

REPORT OF THE REVENUE POLICY SUBCOMMITTEE

(White, J.R. Smith, Bingham, Herbkersman & Pitts - Staff Contact: Rena N. Grant)

HOUSE BILL 3412

H. 3412 Reps. Harrell, Lucas: TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12-36-2647 SO AS TO PROVIDE THAT THE SALES, USE, AND CASUAL EXCISE TAX REVENUES IN A FISCAL YEAR FROM THE SALE, USE, OR TITLING OF A VEHICLE REQUIRED TO BE REGISTERED AND LICENSED BY THE SOUTH CAROLINA DEPARTMENT OF MOTOR VEHICLES MUST BE CREDITED TO THE STATE NON-FEDERAL AID HIGHWAY FUND, AND TO PROVIDE FOR THE USE OF THESE REVENUES.

Summary of Bill:

This legislation directs the \$300 sales cap on motor vehicles to the state non-federal aid highway fund within the Department of Transportation. The revenue will be used to repair highways, roads and bridges.

Introduced: 01/23/2013

Received by Ways and Means: 01/24/2013

Estimated Fiscal Impact:

This bill would reduce sales tax revenue by \$103.5 million in FY 13-14:

- General Fund: \$82.8 million
- EIA Fund: \$20.7 million

Subcommittee Recommendation :

Favorable as amended

The amendment phases in the redirection over a two year period and holds the EIA harmless during that period.

Fiscal Impact As Amended :

For FY 13-14: the amendment reduces sales and use tax revenue by \$41.4 and in order to hold the EIA harmless reduces income tax revenue by \$10,350,000. For FY 14-15: the amendment reduces sales and use tax revenue by \$41.4 and in order to hold the EIA harmless reduces income tax revenue by \$10,350,000.

Full Committee Recommendation:

Pending

Other Notes/Comments:

THE BELOW CONSTITUTED SUMMARY IS PREPARED BY THE STAFF OF THE SC HOUSE OF REPRESENTATIVES AND IS NOT THE EXPRESSION OF THE LEGISLATION'S SPONSOR(S) OR THE HOUSE OF REPRESENTATIVES. IT IS STRICTLY FOR THE INTERNAL USE AND BENEFITS OF MEMBERS OF THE HOUSE OF REPRESENTATIVES AND IS NOT TO BE CONSTRUCTED BY A COURT OF LAW AS AN EXPRESSION OF LEGISLATIVE INTENT.

**HOUSE
AMENDMENT**

**THIS AMENDMENT
ADOPTED**

**CONE/MELTON
FEBRUARY 15, 2013**

CLERK OF THE HOUSE

**THE REVENUE POLICY SUBCOMMITTEE
PROPOSES THE FOLLOWING AMENDMENT
NO. TO. H. 3412**

**AMEND THE BILL, AS AND IF AMENDED, BY
STRIKING SECTION 12-36-2647, AS CONTAINED IN
SECTION 2, PAGE 2, AND INSERTING:**

/ SECTION 12-36-2647. (A)

**NOTWITHSTANDING THE PROVISIONS OF
SECTION 59-21-1010, FOR FISCAL YEARS
2013-2014 AND 2014-2015, FIFTY PERCENT AND
THEREAFTER ONE HUNDRED PERCENT OF SALES,
USE, AND CASUAL EXCISE TAX REVENUES
DERIVED FROM THE SALE, USE, OR TITLING OF A
VEHICLE REQUIRED TO BE LICENSED AND**

REGISTERED BY THE SOUTH CAROLINA DEPARTMENT OF MOTOR VEHICLES, OTHERWISE REQUIRED TO BE CREDITED AS PROVIDED PURSUANT TO SECTION 59-21-1010, INSTEAD MUST BE CREDITED TO THE STATE NON-FEDERAL AID HIGHWAY FUND ESTABLISHED PURSUANT TO SECTION 57-11-20. REVENUES CREDITED TO THE STATE NON-FEDERAL AID HIGHWAY FUND PURSUANT TO THIS SECTION MUST BE USED EXCLUSIVELY FOR HIGHWAY, ROAD, AND BRIDGE MAINTENANCE, CONSTRUCTION, AND REPAIR.

(B) THERE IS TRANSFERRED FROM INCOME TAX REVENUES CREDITED TO THE GENERAL FUND OF THE STATE IN EACH FISCAL YEAR TO THE EDUCATION IMPROVEMENT FUND AN AMOUNT SUFFICIENT TO OFFSET SALES TAX REVENUES NOT CREDITED TO THE EIA FUND AS A RESULT OF THE OPERATION OF THIS SECTION. /

RENUMBER SECTIONS TO CONFORM.

