

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

(Neilson, Limehouse, Bingham, & Anthony - Staff Contact: Ryan Burnaugh)

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## **HOUSE BILL 4082**

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H. 4082 -- Reps. Vick and Edge: A BILL TO AMEND SECTION 38-7-20, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE IMPOSITION OF THE INSURANCE PREMIUM TAX, SO AS TO PROVIDE THAT SEVEN PERCENT OF THE ANNUAL REVENUE OF THIS TAX MUST BE TRANSFERRED TO THE SOUTH CAROLINA FORESTRY COMMISSION AND USED BY IT FOR FIREFIGHTING AND FIREFIGHTING EQUIPMENT REPLACEMENT AND FOREST INDUSTRY ECONOMIC ENHANCEMENT.

***Summary of Bill:***

The legislations provides that seven percent of the annual insurance premium tax be allocated to the Forestry Commision for firefighting, firefighting equipment replacement and forest industry economic enhancement.

***Introduced:*** 4/13/2011

***Received by Ways and Means:*** 4/13/2011

***Estimated Fiscal Impact:***

\$10,896,598

***Subcommittee Recommendation:***

Favorable

***Full Committee Recommendation:***

Pending

***Other Notes/Comments:***

Ways and Means included a firefighting proviso for \$3.5M in non-recurring funds in part 1B of H.4813.

## **Statement of Estimated State Revenue Impact**

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**Date:** April 26, 2011

**Bill Number:** H.B. 4082

**Authors:** Vick and Edge

**Committee Requesting Impact:** House Ways & Means Committee

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### **Bill Summary**


A bill to amend Section 38-7-20, as amended, of the Code of Laws of South Carolina, 1976, relating to the imposition of the insurance premium tax, so as to provide that seven percent of the annual revenue of this tax must be transferred to the South Carolina Forestry Commission and used by it for firefighting and firefighting equipment replacement and forest industry economic enhancement.

### **REVENUE IMPACT <sup>1/</sup>**

This bill is expected to reduce General Fund insurance premium tax revenue by an estimated \$10,896,598 in FY2011-12, and increase funds allocated to the South Carolina Forestry Commission by an estimated \$10,896,598 in FY2011-12.

### **Explanation**

This bill would amend Section 38-7-20(B) to permit the transfer of seven percent of General Fund insurance premium tax revenue to be transferred to the South Carolina Forestry Commission. The transferred funds would be used by the Forestry Commission for firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue would remain in the General Fund. Based on the General Fund revenue estimate made by the Board of Economic Advisors on February 9, 2011, General Fund insurance tax revenue less insurance tax credits taken against insurance premium taxes yields an estimated \$155,665,683 in FY2011-12. Multiplying this amount by seven percent would transfer an estimated \$10,896,598 to the South Carolina Forestry Commission from the General Fund in FY2011-12.

  
William C. Gillespie, Ph.D.  
Chief Economist

**Analyst:** Martin

<sup>1/</sup> 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.

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9 **A BILL**

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11 TO AMEND SECTION 38-7-20, AS AMENDED, CODE OF  
12 LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE  
13 IMPOSITION OF THE INSURANCE PREMIUM TAX, SO AS  
14 TO PROVIDE THAT SEVEN PERCENT OF THE ANNUAL  
15 REVENUE OF THIS TAX MUST BE TRANSFERRED TO THE  
16 SOUTH CAROLINA FORESTRY COMMISSION AND USED  
17 BY IT FOR FIREFIGHTING AND FIREFIGHTING  
18 EQUIPMENT REPLACEMENT AND FOREST INDUSTRY  
19 ECONOMIC ENHANCEMENT.

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

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24 SECTION 1. Section 38-7-20 of the 1976 Code, as last amended  
25 by Act 73 of 2003, is further amended to read:

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27 "Section 38-7-20. (A) In addition to all license fees and taxes  
28 otherwise provided by law, there is levied upon each insurance  
29 company licensed by the director or his designee an insurance  
30 premium tax based upon total premiums, other than workers'  
31 compensation insurance premiums, and annuity considerations,  
32 written by the company in the State during each calendar year  
33 ending on the thirty-first day of December. For life insurance, the  
34 insurance premium tax levied herein is equal to three-fourths of  
35 one percent of the total premiums written. For all other types of  
36 insurance, the insurance premium tax levied in this section is equal  
37 to one and one-fourth percent of the total premiums written. In  
38 computing total premiums, return premiums on risks and dividends  
39 paid or credited to policyholders are excluded.

40 (B) Seven percent of the revenue of the premium taxes  
41 collected pursuant to this section must be transferred to the South  
42 Carolina Forestry Commission and used by that agency for

1 firefighting, firefighting equipment replacement, and forest  
2 industry economic enhancement. The remaining insurance  
3 premium taxes collected ~~by the director or his designee~~ pursuant to  
4 this section must be deposited ~~by him in~~ to the credit of the general  
5 fund of the State.”

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7 SECTION 2. This act takes effect July 1, 2011.

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