



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S.0973 As amended by House Ways and Means on May 19, 2016
Author: Cromer
Subject: Insurance Premium Tax
Requestor: House Ways and Means
RFA Analyst(s): Martin
Impact Date: May 20, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	(\$3,555,000)
Other and Federal	\$0	\$3,555,000
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

This bill, as amended, is not expected to affect General Fund insurance premium tax revenue in FY2016-17, but is expected to reduce General Fund insurance premium tax revenue by an estimated \$3,555,000 in FY2017-18. This bill, as amended, is expected to increase Other Fund revenue by an estimated \$3,555,000 in FY2017-18. This bill, as amended, would not affect Federal Fund revenue.

Explanation of Fiscal Impact

Explanation of Amendment (May 19, 2016) – By the House Ways & Means Committee

This amendment would strike the bill in its entirety and insert the language from H.4525.

State Expenditure

This bill, as amended, would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the appropriate accounts as specified in the bill. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

State Revenue

Section 1. Currently, pursuant to Act 155 of 2013, Section 38-7-20(B) permits the transfer of two and one-quarter percent of General Fund insurance premium tax revenue to the South Carolina Forestry Commission. The transferred funds are used by the Forestry Commission for

firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue remains in the General Fund. Additionally, this transfer does not affect the amount of revenue to be allocated to local fire departments.

Since the passage of Act 155 of 2013, the Board of Economic Advisors (BEA) has recognized the transfer of a portion of General Fund insurance premium tax revenue to the S.C. Forestry Commission in its official General Fund revenue forecast each year. The transfer will amount to an estimated \$3,304,679 in FY2016-17. This revenue transfer is scheduled to cease July 1, 2017, at which time, the BEA will no longer set aside insurance premium tax revenue to be transferred to the South Carolina Forestry Commission after FY2016-17.

This bill, as amended, would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2030. The current transfer of revenues would remain in effect for an additional thirteen fiscal years through June 30, 2030. The transfer of two and one-quarter percent of insurance premium taxes will still occur; however, the allocation of the revenue has been amended as follows:

- One percent must be transferred to the South Carolina Forestry Commission and used for firefighting and firefighting equipment replacement
- One percent must be transferred to the aid to fire districts account within the State Treasury and distributed for firefighting equipment replacement in the same manner as described in Section 23-9-410
- One-quarter of one percent must be transferred to the aid to emergency medical services regional councils within the Department of Health and Environmental Control and used for grants to fund emergency medical technician and paramedic training
- The remaining insurance premium taxes collected must be deposited in the state general fund.

Because the provisions of the amended bill first apply to the transfer of insurance premium tax revenue in FY2017-18, the transfer will amount to an estimated \$3,555,000 in FY2017-18. Based on the allocation schedule above, the South Carolina Forestry Commission would receive an estimated \$1,580,000, the aid to fire districts account would receive an estimated \$1,580,000, and the aid to emergency medical services regional councils account would receive an estimated \$395,000 in FY2017-18. Since the BEA had planned for the transfer of insurance premium tax revenue to cease after June 30, 2017, this amended bill would cause a reduction in General Fund insurance premium tax revenue of an estimated \$3,555,000 in FY2017-18. There would also be a concomitant increase of \$3,555,000 in Other Fund revenue in FY2017-18.

Section 2. This act takes effect on July 1, 2017, and first applies to Fiscal Year 2017-2018.

Explanation of Updated Bill (May 17, 2016) – House Ways & Means Committee State Expenditure

This bill, as updated, would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the appropriate accounts as specified in the bill. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

State Revenue

Section 1. Currently, pursuant to Act 155 of 2013, Section 38-7-20(B) permits the transfer of two and one-quarter percent of General Fund insurance premium tax revenue to the South Carolina Forestry Commission. The transferred funds are used by the Forestry Commission for firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue remains in the General Fund. Additionally, this transfer does not affect the amount of revenue to be allocated to local fire departments.

Since the passage of Act 155 of 2013, the Board of Economic Advisors (BEA) has recognized the transfer of a portion of General Fund insurance premium tax revenue to the S.C. Forestry Commission in its official General Fund revenue forecast each year. The transfer will amount to an estimated \$3,304,679 in FY2016-17. This revenue transfer is scheduled to cease July 1, 2017, at which time, the BEA will no longer set aside insurance premium tax revenue to be transferred to the South Carolina Forestry Commission after FY2016-17.

This bill, as updated, would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2022. The current transfer of revenues would remain in effect for an additional five fiscal years through June 30, 2022. The transfer of two and one-quarter percent of insurance premium taxes will still occur; however, because the provisions of the amended bill first apply to the transfer of insurance premium tax revenue in FY2017-18, the transfer will amount to an estimated \$3,555,000 in FY2017-18. Since the BEA had planned for the transfer of insurance premium tax revenue to cease after June 30, 2017, this amended bill would cause a reduction in General Fund insurance premium tax revenue of an estimated \$3,555,000 in FY2017-18. There would also be a concomitant increase of \$3,555,000 in Other Fund revenue in FY2017-18.

Section 2. This act takes effect upon approval by the Governor.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Amendment (February 4, 2016) – By the Senate

State Expenditure

This bill would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the South Carolina Forestry Commission pursuant to Act 155 of 2013. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

State Revenue

This bill, as amended, would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2022. The current transfer of revenues would remain in effect for an additional five fiscal years through June 30, 2022.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Bill Filed January 13, 2016**State Expenditure**

This bill would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the South Carolina Forestry Commission pursuant to Act 155 of 2013. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

State Revenue

Currently, pursuant to Act 155 of 2013, Section 38-7-20(B) permits the transfer of two and one-quarter percent of General Fund insurance premium tax revenue to the South Carolina Forestry Commission. The transferred funds are used by the Forestry Commission for firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue remains in the General Fund. Additionally, this transfer does not affect the amount of revenue to be allocated to local fire departments.

Since the passage of Act 155 of 2013, the Board of Economic Advisors (BEA) has recognized the transfer of a portion of General Fund insurance premium tax revenue to the S.C. Forestry Commission in its official General Fund revenue forecast each year. The transfer will amount to an estimated \$3,304,679 in FY2016-17. This revenue transfer is scheduled to cease July 1, 2017. This bill would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2027. The current transfer of revenues would remain in effect for an additional ten fiscal years through June 30, 2027. Since the BEA has already incorporated the revenue transfer into its revenue estimate and will continue to do so in the future, this bill would not affect the BEA's General Fund insurance premium tax revenue forecast in future fiscal years,

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director