

**Comparison of the Sales Tax Paid on the Sale of a Motor Vehicle
South Carolina, North Carolina, and Georgia
As of October 1, 2009
(Dollars)**

State / Jurisdiction of Tax	(1) Tax Rate	Retail Price Paid for a Motor Vehicle 1/			
		(2) \$6,000	(3) \$16,000	(4) \$36,000	(5) \$56,000
South Carolina 2/					
State Tax 5/	5%	\$300	\$300	\$300	\$300
Local Tax 6/	0%	\$0	\$0	\$0	\$0
Total Tax		\$300	\$300	\$300	\$300
Effective Tax Rate (%) *		5.00	1.88	0.83	0.54
North Carolina 3/					
State Tax 7/	3%	\$180	\$480	\$1,080	\$1,680
Local Tax	0%	\$0	\$0	\$0	\$0
Total Tax		\$180	\$480	\$1,080	\$1,680
Effective Tax Rate (%) *		3.00	3.00	3.00	3.00
Georgia 4/					
State Tax 8/	4%	\$240	\$640	\$1,440	\$2,240
Local Tax 9/	1% to 3%	\$180	\$480	\$1,080	\$1,680
Total Tax		\$420	\$1,120	\$2,520	\$3,920
Effective Tax Rate (%) *		7.00	7.00	7.00	7.00

Notes: * Effective Tax Rate is the total tax collected divided by the retail price paid for a motor vehicle.

1/ Price paid for a new or used vehicle is not adjusted for trade-in allowance, manufacturer's rebates, promotions, or the federal CARS program allowance.

2/ South Carolina collects a sales tax on the sale or lease of a motor vehicle equal to the lesser of 5% up to \$300 per vehicle. Additional local option or municipal option sales taxes are not permitted by law.

3/ North Carolina collects a 3% Highway Use Tax on vehicles in lieu of a state sales tax. The tax is assessed each time a title is transferred. The maximum tax for a commercial vehicles with a weight greater than 26,000 is \$1,000. The maximum tax for a recreational vehicle that is not subject to the \$1,000 maximum tax is \$1,500 per title.

4/ Georgia collects a 4% sales tax and counties may impose a local sales tax of 1%, 2%, or 3%, consisting of three 1% local option sales taxes, out of a set of five local option taxes. The City of Atlanta imposes an additional 1% municipal-option sales tax, but it is not permitted on the sale of motor vehicles.

5/ SC Code of Laws, Section 12-36-2110(A)(2)

6/ SC Code of Laws, Section 12-36-1110

7/ General Statutes of North Carolina, G.S. 105-187.2 and G.S. 105-187.3(a)

8/ Official Code of Georgia, O.C.G.A., Section 48-8-30(b)(1)

9/ Official Code of Georgia, Sections 48-8-80 through 48-8-144. Of the state's 159 counties, 7 counties collect a 2% local option sales tax and 152 counties collect a 3% local option sales tax.

Sources: South Carolina Code of Laws, South Carolina Department of Revenue, General Statutes of North Carolina, North Carolina Department of Revenue, Official Code of Georgia, Georgia Department of Revenue.

①

EXAMPLE CHANGING SC CAR CAP TO: \$600

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		(1) \$6,000	(2) \$16,000	(3) \$36,000	(4) \$56,000
★ South Carolina 2/					
State Tax 5/	5%	\$300 ✓	\$300 ⁶⁰⁰	\$300 ⁶⁰⁰	\$300 ⁶⁰⁰
Local Tax 6/	0%	\$0	\$0	\$0	\$0
Total Tax		\$300 ✓	\$300 ⁶⁰⁰	\$300 ⁶⁰⁰	\$300 ⁶⁰⁰
Effective Tax Rate (%) *		5.00 ✓	1.88 ^{3.75}	0.83 ^{1.67}	0.54 ^{1.07}
North Carolina 3/					
State Tax 7/	3%	\$180	\$480	\$1,080	\$1,680
Local Tax	0%	\$0	\$0	\$0	\$0
Total Tax		\$180	\$480	\$1,080	\$1,680
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2/ South Carolina collects a sales tax on the sale or lease of a motor vehicle equal to the lesser of 5% up to \$300 per vehicle. Additional local option or municipal option sales taxes are not permitted by law.

