

REPORT OF THE LICENSES, FEES, INSURANCE TAX & OTHER CHARGES SUBCOMMITTEE

(Neal, Limehouse, Edge, & Bingham - Staff Contact: Ryan Burnaugh)

HOUSE BILL 3632

H 3632 -- Reps. G.M. Smith, White, Sandifer, J.R. Smith, Bannister and Lucas: A BILL TO AMEND SECTION 42-5-190, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE MAINTENANCE TAX IMPOSED BY THE WORKERS' COMPENSATION COMMISSION ON SELF INSURERS, SO AS TO PROVIDE THAT THE COMMISSION SHALL RETAIN A PORTION OF THE ANNUAL MAINTENANCE TAX REVENUE TO PAY THE SALARIES AND EXPENSES OF THE COMMISSION AND TO PROVIDE THAT THE COMMISSION SHALL RETAIN ONE HALF OF THE INTEREST CHARGED ON DELINQUENT MAINTENANCE TAX FOR THE SAME PURPOSE.

Summary of Bill:

This legislation provides for a two and one-half percent maintenance tax on the actual operating costs of self insurers. The legislation also provides that the Worker's Compensation Commission shall retain either \$2.2 M or 50% of these collections in a given fiscal year, whichever is greater. 50% of the interest charged on a delinquent maintenance tax provided for by this section must be retained by the Commission and used for the same purposes. The remaining balance of the maintenance tax revenues and interest shall be transferred to the State Treasurer for deposit into the General Fund.

Introduced: 02/27/2013

Received by Ways and Means: 02/27/2013

Estimated Fiscal Impact:

Reduce GF by an estimated \$2,400,000 for FY 13-14 and a minimum of \$2,205,000 in subsequent fiscal years.

Subcommittee Recommendation:

Favorable

Full Committee Recommendation:

Pending

Other Notes/Comments:

Replaces diminishing Other Fund revenues with General Funds for the financial stability of the agency.

Statement of Estimated State Revenue Impact

Date: April 8, 2013

Bill Number: H.B. 3632

Author: G.M. Smith, White, Sandifer, J.R. Smith, Bannister and Lucas

Committee Requesting Impact: House Ways & Means

Bill Summary

A bill to amend Section 42-5-190, as amended, Code of Laws of South Carolina, 1976, relating to the maintenance tax imposed by the Workers' Compensation Commission on self insurers, so as to provide that the commission shall retain a portion of the annual maintenance tax revenue to pay the salaries and expenses of the commission and to provide that the commission shall retain one half of the interest charged on delinquent maintenance tax for the same purpose.


REVENUE IMPACT ^{1/}

This bill is expected to reduce allocations to the state's General Fund from the maintenance tax on self insurers, as recorded within the Workers' Compensation Tax, by \$2,400,000 in FY 2013-14, and by a minimum of \$2,205,000 in subsequent fiscal years. These figures include a loss of approximately \$5,000, annually, in interest penalties assessed on self insurers. Conversely, the bill is expected to raise earmarked funds of the WCC by \$2,400,000 in FY 2013-14, and by a minimum of \$2,205,000 in subsequent fiscal years.

Explanation

Beginning July 1, 2013 this bill authorizes the Workers' Compensation Commission (WCC) in every fiscal year to retain the greater amount of fifty percent or \$2,200,000 of the two and one-half percent maintenance tax imposed on self insurers in this State. It further provides that fifty percent of the total interest assessed from various penalties for late filing of taxes by self insurers must be retained by the WCC. Currently, all proceeds from both sources go to the general fund of the State and are reported within the self-insurance tax component of workers' compensation taxes; whereas funds to be retained by WCC are to be used to pay salaries and expenses of the commission.

Based on a review of agency data and historical accounts of the Office of the Comptroller General, we expect these proposed changes would raise earmarked funds of the WCC by a total of \$2,400,000 in FY2013-14, to include approximately \$5,000 in revenue from retention of interest penalties on tax delinquencies. In view of a consistent declining trend for self-insurance tax collections in recent fiscal years, we conservatively estimate the WCC would retain the minimum level of \$2,205,000, including retained interest, in subsequent fiscal years. The aforementioned shift would, conversely, reduce state General Fund revenue from self-insurance tax collections, recorded within the Workers' Compensation Tax, by a total of \$2,400,000 in FY 2013-14, and by a total of \$2,205,000 in subsequent fiscal years.


Frank A. Rainwater
Chief Economist

Analyst: Di Biase

^{1/} This statement meets revenue impact requirements of Section 2-7-71 for a state impact by BEA, Section 2-7-76 for a local impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by Office of Economic Research (OER).

South Carolina General Assembly
120th Session, 2013-2014

H. 3632

STATUS INFORMATION

General Bill

Sponsors: Reps. G.M. Smith, White, Sandifer, J.R. Smith, Bannister and Lucas

Document Path: I:\council\bill\bbm\10854htc13.docx

Introduced in the House on February 27, 2013

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

Summary: Workers' Compensation Commission

HISTORY OF LEGISLATIVE ACTIONS

| Date | Body | Action Description with journal page number |
|-----------|-------|---|
| 2/27/2013 | House | Introduced and read first time (House Journal-page 5) |
| 2/27/2013 | House | Referred to Committee on Ways and Means (House Journal-page 5) |
| 2/28/2013 | House | Member(s) request name added as sponsor: White, Sandifer, J.R.Smith, Bannister, Lucas |
| 4/8/2013 | | Scrivener's error corrected |

View the latest [legislative information](#) at the LPITS web site

VERSIONS OF THIS BILL

[2/27/2013](#)

[4/8/2013](#)

1 ~~deposit them with the State Treasurer~~ shall retain in every fiscal
2 year the greater of fifty percent or two million two hundred
3 thousand dollars of the maintenance tax revenues and use these
4 funds to pay the salaries and expenses of the commission. The
5 balance of the maintenance tax revenues must be remitted to the
6 State Treasurer for the credit of the general fund of the State. In
7 the event of failure to pay the tax within fifteen days of the date set
8 forth in this section, the commission may assess against the
9 self-insurer a penalty of five percent of the unpaid tax. If the
10 self-insurer fails to pay the tax and penalty within fifteen days of
11 notice by the commission, interest must be added to the amount of
12 the deficiency at the rate of five percent for each month or fraction
13 of a month from the date the tax was due originally until the date
14 the deficiency is paid and the commission may initiate proceedings
15 to withdraw the privilege of self-insuring in this State. The total
16 maximum interest to be charged may not exceed twenty-five
17 percent. The penalty under this section is payable to the
18 commission. Fifty percent of the interest must be retained by the
19 commission and used by it as retained maintenance tax revenues
20 are used and the balance of the interest must be remitted to the
21 State Treasurer for the credit of the general fund of the State."

22
23 SECTION 2. This act takes effect July 1, 2013.

24 -----XX-----
25