(2) in screening ~~candidates~~ appointees and making its findings, the review committee must give due consideration to:

(a) ability, area of expertise, dedication, compassion, common sense, and integrity of each ~~candidate~~ appointee; and

(b) the impact that each ~~candidate~~ appointee would have on the racial and gender composition of the commission, and each ~~candidate’s~~ appointee’s impact on other demographic factors represented on the commission, such as residence in rural or urban areas, to assure nondiscrimination to the greatest extent possible of all segments of the population of the State; and

(3) to determine if each ~~candidate~~ appointee is qualified and meets the requirements provided by law to serve as a member of the Department of Transportation Commission, make findings concerning whether each ~~candidate~~ appointee is qualified, and deliver its findings to the Clerk of the Senate, ~~and the~~ Clerk of the House of Representatives, and the Governor~~; and~~

~~(4)~~ ~~to submit the names of all qualified candidates to the congressional district delegation for election~~.”

SECTION 6. Section 57‑1‑740 of the 1976 Code, as last amended by Act 253 of 2010, is further amended to read:

“Section 57‑1‑740. (A) ~~For purposes of this section, a vacancy is created on the commission when a term expires, a new congressional district is created, or a commission member resigns, dies, or is removed from office as provided in Section 57‑1‑330(C). If known in advance, the review committee may provide notice of a vacancy and begin screening prior to the actual date of the vacancy.~~

~~(B)~~ Whenever a commission member ~~must be elected to fill a vacancy~~ is appointed:

(1) The review committee must forward a notice of the ~~transportation commission district member vacancy~~ appointment to:

(a) a newspaper of general circulation within the congressional district from which a commission member ~~must be elected~~ is appointed with a request that it be published at least once a week for four consecutive weeks;

(b) any person who has informed the committee that he desires to be notified of the ~~vacancy~~ appointment; and

(c) to each member of the congressional district delegation.

The committee may provide such additional notice that it deems appropriate.

(2) The review committee may not ~~accept a notice of intention to seek the office from any candidate~~ conduct an investigation of an appointee until the review committee certifies to the Clerk of the Senate, ~~and~~ the Clerk of the House of Representatives, and the Governor that the proper notices, required by this section, have been requested to be published or provided as required in this subsection.

(3) The cost of the notification process required by this section must be absorbed and paid from the approved accounts of the Senate and the House of Representatives as contained in the annual appropriations act.

~~(C)~~ ~~Any person desiring to be a candidate for election to fill a vacancy on the commission must file a notice of intention with the review committee no later than five business days after the last date the published notice appeared in a newspaper of general circulation. Upon the expiration of the notice of intention filing period, the review committee must provide every member of the affected congressional district delegation with a complete list of the people who filed a notice.~~

~~(D)~~(B)(1) When the ~~notice of intention filing period closes~~ certifications are made pursuant to subsection (A)(2), the review committee shall begin to conduct an investigation of ~~candidates~~ an appointee, as it considers appropriate, and may utilize the services of any agency of state government to assist in the investigation. Upon request of the review committee for assistance, an agency shall cooperate fully.

(2)(a)(i) Upon completion of ~~the candidate~~ an appointee’s ~~investigations~~ investigation, the chairman of the review committee shall schedule a public hearing concerning the qualifications of the ~~candidates~~ appointee. Any person who desires to testify at the hearing, including the ~~candidates~~ appointee, must furnish a written statement of his proposed testimony to the chairman of the review committee. This statement shall be furnished no later than forty‑eight hours prior to the date and time set for the hearing. The review committee shall determine the persons who shall testify at the hearing. All testimony, including documents furnished to the review committee, shall be submitted under oath and persons knowingly furnishing false information either orally or in writing shall be subject to the penalties provided by law for perjury and false swearing.

(ii) During the course of the investigation, the review committee may schedule an executive session at which the ~~candidates~~ appointee, and other persons who the review committee wishes to interview, may be interviewed on matters pertinent to the ~~candidate’s~~ appointee’s qualification for the office to be filled.

(iii) The review committee shall render its tentative findings as to whether the ~~candidates are~~ appointee is qualified to serve on the commission as a district member and its reasons for making the findings within a reasonable time after the hearing. ~~If only one person applies to fill a vacancy or if the review committee concludes there are fewer candidates qualified for a vacancy than those who initially filed, it shall submit to the congressional district delegation for election only the names and qualifications of those who are considered to be qualified. The nominations of the review committee for any candidate for the election to the commission are binding on the congressional district delegation, and it shall not elect a person not nominated by the review committee. Nothing shall prevent the congressional district delegation from rejecting all persons nominated. In this event, the review committee shall submit another group of names and qualifications for that position. Further nominations in the manner required by this chapter must be made until the office is filled.~~

(b) As soon as possible after the completion of the hearing, a verbatim copy of the testimony, documents submitted at the hearing, and findings of fact, including whether the appointee is qualified, shall be delivered to the Clerk of the Senate and the Clerk of the House of Representatives to be transcribed and published in the journals of both houses or otherwise made available in a reasonable number of copies to the members of both houses and a copy must be furnished to ~~each candidate~~ the Governor and the appointee.