3/ North Carolina collects a 3% Highway Use Tax on vehicles in lieu of a state sales tax. The tax is assessed each time a title is transferred. The maximum tax for a commercial vehicles with a weight greater than 26,000 is \$1,000. The maximum tax for a recreational vehicle that is not subject to the \$1,000 maximum tax is \$1,500 per title.

4/ Georgia collects a 4% sales tax and counties may impose a local sales tax of 1%, 2%, or 3%, consisting of three 1% local option sales taxes, out of a set of five local option taxes. The City of Atlanta imposes an additional 1% municipal-option sales tax, but it is not permitted on the sale of motor vehicles.

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BEA/RWM/09/29/09

CAP/6/24/10

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EXAMPLE CHANGING SC CAR CAP TO: \$1,000.00

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 - 5/ SC Code of Laws, Section 12-36-2110(A)(2)
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Sources: South Carolina Code of Laws, South Carolina Department of Revenue, General Statutes of North Carolina, North Carolina Department of Revenue, Official Code of Georgia, Georgia Department of Revenue.

③ EXAMPLE CHANGING SC CAR CAP TO: \$1,200⁰⁰

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		(2) \$6,000	(3) \$16,000	(4) \$36,000	(5) \$56,000
South Carolina 2/					
State Tax 5/	5%	\$300	\$300 ⁸⁰⁰	\$300 ^{1,200}	\$300 ^{1,200}
Local Tax 6/	0%	\$0	\$0	\$0	\$0
Total Tax		\$300	\$300 ⁸⁰⁰	\$300 ^{1,200}	\$300 ^{1,200}
Effective Tax Rate (%) *		5.00	1.88 ^{5.00}	0.83 ^{3.33}	0.54 ^{2.14}
North Carolina 3/					
State Tax 7/	3%	\$180	\$480	\$1,080	\$1,680
Local Tax	0%	\$0	\$0	\$0	\$0
Total Tax		\$180	\$480	\$1,080	\$1,680
Effective Tax Rate (%) *		3.00	3.00	3.00	3.00
Georgia 4/					
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Total Tax		\$420	\$1,120	\$2,520	\$3,920
Effective Tax Rate (%) *		7.00	7.00	7.00	7.00

Notes: * Effective Tax Rate is the total tax collected divided by the retail price paid for a motor vehicle.

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4/ Georgia collects a 4% sales tax and counties may impose a local sales tax of 1%, 2%, or 3%, consisting of three 1% local option sales taxes, out of a set of five local option taxes. The City of Atlanta imposes an additional 1% municipal-option sales tax, but it is not permitted on the sale of motor vehicles.

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Sources: South Carolina Code of Laws, South Carolina Department of Revenue, General Statutes of North Carolina, North Carolina Department of Revenue, Official Code of Georgia, Georgia Department of Revenue.

Requested Information (TRAC)

At the September 30, 2009, a TRAC commissioner asked that the following information related to SC's tax cap on cars be gathered and presented at the next meeting. Specifically:

1) What would the effective sales tax rate be on a \$56K car without local taxes?:

SC = 0.54% (no local tax imposed)

NC = 3.00% (no local tax imposed)

GA= 4.00% (they also impose a local tax of 3% for a total of 7%)

2) How much would SC raise if the car cap was removed cars were taxed at the NC or GA level (excluding local tax)?:

NC taxes at 3%, no cap – if we did here, we'd generate an additional \$28.6M*

GA taxes at 4%, no cap (excluding local) – if we did here, we'd generate an additional \$66.7M*

*Per the BEA's FY10 estimates contained in their "South Carolina Revenue Sources and Fiscal Impacts" publication

Motor Vehicle Sales Tax

Summary

Statute: 12-36-2110

Date Enacted: 1984

Date of last changes: 1984 (capped at \$300)

