SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H. 3516 Amended by the Senate on April 26, 2017
Author:	Simrill
Subject:	SC Infrastructure and Economic Development Reform Act
Requestor:	Senate Finance
RFA Analyst(s):	Wren, Jolliff, and Martin
Impact Date:	April 28, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19	FY 2019-20 to FY 2021-22
State Expenditure			
General Fund	Pending	Pending	See Below
Other and Federal	Pending	Pending	See Below
Full-Time Equivalent Position(s)	0.00	4.00	
State Revenue			
General Fund	$0	See Below	See Below
Other and Federal	See Below	See Below	See Below
Local Expenditure	$0	$0	$0
Local Revenue	See Below	See Below	See Below

Fiscal Impact Summary

This bill will increase non-recurring expenses for the Department of Motor Vehicles (DMV) by $188,000 in FY 2017-18 and $401,900 in FY 2018-19. Total recurring Other Fund expenses for DMV for administration include $157,500 for four new FTEs. DMV expects additional expenses for the administration of the motor carrier road use fee beyond the current estimates; however, the amount is currently undetermined. The bill as amended may have an additional expenditure impact for DMV, the Department of Revenue (DOR), and the Department of Transportation (DOT) for the sections changed by the Senate amendments. The expenditure impact for the amended sections is pending a response from each agency.

The bill will reduce General Fund revenue by $38,229,000 in FY 2018-19, $102,038,000 in FY 2019-20, $134,745,000 in FY 2020-21, $142,079,000 in FY 2021-22, and $148,979,000 in FY 2022-23, and $155,909,000 in FY 2023-24. Further, the General Fund may be reduced by an additional $12,450,000 in FY 2019-20, $81,934,000 in FY 2020-21, $154,108,000 in FY 2021-22, $229,049,000 in FY 2022-23, and $275,915,000 in FY 2023-24 if funding is not appropriated from the Capital Reserve Fund for the motor fuel tax credit.

This bill will increase Other Funds revenue by $181,589,000 in FY 2017-18, $307,098,000 in FY 2018-19, $411,659,000 in FY 2019-20, $500,672,000 in FY 2020-21, $590,305,000 in FY 2021-22, $679,419,000 in FY 2022-23, and $727,559,783 in FY 2023-24 from increases in fees. However, current State Highway Fund revenue will be reduced by increases in the allocation of the motor fuel fee on gasoline to local “C” Funds. Sections 11 and 15 each increase the allocation of gasoline fee revenue to “C” Funds from $0.0266 per gallon to a total of $0.0399 per gallon, but the increase contained in Section 11 is for the state highway secondary system and the increase in Section 15 is for the state highway system. Assuming that both sections increase revenue separately to a total of $0.0399 each, total "C" Fund revenue will increase by $19,442,000 in FY 2018-19, $39,198,000 in FY 2019-20, $59,342,000 in FY 2020-21, and $79,750,000 in FY 2021-22 and thereafter, reducing State Highway Fund revenue by these amounts.

Other Funds revenue of DMV is expected to increase by $448,000 in FY 2018-19 and $97,000 in FY 2019-20. The bill will reduce Other Funds revenue of the Department of Revenue (DOR) by $48,000 in FY 2018-19 and $97,000 in FY 2019-20. Other Funds revenue for environmental and inspection fees to the Department of Transportation (DOT) and the Department of Health and Environmental Control (DHEC) is expected to be reduced by $46,000 in FY 2017-18, $98,000 in FY 2018-19, and an additional $44,000 each year until FY 2022-23, for a total of $272,000. Other Funds revenue of the Department of Agriculture for inspection fees will decrease by $952,000 beginning in FY 2017-18 as this revenue is transferred to the State Non-Federal Aid Highway Fund. This amount increases to $975,000 in FY 2018-19, $989,000 in FY 2019-20, $1,003,000 in FY 2020-21, and $1,016,000 in FY 2021-22.

Four of forty-six counties surveyed responded that the bill is expected to have minimal to no impact on local expenditures to administer the hybrid and alternative fuel vehicle biennial fee. Local revenue distributed to counties for motor carrier road use fees is expected to increase by $12,821,000 in FY 2018-19 for a one-time acceleration of fee payments and $765,000 in FY 2019-20.

Explanation of Fiscal Impact

Amended by the Senate on April 26, 2017
State Expenditure
The following sections would affect state expenditures as follows:

Section 4. This section increases current biennial registration fees by $16. DMV indicates non-recurring expenditures for this section will total $11,000 in FY 2017-18 for programming and system testing.

Section 5. This bill adds an infrastructure maintenance fee for in-state and out-of-state residents that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56. DMV expects non-recurring expenditures of $53,000 for programming, system updates, and system testing in FY 2017-18.

Section 6. This section adds a biennial road use fee of $120 for alternative fuel vehicles and a $60 biennial road use fee for hybrid vehicles. DMV indicates non-recurring expenditures for this section will total $124,000 in FY 2017-18 for programming, system updates, and system testing.

Section 8. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019 in the same manner as the current motor carrier property tax. DOR currently administers the property tax for in-state carriers. This bill would add out-of-state carriers to the road use fee and transfer the program to DMV. Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $12 of the fee is retained by DOR for operating costs. This bill would change the distribution by sending the $12 fee to DMV.

Department of Motor Vehicles. DMV indicates non-recurring expenditures for administration of the motor carrier fee program are expected to total at least $401,900 in FY 2018-19 based upon the latest estimates for the required programing, testing, and project management to set up this system within the agency. They also anticipate additional non-recurring expenditures above this amount for consulting with tax specialists with the knowledge of motor carrier property taxes and valuation to assist in designing and testing the system. Additional recurring expenditures for administering the program, producing forms and materials, processing fee submissions, and handling disputes are expected, but projected expenditures for conducting these functions are currently undetermined. The agency expects to hire four FTE's to administer the program with estimated personnel expenditures of $157,500 per year including fringe benefits.

Department of Revenue. DOR does not anticipate a reduction in personnel expenditures from moving the administration of the motor carrier fee to DMV because the staff who administer this program have additional responsibilities for administration of other property tax assessments that remain with the agency.

Section 9. This section increases the current fee for a five-year driver's license from $12.50 to $25.00. This section also amends the ten-year driver's license renewal period from ten years to eight years. The fee for the eight-year driver's license is $40. The impact of this section is pending, contingent upon a response from DMV.

Section 14. This section requires DOT to prepare a Transportation Asset Management Plan, which must include objectives and performance measures for the preservation and improvement of the state highway system. Additionally, the Transportation Asset Management Plan must include objectives, performance measures, and innovative approaches to address high-risk rural roads that are functionally classified as rural primary or federal aid secondary roads. The Transportation Asset Management Plan must be approved by the Commission and is to establish fiscally constrained performance goals, including $50,000,000 for high risk rural roads, for transportation infrastructure assets such as pavements and bridges. The expenditure impact of this section is pending, contingent upon a response from DOT.

Section 17. This section creates a refundable credit against the motor fuel user fees for vehicle maintenance on private passenger motor vehicles as defined in Section 56-3-630, including motorcycles, registered in this state. The credit may not exceed 150 percent of the resident's actual motor fuel user fee increase incurred as a result of the increase imposed in Section 12-28-310(D). Vehicle maintenance includes, but is not limited to, costs incurred for new tires, oil changes, and regular vehicle maintenance. The credit is calculated separately for each vehicle and may be claimed for up to five qualifying vehicles. The Revenue and Fiscal Affairs Office is required to estimate the number of taxpayers expected to claim the credit for the current tax year and the total amount expected to be claimed annually on or before September 30th. In the event that RFA estimates that the total credits claimed will exceed the maximum amount of the aggregate credit allowed, RFA shall certify to DOR the pro rata adjustment to the credit.

Department of Revenue. The expenditure impact of this section is pending, contingent upon a response from DOR.

Revenue & Fiscal Affairs Office. RFA does not anticipate that this will impact agency expenditures. Providing the required estimates is within the normal scope of agency work and can be accomplished with existing staff and resources.

Section 18. This section will require DOR to produce forms and instructions for the new Earned Income Tax credit. This is expected to have a minimal impact on expenditures that can be managed within existing appropriations.

Section 19. This section changes the amount of the two-wage earner credit. This change can be accomplished during DOR's annual update to tax forms and is expected to have a minimal impact on expenditures that can be managed within existing appropriations.

Section 20. This section increases and expands the refundable tuition tax credit for students attending four-year and two-year institutions. RFA is required to annually estimate the maximum credit that may be permitted under this section for each taxable year based on the number of taxpayers expected to claim the credit and the expected amount claimed. RFA must certify to DOR the maximum credit for the applicable year. If the estimates exceed the aggregate allowed by this section, the credit amounts allowed must be reduced proportionally based upon the amount by which the estimate exceeds the allowed amount.

Department of Revenue. The expenditure impact of this section is pending, contingent upon a response from DOR.

Revenue & Fiscal Affairs Office. RFA does not anticipate that this will impact agency expenditures. Providing the required estimates is within the normal scope of agency work and can be accomplished with existing staff and resources.

