



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S.0982 As amended by Senate Finance on March 15, 2016
Author: Peeler
Subject: Sales Tax Exemptions
Requestor: Senate Finance
RFA Analyst(s): Martin & Dunbar
Impact Date: March 22, 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	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill, as amended, would not affect state General Fund revenue in FY2016-17. This bill would not affect Other Funds or Federal Funds revenue in FY2016-17.

Explanation of Fiscal Impact

Explanation of Amendment (March 15, 2016) – By the Senate Finance Committee

State Expenditure

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

State Revenue

This amendment would strike all after the enacting words and insert the following unnumbered sections. The following unnumbered sections are listed sequentially pursuant to document #2EMR7738\982C001.BBM.DG16.docx.

First Unnumbered Section. This section amends Section 12-28-110 by adding the term liquefied natural gas to the definition of alternative fuel. It also adds the definition of diesel gallon equivalent and gasoline gallon equivalent to clarify the amount of natural or petroleum gas that has the equivalent energy of one gallon of diesel and gasoline fuel, respectively. The Department of Revenue reports that liquefied natural gas is currently taxed at the motor fuel user fee of \$0.1675 per gallon, or at the equivalent diesel gallon rate. Therefore, this section of the bill would have no revenue impact.

Second Unnumbered Section. This section amends Section 12-28-120 to clarify that a gallon of liquefied natural gas means diesel gallon equivalent (DGE), and that a gallon of compressed natural gas or liquefied petroleum gas means gasoline gallon equivalent (GGE). For any gaseous product that for which a conversion factor is not provided in this chapter, the Department of Revenue shall determine a conversion factor, based on the best information available, and notify the General Assembly that a legislative change is necessary. This section would not affect state General Fund revenue.

Third Unnumbered Section.

This unnumbered section would amend Section 12-36-2120(15) to allow a taxpayer with a miscellaneous fuel user fee license to be exempt from remitting the sales and use tax on natural gas and liquefied petroleum gas as an alternative fuel sold to the licensee. Currently, sales and use tax is not levied against the sale of motor fuel. According to the Department of Revenue, there are seventy miscellaneous fuel user fee licenses issued to taxpayers. This unnumbered section is amended to remove the phrase “in their own motor vehicles” from the sub-item. This would remove the burden of remitting any motor fuel tax due as the result of withdrawal of motor fuel for personal use from being a statutory requirement to being a voluntary submission. This section, therefore, would not affect state General Fund revenue.

Fourth Unnumbered Section.

This unnumbered section would amend Section 12-28-1125(A) to allow motor fuel shipped into this state “by any means” into storage facilities, and replaces language that describes several different types of shipping methods of motor fuel. The individual that brings motor fuel into this state would still have to be licensed by the Department of Revenue and obtain an occasional importer’s license or a bonded importer’s license. This section would not affect state General Fund revenue.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Bill Filed January 13, 2016

State Expenditure

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

State Revenue

This bill would amend Section 12-36-2120(15) to allow a taxpayer with a miscellaneous fuel user fee license to be exempt from remitting the sales and use tax on natural gas as an alternative fuel sold to the licensee. Under current statutes, when a taxpayer withdrawal a portion of their saleable product from inventory for personal use, tax is due and shall be remitted to the Department of Revenue. This bill would allow a taxpayer with a miscellaneous fuel user fee license to withdrawal natural gas for their own personal use as motor fuel in their own motor

vehicles and remit the motor fuel use fees as required by law. According to the Department of Revenue, there are seventy miscellaneous fuel user fee licenses issued to taxpayers. If each of the seventy holders of miscellaneous fuel user fee licensees owns two vehicles, an estimated 140 natural gas propelled vehicles may be supplied natural gas out of inventory.

Based on data from the U.S. Department of Energy, Energy Information Administration, an estimated 4,050 vehicles are powered by natural gas or a natural gas blended fuel in South Carolina. The Energy Information Administration forecasts 5,100 vehicles powered by natural gas or a natural gas blended fuel consuming an average of over 420 gallons of gasoline equivalent gallons in each vehicle by FY2016-17. Multiplying 420 gasoline equivalent gallons of natural gas by 140 natural gas or natural gas blended fueled vehicles yields an estimated 58,842 gasoline equivalent gallons of natural gas. Multiplying 58,842 gasoline equivalent gallons of natural gas by a motor fuel tax rate of \$0.1675 per gallon yields motor fuel tax revenue of an estimated \$9,856 in FY2016-17. This bill, therefore, would increase motor fuel user fee revenue by an estimated \$9,856 in FY2016-17.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director