(c)~~(i)~~ ~~The review committee must transmit to the congressional district delegation the names of all qualified candidates.~~

~~(ii)~~ ~~No member of the congressional district delegation may pledge his vote to elect a candidate until the review committee has released its written report concerning the qualifications of the candidate to the members of the appropriate congressional district delegation. The release of the written report of qualifications shall occur no earlier than forty‑eight hours after the names of the qualified candidates have been initially released to members of the appropriate congressional district delegation.~~

~~(iii)~~ ~~No candidate may directly or indirectly seek the pledge of a vote from a member of the candidate’s congressional delegation or, directly or indirectly, contact a statewide constitutional officer, a member of the General Assembly, or the Joint Transportation Review Committee regarding screening for the commission until the review committee has released its written report as to the qualifications of all candidates in a particular congressional district. For purposes of this section, “indirectly seek the pledge” means the candidate, or someone acting on behalf of and at the request of the candidate, requests another person to contact a member of the General Assembly, a statewide constitutional officer, or a member of the review committee on behalf of the candidate before the review committee’s release of the written report of qualifications.~~

~~(iv)~~ ~~The prohibitions of this section do not extend to an announcement of candidacy by the candidate and statements by the candidate detailing the candidate’s qualifications.~~

~~(d)~~ ~~A candidate~~ An appointee may withdraw at any stage of the proceedings, and in this event no further inquiry, report on, or consideration of his ~~candidacy~~ appointment shall be made.

(3) All records, information, and other material that the review committee has obtained or used to make its findings of fact, except materials, records, and information presented under oath at the public hearing, shall be kept strictly confidential. After the review committee has reported its findings of fact, or after ~~a candidate~~ an appointee withdraws his name from consideration, all records, information, and material required to be kept confidential must be destroyed.

(4)(a) The review committee may, in the discharge of its duties, administer oaths and affirmations, take depositions, and issue subpoenas to compel the attendance of witnesses and the production of books, papers, correspondence, memoranda, and other records considered necessary in connection with the investigation of the review committee.

(b) ~~No~~ A person ~~shall~~ may not be excused from attending and testifying or from producing books, papers, correspondence, memoranda, or other records before the review committee on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture. However, ~~no~~ an individual ~~shall~~ may not be prosecuted or subjected to any criminal penalty based upon testimony or evidence submitted or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self‑incrimination, to testify or produce evidence, documentary or otherwise, except that the individual so testifying shall not be exempt from prosecution and punishment for perjury and false swearing committed during testimony.

(c) In case of contumacy by any person or refusal to obey a subpoena issued to any person, any circuit court of this State or circuit judge thereof within the jurisdiction of which the person guilty of contumacy or refusal to obey is found, resides, or transacts business, upon application by the review committee, may issue to the person an order requiring him to appear before the review committee to produce evidence, if so ordered, or to give testimony concerning the matter under investigation. Any failure to obey an order of the court may be punished as contempt. Subpoenas shall be issued in the name of the review committee and shall be signed by the review committee chairman. Subpoenas shall be issued to those persons as the review committee may designate.

(5) The privilege of the floor in either house of the General Assembly may not be granted to ~~a candidate~~ an appointee, or any immediate family member of ~~a candidate~~ an appointee unless the family member is serving in the General Assembly, during the time the ~~candidate’s~~ appointee’s application is pending before the review committee and during the time the ~~candidate’s~~ appointee’s election is pending.”

SECTION 7. Article 1, Chapter 1, Title 57 of the 1976 Code is amended by adding:

“Section 57‑1‑95. (A) Notwithstanding any other provision of law, no new road construction projects may commence in this State until July 1, 2020. This section must not be construed to prohibit the expansion of roads that existed on June 30, 2015. This section applies to the department and any other entity authorized to construct roads in this State.

(B) This section does not apply to:

(1) any project for which preliminary engineering and design work has been initiated before January 1, 2016;

(2) large interstate projects for which matching funds are available;

(3) any project contained in a metropolitan planning organization’s transportation improvement plan before January 1, 2016; and

(4) a new facility designed to be a toll road.”