Commission on Higher Education, State Board for Technical and Comprehensive Education, and Public Institutions of Higher Learning. The section also requires the Commission on Higher Education, the State Board for Technical and Comprehensive Education, and each public institution of higher learning to develop a plan to notify each student of the tax credit allowed by this section. As it is up to the discretion of each agency and institution as to how to accomplish this requirement, we do not expect that this will result in significant expenditures.

Section 21. This section provides an assessed value exemption for manufacturing property and business personal property. DOR does not expect this section to impact expenditures. Changing programing to include the property tax value exemptions can be handled during the construction of the new manufacturing property component of DOR's tax system. They also have a contract in place to require the vendor to make annual updates to the system for business personal property based upon legislative changes. Therefore, these changes to programming can be handled within the department's current operations.

Sections 22 and 23. These sections repeal Sections 57-1-460 and 57-1-470, which provide that the Secretary of Transportation must evaluate and approve the routine operation and maintenance requests or emergency repairs that are needed for existing roads and bridges that are not included in the Statewide Transportation Improvement Program. Additionally, these sections provide that the secretary must provide a report on requests for routine operation and maintenance or emergency repairs, and deletes the requirement that the commission must approve these reports. The Department of Transportation (DOT) indicates that this bill deletes the reporting requirements and the approval of specific reports by the DOT Commission. Further, the bill does not eliminate the department's responsibility to perform routine operation and maintenance functions or emergency repairs. Repealing these sections will have no expenditure impact on DOT.

Section 24. This section increases the number of at-large members of the Commission of DOT from one to two members. The number of members from each transportation district is unchanged. The expenditure impact of this section is pending, contingent upon a response from DOT.

Section 25. This section requires the Commission of DOT to hold a minimum of six regular meetings annually. Other meetings may be called by the chair. The commission may not enter into the day-to-day operations of DOT, except in an oversight role with the secretary. Additionally, a member of the commission may not have an interest, direct or indirect, in any contract, franchise, privilege, or other benefit granted or awarded by DOT during his appointment and for one year after the termination of the appointment. The expenditure impact of this section is pending, contingent upon a response from DOT.

Section 26. This section requires DOT final audit reports to be published on DOT's and the State Auditor's websites. We do not expect this requirement to impact expenditures.

Section 27. This section requires the Secretary of DOT to prepare annual reports outlining DOT annual expenditures by county and a list of all companies doing business with DOT and the amount spent on the contracts. The reports must be published on DOT's website. The expenditure impact of this section is pending, contingent upon a response from DOT.

State Revenue
The following sections would affect state revenue as follows:

Section 1. This section of the bill as amended creates the Infrastructure Maintenance Trust Fund to be used exclusively for the repairs, maintenance, and improvements to the existing transportation system. All interest income of the Infrastructure Maintenance Trust Fund must be credited to the fund.

Section 2. The bill increases the current $0.16 per gallon motor fuel user fee by $0.02 per gallon per year for six years for a total increase of $0.12 per gallon of fuel. The first increase will take effect July 1, 2017. The increased revenue as a result of this section must be credited to the Infrastructure Maintenance Trust Fund. Based on the latest information from the U.S. Department of Energy, increasing the current user fee from $0.16 to $0.18 would generate an additional $68,857,000 in FY 2017-18. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual revenue to the Infrastructure Maintenance Trust Fund by fiscal year for FY 2017-18 to FY 2022-23 is provided in the table below.

Fiscal Year	Motor Fuel Fee Increase (Total of $0.12)	Net Impact on $0.0075 Environmental and Inspection Fee Revenue
FY 2017-18	$68,857,000	($46,000)
FY 2018-19	$153,958,000	($98,000)
FY 2019-20	$234,338,000	($142,000)
FY 2020-21	$316,881,000	($186,000)
FY 2021-22	$401,669,000	($230,000)
FY 2022-23	$485,807,000	($272,000)

As the user fee is increased in the first five years, we expect the demand for motor fuel to decline due to an increase in the relative overall price of motor fuel, which reduces the estimated number of gallons. Based upon an analysis of several academic studies, the demand elasticity for gasoline averages -0.2 in the short-run for the United States. The studies suggest that the long-run demand changes will be slightly more sensitive to price changes in gasoline as consumers seek out alternatives. Therefore, we used an elasticity of -0.2 in this analysis, meaning that a one percent increase in the price of gasoline would reduce the amount purchased by 0.2 percent.

Currently revenue from the inspection fee of $0.0025 is divided between the Department of Agriculture and the State Non-Federal Aid Highway Fund. The Department of Agriculture receives 10 percent of the fee, and the State Non-Federal Aid Highway Fund receives 90 percent. Section 10 of this bill redirects the Department of Agriculture’s share of the inspection fee to the State Non-Federal Aid Highway Fund so that the Fund receives 100 percent of the inspection fee. The Department of Health and Environmental Control (DHEC) receives the revenue generated by the $0.0050 environmental inspection fee. The table below estimates the effect of a reduction in demand for motor fuel on DHEC and on the State Non-Federal Aid Highway Fund, based on the Fund receiving 100 percent of the inspection fee. The motor fuel fee increase begins July 1, 2017. Therefore, the estimate represents eleven months of a full fiscal year.

	Environmental and Inspection Fee ($0.0075)	
	$0.0050	$0.0025
Fiscal Year	Department of Health and Environmental Control	Department of Transportation (State Non-Federal Aid Highway Fund)
FY 2017-18	($31,000)	($16,000)
FY 2018-19	($65,000)	($32,000)
FY 2019-20	($95,000)	($48,000)
FY 2020-21	($124,000)	($62,000)
FY 2021-22	($153,000)	($77,000)
FY 2022-23	($181,000)	($91,000)

Section 4. The biennial registration fee for every passenger vehicle and every property-carrying vehicle with a gross weight of 6,000 pounds or less, excluding property carrying trucks, is increased by $16. The increase will apply to all individuals, including individuals 65 years of age or older and individuals who are handicapped pursuant to Section 56-3-620. Based upon DMV data, there will be approximately 3,179,000 vehicles subject to this additional fee in FY 2017-18. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. The estimated additional revenue from this fee increase is $12,731,000 for FY 2017-18. From each biennial registration fee collected pursuant to this section, $16 must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2022-23 is provided in the table below.

Fiscal Year	Biennial Vehicle Registration Fee Increase Total Additional Revenue
FY 2017-18	$12,731,000
FY 2018-19	$26,090,000
FY 2019-20	$26,732,000
FY 2020-21	$27,391,000
FY 2021-22	$28,065,000
FY 2022-23	$28,757,000

Section 5. This section creates a new infrastructure maintenance fee that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56 beginning July 1, 2017. The fee is 5 percent of the sales price up to $500 for a vehicle or item first registered in this state and $250 for new residents registering an out-of-state vehicle in South Carolina for the first time. The fee for in-state vehicles is increased by $50 per year to $600. The fee for owners registering an out-of-state vehicle is increased by $50 per year to $600. This fee replaces the current 5 percent sales tax up to $300 for vehicles and items purchased in South Carolina required to be registered under Chapter 3 of Section 56. We assume that the majority of trailers are exempt under Section 56-3-120 and are captured under the permanent fee in Section 12-37-2860 instead. These trailers would remain subject to the sales tax.

Based on our current estimates for motor vehicles, motorcycles, motor carriers, and recreational vehicles, increasing the maximum fee for these items to $500 will generate $72,722,000 in additional revenue to the Infrastructure Maintenance Trust Fund in FY 2017-18. Increasing the fee by an additional $50 for a maximum of $600 will generate an additional $15,342,000 in FY 2018-19, and $14,344,000 in FY 2019-20. By FY 2019-20, the revenue increase will total $102,408,000 compared to the current sales tax.

Total Revenue

Item	Current Sales Tax ($300 cap)	Infrastructure Fee ($500 cap)	Infrastructure Fee ($550 cap)	Infrastructure Fee ($600 cap)
Motor vehicle	$183,000,000	$253,300,000	$267,900,000	$281,500,000
Motorcycle	$2,208,000	$2,760,000	$3,036,000	$3,312,000
Heavy duty trucks	$1,119,000	$1,866,000	$2,052,000	$2,239,000
Recreational Vehicle	$1,684,000	$2,807,000	$3,087,000	$3,368,000
Total	$188,011,000	$260,733,000	$276,075,000	$290,419,000

Net Change from Prior Fiscal Year

Item	FY 2016-17 Revenue Increase	FY 2017-18 Revenue Increase	FY 2018-19 Revenue Increase	FY 2019-20 Revenue Increase
Motor vehicle	$0	$70,300,000	$14,600,000	$13,600,000
Motorcycle	$0	$552,000	$276,000	$276,000
Heavy duty trucks	$0	$747,000	$186,000	$187,000
Recreational Vehicle	$0	$1,123,000	$280,000	$281,000
Total	$0	$72,722,000	$15,342,000	$14,344,000

Currently, 80 percent of the $300 sales tax is distributed to the State Highway Fund, but the remaining twenty percent is credited to the EIA Fund. The bill as amended directs DMV to send 20 percent of every fee collected up to $60 to the EIA Fund. As such, the EIA fund would receive the same $37,600,000 in revenue from the Infrastructure Maintenance Fee that is currently received from sales tax.

