

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

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

## HOUSE BILL 3796

H. 3796 -- Rep. Pitts: A BILL TO AMEND SECTION 6-1-330, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO FEES IMPOSED BY POLITICAL SUBDIVISIONS OF THIS STATE, SO AS TO PROVIDE THAT WHEN A GOVERNING BODY OF A POLITICAL SUBDIVISION IMPOSES A SCHEDULE OF ROAD FEES ON MOTOR VEHICLES REGISTERED IN THE COUNTY BASED ON VEHICLE CLASS, THE LOWEST FEE IN THE SCHEDULE MUST APPLY TO ALL MOTOR VEHICLES SUBJECT TO THE STATE BIENNIAL REGISTRATION FEE FOR PRIVATE PASSENGER MOTOR VEHICLES IMPOSED PURSUANT TO SECTION 56-3-620; AND TO AMEND SECTION 56-3-630, AS AMENDED, RELATING TO THE DEFINITION OF PRIVATE PASSENGER MOTOR VEHICLES FOR PURPOSES OF MOTOR VEHICLE LICENSING AND REGISTRATION BY THE SOUTH CAROLINA DEPARTMENT OF MOTOR VEHICLES, SO AS TO PROVIDE THAT A TRUCK INCLUDED IN THE DEFINITION OF PRIVATE PASSENGER MOTOR VEHICLE, WHICH IS NOT USED IN A TRADE OR BUSINESS, MAY BE REGISTERED UPON PAYMENT OF THE BIENNIAL REGISTRATION FEES PROVIDED PURSUANT TO SECTION 56-3-620.

***Summary of Bill:***

The legislation provides that individuals owning a truck described as a private passenger vehicle, for which no expenses are eligible for deductions from income, shall not be charged an amount above or beyond that of other private passenger motor vehicles. This legislation removes the higher fees for individuals owning trucks for personal use.

***Introduced:*** 03/11/2013

***Received by Ways and Means:*** 03/20/2013

***Estimated Fiscal Impact:***

Reduce funds deposited into the State Highway Fund at the State Infrastructure Bank.

**OSB:** \$7.7 M    **BEA:** \$9-12 M

***Subcommittee Recommendation:***

Favorable with Amendment

***Full Committee Recommendation:***

Pending

***Other Notes/Comments:***

Concerns have been raised by the Treasurer regarding the effects on revenues currently dedicated to the repayment of bonds through the State Infrastructure Bank.

FISCAL IMPACT STATEMENT ON BILL NO. **H.3796, House Amendment**  
(Doc. No. 3796C001.BBM.HTC13.docx)

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TO: The Honorable W. Brian White, Chairperson, House Ways and Means Committee  
FROM: State Budget Division, Budget and Control Board  
ANALYSTS: K. Earle Powell and Rodney Grizzle  
DATE: April 15, 2013

SBD: 2013251

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AUTHOR: Representative Pitts

SUBJECT: Fees imposed by political subdivisions

PRIMARY CODE CITE: 56-3-360

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ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:  
\$0 (No additional expenditures or savings are expected)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:  
See Below

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**BILL SUMMARY:**

The House Amendment to House Bill 3796 amends the Code of Laws of South Carolina, 1976, to make revisions pertaining to Section 56-3-620, which relates to fees for handicapped persons or persons of certain ages for private passenger motor vehicles and property-carrying vehicles weighing six thousand pounds or less. Currently, trucks are excluded from these provisions and applicable truck fees required under Section 56-3-660 are not negated. The Bill also provides that a truck included in the definition of private passenger motor vehicle, which is not used in a trade or business, may be registered upon payment of the biennial registration fees provided pursuant to Section 56-3-620. The Bill further provides that when a governing body of a political subdivision imposes a schedule of road fees on motor vehicles registered in the county based on vehicle class, the lowest fee in the schedule must apply to all motor vehicles subject to the state biennial registration fee for private passenger motor vehicles.

**EXPLANATION OF IMPACT:**

The Department of Motor Vehicles

The Department indicates that this Bill will have no fiscal impact on the General Fund of the State or on Federal and/or Other Funds. However, with this Bill the trucks between 4,000 and 11,000 GVW will no longer be registered at the graduated scales which based upon the FY 2011-12 numbers there is the potential loss in revenue of approximately \$9.5 - \$12 million which goes into the State Infrastructure Bank.