AMEND TITLE TO CONFORM.

STATE OF SOUTH CAROLINA

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February 15, 2013

The Honorable W. Brian White
Chairman, House Ways & Means Committee
S.C. House of Representatives
525 Blatt Building
Columbia, SC 29201

Dear Chairman White,

This letter is in response to a request by Ms. Rena Grant for a revenue impact of a proposed amendment to H.B.3412. This amendment would add Section 12-36-2647 to allow the sales, use, and casual excise tax revenues derived from the sale of a motor vehicle to be redirected from the state public school building fund and credited to the State Highway Fund. The sales tax paid by a purchaser of a motor vehicle is the lesser of five percent up to a maximum of \$300 per motor vehicle pursuant to Section 12-36-2110(2) of the Code of Laws, 1976. The amount of General Fund sales and use tax revenue collected from the \$300 sales tax cap on the sale of motor vehicles in the State is an estimated \$103,500,000 in FY2013-14.

This amendment would, notwithstanding the provisions of Section 59-21-1010, for FY2013-14 and FY2014-15, allow fifty percent of the revenues derived from the sale of motor vehicles to be credited to the State Highway Fund. In FY2015-16, and each year thereafter, one hundred percent must be credited to the State Highway Fund. The amendment contains an EIA Fund hold harmless provision where an amount of revenue is to be transferred from state General Fund income taxes to offset any reduction in sales taxes not transferred to the EIA Fund. In FY2013-14 and FY2014-15, therefore, fifty percent, or an estimated \$51,750,000 of sales and use tax revenue collected from the sales of motor vehicles, General Fund sales and use tax revenue would be reduced by \$41,400,000 and General Fund income tax revenue would be reduced by \$10,350,000 to make the EIA Fund whole. In FY2015-16, one hundred percent, or an estimated \$103,500,000 of sales and use tax revenue collected from the sales of motor vehicles, General Fund sales and use tax revenue would be reduced by \$82,800,000 and General Fund income tax revenue would be reduced by \$20,700,000 to make the EIA Fund whole. Because motor vehicle sales are subject to fluctuations in economic activity and other factors, this analysis does not forecast motor vehicles sales in the long term.

If we may be of any further assistance, please advise.

Sincerely,

A handwritten signature in dark ink, appearing to read "Frank A. Rainwater".

Frank A. Rainwater
Chief Economist

FAR/rwm
Encl.

cc: Rena N. Grant

Statement of Estimated State Revenue Impact

Date: January 30, 2013

Bill Number: H.B. 3412

Authors: Harrell, Lucas, Clemmons, Herbkersman, Loftis, *et. al.*

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

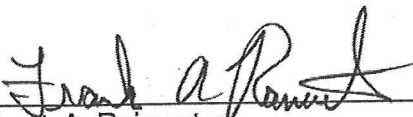
A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-36-2647 so as to provide that the sales, use, and casual excise tax revenues in a fiscal year from the sale, use, or titling of a vehicle required to be registered and licensed by the South Carolina Department of Motor Vehicles must be credited to the State Non-Federal Aid Highway Fund, and to provide for the use of these revenues.

REVENUE IMPACT ^{1/}

This bill would reduce sales tax revenue by \$103,500,000 and increase the State Highway Fund in the Department of Transportation by \$103,500,000 in FY2013-14. Of the estimated \$103,500,000 of sales and use tax revenue, General Fund sales and use tax revenue would be reduced by \$82,800,000 and EIA fund revenue would be reduced by \$20,700,000 in FY2013-14.

Explanation

This bill would add Section 12-36-2647 to allow the sales, use, and casual excise tax revenues derived from the sale of a motor vehicle to be redirected from the state General Fund and the Education Improvement Fund (E.I.A.) and credited to the State Highway Fund. The sales tax paid by a purchaser of a motor vehicle is the lessor of five percent up to a maximum of \$300 per motor vehicle pursuant to Section 12-36-2110(2) of the Code of Laws, 1976. The amount of General Fund sales and use tax revenue collected from the \$300 sales tax cap on the sale of motor vehicles in the State is an estimated \$103,500,000 in FY2013-14. The five percent sales and use tax on the sales of motor vehicles is divided into two components. The four percent component is allocated to the state General Fund. The one percent component is allocated to the Education Improvement Act (EIA) fund. This bill would allow the five percent sales and use tax, pursuant to Section 12-36-910, from the sales of motor vehicles to be credited to the State Highway Fund. The revenues must be used exclusively for maintenance of existing roads and additional capacity on existing roads. The revenues may not be used for administrative costs. This bill would reallocate \$103,500,000 of sales tax revenue to the State Highway Fund within the Department of Transportation in FY2013-14. Of the estimated \$103,500,000 of sales and use tax revenue collected from the sales of motor vehicles, General Fund sales and use tax revenue amounts to \$82,800,000 and EIA fund revenue amounts to \$20,700,000 in FY2013-14. This act takes effect July 1, 2013.