The bill as amended also extends the current sales tax exemption on motor vehicles purchased by active duty members of the United States Armed Forces who are residents of another state to exempt these purchases from the Infrastructure Maintenance Fee. These purchases are currently exempt and therefore, are not included in the projected revenue from the Infrastructure Maintenance Fee. As such, the bill does not alter our analysis of the revenue generated by the fee.

Individuals registering a vehicle in South Carolina that was previously registered out-of-state will be subject to a $250 fee in FY 2017-18. The fee increases by $50 per year for a maximum of $600. The bill exempts active duty military from this fee. DMV indicates that they cannot isolate the number of registrations occurring as a result of new residents moving into the state and registering an out-of-state vehicle for the first time. Data provided by DMV would include cars that were registered in another state, purchased by a dealer, and then sold in South Carolina. Therefore, we used the U.S. Census Bureau's migration data as a proxy. The Census Bureau estimates annual in-migration for people moving into South Carolina to be 99,919. This is based upon the number of personal exemptions claimed on the 52,710 income tax records for people moving into South Carolina from 2014 to 2015. Reducing this figure by 19.7% to account for individuals under age 16 who would not be likely to register a vehicle, we expect 80,235 vehicles to be subject to the out-of-state $250.00 fee in FY 2017-18. The revenue generated from the infrastructure maintenance fee pursuant to out-of-state transfers must be credited to the Infrastructure Maintenance Trust Fund. The estimated additional revenue from this fee is $20,059,000 for FY 2017-18.

This analysis is based upon income tax returns for individuals who have changed their state of residence for income tax purposes. The estimate may include a small number of active duty military who changed their state of residence to South Carolina and would be exempt from the fee. However, this is not expected to have a significant impact on the revenue estimate. The estimated annual revenue increase for FY 2017-18 to FY 2024-25 is provided in the table below.

Fiscal Year	Revenue from Out-of-State Transfers
FY 2017-18	$20,059,000
FY 2018-19	$24,407,000
FY 2019-20	$28,874,000
FY 2020-21	$33,461,000
FY 2021-22	$38,171,000
FY 2022-23	$43,005,000
FY 2023-24	$47,968,000
FY 2024-25	$53,062,000

In total, this section is expected to increase revenue to the Infrastructure Maintenance Trust Fund by $92,781,000 beginning in FY 2017-18. The total Infrastructure Maintenance Fee revenue attributable to this section is provided in the table below.

Fiscal Year	Revenue From In-state Infrastructure Maintenance Fees	Revenue from Out-of-State Transfers	Infrastructure Maintenance Fees
FY 2017-18	$72,722,000	$20,059,000	$92,781,000
FY 2018-19	$88,064,000	$24,407,000	$112,471,000
FY 2019-20	$102,408,000	$28,874,000	$131,282,000
FY 2020-21	$102,408,000	$33,461,000	$135,869,000
FY 2021-22	$102,408,000	$38,171,000	$140,579,000
FY 2022-23	$102,408,000	$43,005,000	$145,413,000
FY 2023-24	$102,408,000	$47,968,000	$150,376,000
FY 2024-25	$102,408,000	$53,062,000	$155,470,000

Section 6. This section creates a new registration fee for alternative fuel vehicles that are powered by fuels other than those subject to the motor fuel user fee. For vehicles powered exclusively by electricity, hydrogen, or another fuel not subject to the user fee, a biennial road user fee of $120 is added. Based upon data from DMV, we estimate 460 vehicles powered exclusively by alternate fuels will be subject to the $120 fee. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $14,000.

For vehicles that use a combination of a motor fuel subject to the motor fuel user fee and another fuel source, the biennial road user fee is $60. We estimate that in FY 2017-18 there will be 44,000 vehicles that use a combination of fuels subject to the $60 fee. Since the increase begins January 1, 2018, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $660,000. The proposed biennial alternative fuel and hybrid vehicle fees will total $674,000 in FY 2017-18. All of the fees collected pursuant to this section must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2022-23 is provided in the table below.

Fiscal Year	Hybrid and Alternative Fuel Vehicle Fee Total Additional Revenue
FY 2017-18	$674,000
FY 2018-19	$1,453,000
FY 2019-20	$1,566,000
FY 2020-21	$1,689,000
FY 2021-22	$1,820,000
FY 2022-23	$1,962,000

Section 7. This section increases the maximum sales and use tax limitation on enumerated items from the current $300 per item to $500 per item beginning July 1, 2017, $550 per item on July 1, 2018, and $600 per item on July 1, 2019. The revenue generated by increasing the maximum sales and use tax by an additional $300 per item would not be credited to the state public school building fund or the EIA fund as directed by current statute, but would instead be redirected to the Infrastructure Maintenance Trust Fund.

Additionally, motor vehicles, motorcycles, motor carriers, recreational vehicles, and trailers subject to the new infrastructure maintenance fee are exempt from the sales and use tax. The revenue increase attributable to the remaining items subject to the maximum sales and use tax cap is included in the table below. The increase in the sales and use tax cap per item would increase revenue to the Infrastructure Maintenance Trust Fund by an estimated $1,678,000 in FY 2017-18.

Total Revenue
Lines may not sum to total due to rounding.

Item	Current $300 Max Cap	FY 2017-18 $500 Max Cap	FY 2018-19 $550 Max Cap	FY 2019-20 $600 Max Cap
Aircraft	$21,000	$35,000	$38,000	$41,000
Boat	$3,846,000	$4,807,000	$5,288,000	$5,769,000
Self-propelled light construction equipment	$663,000	$1,105,000	$1,215,000	$1,325,000
Trailers	$1,312,000	$1,574,000	$1,732,000	$1,889,000
Total	$5,842,000	$7,521,000	$8,273,000	$9,024,000

Net Change from Prior Fiscal Year
Lines may not sum to total due to rounding.

Item	FY 2016-17 Revenue Increase	FY 2017-18 Revenue Increase	FY 2018-19 Revenue Increase	FY 2019-20 Revenue Increase
Aircraft	$0	$14,000	$3,000	$3,000
Boat	$0	$961,000	$481,000	$481,000
Self-propelled light construction equipment	$0	$442,000	$110,000	$110,000
Trailers	$0	$262,000	$158,000	$157,000
Total	$0	$1,678,000	$752,000	$751,000

Section 8. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019. The valuation of the large commercial motor vehicles for the road use fee is to be determined in the same manner as currently prescribed for motor carriers. This section adds out-of-state apportioned carriers that currently do not pay property taxes to the road use fee. The road use fee for in-state carriers would remain the same as the current property tax amount.

In order to estimate the road use fee on out-of-state carriers, we calculate full-time equivalent (FTE) vehicles based upon the average in-state registration fee of $706 and the total out-of-state registration fees collected. This accounts for the apportionment of out-of-state vehicles based on mileage. For FY 2015-16, DMV reported total out-of-state vehicle registration collections of $7,802,991. Dividing the total fees by the estimated average fee results in an estimated 11,047 FTE out-of-state vehicles in FY 2015-16. We estimate that this will increase to approximately 12,012 out-of-state vehicles by FY 2018-19 based upon recent growth in fee collections. Using an approximate new vehicle value of $120,000 and multiplying this value by the estimated 12,012 vehicles results in a total value of $1,441,416,000. Based upon an average vehicle age of 6 years, the average value at the depreciated rate of 0.25 would be $360,354,000. As outlined in Section 12-43-220(g), this depreciated vehicle value is then assessed at 9.5 percent and multiplied by an equalization factor currently set at 80 percent by DOR.

Because the new fee is paid at the time of registration and may be paid quarterly, the actual distribution of the calendar year 2019 revenue may vary depending upon registration timing. Since the fee begins January 1, 2019, we assume for this analysis that the registrations will be evenly distributed across the year and that one-half of the full year's fees will be paid from January through June of FY 2018-19. Additionally, the change in timing will accelerate fee collections for in-state carriers by six months compared to the current fee timing. Using an estimated statewide millage of 338.4, we estimate that one-half of total collections for road use fees will be $4,634,000 for out-of-state carriers. Based upon our latest analysis of collections for in-state motor carriers through the end of 2016, we estimate that total fees for in-state carriers will be approximately $25,115,000 for calendar year 2019. One-half of these fees will total approximately $12,558,000 in FY 2018-19. Total motor carrier fees for new collections and the one-time acceleration of in state fees will be approximately $17,192,000 in FY 2018-19.

Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $75 of the fee is distributed to local jurisdictions under Section 12-27-2870, and $12 is retained by DOR. This bill would change the distribution by sending the $12 fee currently retained by DOR to DMV. The remaining $75 is to be combined with the revenue generated by the road use fee in Section 12-37-2850 and distributed based upon Sections 12-37-2865 and 12-37-2870. Based upon fee collections through calendar year 2016, we estimate total one-time registration fees will be approximately $703,000 in calendar year 2019. One-half of one-time registration fees will total approximately $352,000 in FY 2018-19. Of this amount, $48,000 will be reallocated from DOR to DMV for operations and $303,000 will be distributed based upon Section 12-37-2865 as outlined below.