Rate: the lesser of 5% of sale or \$300

Current Distribution: General Fund

Fiscal Year Estimated Collections 1/

FY10 \$ 85,800,000

FY10 Fiscal Impacts as a Result of Change in Current Law

Revenue Generated From Incremental Increases In Sales Tax Cap on Motor Vehicles With the Sales Tax Rate at 5 Percent

Sales Tax Cap (Dollars)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
\$400	\$103.5	\$17.7
\$600	\$132.0	\$46.2
\$800	\$152.7	\$66.9
\$1,000	\$166.3	\$80.5
\$1,200	\$175.0	\$89.2
\$1,400	\$180.6	\$94.8
\$1,600	\$184.1	\$98.3
\$1,800	\$186.3	\$100.5
\$2,000	\$187.6	\$101.8

Revenue Generated From Replacing the Sales Tax Cap on Motor Vehicles With a Sales Tax on Total Value of Vehicle

Sales Tax (Percent)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
1%	\$38.1	(\$47.7)
2%	\$76.3	(\$9.5)
3%	\$114.4	\$28.6
4%	\$152.5	\$66.7
5%	\$190.7	\$104.9
6%	\$228.8	\$143.0

Note: The \$300 sales tax cap is revenue neutral at 2.3% sales tax rate.

1/ Sales tax revenue on motor vehicles is not kept by Department of Revenue.

Sources of data: South Carolina Dept. of Motor Vehicles; North Carolina Dept. of Motor Vehicles.

Note: All calculations made by the Board of Economic Advisors.

Table 3

**Additional Revenue Generated From Replacing the Sales Tax Cap
On Motor Vehicles With a Combination of Exempting
Vehicle Value and Adding a Sales Tax
(Figures are in Millions)**

Sales Tax (Percent)	Exemption of Vehicle Value (Dollars)			
	\$1,000	\$5,000	\$10,000	\$15,000
5.0	\$103.1	\$84.9	\$57.0	\$27.0
4.0	\$65.3	\$50.8	\$28.4	\$4.4
3.0	\$27.5	\$16.6	(\$0.1)	(\$18.1)
2.0	(\$10.2)	(\$17.5)	(\$28.7)	(\$40.7)
1.0	(\$48.0)	(\$51.7)	(\$57.3)	(\$63.3)
			\$20,000	(\$7.6)
			\$25,000	(\$33.4)
				(\$43.9)
				(\$54.4)
				(\$64.9)
				(\$75.3)

Table 4

**Revenue Generated From Replacing the Sales Tax Cap
On Motor Vehicles With a Combination of Exempting
Vehicle Value and Adding a Sales Tax
(Figures are in Millions)**

Sales Tax (Percent)	Exemption of Vehicle Value (Dollars)			
	\$1,000	\$5,000	\$10,000	\$15,000
5.0	\$188.9	\$170.7	\$142.8	\$112.8
4.0	\$151.1	\$136.6	\$114.2	\$90.2
3.0	\$113.3	\$102.4	\$85.7	\$67.7
2.0	\$75.6	\$68.3	\$57.1	\$45.1
1.0	\$37.8	\$34.1	\$28.5	\$22.5
			\$20,000	\$78.2
			\$25,000	\$62.6
				\$46.9
				\$31.3
				\$20.9
				\$15.6
				\$52.4
				\$41.9
				\$31.4
				\$20.9
				\$10.5

Notes: All calculations made by the Board of Economic Advisors.
The \$300 sales tax cap currently amounts to an estimated \$85.8 million.

Sources: S.C. Division of Motor Vehicles; N.C. Division of Motor Vehicles; S.C. Code of Laws, 1976.