SECTION 8. Sections 3, 4, 5, and 6 as contained in this Part, take effect July 1, 2015, except that the members of the Commission of the Department of Transportation serving on June 30, 2015, shall continue to serve until their current term expires, and until their successor is appointed and found qualified. If a vacancy occurs in the seat of a member serving on June 30, 2015, before the member’s term otherwise expires, the vacancy must be filled in the same manner as the current member was elected or appointed, and the member filling the vacancy shall serve until the term expires. The members serving on June 30, 2015, may be reappointed pursuant to Section 57‑1‑310, as amended by this act.

SECTION 9. A. Section 11‑43‑140 of the 1976 Code is amended to read:

“Section 11‑43‑140. The board of directors is the governing board of the bank. The board consists of ~~seven~~ thirteen voting directors as follows: ~~the Chairman of the Department of Transportation Commission, ex officio; one director appointed by the Governor who shall serve as chairman; one director appointed by the Governor~~ the seven members of the Commission of the Department of Transportation who represent a transportation district, ex officio; ~~one director~~ two directors appointed by the Speaker of the House of Representatives, at least one of whom resides in or represents all or some portion of the counties designated as distressed or least developed pursuant to Section 12‑6‑3360 for 2009 or a county designated as such at the time of appointment; one member of the House of Representatives appointed by the Speaker, ex officio; ~~one director~~ two directors appointed by the President Pro Tempore of the Senate, at least one of whom resides in or represents all or some portion of the counties designated as distressed or least developed pursuant to Section 12‑6‑3360 for 2009 or a county designated as such at the time of appointment; and one member of the Senate appointed by the President Pro Tempore of the Senate, ex officio. All directors serve at the pleasure of the appointing authority. Directors appointed by ~~the Governor,~~ the Speaker~~,~~ and the President Pro Tempore shall serve terms coterminous with those of their appointing authority. The terms for the legislative members are coterminous with their terms of office. The Governor shall designate which member of the Commission of the Department of Transportation shall serve as chairman. The vice chairman must be elected by the board. A director may not serve more than twelve years, regardless of when the term was served. Any person appointed to fill a vacancy must be appointed in the same manner as the original appointee for the remainder of the unexpired term.”

B. This SECTION takes effect January 1, 2016, at which time the board of directors of the South Carolina Transportation Infrastructure Bank must be made up of members appointed pursuant to Section 11‑43‑140, as amended by this act. The members of the board of directors of the South Carolina Transportation Infrastructure Bank as of December 31, 2015, only may continue to serve on the board if they were legislatively appointed, and the legislative appointing authority, in writing, expresses the desire for the member to continue serving, and otherwise qualify. To ensure an efficient transition to the reconstituted board of trustees of the South Carolina Transportation Infrastructure Bank on January 1, 2016, upon the effective date of this act, the appointing authorities may begin making appointments to the board of trustees of the South Carolina Transportation Infrastructure Bank for membership that takes effect January 1, 2016.

SECTION 10. A. Section 11‑43‑180 of the 1976 Code is amended by adding an appropriately lettered subsection to read:

“( ) The bank may not provide any loans or other financial assistance, including bond proceeds, to any project unless the eligible costs of the project are at least twenty‑five million dollars.”

B. This SECTION takes effect upon approval by the Governor and only applies to projects selected by the bank thereafter.

SECTION 11. A. Article 1, Chapter 43, Title 11 of the 1976 Code is amended by adding:

“Section 11‑43‑265. (A) Notwithstanding any other provision of law and subject to the provisions of subsection (B), the bank must prioritize all projects in accordance with the prioritization criteria provided in Section 57‑1‑370(B)(8).

(B) The General Assembly may enact a joint resolution allowing the bank to fund a project without using the prioritization criteria provided in subsection (A). The joint resolution must be specific as to the project and the amount authorized to be funded.”

B. This SECTION takes effect upon approval by the Governor and only applies to projects selected by the bank thereafter.

Part 4

Transfer of Roads to Counties

SECTION 12. A. Article 1, Chapter 1, Title 57 of the 1976 Code is amended by adding:

“Section 57‑1‑100. (A) This section is intended to set forth the process by which the Department of Transportation transfers certain state roads, or portions thereof, to the political subdivisions of this State.

(B) The department shall determine which state roads to transfer to political subdivision control by selecting roads that are most appropriately considered local or rural routes. The department may not select more than a total of nineteen thousand centerline miles of road to transfer. By July 1, 2015, the department shall notify the governing body of each county of the roads selected for transfer within the county. Also, the department shall notify each municipality of the roads selected for transfer within its municipal limits. The department shall transfer the roads selected pursuant to the process set forth in subsection (C).

