



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	S. 1114	Introduced on February 28, 2024
Author:	Bennett	
Subject:	Taxation on Boats	
Requestor:	Senate Finance	
RFA Analyst(s):	Miller and Daigle	
Impact Date:	March 21, 2024	

Fiscal Impact Summary

This bill removes the requirement to title an outboard boat motor. This bill also allows an auditor to combine a boat and outboard motor on a tax notice and specifies that a watercraft must be taxed in the county in which it is principally located, regardless of the owner's county of residence.

This bill will have no expenditure savings impact for the Department of Natural Resources (DNR) as the agency anticipates that the any savings of supplies and staff time due to the removal of the titling requirement for outboard motors will be minimal, and any savings will be reallocated to other tasks.

Additionally, DNR anticipates this bill will result in a reduction of Other Funds revenue totaling approximately \$475,000 beginning in FY 2024-25 due to the loss of fees collected for outboard motor titling. DNR anticipates the need to request a General Fund appropriation of approximately \$475,000 beginning in FY 2024-25 to offset this loss of Other Funds revenue.

This bill will likely reduce General Fund and Education Improvement Act (EIA) Fund sales tax revenue due to a decrease in the amount of casual excise tax collected by DNR for issuing outboard motor titles. Based on information provided by DNR, RFA estimates that in FY 2024-25 approximately \$343,000 of casual excise taxes would be collected separately on outboard motors under current law. Since this bill removes the titling requirement for outboard motors, DNR will no longer collect a separate casual excise tax when an outboard motor is purchased from a non-retailer. These sales would be subject to sales and use tax. However, if there is no longer a requirement to title the motor, there will be no triggering event to ensure collection of the sales and use tax. Further, if an outboard motor is affixed to a watercraft, its value may be included within the fair market value of the watercraft used to calculate the casual excise sales tax owed and subject to the maximum sales tax cap. It is unclear what percentage of casual excise taxes collected separately on outboard motors might be retained within the casual excise taxes collected on watercrafts. Therefore, this bill may reduce General Fund sales tax revenue by up to \$274,000 and EIA revenue by up to \$69,000 beginning in FY 2024-25, depending on self-reporting of sales and use tax for non-retail sales and how much of the value of an outboard motor affixed to a boat is captured in tax on the watercraft itself.

This bill will no longer require an auditor to separately tax outboard motors on a property tax notice. RFA contacted each county to determine the local expenditure savings impact. We received a response from Anderson, Barnwell, Beaufort, Charleston, Cherokee, Chester, Fairfield, Florence, Horry, Lancaster, Laurens, Oconee, Pickens, Richland, Williamsburg, and York. Most of these counties anticipate a minimal savings on postage and mailing. However, there was concern that this may lead to outdated information on total watercraft value as multiple auditors noted that often an owner of a boat will replace an outboard motor on a boat and without the requirement of separate titling and tax notices, there is no way for the auditor's office to be aware of this change in value.

Based on responses received from the counties, the Revenue and Fiscal Affairs Office (RFA) anticipates this bill will result in a decrease in property tax revenue beginning in FY 2024-25. The responding counties estimated decrease in property tax ranged from Cherokee's estimate of a minimal reduction to Beaufort's anticipated decrease of \$1,939,000. We anticipate that the counties will offset any reduction by a millage rate increase, within the allowable limits.

Explanation of Fiscal Impact

Introduced on February 28, 2024

State Expenditure

This bill removes the requirement to title an outboard motor. DNR currently titles outboard motors as well as watercraft. DNR anticipates that no longer titling outboard motors will not significantly reduce the number of supplies and staff time used as the agency will still be responsible for titling watercraft, and any savings would be reallocated to other tasks. Therefore, this bill will result in no expenditure savings for DNR. Additionally, DNR anticipates the need to request a General Fund appropriation of approximately \$475,000 beginning in FY 2024-25 to offset the loss of revenue currently generated for titling outboard motors.

For information, DNR noted that outboard motor titles are used as a resource by county auditors for property tax purposes, by insurance companies when providing insurance coverage, and by financial institutions to place liens for loan purposes. This information will no longer be collected under this bill.

State Revenue

This bill removes the requirement to title outboard motors. DNR has collected an annual average of \$475,000 in title fees on outboard motors from 2021 to 2023. DNR anticipates this bill will result in a reduction of Other Funds revenue totaling approximately \$475,000 beginning in FY 2024-25.

This bill will likely reduce General Fund and Education Improvement Act (EIA) Fund sales tax revenue due to a decrease in the amount of casual excise tax collected by DNR for issuing outboard motor titles. Currently, a casual excise tax is imposed for the issuance of every certificate of title, or other proof of ownership, for every outboard motor less than five

horsepower¹ that is purchased from a non-retailer.² Boat motors are a maximum tax item, and therefore, the casual excise tax on a boat motor is 5 percent of the fair market value but no more than \$500.³ Of the casual excise tax collected, 4 percent is allocated to the General Fund and 1 percent is allocated to the EIA Fund pursuant to Section 12-36-2640. Since this bill removes the titling requirement for outboard motors, DNR will no longer collect a separate casual excise tax when an outboard motor is purchased from a non-retailer. These sales would be subject to a sales and use tax. However, if there is no longer a requirement to title the motor, there will be no triggering event to ensure collection of the sales and use tax. Further, if an outboard motor is affixed to a watercraft, its value may be included within the fair market value of the watercraft used to calculate the casual excise sales tax owed and subject to the maximum sales tax cap.

