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REPORT OF THE SALES, USE AND INCOME TAX SUBCOMMITTEE

(Newton, Stavrinakis, Dillard, Taylor & Hyde – Staff Contact: Teesha Trapp)

HOUSE BILL 4810

H. 4810 – Rep. Bannister: A BILL TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-36-2120, RELATING TO SALES TAX EXEMPTIONS, SO AS TO PROVIDE FOR A SALES TAX EXEMPTION FOR CERTAIN CLOTHING REQUIRED FOR USE IN PERISHABLE PREPARED FOOD MANUFACTURING FACILITIES.

Received by Ways and Means: *1/10/2024*

Summary of Bill:

This bill codifies Proviso 109.12 of the FY 2023-24 Appropriations Act, which exempts from sales tax clothing required by current good manufacturing practices to prevent health hazards for persons who work in direct contact with food, food contact services, and food packaging materials at perishable prepared food manufacturing facilities, which are defined by the North American Industry Classification System (NAICS) 311991.

Estimated Revenue Impact:

There is no revenue impact as the exemption is already considered in the General Fund revenue estimates by the Board of Economic Advisors (BEA).

Subcommittee Action/Explanation

Received **FAVORABLE REPORT** from subcommittee on 1/18/2024.

Full Committee Action/Explanation

Other Notes/Comments:



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: H. 4810 Introduced on January 10, 2024
Author: Bannister
Subject: Sales Tax Exemption
Requestor: House Ways and Means
RFA Analyst(s): Daigle
Impact Date: January 17, 2024

Fiscal Impact Summary

This bill codifies Proviso 109.12 of the FY 2023-24 Appropriations Act, which exempts from sales tax clothing required by current good manufacturing practices to prevent health hazards for persons who work in direct contact with food, food contact services, and food packaging materials at perishable prepared food manufacturing facilities, which are defined by the North American Industry Classification System (NAICS) 311991.

This bill will have no expenditure impact as this bill codifies an existing proviso, most recently included in the FY 2023-24 Appropriations Act. Guidance and processes are already in place to administer the exemption.

This bill will have no impact on state sales tax revenue. The exempt sales outlined by this bill are already exempt under Proviso 109.12 of the FY 2023-24 Appropriations Act. Although the Governor vetoed the proviso and the veto has not yet been addressed, the General Assembly has overridden the veto of this proviso in recent years, and therefore, the exemption is already considered in the General Fund revenue estimates by the Board of Economic Advisors (BEA). Further, the bill will not impact local sales tax revenue as these sales are already exempt from local sales taxes.

Explanation of Fiscal Impact

Introduced on January 10, 2024

State Expenditure

This bill exempts from sales tax, clothing required by current good manufacturing practices pursuant to 21 C.F.R. Section 111.10 which covers the requirements that apply for preventing microbial contamination from sick or infected personnel and for hygienic practices. The bill specifies that the exemption is applicable for clothing to prevent health hazards for persons who work in direct contact with food, food contact services, and food packaging materials at perishable prepared food manufacturing facilities, which are defined by NAICS code 311991.

Currently, clothing required by current good manufacturing practices to prevent health hazards for persons who work in direct contact with food, food contact services, and food packaging materials at perishable prepared food manufacturing facilities which are defined by the NAICS

code 311991 are exempt from sales tax pursuant to Proviso 109.12 of the FY 2023-24 Appropriations Act. Proviso 109.12 was vetoed by the governor on June 20, 2023, and has not been addressed; however, previous vetoes have been overridden, most recently on June 28, 2022. Therefore, the most recent General Fund revenue estimates developed by the Board of Economic Advisors (BEA) reflect the exemption of clothing required by current good manufacturing practices to prevent health hazards for persons who work at prepared food manufacturing facilities, defined as NAICS code 311991.

This bill codifies existing Proviso 109.12, therefore, the Department of Revenue and Fiscal Affairs (RFA) anticipates no state expenditure impact.

State Revenue

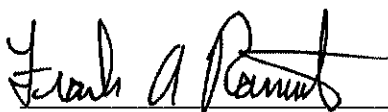
This bill will have no state revenue impact. The exempt sales outlined by this bill are already exempt under Proviso 109.12 of the FY 2023-24 Appropriations Act, and therefore, are already considered in the BEA General Fund revenue estimate. Although the proviso was vetoed by the Governor and has not been addressed, the proviso has been included in the budget in recent years, and the vetoes have previously been overridden. As such, the sale tax revenue impact is already included in the revenue estimates.

Local Expenditure

N/A

Local Revenue

This bill will not impact local sales tax revenue as the exempt sales outlined by this bill are already exempt under Proviso 109.12.



Frank A. Rainwater, Executive Director

South Carolina General Assembly
125th Session, 2023-2024

H. 4810

STATUS INFORMATION

General Bill

Sponsors: Reps. Bannister and G.M. Smith

Document Path: LC-0452SA24.docx

Introduced in the House on January 10, 2024

Currently residing in the House Committee on **Ways and Means**

Summary: Sales tax exemption

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
1/10/2024	House	Introduced and read first time (House Journal-page 35)
1/10/2024	House	Referred to Committee on Ways and Means (House Journal-page 35)

View the latest [legislative information](#) at the website

VERSIONS OF THIS BILL

01/10/2024

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A BILL

11 TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-36-2120,
12 RELATING TO SALES TAX EXEMPTIONS, SO AS TO PROVIDE FOR A SALES TAX
13 EXEMPTION FOR CERTAIN CLOTHING REQUIRED FOR USE IN PERISHABLE PREPARED
14 FOOD MANUFACTURING FACILITIES.
15

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

17

18 SECTION 1. Section 12-36-2120 of the S.C. Code is amended by adding:

19

20 (84) clothing required by current good manufacturing practices pursuant to 21 C.F.R. Section 111.10
21 at perishable prepared food manufacturing facilities defined by the North American Industry
22 Classification System 311991 to prevent health hazards, including outer garments, gloves of an
23 impermeable material, hairnets, headbands, beard covers, caps, hair covers or other effective hair
24 restraints, and other attire required pursuant to 21 C.F.R. Section 110.10 for persons working in direct
25 contact with food, food contact services, and food packaging materials to protect against contamination
26 of food in perishable prepared food manufacturing facilities.

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28 SECTION 2. This act takes effect upon approval by the Governor and applies to tax years beginning
29 after 2024.

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