(C) Subject to subsections (E) and (F), on January 1, 2016, of the roads selected pursuant to subsection (B), the department shall transfer at least one‑third of the selected centerlines miles within each county to the political subdivisions of that respective county. However, if the governing body of the county notifies the department by November 1, 2015, the governing body of the county may designate the specific local routes to be transferred. Also, the governing body of a municipality may designate the specific local routes within its municipal limit to be transferred by notifying the department by November 1, 2015. If the governing body of the county or a municipality does not notify the department or does not designate at least one‑third of the centerline miles, then the department shall determine which local routes to transfer. However, the department may not transfer to a political subdivision more than one‑third of the selected centerline miles within the political subdivision, unless the respective governing body of the political subdivision agrees to the transfer of the excess.

(D) On January 1, 2018, and on January 1, 2020, the department shall transfer the remaining local routes in the same manner as set forth in subsection (C), mutatis mutandis.

(E)(1) The governing body of the county may elect not to accept the transfer of any state roads on January 1, 2016, by notifying the department of its refusal by November 1, 2015. The provisions of this section do not apply to any county that refuses to participate pursuant to this subsection.

(2) A county’s refusal pursuant to item (1) is considered permanent; however, if the governing body of the county wishes to participate in the subsequent transfers set forth in subsection (D), then the governing body of the county shall notify the department by the September first immediately preceding the transfer. Upon notifying the department, the governing body of the county may designate the specific local routes to be transferred in the same manner as set forth in subsection (C).

(F)(1) The governing body of a municipality may elect not to accept the transfer of any state roads by notifying the department of its refusal by November 1, 2015. The provisions of this section do not apply to any municipality that refuses to participate pursuant to this subsection. If a municipality elects not to participate, but the county in which the municipality is located does participate, then the county shall accept the roads inside municipal limits. If a municipality elects to participate, and the county in which the municipality is located also participates, then the municipality shall take control of the selected roads within its municipal limits.

(2) A municipality’s refusal pursuant to item (1) is considered permanent; however, if the governing body of a municipality wishes to participate in the subsequent transfers set forth in subsection (D), then the municipality shall notify the department by the September first immediately preceding the transfer. Upon notifying the department, the governing body of the municipality may designate the specific local routes to be transferred in the same manner as set forth in subsection (C).

(G)(1) Notwithstanding Section 12‑28‑2740, beginning July 1, 2016, for counties participating in the road transfer pursuant to this section, the proceeds from an additional one and thirty‑four hundredths cents a gallon of the user fee on gasoline only as levied and provided for in this chapter must be deposited with the State Treasurer in a separate ‘C’ funds account and expended for purposes set in Section 12‑28‑2740. Beginning July 1, 2018, the proceeds credited to the State Treasurer for the purposes of this subsection must be increased to two and thirty‑four hundredths cents a gallon. Also, the amount must be increased again beginning July 1, 2020, to three and thirty‑four hundredths cents a gallon.

(2)(a) First, the monies in the separate fund must be distributed to each participating county based on the time the county began participating. For counties that participated in the 2016 transfer, each county shall receive one million dollars of distributions. For counties that began participating in the 2018 transfer, each county shall receive five hundred thousand dollars of distributions. For counties that began participating in the 2020 transfer, each county shall receive two hundred fifty thousand dollars of distributions. The monies distributed pursuant to this subitem must be distributed pro rata based on the amount of distributions the county receives pursuant to this subitem.

(b) The remaining monies in the separate account must be apportioned among all the counties of the State in the same manner as provided in Section 12‑28‑2740(A), except that any money apportioned to a county that is not participating instead must be credited to the State Highway Fund.

(H) Notwithstanding Section 12‑28‑2740, for counties participating in the 2016 road transfer pursuant to this section, to account for the additional monies pursuant to subsection (G), beginning July 1, 2016, for any new ‘C’ fund allocations received on or after this date, the balance of uncommitted funds carried forward from one year into the next may not exceed three hundred percent of the county’s total apportionment for the most recent year. Also, to account for the graduated increased monies pursuant to subsection (G) that begin on July 1, 2018, and July 1, 2020, the July 1, 2016, date in this subsection is deemed to be July 1, 2018 beginning on July 1, 2018, and July 1, 2020, beginning on July 1, 2020.

(I) The department may promulgate regulations necessary to implement the provisions of this section, including emergency regulations for the transfer occurring on January 1, 2016.

(J) As used in this section:

(1) ‘Centerline miles’ means the length of the road, as measured by miles, so that the total length of the road is the same regardless of the numbers of lanes.

(2) ‘Political subdivision’ means counties and municipalities.

(3) ‘Road’ has the same meaning as provided in Section 57‑3‑120.”

B. This SECTION takes effect July 1, 2015, except that the amendment to Section 57‑1‑100(G), as contained in this SECTION, does not take effect until July 1, 2016.