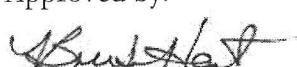
**LOCAL GOVERNMENT IMPACT:**

The State Budget Division surveyed county governments to access the impact of this Bill. Two counties responded by indicating there was no fiscal impact with the adoption of this Bill.

**SPECIAL NOTES:**

The Board of Economic Advisors is the appropriate entity to address any revenue impact associated with this Bill.

Approved by:



Brenda Hart  
Assistant Director, State Budget Division

# Statement of Estimated State Revenue Impact

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Date: April 8, 2013

Bill Number: H.B. 3796

Author: Pitts

Committee Requesting Impact: House Ways and Means

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**Bill Summary:** A bill to amend Section (§) 6-1-330, as amended, Code of Laws of South Carolina, 1976, relating to fees imposed by political subdivisions of this State, so as to provide that when a governing body of a political subdivision imposes a schedule of road fees on motor vehicles registered in the county based on vehicle class, the lowest fee in the schedule must apply to all motor vehicles subject to the state biennial registration fee for private passenger motor vehicles imposed pursuant to § 56-3-620; and to amend § 56-3-630, as amended, relating to the definition of private passenger motor vehicles for purposes of motor vehicle licensing and registration by the South Carolina department of motor vehicles, so as to provide that a truck included in the definition of private passenger motor vehicle, which is not used in a trade or business, may be registered upon payment of the biennial registration fees provided pursuant to § 56-3-620.

## REVENUE IMPACT<sup>11</sup>

The bill would have no impact on state General Fund revenue. We expect adoption of Section 2 provisions would reduce funds earmarked to the state highway account within the State Transportation Infrastructure Bank (TIB) by \$7,552,000 in FY 2015-16, and by \$7,700,000 in FY 2016-17. Since no road/other use fees on personal property tax, as scaled by vehicle weight class, are known to be in effect, Section 1 provisions would have no impact on local revenues.

Note: We have been apprised that all proceeds from various license/registration fees for trucks and other vehicles issued under Chapter 3 of Title 56 are currently pledged in bond covenants to support repayment of outstanding revenue bonds issued by the State Transportation Infrastructure Bank (TIB).

## Explanation

This bill amends the registration fee schedule for certain trucks based on usage. A truck within certain weight limits qualifies as a private passenger vehicle (PPV) under Section 56-3-620 and, thereby, is eligible for certain personal or organizational license tags. Biennial fees range from \$20 to \$30 based on age of owner, or a combination of age and truck weight. Whereas, the biennial registration fee for a truck is scaled relative to its empty/gross weight under Section 56-3-660. Fees for trucks of weights qualifying as a PPV range from \$30 to \$110, biennially. Pursuant to Section 56-3-910, all fees collected under Chapter 3 of Title 56 are earmarked to the state highway account of the S. C. Transportation Infrastructure Bank (TIB), unless otherwise provided for by law.

Provisions in Section 2 allow an owner of a truck that "by weight" qualifies as a PPV, who can substantiate that its use is exclusively personal and not as a business expense deduction for federal income tax, to register it under the biennial fee schedule in Section 56-3-620. The fee change applies to registrations beginning after June 2015. Further, in Section 1, should a local jurisdiction impose a schedule of road or other fees, however described, that vary based on vehicle classes, then the lowest fee would apply to a vehicle registered under Section 56-3-620.

Estimates for subsets of those trucks used for nonbusiness purposes were derived in consultation with the DMV. Based on historical data, estimates were further stratified by weight class to apportion average yield in even/odd years of a biennial cycle. A constant fee of \$24 was used to offset the amount of revenue loss (net difference in fee by weight class) under personal use basis, and allocated in proportion to distribution of vehicles in respective weight classes. Average yields in even/odd base years were used to project total losses of \$7,552,000 in FY 2015-16, based on eleven months of fee reports, and \$7,700,000 for all of FY 2016-17. We expect adoption of Section 2 provisions would therefore reduce funds earmarked to the state highway fund within TIB by \$7,552,000 in FY 2015-16, and by \$7,700,000 in FY 2016-17.