Combining the projected motor carrier road use fees and one-time registration fee revenue for FY 2018-19 yields total revenue of $17,495,000 to be distributed under Section 12-37-2865. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Additionally, Subitem L(2) of Section 10 directs DMV to retain $400,000 in the first calendar year to offset programming costs. This leaves $17,095,000 for distribution under Section 122-37-2865. Counties will receive $12,821,000 in FY 2018-19 above the fees collected under our current property tax due to the fee acceleration. The remaining $4,274,000 will be credited to the Infrastructure Maintenance Trust Fund. These amount may vary, however, depending upon registration timing.

Revenue for FY 2019-20 will comprise a full year of fees. Based upon collections through calendar year 2016, we estimate that total motor carrier road use fees will be $25,343,000 for in-state carriers and $9,670,000 for out-of-state carriers, for a total of $35,013,000 in FY 2019-20. Fees for one-time registrations will yield an additional $606,000 to be distributed, while $97,000 will be retained by DMV. Adding the motor carrier fee amounts together yields total revenue of $35,619,000 to be distributed based upon Section 12-37-2865. Counties will receive $26,714,000 under the current distribution formula in Section 12-37-2870, and the remaining $8,905,000 will be credited to the Infrastructure Maintenance Trust Fund. This will increase county revenue by approximately $765,000 for FY 2019-20.

Section 9. This section increases the driver's license fee for a five-year driver's license from $12.50 to $25. The ten-year driver's license, which is currently $25, is amended to a renewal period of eight years for $40. Since House Bill 3358 was signed by the Governor on April 5, 2017, DMV will no longer issue five-year driver's licenses, and all licenses issued on or after October 1, 2017, will expire in eight years. Therefore, our analysis assumes that all driver's licenses that will be subject to the fee increase beginning January 1, 2018, will pay the $40 fee for an eight-year license. Based upon the most recent data from DMV, the estimated additional revenue from the increased driver's license fees in FY 2017-18 is $4,868,000. Since the increase begins January 1, 2018, this figure represents six months of a full fiscal year. We do not anticipate that the fee increase will be sufficient to prompt residents to renew licenses early to avoid the increase. However, the estimate may be marginally impacted if individuals renew early. Another timing issue impacts the FY 2017-18 estimate. Calendar year 2017 included a larger than normal number of expiring driver's licenses due to DMV procedural changes in 2006, and we do not expect this trend to continue. Additionally, the estimates do not include adjustments to account for residents who may renew early to obtain a driver's license that complies with the Federal REAL ID Act of 2005. If residents decide to renew early to obtain a compliant license, revenues will be accelerated. All of the fees collected pursuant to this section must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2022-23 is provided in the table below.

Fiscal Year	Driver's License Fee Increase Total Additional Revenue
FY 2017-18	$4,868,000
FY 2018-19	$6,421,000
FY 2019-20	$5,654,000
FY 2020-21	$6,755,000
FY 2021-22	$5,590,000
FY 2022-23	$4,705,000

Section 10. This section reallocates 10 percent of the $0.0025 motor fuel inspection fee that is currently allocated to the Department of Agriculture to the State Non-Federal Aid Highway Fund. Pursuant to Section 39-41-70, the revenue from the 10 percent of the $0.0025 motor fuel inspection fee is currently used as necessary under the direction of the Commissioner of Agriculture to make all necessary regulations for the inspection of petroleum products, employ all necessary chemists, and enforce standards as to safety, purity, and value for power and heating purposes. Therefore, in FY 2017-18, revenue of the Department of Agriculture will decline by $952,000, and revenue of the State Non-Federal Aid Highway Fund will increase by $952,000. The estimated reallocation of revenue for FY 2017-18 to FY 2022-23 is provided in the table below.

Fiscal Year	Reduction in Revenue to the Department of Agriculture	Increase in Revenue to the State Non-Federal Aid Highway Fund
FY 2017-18	($952,000)	$952,000
FY 2018-19	($975,000)	$975,000
FY 2019-20	($989,000)	$989,000
FY 2020-21	($1,003,000)	$1,003,000
FY 2021-22	($1,016,000)	$1,016,000
FY 2022-23	($1,024,000)	$1,024,000

Section 11. This section increases the current $0.0266 per gallon user fee on gasoline that is distributed as "C" Funds by $0.003325 per gallon each year beginning July 1, 2018, until the total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" Funds revenue will increase by $9,721,000 in FY 2018-19, which is the first year of the $0.003325 increase in the gasoline user fee allocation. This increase must be used for repairs, maintenance, and improvements to the state highway secondary system. The increase in "C" Funds revenue would be shifted from the State Highway Fund to county transportation committees. The estimated revenue increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in "C" Funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750.

Fiscal Year	Increase in Estimated "C" Funds Revenue for State Highway Secondary System
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Section 12. This section repeals Section 12-28-530. The Department of Revenue indicates that this section is a simplification of requirements that would have been imposed on all retailers and distributors. Repealing the section will have no effect on the agency.

Section 13. This section requires DOT to transfer $17,000,000, instead of $9,500,000 annually to the donor counties in the ratio of the individual donor county's contribution in excess of "C" fund revenue allocated to the county. Additionally, a county is eligible for an additional allocation from DOT if the county contributed to the "C" fund an amount in excess of what it receives under the allocation formula. DOT must annually transfer to the eligible counties an amount up to $3,500,000 in the ratio of the individual eligible county's contribution to the "C" fund in excess of the eligible county's total allocations. Allocations made to eligible counties pursuant to this section may not be in excess of what the county contributed to the "C" fund.

Section 15. This section, like Section 11, also increases the current $0.0266 per gallon user fee on gasoline that is distributed as "C" Funds by $0.003325 per gallon each year beginning July 1, 2018, until the total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" Funds revenue will increase by $9,721,000 in FY 2018-19, which is the first year of the $0.003325 increase in the gasoline user fee allocation. The increase in this section must be used to fund repairs, maintenance and improvements to the state highway system. This increase in "C" Funds revenue would be shifted from the State Highway Fund to county transportation committees. The estimated revenue increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in "C" Funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750.

Fiscal Year	Increase in Estimated "C" Funds Revenue For State Highway System
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Section 16. This section allows DOT to reduce the allocation to the state-funded resurfacing program in order to fund repairs, maintenance, and improvements to the exiting transportation system. This does not change total revenue and any reallocation will be up to the discretion of DOT.

Section 17. This section creates a refundable credit against the motor fuel user fees for vehicle maintenance on private passenger motor vehicles as defined in Section 56-3-630, including motorcycles, registered in this state. The credit may not exceed 150 percent of the resident's actual motor fuel user fee increase incurred as a result of the increase imposed in Section 12-28-310(D). Vehicle maintenance includes, but is not limited to, costs incurred for new tires, oil changes, and regular vehicle maintenance. The credit is calculated separately for each vehicle and may be claimed for up to five qualifying vehicles. To claim the credit, a taxpayer must provide an itemized list of vehicle maintenance and motor fuel expenditures incurred within the state on a form as required by the Department of Revenue to be submitted with a South Carolina income tax return. The Revenue and Fiscal Affairs Office is required to estimate the number of taxpayers expected to claim the credit for the current tax year and the total amount expected to be claimed annually on or before September 30th. In the event that RFA estimates that the total credits claimed will exceed the maximum amount of the aggregate credit allowed, RFA shall certify to DOR the pro rata adjustment to the credit.

The credit may not exceed 150 percent of the actual motor fuel user fee increase incurred as a result of the increase. Section 12-28-310(D) increases the current $0.16 per gallon motor fuel user fee by $0.02 per gallon per year for six years for a total increase of $0.12 per gallon of fuel. The increase will take effect July 1, 2017, and each July 1 thereafter until July 1, 2023, at which time the fee is increased annually by inflation. However, the credit must be claimed for increases incurred on a tax year basis beginning for tax year 2018. Therefore, we have estimated the motor fuel increase based upon one-half of the increase for each fiscal year as outlined below.