In FY 2022-23, DNR collected \$312,639 of casual excise taxes on outboard motors. Since FY 2020-21, casual excise tax collections for outboard motors have increased on average approximately 4.8 percent annually. Therefore, RFA estimates that in FY 2024-25 approximately \$343,000 of casual excise taxes would be collected separately on outboard motors under current law. It is unclear what percentage of casual excise taxes collected separately on outboard motors might be retained within the casual excise taxes collected on watercrafts. Therefore, this bill may reduce General Fund sales tax revenue by up to \$274,000 and EIA revenue by up to \$69,000 beginning in FY 2024-25, depending on self-reporting of sales and use tax for non-retail sales and how much of the value of an outboard motor affixed to a boat is captured in tax on the watercraft itself.

Local Expenditure

This bill no longer requires an auditor to send a separate tax notice for an outboard motor. RFA contacted each county to determine the local expenditure savings impact. We received a response from Anderson, Barnwell, Beaufort, Charleston, Cherokee, Chester, Fairfield, Florence, Horry, Lancaster, Laurens, Oconee, Pickens, Richland, Williamsburg, and York. Most of these counties anticipate a minimal savings on postage and mailing by being able to combine the boat and outboard motor on a tax notice and an undetermined non-recurring expenditure to update software to combine the boat and outboard motor on a tax notice. Additionally, multiple counties expressed concern that combining boats and outboard motors on one tax notice may result in outdated information on outboard motors. Multiple auditors noted that an owner of a boat can replace an outboard motor on a boat multiple times over the years and, without the requirement of a separate tax notice, there is no way for the auditor's office to be aware of this change in value.

Local Revenue

This bill removes the requirement to title an outboard motor. This bill also no longer requires an auditor to send a separate tax notice for an outboard motor and specifies a watercraft must be taxed in the county in which it is principally located, regardless of the owner's county of

¹ https://www.dnr.sc.gov/boating/Titling_and_Registration/index.html

² If purchased from a retailer, boat motors are subject to sales and use tax. Since boat motors are maximum tax items, they are subject to 5 percent sales and use tax not to exceed \$500.

³ Residents eighty-five years of age and older are subject to a 4 percent casual excise tax but no more than \$500. Source: <https://dor.sc.gov/resources-site/lawandpolicy/Advisory%20Opinions/RR22-6.pdf>.

residence. Currently, outboard motor titles are used to assist auditors in issuing tax notices and collecting local property tax revenue. For information, DNR provided the total number of active taxable outboard motor titles by county as follows:

County Taxable Outboard Motors			
Abbeville	1,525	Greenwood	2,133
Aiken	9,382	Hampton	301
Allendale	66	Horry	9,246
Anderson	5,368	Jasper	2,148
Bamberg	225	Kershaw	2,199
Barnwell	680	Lancaster	603
Beaufort	11,169	Laurens	1,803
Berkeley	8,826	Lee	405
Calhoun	735	Lexington	10,591
Charleston	28,944	Marion	488
Cherokee	784	Marlboro	164
Chester	305	McCormick	824
Chesterfield	555	Newberry	1,920
Clarendon	1,979	Oconee	5,117
Colleton	1,850	Orangeburg	6,797
Darlington	1,328	Pickens	2,632
Dillon	844	Richland	6,562
Dorchester	3,099	Saluda	999
Edgefield	755	Spartanburg	8,400
Fairfield	805	Sumter	1,980
Florence	2,239	Union	709
Georgetown	5,305	Williamsburg	1,021
Greenville	6,117	York	3,940

RFA contacted each county to determine the local property tax revenue impact. We received a response from Anderson, Barnwell, Beaufort, Charleston, Cherokee, Chester, Fairfield, Florence, Horry, Lancaster, Laurens, Oconee, Pickens, Richland, Williamsburg, and York. The following table displays the estimated reduction of property tax revenue by those counties who provided an estimate.

Estimated Property Tax Revenue Decrease	
Anderson	\$1,000,000
Barnwell	Undetermined
Beaufort	\$1,939,000
Charleston	\$1,000,000
Cherokee	\$0
Chester	Undetermined
Fairfield	Undetermined
Florence	Undetermined
Horry	\$1,188,000
Lancaster	\$172,000
Richland	Undetermined
Williamsburg	Undetermined
York	Undetermined

This reduction for most counties is partially due to the transition from having a watercraft being taxed in the county of the owner's residence to the county in which the watercraft is principally located. There are a few counties that would see an increase in the number of watercrafts taxed due to the transition. This may include Charleston, Beaufort, and other counties with larger lakes or those adjacent to the ocean. However, based on the responses received from Charleston and Beaufort, the increase in the number of taxed watercrafts would not offset the impact of no longer titling and separately taxing outboard motors.

Additionally, counties anticipate a reduction in property tax revenue as outboard motor titles are currently used in conjunction with tax notices to accurately tax outboard motors, and without the title and by combining a boat and outboard motor to one tax notice, counties have expressed concern that any upgrade of an outboard motor will not be known to the counties. Specifically, Charleston County stated that on many boats, the motor is often the majority of the value. Based on these responses, RFA anticipates that counties will experience an undetermined decrease in property tax revenue, depending upon self-reporting of outboard motor upgrades among other factors. We anticipate that counties will increase millage rates, within the allowable mileage rate increase limitations, to offset any decrease.

Frank A. Rainwater, Executive Director