SECTION 13. A. Section 12‑28‑2740(B), (C), and (O) of the 1976 Code is amended to read:

“(B) The funds expended must be approved by and used in furtherance of a countywide transportation plan adopted by a county transportation committee. The county transportation committee must be appointed by the county legislative delegation and must be made up of ~~fair~~ representation from municipalities within the county and unincorporated areas of the county. The municipal representation must include at least a mayor, a municipal council member, and a municipal employee, all representing different municipalities. Any mayor or municipal council member shall serve ex officio. County transportation committees may join in approving a regional transportation plan, and the funds must be used in furtherance of the regional transportation plan. This subsection does not prohibit the county legislative delegation from making project recommendations to the county transportation committee. A county transportation committee may expend from the funds allocated under this section an amount not to exceed two thousand dollars for reasonable administrative expenses directly related to the activities of the committee. Administrative expenses may include costs associated with copying, mailings, public notices, correspondence, and recordkeeping but do not include the payment of per diem or salaries for members of the committee.

(C) ~~At least~~ ‘C’ funds only may be used within the public right of way for paving, resurfacing, bridge construction or replacement, street and traffic signs, traffic signals, street lighting, and other road and bridge infrastructure projects. ‘C’ funds also may be used for labor, mowing, ditching, and other general maintenance. A maximum of twenty‑five percent of a county’s apportionment of ‘C’ funds, based on a biennial averaging of expenditures, ~~must~~ may be expended on the state highway system for construction, improvements, and maintenance. The Department of Transportation shall administer all funds expended on the state highway system unless the department has given explicit authority to a county or municipal government or other agent acting on behalf of the county transportation committee to design, engineer, construct, and inspect projects using their own personnel. ~~The county transportation committee, at its discretion, may expend up to seventy‑five percent of ‘C’ construction funds for activities including other local paving or improving county roads, for street and traffic signs, and for other road and bridge projects.~~

(O) Notwithstanding other provisions of this section, the legislative delegation of a county may by delegation resolution abolish the county transportation committee and devolve its powers and duties on the governing body of the county. Upon the abolition, the governing body of the county must appoint a ‘C’ funds advisory committee that must include representation from municipalities within the county and unincorporated areas of the county. The municipal representation must include at least a mayor, a municipal council member, and a municipal employee, all representing different municipalities. The advisory committee shall make recommendations to the governing body of the county regarding the expenditure of the county’s ‘C’ funds. This devolution may be reversed and the county transportation committee reestablished by a subsequent delegation resolution. The exercise of county transportation committee powers and duties by a county governing body is not deemed to constitute dual office holding.”

B. Effective July 1, 2015, all existing county transportation committees are abolished and the authority of each county transportation committee is devolved upon the legislative delegation of each county. Upon the authority being devolved, the legislative delegation of each county shall appoint a new county transportation committee pursuant to Section 12‑28‑2740(B), devolve the duties of the county transportation committee upon the local governing body of the county pursuant to Section 12‑28‑2740(O), or request the Department of Transportation to administer the county’s ‘C’ funds. Nothing in this subsection prohibits a county legislative delegation from appointing a member to the county transportation committee that previously served on the committee.

SECTION 14. Sections 56‑5‑4210 and 56‑5‑4220 of the 1976 Code are amended to read:

“Section 56‑5‑4210. (A) Anything in this article to the contrary notwithstanding, the Department of Transportation with respect to state highways and local authorities with respect to highways under their jurisdiction may prescribe, by notice as herein provided, loads and weights and speed limits lower than the limits prescribed in this chapter and other laws, whenever in their judgment any road or part thereof or any bridge or culvert shall by reason of its design, deterioration, rain or other climatic or natural causes be liable to be damaged or destroyed by motor vehicles, trailers or semitrailers, if the gross weight or speed limit thereof shall exceed the limits prescribed in such notice. And the Department of Transportation or such local authority may, by like notice, regulate or prohibit, in whole or in part, the operation of any specified class or size of motor vehicle, trailer or semitrailer on any highways or specified parts thereof under its jurisdiction, whenever in its judgment, such regulation or prohibition is necessary to provide for the public safety and convenience on such highways or parts thereof by reason of traffic density, intensive use thereof by the traveling public or other reasons of public safety and convenience. The notice or the substance thereof shall be posted at conspicuous places at terminals of and all intermediate cross‑roads and road junctions with the section of highway to which such notice shall apply. After any such notice shall have been posted, the operation of any motor vehicle or combination contrary to its provisions shall constitute a violation of this chapter.

(B) The imposition of any restrictions pursuant to subsection (A) must be first approved by the Department of Transportation on any highways transferred to local authorities after 2015.