Months	Calendar Year	Motor Fuel Fee Increase	Tax Year	Motor Fuel Fee Increase Tax Year Average
Jul-Dec	2017	$0.02	TY 2017	N/A
Jan-Jun	2018	$0.02	TY 2018	$0.03
Jul-Dec	2018	$0.04		
Jan-Jun	2019	$0.04	TY 2019	$0.05
Jul-Dec	2019	$0.06		
Jan-Jun	2020	$0.06	TY 2020	$0.07
Jul-Dec	2020	$0.08		
Jan-Jun	2021	$0.08	TY 2021	$0.09
Jul-Dec	2021	$0.10		
Jan-Jun	2022	$0.10	TY 2022	$0.11
Jul-Dec	2022	$0.12		
Jan-Jun	2023	$0.12	TY 2023	$0.121
Jul-Dec	2023	$0.12		

To estimate motor fuel purchases, we have used the U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 2012 to 2015 reports. The average annual gallons of motor fuel used for light duty vehicles was reported at 529 for 2012, 524 for 2013, 527 for 2014, and 521 for 2015. While usage moved up and down, the average declined by 0.5 percent over the period. Based upon federal regulations requiring improvements in fuel economy under Corporate Average Fuel Economy (CAFE) standards, we expect the trend toward improvements in fuel efficiency will continue to reduce average usage long-term and have used this growth rate to project future average gasoline gallons used. Projected average fuel usage by year is included in the table below. The average credit by year is calculated by multiplying the tax year average motor fuel fee increase times the average annual gallons purchased times 150 percent.

Tax Year	Average Tax Year Motor Fuel Fee Increase	Average Annual Gallons Purchased	Average Credit (150% of Increase)
TY 2018	$0.03	513	$23
TY 2019	$0.05	511	$38
TY 2020	$0.07	508	$53
TY 2021	$0.09	505	$68
TY 2022	$0.11	503	$83
TY 2023	$0.121	500	$91

Private passenger motor vehicle as defined in Section 56-3-630 includes every motor vehicle designed, used, and maintained the transportation of ten or fewer persons and trucks with an empty weight of nine thousand pounds or less and a gross weight of elven thousand pounds or less. This credit also specifically includes motorcycles. Based upon data from DMV on registered vehicles, we have estimated the number of motor vehicles expected to qualify. We have excluded vehicles owned by governments that would not pay taxes and not be eligible for the credit, trucks that are over the weight limitations, buses, and trailers. These figures are included by year in the table below.

Multiplying the average credit amount by the estimated number of vehicles yields total credits. Based upon these projections we do not anticipate that the credits will exceed the maximum allowed per year under this section.

Tax Year	Fiscal Year Claimed	Maximum Total Credits Allowed	Average Credit	Estimated Vehicles	Estimated Total Credits
TY 2018	FY 18-19	$160,000,000	$23	4,139,235	$95,577,000
TY 2019	FY 19-20	$240,000,000	$38	4,242,716	$162,450,000
TY 2020	FY 20-21	$320,000,000	$53	4,348,784	$231,934,000
TY 2021	FY 21-22	$390,000,000	$68	4,457,503	$304,108,000
TY 2022	FY 22-23	$465,000,000	$83	4,568,941	$379,049,000
TY 2023	FY 23-24	$465,000,000	$91	4,683,164	$425,915,000

The section requires that on or before January 31, 2019 and by January 31 of each year thereafter, DOT shall transfer to DOR an amount equal to the total credits estimated by RFA to be claimed for the applicable tax year not to exceed $150,000,000. Any credit amounts in excess of $150,000,000 will be offset either by appropriation from the Capital Reserve Fund or if no action is taken by the General Assembly to appropriate funds, by a reduction in the General Fund. The estimated transfer from DOT and residual amounts by fiscal year are included below.

Fiscal Year	Estimated Total Credits	DOT Reduction (Transfer to DOR to Offset Credits)	Residual (Capital Reserve Fund or General Fund Reduction)
FY 18-19	$95,577,000	($95,577,000)	$0
FY 19-20	$162,450,000	($150,000,000)	($12,450,000)
FY 20-21	$231,934,000	($150,000,000)	($81,934,000)
FY 21-22	$304,108,000	($150,000,000)	($154,108,000)
FY 22-23	$379,049,000	($150,000,000)	($229,049,000)
FY 23-24	$425,915,000	($150,000,000)	($275,915,000)

Section 18. This section allows individual income tax filers to claim a non-refundable state individual income tax credit equal to 250 percent of the federal earned income tax credit (EITC). The credit is phased-in over six tax years beginning in tax year 2018 at 41.67 percent per year. For our analysis, we used a sample file from the Department of Revenue that contains federal income tax returns matched to the state returns for 87 percent of state filers. We recalculated the

2014 individual income tax returns to account for the amount of the credit per return that would not be taken for tax filers with insufficient tax liability to claim the full non-refundable credit amount. This figure was then inflated to estimate the remaining 13 percent of returns for which we do not have federal data. The table below includes the estimated total credits to be claimed annually and the reduction in the General Fund by fiscal year.

Fiscal Year	Percentage of Federal EITC	General Fund Income Tax Reduction
FY 2018-19	41.67%	($26,640,000)
FY 2019-20	83.33%	($33,532,000)
FY 2020-21	125.00%	($37,649,000)
FY 2021-22	166.67%	($40,723,000)
FY 2022-23	208.33%	($43,439,000)
FY 2023-24	250.00%	($46,189,000)

Section 19. Currently, the two wage earner credit in Section 12-6-3330(B)(1) is a non-refundable credit of 0.7 percent of earned income up to $30,000. In order to qualify, taxpayers must file a married joint return, and both spouses must have earned income. This section increases the income limit to $50,000 in six installments of $3,333 per year beginning in tax year 2018. This would increase the maximum credit from $210 to $350 by tax year 2023. Because the credit is non-refundable, we estimated the revenue impact by re-calculating tax year 2014 returns currently claiming the credit with the increased income limitation. The estimated General Fund individual income tax reduction by fiscal year is listed in the table below.

Fiscal Year	Maximum Earned Income Applicable to Credit	Maximum Two Wage Earner Credit	General Fund Income Tax Reduction
FY 2018-19	$33,333	$233	($3,275,000)
FY 2019-20	$36,667	$257	($6,710,000)
FY 2020-21	$40,000	$280	($9,954,000)
FY 2021-22	$43,333	$303	($13,158,000)
FY 2022-23	$46,667	$327	($16,232,000)
FY 2023-24	$50,000	$350	($19,245,000)

Section 20. This section increases the refundable tuition tax credit for tuition paid to both four-year and two-year institutions. Currently, students are allowed a refundable credit equal to 25 percent of tuition paid up to $850 for four-year institutions and $350 for two-year institutions. The credit may be claimed by the student or an individual eligible to claim the student as a dependent on his federal income tax return. The credit amount is increased beginning in tax year 2018 to fifty percent of tuition up to $1,500. Additionally, a student, including a student who is a dependent of a taxpayer as described above, who claims the federal EITC may add an additional twenty-five percent to the percentage of tuition claimed for the credit. We have assumed that

this additional percentage is allowed if either the student or the taxpayer claiming the credit for a dependent student claims the federal EITC, although it is unclear in the language. Further, since this section is an additional percentage for the credit pursuant to subitem(a) but does not address the maximum $1,500 per student, we have assumed that the $1,500 limitation still applies even though the student may claim 75 percent of tuition paid.

Additionally, students who are in their second or later year of study and are majoring in a science, technology, engineering, or mathematics (STEM) related discipline may claim a credit of up to $1,250 for tuition paid to a two-year or four-year institution. We have estimated the additional students expected to claim the STEM add-on credit based upon the current percentage of Life and Palmetto Fellows scholarship recipients receiving the enhanced STEM scholarship. Based upon fall 2013 data reported by CHE, approximately 23.3 percent of scholarship students attending a four-year institution receive the enhancement. We then reduced this percentage to 15.5 percent for two-year students since the add-on credit is only available in the second year for two-year students.

The aggregate amount of all credits in the section is limited to $40,000,000 in tax year 2018. RFA must estimate the maximum credit that may be permitted under this section for a taxable year based on the number of taxpayers expected to claim the credit and the expected amount claimed. If RFA estimates that the credits will exceed the aggregate limitation, the credit amounts allowed per student in each section must be reduced by the pro-rata amount by which the estimate exceeds the limitation. The aggregate amount is increased annually by the increase in the Higher Education Price Index, not to exceed three percent a year. Based upon the Commonfund Higher Education Price Index 2016 Report, the index increased 1.8 percent in 2016. We have used this percentage to estimate the projected increase in the credits annually. We have estimated the additional tax credits to be claimed under these assumptions for each year based upon tax year 2014 returns. The estimated General Fund individual income tax reduction is listed in the table below by fiscal year.

Fiscal Year	Estimated Current Tuition Credits	Estimated Additional Tuition Credits	Estimated Total Tuition Credits	Estimated Maximum Tuition Credits Allowed	General Fund Income Tax Reduction
FY 2018-19	$5,303,000	$8,314,000	$13,617,000	$40,000,000	($8,314,000)
FY 2019-20	$5,431,000	$8,513,000	$13,944,000	$40,720,000	($8,513,000)
FY 2020-21	$5,561,000	$8,718,000	$14,279,000	$41,452,960	($8,718,000)
FY 2021-22	$5,694,000	$8,927,000	$14,621,000	$42,199,113	($8,927,000)
FY 2022-23	$5,831,000	$9,141,000	$14,972,000	$42,958,697	($9,141,000)
FY 2023-24	$5,971,000	$9,360,000	$15,331,000	$43,731,954	($9,360,000)

Section 21. This section would provide an exemption of 19.05 percent of the value of manufacturing property with respect to local property taxes to be reimbursed by the State. The exemption is implemented in two equal installments in tax years 2019 and 2020.

