



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 3937 Introduced on March 7, 2017  
**Author:** Allison  
**Subject:** Dealer License and Demonstration Plates  
**Requestor:** House Education and Public Works  
**RFA Analyst(s):** Wren  
**Impact Date:** March 23, 2017 - Updated for Revised Analysis and Fiscal Impact

**Estimate of Fiscal Impact**

	<b>FY 2017-18</b>	<b>FY 2018-19</b>
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	Undetermined	\$0
Other and Federal	Undetermined	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	(\$557,000)	\$0

**Fiscal Impact Summary**

The bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds for issuance of the additional dealer license plates. The bill will increase Other Funds revenue of the Department of Motor Vehicles by \$2,000 and \$18,000 to the State Highway Fund of the State Transportation Infrastructure Bank from the fees collected on the additional dealer license plates. We anticipate that the additional number of dealer license plates may negatively impact the number of vehicles rented and thereby reduce sales tax revenue. However, the amount of reduced sales tax revenue is undetermined due to a lack of data. The bill will reduce property tax revenue of local governments by \$557,000. This fiscal impact statement has been updated to reflect a revised analysis on the number of dealer license plates that may be claimed as a result of this bill and to revise the impact on state and local revenue.

**Explanation of Fiscal Impact**

**Introduced on March 7, 2017**

**Updated for Revised Analysis and Fiscal Impact**

**State Expenditure**

This bill requires the Department of Motor Vehicles (DMV) to issue an additional dealer license plate to motor vehicle dealers for each fifteen vehicles sold beyond the initial twenty. Currently, two dealer plates are issued for the first twenty vehicles sold during the preceding year, and an additional plate may be issued for each fifteen vehicles sold beyond the initial twenty. This bill increases the additional dealer plates to two for each fifteen vehicles sold beyond the initial twenty.

**Department of Motor Vehicles.** The agency indicates that the issuance of additional dealer license plates can be managed within existing appropriations. Therefore, this bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

### **State Revenue**

This bill allows motor vehicle dealers to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. The vehicle displaying the dealer license plate must be provided at no charge to the individual and only for the duration of the service or repair. The bill also increases the number of license plates that DMV may issue to a dealer. In addition to the two plates issued for the first twenty vehicles sold during the preceding year, an additional two plates, instead of one, may be issued for each fifteen vehicles sold beyond the initial twenty.

Based upon data provided by DMV, there are currently 20,580 issued dealer license plates and 2,938 active motor vehicle dealers. Pursuant to Section 56-3-2320, the fee for a dealer license plate is \$20. Of the \$20 fee, \$2 is credited to DMV to be used for the production and issuance of new license plates, and the remaining \$18 is credited to the State Highway Fund of the State Transportation Infrastructure Bank. We estimate that this bill will allow automobile dealers to claim an additional 980 dealer plates. Therefore, this bill will generate an additional \$2,000 in Other Funds revenue for DMV and an additional \$18,000 for the State Highway Fund of the State Transportation Infrastructure Bank. This section has been updated to reflect a revised analysis on the number of dealer plates that may be claimed as a result of this bill and a revised analysis on Other Funds revenue for DMV and the State Transportation Infrastructure Bank.

The increased number of dealer license plates would allow dealers to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. This would reduce the demand for rental cars by the individuals whose vehicles are being serviced. This shift in who provides an alternative vehicle to the individual whose vehicle is being serviced reduces sales tax revenue that is generated from rental vehicles. The sales tax on rental vehicles is 6 percent. Of the 6 percent, 4 percent is allocated to the General Fund, 1 percent to EIA, and 1 percent to Homestead Exemption. Data are not available to determine the reduction in sales tax revenue as a result of fewer vehicle rentals. Therefore, the reduction in revenue to the General Fund, EIA, and Homestead Exemption is undetermined.

### **Local Expenditure**

N/A

### **Local Revenue**

The increased number of dealer license plates would allow dealers to register fewer vehicles in the dealerships name and still allow them to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. Since motor vehicle dealers are not required to pay property taxes on vehicles displaying dealer plates, this bill would cause a decline in property tax revenue for county governments.