Section 56‑5‑4220. No limitation shall be established by any county, municipal or other local authority pursuant to the provisions of Section 56‑5‑4210 that would interfere with or interrupt traffic as authorized hereunder over ~~state~~ public highways, including officially established detours for such highways and cases where such traffic passes over roads, streets or thoroughfares within the sole jurisdiction of such county, municipal or other local authority, unless such limitations and further restrictions shall have first been approved by the Department of Transportation, except that with respect to county roads, other than such as are in use as state highway detours, the respective county road authorities shall have full power and authority to further limit the weights of vehicles upon bridges and culverts that have failed to meet National Bridge Inspection Standards as administered by the Department of Transportation upon such public notice as they deem sufficient, and existing laws applicable thereto shall not be affected by the terms of this article.”

Part 5

Funding for Roads

SECTION 15. Section 12‑28‑310(A) of the 1976 Code is amended to read:

“(A) Subject to the exemptions provided in this chapter, a user fee of ~~sixteen~~ ten cents a gallon is imposed on:

(1) all gasoline, gasohol, or blended fuels containing gasoline that are used or consumed for any purpose in this State; and

(2) all diesel fuel, substitute fuels, or alternative fuels, or blended fuels containing diesel fuel that are used or consumed in this State in producing or generating power for propelling motor vehicles.”

SECTION 16. Section 56‑11‑410 of the 1976 Code is amended to read:

“Section 56‑11‑410. A road tax for the privilege of using the streets and highways in this State is imposed upon every motor carrier. The tax is equivalent to ~~sixteen~~ ten cents a gallon, calculated on the amount of gasoline or other motor fuel used by the motor carrier in its operations within this State. Except as credit for certain taxes as provided for in this chapter, taxes imposed on motor carriers by this chapter are in addition to taxes imposed upon the carriers by any other provision of law.”

SECTION 17. Section 56‑11‑450(A) of the 1976 Code is amended to read:

“(A) Every motor carrier subject to the tax imposed under this chapter is entitled to a credit on the tax equivalent to ~~sixteen~~ ten cents per gallon on all gasoline or other motor fuel purchased by the carrier within this State for use in operations either within or without this State and upon which gasoline or other motor fuel the tax imposed by the laws of this State has been paid by the carrier. Evidence of the payment of the tax in such form as may be required by or is satisfactory to the Department of Motor Vehicles must be furnished by each carrier claiming the credit.”

SECTION 18. Section 12‑36‑2110 of the 1976 Code is amended by adding a new subsection at the end to read:

“(F) Notwithstanding the provisions of subsection (A), after June 30, 2015, the maximum tax imposed pursuant to this chapter on the sale, lease, or registration of a motor vehicle is increased from three hundred dollars to five hundred dollars, mutatis mutandis.”

SECTION 19. A. Section 12‑36‑2647 of the 1976 Code, as added by Act 98 of 2013, is amended to read:

“Section 12‑36‑2647. (A) Notwithstanding the provisions of Section 59‑21‑1010, ~~fifty percent of~~ the revenues of sales, use, and casual excise taxes derived pursuant to Sections 12‑36‑2620(1) and 12‑36‑2640(1) on the sale, use, or titling of a motor vehicle required to be licensed and registered by the South Carolina Department of Motor Vehicles, otherwise required to be credited as provided pursuant to Section 59‑21‑1010, ~~instead~~ must be credited to the ~~State Non‑Federal Aid Highway Fund established pursuant to Section 57‑11‑20~~ State Highway Fund and the general fund equally; however, each fiscal year, once the general fund receives fifty million dollars in these revenues, the State Highway Fund shall receive the entirety of the remainder. Revenues credited to the ~~State Non‑Federal Aid Highway Fund~~ State Highway Fund pursuant to this section must be used exclusively for highway, road, and bridge maintenance, construction, and repair.

(B) Notwithstanding the provisions of Section 59‑21‑1010, any increase in revenue attributable to Section 12‑36‑2110(F) from the sales, use, and casual excise taxes derived pursuant to Sections 12‑36‑2620(2) and 12‑36‑2640(2) on the sale, use, or titling of a motor vehicle required to be licensed and registered by the South Carolina Department of Motor Vehicles, otherwise required to be credited as provided pursuant to Section 59‑21‑1010, instead must be credited the State Highway Fund. Revenues credited to the State Highway Fund pursuant to this section must be used exclusively for highway, road, and bridge maintenance, construction, and repair.

(C) Notwithstanding the provisions of this section, in Fiscal Year 2015‑2016, the amount transferred to the State Highway Fund pursuant to this section may not exceed the amount transferred to the State Non Federal Aid Highway Fund pursuant to this section in Fiscal Year 2014‑2015 by more than fifty million dollars.”