Currently manufacturing property is assessed at 10.5 percent of the value of the property. We estimate that local property tax revenue for manufacturing property will be approximately $259,829,000 for tax year 2019. Exempting 9.525 percent of the fair market value of manufacturing property would reduce local property tax revenue by $24,749,000 in FY 2019-20. Exempting 19.05 percent of the value for tax year 2019 would reduce local revenue by a total of $48,736,000 in FY 2020-21. Based upon the current trend, we anticipate these amounts will decline in upcoming years. These amounts will be reimbursed by the State and will increase the transfer of individual income tax and corporate income tax revenue to the Trust Fund for Tax Relief, reducing General Fund revenue by a total of $24,749,000 in FY 2019-20 and $48,736,000 in FY 2020-21.

Additionally, beginning in tax year 2019, this bill would create a 9.5 percent value exemption for business personal property currently assessed at 10.5 percent of the value of the property. The exemption is to be reimbursed by the State.

We estimate that local revenue for business personal property taxes will total $300,358,000 for tax year 2019. Exempting 9.5 percent of the value will reduce local property tax revenue by $28,534,000 in FY 2019-20. This amount will be reimbursed by the State and will increase the transfer of individual income tax and corporate income tax revenue to the Trust Fund for Tax Relief, reducing General Fund revenue by a total of $28,534,000 in FY 2019-20. This transfer will continue each year thereafter based upon the total business personal property reimbursement.

Local Expenditure

Section 6. This section adds a biennial road use fee for hybrid and alternative fuel vehicles. The Revenue and Fiscal Affairs Office contacted all forty-six county governments regarding the expenditure impact of this section of the bill. Florence and Horry Counties indicate that this bill will have no expenditure impact on their localities. Clarendon and Lancaster Counties indicate that this bill will have a minimal expenditure impact on their localities.

Local Revenue

Section 8. This section creates the motor carrier road use fee to replace the current motor carrier property tax beginning January 1, 2019. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Due to a change in timing for fee payments, this will increase local funding to counties by $12,821,000 in FY 2018-19. This amount may vary, however, depending upon registration timing. For FY 2019-20 county revenue will increase by approximately $765,000 for FY 2019-20 over the current estimate for motor carrier property tax revenue. For additional explanation of the revenue determination, see Section 8 under State Revenue.

Section 11. This section increases the current $0.0266 per gallon user fee on gasoline that is distributed to "C" Funds by $0.003325 per gallon each year beginning July 1, 2018, until the total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" Funds revenue will increase by $9,721,000 in FY 2018-19, which is the first year of the $0.003325 increase in the gasoline user fee. The "C" funds allocated to county transportation committees must be expended pursuant to the provisions in Section 12-28-2740. The increase in "C" Funds revenue would be shifted from the State Highway Fund to county transportation committees. The estimated revenue increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in "C" Funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750.

Fiscal Year	Increase in Estimated "C" Funds Revenue
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Section 13. This section requires DOT to transfer $17,000,000, instead of $9,500,000 annually to the donor counties in the ratio of the individual donor county's contribution in excess of "C" fund revenue allocated to the county. Additionally, a county is eligible for an additional allocation from DOT if the county contributed to the "C" fund an amount in excess of what it receives under the allocation formula. DOT must annually transfer to the eligible counties an amount up to $3,500,000 in the ratio of the individual eligible county's contribution to the "C" fund in excess of the eligible county's total allocations. Allocations made to eligible counties pursuant to this section may not be in excess of what the county contributed to the "C" fund.

Section 15. This section increases the current $0.0266 per gallon user fee on gasoline that is distributed to "C" Funds by $0.003325 per gallon each year beginning July 1, 2018, until the total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" Funds revenue will increase by $9,721,000 in FY 2018-19, which is the first year of the $0.003325 increase in the gasoline user fee. The "C" funds allocated to county transportation committees must be expended pursuant to the provisions in Section 12-28-2740. The increase in "C" Funds revenue would be shifted from the State Highway Fund to county transportation committees. The estimated revenue increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in "C" Funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750.

Fiscal Year	Increase in Estimated “C” Funds Revenue
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Amended by Senate Finance on March 15, 2017
State Expenditure
The following sections would affect state expenditures as follows:

Section 4. This section increases current biennial registration fees by $16. DMV indicates non-recurring expenditures for this section will total $11,000 in FY 2017-18 for programming and system testing.

Section 5. This bill adds an infrastructure maintenance fee for in-state and out-of-state residents that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56. DMV expects non-recurring expenditures of $53,000 for programming, system updates, and system testing in FY 2017-18.

Section 6. This section adds a biennial road use fee of $120 for alternative fuel vehicles and a $60 biennial road use fee for hybrid vehicles. DMV indicates non-recurring expenditures for this section will total $124,000 in FY 2017-18 for programming, system updates, and system testing.

Section 8. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019 in the same manner as the current motor carrier property tax. DOR currently administers the property tax for in-state carriers. This bill would add out-of-state carriers to the road use fee and transfer the program to DMV. Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $12 of the fee is retained by DOR for operating costs. This bill would change the distribution by sending the $12 fee to DMV.

Department of Motor Vehicles. DMV indicates non-recurring expenditures for administration of the motor carrier fee program are expected to total at least $401,900 in FY 2018-19 based upon the latest estimates for the required programing, testing, and project management to set up this system within the agency. They also anticipate additional non-recurring expenditures above this amount for consulting with tax specialists with the knowledge of motor carrier property taxes and valuation to assist in designing and testing the system. Additional recurring expenditures for administering the program, producing forms and materials, processing fee submissions, and handling disputes are expected, but projected expenditures for conducting these functions are currently undetermined. The agency expects to hire four FTE’s to administer the program with estimated personnel expenditures of $157,500 per year including fringe benefits.

Department of Revenue. DOR does not anticipate a reduction in personnel expenditures from moving the administration of the motor carrier fee to DMV because the staff who administer this program have additional responsibilities for administration of other property tax assessments that remain with the agency.

Section 9. This section increases the current fee for a five-year driver's license from $12.50 to $25.00 and from $25.00 to $50.00 for a ten-year driver's license. DMV indicates non-recurring expenditures for this section will total $5,000 in FY 2017-18 for programming and system testing.

State Revenue
The following sections would affect state revenue as follows:

Section 1. This section of the bill as amended creates the Infrastructure Maintenance Trust Fund to be used exclusively for the repairs, maintenance, and improvements to the existing transportation system. All interest income of the Infrastructure Maintenance Trust Fund must be credited to the fund.

Section 2. The bill increases the current $0.16 per gallon motor fuel user fee by $0.02 per gallon per year for six years for a total increase of $0.12 per gallon of fuel. The first increase will take effect July 1, 2017. The increased revenue as a result of this section must be credited to the Infrastructure Maintenance Trust Fund. Based on the latest information from the U.S. Department of Energy, increasing the current user fee from $0.16 to $0.18 would generate an additional $68,857,000 in FY 2017-18. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual revenue to the Infrastructure Maintenance Trust Fund by fiscal year for FY 2017-18 to FY 2022-23 is provided in the table below.

Fiscal Year	Motor Fuel Fee Increase (Total of $0.12)	Net Impact on $0.0075 Environmental and Inspection Fee Revenue
FY 2017-18	$68,857,000	($46,000)
FY 2018-19	$153,958,000	($98,000)
FY 2019-20	$234,338,000	($142,000)
FY 2020-21	$316,881,000	($186,000)
FY 2021-22	$401,669,000	($230,000)
FY 2022-23	$485,807,000	($272,000)

As the user fee is increased in the first five years, we expect the demand for motor fuel to decline due to an increase in the relative overall price of motor fuel, which reduces the estimated number of gallons. Based upon an analysis of several academic studies, the demand elasticity for gasoline averages -0.2 in the short-run for the United States. The studies suggest that the long-run demand changes will be slightly more sensitive to price changes in gasoline as consumers seek out alternatives. Therefore, we used an elasticity of -0.2 in this analysis, meaning that a one percent increase in the price of gasoline would reduce the amount purchased by 0.2 percent.

Currently revenue from the inspection fee of $0.0025 is divided between the Department of Agriculture and the State Non-Federal Aid Highway Fund. The Department of Agriculture receives 10 percent of the fee, and the State Non-Federal Aid Highway Fund receives 90 percent. Section 10 of this bill redirects the Department of Agriculture's share of the inspection fee to the State Non-Federal Aid Highway Fund so that the Fund receives 100 percent of the inspection fee. The Department of Health and Environmental Control (DHEC) receives the revenue generated by the $0.0050 environmental inspection fee. The table below estimates the effect of a reduction in demand for motor fuel on DHEC and on the State Non-Federal Aid Highway Fund, based on the Fund receiving 100 percent of the inspection fee. The motor fuel fee increase begins July 1, 2017. Therefore, the estimate represents eleven months of a full fiscal year.

