AMENDED

February 27, 2013

**H. 3412**

Introduced by 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, Willis, Hardwick, Quinn, Hamilton, Forrester and Edge

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Read the first time January 23, 2013.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This amended bill would reduce general fund sales and use tax revenue by an estimated $41,400,000 and general fund income tax revenue would be reduced by an estimated $10,350,000 to make the EIA Fund whole in FY2013-14 and FY2014-15. In FY2015-16, and each fiscal year thereafter, general fund sales and use tax revenue would be reduced by an estimated $82,800,000 and general fund income tax revenue would be reduced by an estimated $20,700,000 to make the EIA Fund whole.

**Explanation of Amendment (February 19, 2013) – By the House Ways & Means Committee**

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. 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 vehicle sales in the long term.

**Explanation of Bill Filed January 23, 2013**

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 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. 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.

*Approved By:*

Frank A. Rainwater

Board of Economic Advisors

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 or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

**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.

Amend Title To Conform

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

SECTION 1. The General Assembly finds that:

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

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

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

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

“Section 12‑36‑2647. Notwithstanding the provisions of Section 59‑21‑1010, for fiscal years 2013‑2014, fifty percent and thereafter one hundred percent of the components of the revenues of sales, use, and casual excise taxes derived pursuant to Sections 12‑36‑2620(1), 12‑36‑2630(1), and 12‑36‑2640(1) on 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.”

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

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