B. Article 1, Chapter 43, Title 11 of the 1976 Code is amended by adding:

“Section 11‑43‑167. (A) In addition to all other entitlements, each fiscal year, the State Treasurer shall transfer fifty million dollars from nontax sources in the state general fund to the South Carolina Transportation Infrastructure Bank. The treasurer may transfer the total amount in one lump sum or the treasurer may transfer the amount quarterly in four equal installments. The transfer is exempt from any across‑the‑board reductions. The transferred funds must be used solely by the bank to finance bridge replacement, resurfacing and rehabilitation projects, and expansion and improvements to existing mainline interstates.

(B) The Department of Transportation shall submit a list of bridge and road projects to the bank for its consideration. Transferred funds may not be used for projects approved by the bank before July 1, 2015.

(C) The General Assembly may designate the source of nontax revenue from which the transfer must be made.”

SECTION 20. Chapter 28, Title 12 of the 1976 Code is amended by adding:

“Article 4

Excise Tax

Section 12‑28‑410. (A) There is imposed an excise tax on motor fuels subject to the user fee imposed pursuant to this chapter. The excise tax must be levied against the wholesale price of the motor fuels, as determined pursuant to subsection (B).The excise tax rate is equal to the cumulative sales tax rate imposed by the State.

(B)(1) The wholesale price determined by the department is effective for the entire calendar year. The department must determine the wholesale price for the upcoming calendar year based on the wholesale price of the motor fuels in the twelve month period from the September thirtieth immediately preceding the upcoming fiscal year and the September thirtieth of the preceding calendar year.

(2) To determine the wholesale price of the motor fuels for the upcoming calendar year, the department must use information on refiner and gas plant operator sales prices of finished motor gasoline and diesel fuel for resale, published by the Oil Price Information Service, or equivalent data. The department must use a weighted average of the results for each motor fuel based on the proportion of excise tax collected on each pursuant to subsection (A) to the base period. The department must then convert the weighted average price to a cents‑per‑gallon price for all motor fuel and round the price to the nearest one‑tenth of a cent. If the converted cents‑per‑gallon price is exactly between two‑tenths of a cent, the department must round the price up to the higher of the two. Then, the department must round the cents‑per‑gallon price to the nearest whole cent.

(3) Notwithstanding item (2), for purposes of this article, from one calendar year to the next, the wholesale price of the motor fuels may not change by more than an amount that would cause the excise tax, when applied, to yield a two-cent per gallon change.

(4) Notwithstanding any other provision of this section, the excise tax, when applied to the wholesale price of motor fuels for the applicable calendar year, must never exceed the equivalent of sixteen cents a gallon.

Section 12‑28‑420. All revenue collected pursuant to this article must be credited to the State Highway Fund.

Section 12‑28‑430. Except where specified otherwise, the excise tax imposed pursuant to this article shall be imposed, collected, and administered in the same manner as the user fee imposed pursuant to Section 12‑28‑310 including, but not limited to, that products exempt from the user fee pursuant to Section 12‑28‑710 are also exempt from the excise tax.

Section 12‑28‑440. The department may promulgate regulations necessary to implement the provisions of this article.”

SECTION 21. Chapter 11, Title 57 of the 1976 Code is amended by adding:

“Article 9

Excise Tax

Section 57‑11‑910. There is an excise tax for the privilege of using the streets and highways in this State imposed upon every motor carrier. The excise tax must be levied against the wholesale price of the motor fuels, as determined in the same manner as the excise tax imposed pursuant to Article 4, Chapter 28, Title 12. The excise tax rate is equal to the cumulative sales tax rate imposed by the State. The excise tax must be calculated on the amount of gasoline or other motor fuel used by the motor carrier in its operations within this State.

Section 57‑11‑920. All revenue collected pursuant to this article must be credited to the State Highway Fund.

Section 57‑11‑930. Except where specified otherwise, the excise imposed pursuant to this article shall be imposed, collected, and administered in the same manner as the road tax imposed pursuant to Section 56‑11‑410, including the credit provisions of Section 56‑11‑450, mutatis mutandis.

Section 57‑11‑940. The department may promulgate regulations necessary to implement the provisions of this article.”