Environmental and Inspection Fee ($0.0075)		
Fiscal Year	$0.0050	$0.0025
	Department of Health and Environmental Control	Department of Transportation (State Non-Federal Aid Highway Fund)
FY 2017-18	($31,000)	($16,000)
FY 2018-19	($65,000)	($32,000)
FY 2019-20	($95,000)	($48,000)
FY 2020-21	($124,000)	($62,000)
FY 2021-22	($153,000)	($77,000)
FY 2022-23	($181,000)	($91,000)

Section 4. The biennial registration fee for every passenger vehicle and every property-carrying vehicle with a gross weight of 6,000 pounds or less, excluding property carrying trucks, is increased by $16.00. The increase will apply to all individuals, including individuals 65 years of age or older and individuals who are handicapped pursuant to Section 56-3-620. Based upon DMV data, there will be approximately 3,179,000 vehicles subject to this additional fee in FY 2017-18. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. The estimated additional revenue from this fee increase is $12,731,000 for FY 2017-18. From each biennial registration fee collected pursuant to this section, $16.00 must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Biennial Vehicle Registration Fee Increase Total Additional Revenue
FY 2017-18	$12,731,000
FY 2018-19	$26,090,000

Section 5. This section creates a new infrastructure maintenance fee that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56 beginning July 1, 2017. The fee is 5 percent of the sales price up to $500 for a vehicle or item first registered in this state and $250 for new residents registering an out-of-state vehicle in South Carolina for the first time. The fee for in-state vehicles is increased by $50 per year to $600. The fee for owners registering an out-of-state vehicle is increased by $50 per year to $600. This fee replaces the current 5 percent sales tax up to $300 for vehicles and items

purchased in South Carolina required to be registered under Chapter 3 of Section 56. We assume that the majority of trailers are exempt under Section 56-3-120 and are captured under the permanent fee in Section 12-37-2860 instead. These trailers would remain subject to the sales tax.

Based on our current estimates for motor vehicles, motorcycles, motor carriers, and recreational vehicles, increasing the maximum fee for these items to $500 will generate $72,722,000 in additional revenue to the Infrastructure Maintenance Trust Fund in FY 2017-18. Increasing the fee by an additional $50 for a maximum of $600 will generate an additional $15,342,000 in FY 2018-19, and $14,344,000 in FY 2019-20. By FY 2019-20, the revenue increase will total $102,408,000 compared to the current sales tax.

Total Revenue

Item	Current Sales Tax ($300 cap)	Infrastructure Fee ($500 cap)	Infrastructure Fee ($550 cap)	Infrastructure Fee ($600 cap)
Motor vehicle	$183,000,000	$253,300,000	$267,900,000	$281,500,000
Motorcycle	$2,208,000	$2,760,000	$3,036,000	$3,312,000
Heavy duty trucks	$1,119,000	$1,866,000	$2,052,000	$2,239,000
Recreational Vehicle	$1,684,000	$2,807,000	$3,087,000	$3,368,000
Total	$188,011,000	$260,733,000	$276,075,000	$290,419,000

Net Change from Prior Fiscal Year

Item	FY 2016-17 Revenue Increase	FY 2017-18 Revenue Increase	FY 2018-19 Revenue Increase	FY 2019-20 Revenue Increase
Motor vehicle	$0	$70,300,000	$14,600,000	$13,600,000
Motorcycle	$0	$552,000	$276,000	$276,000
Heavy duty trucks	$0	$747,000	$186,000	$187,000
Recreational Vehicle	$0	$1,123,000	$280,000	$281,000
Total	$0	$72,722,000	$15,342,000	$14,344,000

Currently, 80 percent of the $300 sales tax is distributed to the State Highway Fund, but the remaining twenty percent is credited to the EIA Fund. The bill as amended directs DMV to send 20 percent of every fee collected up to $60 to the EIA Fund. As such, the EIA fund would receive the same $37,600,000 in revenue from the Infrastructure Maintenance Fee that is currently received from sales tax.

The bill as amended also extends the current sales tax exemption on motor vehicles purchased by active duty members of the United States Armed Forces who are residents of another state to exempt these purchases from the Infrastructure Maintenance Fee. These purchases are currently exempt and therefore, are not included in the projected revenue from the Infrastructure Maintenance Fee. As such, the bill does not alter our analysis of the revenue generated by the fee.

Individuals registering a vehicle in South Carolina that was previously registered out-of-state will be subject to a $250 fee in FY 2017-18. The fee increases by $50 per year for a maximum of $600. The bill exempts active duty military from this fee. DMV indicates that they cannot isolate the number of registrations occurring as a result of new residents moving into the state and registering an out-of-state vehicle for the first time. Data provided by DMV would include cars that were registered in another state, purchased by a dealer, and then sold in South Carolina. Therefore, we used the U.S. Census Bureau's migration data as a proxy. The Census Bureau estimates annual in-migration for people moving into South Carolina to be 99,919. This is based upon the number of personal exemptions claimed on the 52,710 income tax records for people moving into South Carolina from 2014 to 2015. Reducing this figure by 19.7% to account for individuals under age 16 who would not be likely to register a vehicle, we expect 80,235 vehicles to be subject to the out-of-state $250.00 fee in FY 2017-18. The revenue generated from the infrastructure maintenance fee pursuant to out-of-state transfers must be credited to the Infrastructure Maintenance Trust Fund. The estimated additional revenue from this fee is $20,059,000 for FY 2017-18.

This analysis is based upon income tax returns for individuals who have changed their state of residence for income tax purposes. The estimate may include a small number of active duty military who changed their state of residence to South Carolina and would be exempt from the fee. However, this is not expected to have a significant impact on the revenue estimate. The estimated annual revenue increase for FY 2017-18 to FY 2024-25 is provided in the table below.

Fiscal Year	Revenue from Out-of-State Transfers
FY 2017-18	$20,059,000
FY 2018-19	$24,407,000
FY 2019-20	$28,874,000
FY 2020-21	$33,461,000
FY 2021-22	$38,171,000
FY 2022-23	$43,005,000
FY 2023-24	$47,968,000
FY 2024-25	$53,062,000

In total, this section is expected to increase revenue to the Infrastructure Maintenance Trust Fund by $92,781,000 beginning in FY 2017-18. The total Infrastructure Maintenance Fee revenue attributable to this section is provided in the table below.

Fiscal Year	Revenue From In-state Infrastructure Maintenance Fees	Revenue from Out-of-State Transfers	Infrastructure Maintenance Fees
FY 2017-18	$72,722,000	$20,059,000	$92,781,000
FY 2018-19	$88,064,000	$24,407,000	$112,471,000
FY 2019-20	$102,408,000	$28,874,000	$131,282,000
FY 2020-21	$102,408,000	$33,461,000	$135,869,000
FY 2021-22	$102,408,000	$38,171,000	$140,579,000
FY 2022-23	$102,408,000	$43,005,000	$145,413,000
FY 2023-24	$102,408,000	$47,968,000	$150,376,000
FY 2024-25	$102,408,000	$53,062,000	$155,470,000

Section 6. This section creates a new registration fee for alternative fuel vehicles that are powered by fuels other than those subject to the motor fuel user fee. For vehicles powered exclusively by electricity, hydrogen, or another fuel not subject to the user fee, a biennial road user fee of $120.00 is added. Based upon data from DMV, we estimate 460 vehicles powered exclusively by alternate fuels will be subject to the $120.00 fee. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $14,000.

For vehicles that use a combination of a motor fuel subject to the motor fuel user fee and another fuel source, the biennial road user fee is $60.00. We estimate that in FY 2017-18 there will be 44,000 vehicles that use a combination of fuels subject to the $60.00 fee. Since the increase begins January 1, 2018, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $660,000. The proposed biennial alternative fuel and hybrid vehicle fees will total $674,000 in FY 2017-18. All of the fees collected pursuant to this section must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Hybrid and Alternative Fuel Vehicle Fee Total Additional Revenue
FY 2017-18	$674,000
FY 2018-19	$1,453,000

Section 7. This section increases the maximum sales and use tax limitation on enumerated items from the current $300 per item to $500 per item beginning July 1, 2017, $550 per item on July 1, 2018, and $600 per item on July 1, 2019. The revenue generated by increasing the maximum sales and use tax by an additional $300 per item would not be credited to the state public school building fund or the EIA fund as directed by current statute, but would instead be redirected to the Infrastructure Maintenance Trust Fund.

Additionally, motor vehicles, motorcycles, motor carriers, recreational vehicles, and trailers subject to the new infrastructure maintenance fee are exempt from the sales and use tax. The revenue increase attributable to the remaining items subject to the maximum sales and use tax cap is included in the table below. The increase in the sales and use tax cap per item would increase revenue to the Infrastructure Maintenance Trust Fund by an estimated $1,678,000 in FY 2017-18.

Total Revenue
Lines may not sum to total due to rounding.