Frank A. Rainwater
Chief Economist

Analyst: Martin

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

South Carolina General Assembly
120th Session, 2013-2014

H. 3412

STATUS INFORMATION

General Bill

Sponsors: Reps. Harrell, Lucas, Clemmons, Herbkersman, Loftis, Barfield, Huggins, Bowen, K.R. Crawford, Allison, Merrill, Ballentine, McCoy, Wood, Erickson, Putnam, Bannister, Branham, Taylor, Limehouse, Southard, Atwater, Bingham, Brannon, Chumley, Cole, Crosby, Daning, Delleney, Gagnon, Gambrell, Goldfinch, Henderson, Hiott, Hixon, Kennedy, Lowe, D.C. Moss, V.S. Moss, Murphy, Newton, Owens, Patrick, Pitts, Pope, Rivers, Ryhal, Sandifer, G.M. Smith, G.R. Smith, J.R. Smith, Sottile, Spires, Stringer, Tallon, Thayer, Toole, White, Whitmire and Willis
Document Path: I:\council\bill\bbm\10815htc13.docx

Introduced in the House on January 23, 2013
Currently residing in the House Committee on **Ways and Means**

Summary: Sales, Use, and Casual Excise Tax revenues

HISTORY OF LEGISLATIVE ACTIONS

Date	Body	Action Description with journal page number
1/23/2013	House	Introduced and read first time (House Journal-page 42)
1/23/2013	House	Referred to Committee on Ways and Means (House Journal-page 42)

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

VERSIONS OF THIS BILL

1/23/2013

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5
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7
8
9 **A BILL**

10
11 TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA,
12 1976, BY ADDING SECTION 12-36-2647 SO AS TO PROVIDE
13 THAT THE SALES, USE, AND CASUAL EXCISE TAX
14 REVENUES IN A FISCAL YEAR FROM THE SALE, USE, OR
15 TITLING OF A VEHICLE REQUIRED TO BE REGISTERED
16 AND LICENSED BY THE SOUTH CAROLINA
17 DEPARTMENT OF MOTOR VEHICLES MUST BE CREDITED
18 TO THE STATE NON-FEDERAL AID HIGHWAY FUND, AND
19 TO PROVIDE FOR THE USE OF THESE REVENUES.

20
21 Be it enacted by the General Assembly of the State of South
22 Carolina:

23
24 SECTION 1. The General Assembly finds that:

25
26 (1) before a motor vehicle may be licensed and registered by
27 the South Carolina Department of Motor Vehicles for the privilege
28 of using the public highways of this State, that department either
29 collects or confirms the collection of any applicable sales, use, and
30 casual excise taxes due on the vehicle;

31 (2) without the required registration and licensing it is unlawful
32 for a motor vehicle to use the public highways of this State; and

33 (3) the revenue of the sales, use, and casual excise tax required
34 to be paid before a motor vehicle may be registered and licensed in
35 this State is included within the "sources of revenue" that may be
36 pledged to secure highway bonds pursuant to Section 13(6)(a),
37 Article X of the Constitution of this State.

38
39 SECTION 2. Article 25, Chapter 36, Title 12 of the 1976 Code is
40 amended by adding:
41

1 "Section 12-36-2647. Notwithstanding the provisions of Section
2 59-21-1010, sales, use, and casual excise tax revenues derived
3 from the sale, use, or titling of a vehicle required to be licensed and
4 registered by the South Carolina Department of Motor Vehicles,
5 otherwise required to be credited as provided pursuant to Section
6 59-21-1010, instead must be credited to the State Non-Federal Aid
7 Highway Fund established pursuant to Section 57-11-20.
8 Revenues credited to the State Non-Federal Aid Highway Fund
9 pursuant to this section must be used exclusively for highway,
10 road, and bridge maintenance, construction, and repair."

11
12 SECTION 3. This act takes effect July 1, 2013.

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