SECTION 22. Section 12‑6‑510 of the 1976 Code is amended to read:

“Section 12‑6‑510. (A) For taxable years beginning after 1994, a tax is imposed on the South Carolina taxable income of individuals, estates, and trusts and any other entity except those taxed or exempted from taxation under Sections 12‑6‑530 through 12‑6‑550 computed at the following rates with the income brackets indexed in accordance with Section 12‑6‑520:

Not over $2,220 2.5 percent of taxable income

Over $2,220 but not over $4,440 $56 plus 3 percent of the excess over $2,220~~;~~

Over $4,440 but not over $6,660 $123 plus 4 percent of the excess over $4,440~~;~~

Over $6,660 but not over $8,880 $212 plus 5 percent of the excess of $6,660~~;~~

Over $8,880 but not over $11,100 $323 plus 6 percent of the excess over $8,880~~;~~

Over $11,100 $456 plus 7 percent of the excess over $11,100~~.~~

(B) For taxable year 2016, a tax is imposed on the South Carolina taxable income of individuals, estates, and trusts and any other entity except those taxed or exempted from taxation under Sections 12‑6‑530 through 12‑6‑550 computed at the following rates with the income brackets indexed in accordance with Section 12‑6‑520:

BUT NOT

OVER OVER ‑‑0‑‑

$ 0 $ 3,080 0% Times the amount

3,080 6,160 3% Times the amount less $ 92

6,160 9,240 4% Times the amount less $154

9,240 12,320 5% Times the amount less $246

12,320 15,400 6% Times the amount less $370

15,400 7% Times the amount less $524

(C) For taxable years beginning after 2016, a tax is imposed on the South Carolina taxable income of individuals, estates, and trusts and any other entity except those taxed or exempted from taxation under Sections 12‑6‑530 through 12‑6‑550 computed at the following rates with the income brackets indexed in accordance with Section 12‑6‑520:

BUT NOT

OVER OVER ‑‑0‑‑

$ 0 $ 3,270 0% Times the amount

3,270 6,540 3% Times the amount less $ 98

6,540 9,810 4% Times the amount less $164

9,810 13,080 5% Times the amount less $262

13,080 16,350 6% Times the amount less $392

16,350 7% Times the amount less $556

(D) The department may prescribe tax tables consistent with the rates set pursuant to subsection (A).”

SECTION 23. Section 12‑6‑520 of the 1976 Code is amended to read:

“Section 12‑6‑520. (A) Each December ~~15~~ fifteenth, the department shall cumulatively adjust the brackets in Section 12‑6‑510 in the same manner that brackets are adjusted in Internal Revenue Code Section (1)(f). However, the adjustment is limited to one‑half of the adjustment determined by Internal Revenue Code Section (1)(f), may not exceed four percent a year, and the rounding amount provided in (1)(f)(6) is ten dollars. The brackets, as adjusted, apply in lieu of those provided in Section 12‑6‑510 for taxable years beginning in the succeeding calendar year. Inflation adjustments must be made cumulatively to the income tax brackets.

(B) Notwithstanding subsection (A), for income tax years 2016 and 2017, the department shall not adjust the brackets.”

Part 6

Miscellaneous Provisions and

Effective Date

SECTION 24. The General Assembly finds that all the provisions contained in this act relate to one subject as required by Section 17, Article III of the South Carolina Constitution in that each provision relates directly to or in conjunction with other sections to the subject of infrastructure financing and oversight.

The General Assembly further finds that a common purpose or relationship exists among the sections, representing a potential plurality but not disunity of topics, notwithstanding that reasonable minds might differ in identifying more than one topic contained in the act.

SECTION 25. The repeal or amendment by this act of any law, whether temporary or permanent or civil or criminal, does not affect pending actions, rights, duties, or liabilities founded thereon, or alter, discharge, release or extinguish any penalty, forfeiture, or liability incurred under the repealed or amended law, unless the repealed or amended provision shall so expressly provide. After the effective date of this act, all laws repealed or amended by this act must be taken and treated as remaining in full force and effect for the purpose of sustaining any pending or vested right, civil action, special proceeding, criminal prosecution, or appeal existing as of the effective date of this act, and for the enforcement of rights, duties, penalties, forfeitures, and liabilities as they stood under the repealed or amended laws.

SECTION 26. If any part, subpart, section, subsection, paragraph, subparagraph, sentence, clause, phrase, or word of this act is for any reason held to be unconstitutional or invalid, such holding shall not affect the constitutionality or validity of the remaining portions of this act, the General Assembly hereby declaring that it would have passed this act, and each and every part, subpart, section, subsection, paragraph, subparagraph, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more other parts, subparts, sections, subsections, paragraphs, subparagraphs, sentences, clauses, phrases, or words hereof may be declared to be unconstitutional, invalid, or otherwise ineffective.

SECTION 27. Article 2, Chapter 3, Title 57 of the 1976 Code is amended by adding:

“Section 57‑3‑275. By September 1, 2015, and each September first thereafter, the Department of Transportation shall transfer from the State Highway Fund twenty‑five million dollars to the County Transportation Fund. The State Treasurer shall disburse the funds equally to the entity administering each county’s C‑funds pursuant to Section 12‑28‑2740. This distribution must be expended solely on state‑owned roads within the county, but this distribution shall not be counted as a distribution for any other purpose.”

SECTION 28. Except where otherwise provided, this act takes effect July 1, 2015.

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