## Statement of Estimated State Revenue Impact

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H.B. 3796/BEA/04/08/13

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A staff review of local property tax rates and other special fees/charges in effect for 2012, determined at least twenty counties and a few cities in this State assess various road use, maintenance and/or plate decal fees, of which most are included in annual property tax due on a motor vehicle. For those vehicles registered under Section 56-3-620, no fee (or set of fees) appeared to be scaled by class of vehicle. A recent survey conducted by the S. C. Association of Auditors, Treasurers and Tax Collectors (SCATT) also found no evidence of any current, or pending, fees assessed on vehicle property taxes to be based on the class of vehicle. Since, upon enactment, Section 1 provisions preclude application of multiple rates being imposed, there is no basis to reduce proceeds from these fees.



Frank A. Rainwater  
Chief Economist

Analyst: Di Biase

<sup>1/</sup> 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).

HOUSE  
AMENDMENT

THIS AMENDMENT  
ADOPTED

CONE/MELTON  
MARCH 12, 2013

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CLERK OF THE HOUSE

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REP. PITTS PROPOSES THE FOLLOWING AMENDMENT  
No. TO H. 3796  
(COUNCIL\BBM\3796C001.BBM.HTC13):

REFERENCE IS TO THE BILL AS INTRODUCED.

AMEND THE BILL, AS AND IF AMENDED, BY BY  
STRIKING SECTION 56-3-630(B), AS CONTAINED  
IN SECTION 2, PAGE 2, AND INSERTING:

/ (B)(1) TRUCKS DESCRIBED AS PRIVATE  
PASSENGER MOTOR VEHICLES PURSUANT TO  
SUBSECTION (A) OF THIS SECTION OWNED OR  
LEASED BY AN INDIVIDUAL EXCLUSIVELY FOR  
PERSONAL USE ARE SUBJECT TO THE STATE  
BIENNIAL REGISTRATION FEES PROVIDED  
PURSUANT TO SECTION 56-3-620. FOR PURPOSES

OF THIS SUBSECTION, EXCLUSIVELY FOR PERSONAL USE MEANS A TRUCK FOR WHICH NONE OF THE EXPENSES OF ACQUISITION OR OPERATION ARE ELIGIBLE TO BE DEDUCTED FROM INCOME IN COMPUTING ANY FEDERAL INCOME TAX LIABILITY OF THE INDIVIDUAL WHO REGISTERS THE VEHICLE.

(2) BEFORE A TRUCK MAY BE REGISTERED FOR THE FEE ALLOWED PURSUANT TO ITEM (1) OF THIS SUBSECTION, THE APPLICANT MUST EXECUTE AN AFFIDAVIT SIGNED UNDER PENALTY FOR PERJURY CERTIFYING THAT THE TRUCK QUALIFIES FOR THE REGISTRATION FEE ALLOWED PURSUANT TO ITEM (1) OF THIS SUBSECTION. THE AFFIDAVIT MUST BE IN A FORM PRESCRIBED BY THE SOUTH CAROLINA DEPARTMENT OF MOTOR VEHICLES THAT IS FURNISHED TO ALL PERSON APPLYING TO REGISTER A TRUCK QUALIFYING BY WEIGHT AS A PRIVATE PASSENGER MOTOR VEHICLE. IF A PROPERLY EXECUTED AFFIDAVIT IS NOT SUBMITTED BY THE APPLICANT, THE FEE TO

**REGISTER THE TRUCK IS AS PROVIDED PURSUANT  
TO SECTION 56-3-660. /**

**RENUMBER SECTIONS TO CONFORM.  
AMEND TITLE TO CONFORM.**

**South Carolina General Assembly**  
120th Session, 2013-2014

**H. 3796**

**STATUS INFORMATION**

General Bill

Sponsors: Rep. Pitts

Document Path: l:\council\bills\bbm\10830htc13.docx

Introduced in the House on March 11, 2013

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

Summary: Fees imposed by political subdivisions

**HISTORY OF LEGISLATIVE ACTIONS**

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
3/11/2013	House	Introduced and read first time ( <a href="#">House Journal-page 4</a> )
3/11/2013	House	Referred to Committee on <b>Education and Public Works</b> ( <a href="#">House Journal-page 4</a> )
3/20/2013	House	Recalled from Committee on <b>Education and Public Works</b> ( <a href="#">House Journal-page 105</a> )
3/20/2013	House	Referred to Committee on <b>Ways and Means</b> ( <a href="#">House Journal-page 105</a> )