Based upon data provided by DMV, we estimate this bill will allow automobile dealers to claim an additional 980 dealer license plates. Based upon data from NADA, the average new vehicle retail price is \$33,456, and the average used vehicle retail price is \$19,400. Additionally, NADA

data on the number of average vehicle sales indicates that 58 percent, or 568 of the 980 dealer plates represent new car dealerships, and 42 percent, or 412 of dealer plates represent used car dealerships. At an assessment ratio of 6 percent and a statewide average millage rate of 343.5, this bill would reduce property tax revenue on new cars by \$392,000 and by \$165,000 on used cars, for a total of \$557,000. This section has been updated to reflect a revised analysis on the number of dealer plates that may be claimed as a result of this bill and a revised analysis on the impact to local revenue.

### **Introduced on March 7, 2017**

#### **State Expenditure**

This bill requires the Department of Motor Vehicles (DMV) to issue an additional dealer license plate to motor vehicle dealers for each fifteen vehicles sold beyond the initial twenty. Currently, two dealer plates are issued for the first twenty vehicles sold during the preceding year, and an additional plate may be issued for each fifteen vehicles sold beyond the initial twenty. This bill increases the additional dealer plates to two for each fifteen vehicles sold beyond the initial twenty.

**Department of Motor Vehicles.** The agency indicates that the issuance of additional dealer license plates can be managed within existing appropriations. Therefore, this bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

#### **State Revenue**

This bill allows motor vehicle dealers to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. The vehicle displaying the dealer license plate must be provided at no charge to the individual and only for the duration of the service or repair. The bill also increases the number of license plates that DMV may issue to a dealer. In addition to the two plates issued for the first twenty vehicles sold during the preceding year, an additional two plates, instead of one, may be issued for each fifteen vehicles sold beyond the initial twenty.

Based upon data provided by DMV, there are currently 20,580 issued dealer license plates and 2,938 active motor vehicle dealers. Pursuant to Section 56-3-2320, the fee for a dealer license plate is \$20. Of the \$20 fee, \$2 is credited to DMV to be used for the production and issuance of new license plates, and the remaining \$18 is credited to the State Highway Fund of the State Transportation Infrastructure Bank. We estimate that this bill will allow automobile dealers to claim an additional 14,704 dealer plates. Therefore, this bill will generate an additional \$29,000 in Other Funds revenue for DMV and an additional \$265,000 for the State Highway Fund of the State Transportation Infrastructure Bank.

The increased number of dealer license plates would allow dealers to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. This would reduce the demand for rental cars by the individuals whose vehicles are being serviced. This shift in who provides an alternative vehicle to the individual whose vehicle is being serviced reduces sales tax revenue that is generated from rental vehicles. The sales tax on rental vehicles is 6 percent. Of the 6 percent, 4 percent is allocated to the General Fund, 1 percent to EIA, and 1 percent to Homestead Exemption. Data are not available to determine the

reduction in sales tax revenue as a result of fewer vehicle rentals. Therefore, the reduction in revenue to the General Fund, EIA, and Homestead Exemption is undetermined.

**Local Expenditure**

N/A

**Local Revenue**

The increased number of dealer license plates would allow dealers to register fewer vehicles in the dealerships name and still allow them to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. Since motor vehicle dealers are not required to pay property taxes on vehicles displaying dealer plates, this bill would cause a decline in property tax revenue for county governments.

Based upon data provided by DMV, we estimate this bill will allow automobile dealers to claim an additional 14,704 dealer license plates. Based upon data from NADA, the average new vehicle retail price is \$33,456, and the average used vehicle retail price is \$19,400. Additionally, NADA data on the number of average vehicle sales indicates that 58 percent, or 8,528 of the 14,704 dealer plates represent new car dealerships, and 42 percent, or 6,176 of dealer plates represent used car dealerships. At an assessment ratio of 6 percent and a statewide average millage rate of 343.5, this bill would reduce property tax revenue on new cars by \$5,880,000 and by \$2,469,000 on used cars, for a total of \$8,349,000.



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Frank A. Rainwater, Executive Director