Table 5**Additional Revenue Generated From Removing the Sales Tax Cap on Motor Vehicles
and Replace With Exempting Specific Value of the Motor Vehicle and Applying a
5 Percent Sales Tax to Any Remaining Value of the Motor Vehicle****(Figures are in Millions)**

Exemption Value (Dollars)	Change in Current Sales Tax Revenue (Millions)
\$1,000	\$103.1
\$2,000	\$98.8
\$3,000	\$94.4
\$4,000	\$89.6
\$5,000	\$84.9
\$6,000	\$76.2
\$7,000	\$71.5
\$8,000	\$66.9
\$9,000	\$62.1
\$10,000	\$57.0
\$11,000	\$51.8
\$12,000	\$46.3
\$13,000	\$40.4
\$14,000	\$34.0
\$15,000	\$27.0
\$16,000	\$19.6
\$17,000	\$12.2
\$18,000	\$5.1
\$19,000	(\$1.5)
\$20,000	(\$7.6)
\$21,000	(\$13.2)
\$22,000	(\$18.9)
\$23,000	(\$24.0)
\$24,000	(\$28.9)
\$25,000	(\$33.4)

Note: All calculations made by the Board of Economic Advisors.
The \$300 sales tax cap currently amounts to an estimated \$85.8 million.

Sources: S.C. Division of Motor Vehicles; N.C. Division of Motor Vehicles;
S.C. Code of Laws, 1976.

South Carolina's Tax Realignment Commission



Sales Tax Caps Review

Sales Tax Caps:

(A) Sales Tax Caps:

South Carolina Code § 12-36-2110 provides:

“The Maximum tax on sale or lease of certain items; calculation of tax on manufactured homes; maximum tax on purchase of certain property by religious organizations; maximum tax on sale or use of machinery for research and development.

(A) The maximum tax imposed by this chapter is three hundred dollars for each sale made after June 30, 1984, or lease executed after August 31, 1985, of each:

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

(2) motor vehicle;

(3) motorcycle;

(4) boat;

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

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

In the case of a lease, the total tax rate required by law applies on each payment until the total tax paid equals three 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.”

Any transaction subject to the maximum tax of \$300 is taxed at a state rate of 6% and is not subject to any local tax administered and collected by the Department of Revenue on behalf of local jurisdictions. Any transaction not subject to the maximum tax of \$300 is taxed at a state rate of 6% and is subject to any local tax administered and collected by the Department of Revenue on behalf of local jurisdictions.

(B) Comparison to North Carolina and Georgia:

(i.) North Carolina:

North Carolina imposes its own particular set tax caps. The caps are defined in GS § 105-164.4.

The caps are as follows:

- 1) Boats and Aircraft: \$1,500, or alternatively 3% of the sales price if that would amount to less than \$1500

- 2) Manufactured Housing: A max tax of \$300 for a one sided home, or \$600 for the sale of a two sided home. If the tax would be less than \$300 or \$600 respectively, then a tax of 2% of the sales price applies.

- 3) Agricultural Equipment: Generally all sales of agricultural equipment would be exempt based on the current statute. For instance, sales of equipment used in harvesting, planting, or cultivating are exempt. This exemption has applied since 2006.

- 4) Manufacturing Machinery: Machinery used in manufacturing has a sales cap tax of \$80, or in the alternative a 1% tax applies if that amount would be less than \$80. North Carolina classifies this as a privilege tax.

- 5) Class A and B vehicles, and Recreational Vehicles (RV's): Class A and B vehicles which are generally used in trucking for the transport of goods have a \$1000 sales tax cap. RV's are treated similarly. All other vehicles are subject to standard state and local tax rates.

- 6) Small Equipment for construction or other similar infrastructure usage: Except as explicitly stated otherwise in GS § 105-164.4, no caps or exemptions apply. Very few items are subject to these caps and exemptions.

- 7) Leased equipment: This equipment is taxed according to state and local tax rates as indicated in the services table. The tax is classified as an "alternative gross receipts tax."

(ii) Georgia:

In 2006 Georgia repealed its specific sales tax caps and the current controlling statute is: O.C.G.A. § 48-3-3 (2010). Georgia offers *exemptions* only on particular goods if sold for educational, manufacturing, agricultural, or medical purposes. Furthermore, exemptions apply to most sales to the disabled.

The standard state and local sales tax rates apply to non-exempt purchases. For a complete list of exemptions reference: O.C.G.A. § 48-3-3 (2010).