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**VERSIONS OF THIS BILL**

[3/11/2013](#)

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9                   **A BILL**  
10

11 TO AMEND SECTION 6-1-330, AS AMENDED, CODE OF  
12 LAWS OF SOUTH CAROLINA, 1976, RELATING TO FEES  
13 IMPOSED BY POLITICAL SUBDIVISIONS OF THIS STATE,  
14 SO AS TO PROVIDE THAT WHEN A GOVERNING BODY OF  
15 A POLITICAL SUBDIVISION IMPOSES A SCHEDULE OF  
16 ROAD FEES ON MOTOR VEHICLES REGISTERED IN THE  
17 COUNTY BASED ON VEHICLE CLASS, THE LOWEST FEE  
18 IN THE SCHEDULE MUST APPLY TO ALL MOTOR  
19 VEHICLES SUBJECT TO THE STATE BIENNIAL  
20 REGISTRATION FEE FOR PRIVATE PASSENGER MOTOR  
21 VEHICLES IMPOSED PURSUANT TO SECTION 56-3-620;  
22 AND TO AMEND SECTION 56-3-630, AS AMENDED,  
23 RELATING TO THE DEFINITION OF PRIVATE PASSENGER  
24 MOTOR VEHICLES FOR PURPOSES OF MOTOR VEHICLE  
25 LICENSING AND REGISTRATION BY THE SOUTH  
26 CAROLINA DEPARTMENT OF MOTOR VEHICLES, SO AS  
27 TO PROVIDE THAT A TRUCK INCLUDED IN THE  
28 DEFINITION OF PRIVATE PASSENGER MOTOR VEHICLE,  
29 WHICH IS NOT USED IN A TRADE OR BUSINESS, MAY BE  
30 REGISTERED UPON PAYMENT OF THE BIENNIAL  
31 REGISTRATION FEES PROVIDED PURSUANT TO SECTION  
32 56-3-620.

33  
34 Be it enacted by the General Assembly of the State of South  
35 Carolina:

36  
37 SECTION 1. Section 6-1-330 of the 1976 Code, as last amended  
38 by Act 75 of 2009, is further amended by adding a subsection at  
39 the end to read:

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41       “(E) If a local governing body imposes a schedule of road or  
42 other fees, however described, on motor vehicles registered in its

1 jurisdiction and that schedule imposes fees that vary with respect  
2 to classes of vehicles, then the lowest fee in that schedule of fees  
3 imposed by the local governing body must apply to all vehicles  
4 registered by the South Carolina Department of Motor Vehicles for  
5 the state biennial registration fees provided pursuant to Section  
6 56-3-620."

7

8 SECTION 2. Section 56-3-630 of the 1976 Code, as last amended  
9 by Act 398 of 2006, is further amended to read:

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11 "Section 56-3-630. (A) The Department of Motor Vehicles  
12 shall classify as a private passenger motor vehicle every motor  
13 vehicle which is designed, used, and maintained for the  
14 transportation of ten or fewer persons and trucks having an empty  
15 weight of nine thousand pounds or less and a gross weight of  
16 eleven thousand pounds or less, except a motorcycle, motorcycle  
17 three-wheel vehicle, or motor-driven cycle. The department shall  
18 classify a three-wheel vehicle by the manufacturers statement of  
19 origin for the vehicles initial registration. For subsequent  
20 registration, the department shall classify the three-wheel vehicle  
21 by its title document. ~~This section does not relieve or negate any~~  
22 ~~applicable fees required under Section 56-3-660~~

23 (B) Trucks described as private passenger motor vehicles  
24 pursuant to subsection (A) of this section owned or leased by an  
25 individual exclusively for personal use are subject to the state  
26 biennial registration fees provided pursuant to Section 56-3-620.  
27 For purposes of this subsection, 'exclusively for personal use'  
28 means a truck for which none of the expenses of acquisition or  
29 operation are eligible to be deducted from income in computing  
30 any federal income tax liability of the individual who registers the  
31 vehicle.

32 (C) A truck not described in subsections (A) or (B) of this  
33 section is subject to the state biennial registration fees provided  
34 pursuant to Section 56-3-660."

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36 SECTION 3. This act takes effect July 1, 2013, and applies for  
37 motor vehicle registration years beginning after June 2015.

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