Item	Current $300 Max Cap	FY 2017-18 $500 Max Cap	FY 2018-19 $550 Max Cap	FY 2019-20 $600 Max Cap
Aircraft	$21,000	$35,000	$38,000	$41,000
Boat	$3,846,000	$4,807,000	$5,288,000	$5,769,000
Self-propelled light construction equipment	$663,000	$1,105,000	$1,215,000	$1,325,000
Trailers	$1,312,000	$1,574,000	$1,732,000	$1,889,000
Total	$5,842,000	$7,521,000	$8,273,000	$9,024,000

Net Change from Prior Fiscal Year
Lines may not sum to total due to rounding.

Item	FY 2016-17 Revenue Increase	FY 2017-18 Revenue Increase	FY 2018-19 Revenue Increase	FY 2019-20 Revenue Increase
Aircraft	$0	$14,000	$3,000	$3,000
Boat	$0	$961,000	$481,000	$481,000
Self-propelled light construction equipment	$0	$442,000	$110,000	$110,000
Trailers	$0	$262,000	$158,000	$157,000
Total	$0	$1,678,000	$752,000	$751,000

Section 8. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019. The valuation of the large commercial motor vehicles for the road use fee is to be determined in the same manner as currently prescribed for motor carriers. This section adds out-of-state apportioned carriers that currently do not pay property taxes to the road use fee. The road use fee for in-state carriers would remain the same as the current property tax amount.

In order to estimate the road use fee on out-of-state carriers, we calculate full-time equivalent (FTE) vehicles based upon the average in-state registration fee of $706 and the total out-of-state registration fees collected. This accounts for the apportionment of out-of-state vehicles based on mileage. For FY 2015-16, DMV reported total out-of-state vehicle registration collections of $7,802,991. Dividing the total fees by the estimated average fee results in an estimated 11,047 FTE out-of-state vehicles in FY 2015-16. We estimate that this will increase to approximately 12,012 out-of-state vehicles by FY 2018-19 based upon recent growth in fee collections. Using an approximate new vehicle value of $120,000 and multiplying this value by the estimated 12,012 vehicles results in a total value of $1,441,416,000. Based upon an average vehicle age of 6 years, the average value at the depreciated rate of 0.25 would be $360,354,000. As outlined in Section 12-43-220(g), this depreciated vehicle value is then assessed at 9.5 percent and multiplied by an equalization factor currently set at 80 percent by DOR.

Because the new fee is paid at the time of registration and may be paid quarterly, the actual distribution of the calendar year 2019 revenue may vary depending upon registration timing. Since the fee begins January 1, 2019, we assume for this analysis that the registrations will be evenly distributed across the year and that one-half of the full year's fees will be paid from January through June of FY 2018-19. Additionally, the change in timing will accelerate fee collections for in-state carriers by six months compared to the current fee timing. Using an estimated statewide millage of 338.4, we estimate that one-half of total collections for road use fees will be $4,634,000 for out-of-state carriers. Based upon our latest analysis of collections for in-state motor carriers through the end of 2016, we estimate that total fees for in-state carriers will be approximately $25,115,000 for calendar year 2019. One-half of these fees will total approximately $12,558,000 in FY 2018-19. Total motor carrier fees for new collections and the one-time acceleration of in state fees will be approximately $17,192,000 in FY 2018-19.

Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $75 of the fee is distributed to local jurisdictions under Section 12-27-2870, and $12 is retained by DOR. This bill would change the distribution by sending the $12 fee currently retained by DOR to DMV. The remaining $75 is to be combined with the revenue generated by the road use fee in Section 12-37-2850 and distributed based upon Sections 12-37-2865 and 12-37-2870. Based upon fee collections through calendar year 2016, we estimate total one-time registration fees will be approximately $703,000 in calendar year 2019. One-half of one-time registration fees will total approximately $352,000 in FY 2018-19. Of this amount, $48,000 will be reallocated from DOR to DMV for operations and $303,000 will be distributed based upon Section 12-37-2865 as outlined below.

Combining the projected motor carrier road use fees and one-time registration fee revenue for FY 2018-19 yields total revenue of $17,495,000 to be distributed under Section 12-37-2865. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Additionally, Subitem L(2) of Section 10 directs DMV to retain $400,000 in the first calendar year to offset programming costs. This leaves $17,095,000 for distribution under Section 122-37-2865. Counties will receive $12,821,000 in FY 2018-19 above the fees collected under our current property tax due to the fee acceleration. The remaining $4,274,000 will be credited to the Infrastructure Maintenance Trust Fund. These amount may vary, however, depending upon registration timing.

Revenue for FY 2019-20 will comprise a full year of fees. Based upon collections through calendar year 2016, we estimate that total motor carrier road use fees will be $25,343,000 for in-state carriers and $9,670,000 for out-of-state carriers, for a total of $35,013,000 in FY 2019-20. Fees for one-time registrations will yield an additional $606,000 to be distributed, while $97,000 will be retained by DMV. Adding the motor carrier fee amounts together yields total revenue of

$35,619,000 to be distributed based upon Section 12-37-2865. Counties will receive $26,714,000 under the current distribution formula in Section 12-37-2870, and the remaining $8,905,000 will be credited to the Infrastructure Maintenance Trust Fund. This will increase county revenue by approximately $765,000 for FY 2019-20.

Section 9. This section increases the driver's license fee for a 5-year driver's license from $12.50 to $25.00 and from $25.00 to $50.00 for a 10-year driver's license. Based upon the most recent data from DMV, the estimated additional revenue from the increased driver's license fees in FY 2017-18 is $7,455,000. Since the increase begins January 1, 2018, this figure represents six months of a full fiscal year. We do not anticipate that the fee increase will be sufficient to prompt residents to renew licenses early to avoid the increase. However, the estimate may be marginally impacted if individuals renew early. Another timing issue impacts the FY 2017-18 estimate. Calendar year 2017 included a larger than normal number of expiring driver's licenses due to DMV procedural changes in 2006, and we do not expect this trend to continue. All of the fees collected pursuant to this section must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Driver's License Fee Increase Total Additional Revenue
FY 2017-18	$7,455,000
FY 2018-19	$9,834,000

Section 10. This section reallocates 10 percent of the $0.0025 motor fuel inspection fee that is currently allocated to the Department of Agriculture to the State Non-Federal Aid Highway Fund. Pursuant to Section 39-41-70, the revenue from the 10 percent of the $0.0025 motor fuel inspection fee is currently used as necessary under the direction of the Commissioner of Agriculture to make all necessary regulations for the inspection of petroleum products, employ all necessary chemists, and enforce standards as to safety, purity, and value for power and heating purposes. Therefore, in FY 2017-18, revenue of the Department of Agriculture will decline by $952,000, and revenue of the State Non-Federal Aid Highway Fund will increase by $952,000. The estimated reallocation of revenue for FY 2017-18 to FY 2021-22 is provided in the table below.

Fiscal Year	Reduction in Revenue to the Department of Agriculture	Increase in Revenue to the State Non-Federal Aid Highway Fund
FY 2017-18	($952,000)	$952,000
FY 2018-19	($975,000)	$975,000
FY 2019-20	($989,000)	$989,000
FY 2020-21	($1,003,000)	$1,003,000
FY 2021-22	($1,016,000)	$1,016,000

Section 11. This section increases the current $0.0266 per gallon user fee on gasoline that is distributed as "C" Funds by $0.003325 per gallon each year beginning July 1, 2018, until the

total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" Funds revenue will increase by $9,721,000 in FY 2018-19, which is the first year of the $0.003325 increase in the gasoline user fee. The "C" funds allocated to county transportation committees must be expended pursuant to the provisions in Section 12-28-2740. The increase in "C" Funds revenue would be shifted from the State Highway Fund to county transportation committees. The estimated revenue increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in "C" Funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750.

Fiscal Year	Increase in Estimated "C" Funds Revenue
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Section 12. This section repeals Section 12-28-530. The Department of Revenue indicates that this section is a simplification of requirements that would have been imposed on all retailers and distributors. Repealing the section will have no effect on the agency.

Local Expenditure
Section 6. This section adds a biennial road use fee for hybrid and alternative fuel vehicles. The Revenue and Fiscal Affairs Office contacted all forty-six county governments regarding the expenditure impact of this section of the bill. Florence and Horry Counties indicate that this bill will have no expenditure impact on their localities. Clarendon and Lancaster Counties indicate that this bill will have a minimal expenditure impact on their localities.

Local Revenue
Section 8. This section creates the motor carrier road use fee to replace the current motor carrier property tax beginning January 1, 2019. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Due to a change in timing for fee payments, this will increase local funding to counties by $12,821,000 in FY 2018-19. This amount may vary, however, depending upon registration timing. For FY 2019-20 county revenue will increase by approximately $765,000 for FY 2019-20 over the current estimate for motor carrier property tax revenue. For additional explanation of the revenue determination, see Section 8 under State Revenue.

Section 11. This section increases the current $0.0266 per gallon user fee on gasoline that is distributed to "C" Funds by $0.003325 per gallon each year beginning July 1, 2018, until the total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" Funds revenue will increase by $9,721,000 in FY 2018-19, which is the first year of the $0.003325 increase in the gasoline user fee. The "C" funds allocated to county transportation committees must be expended pursuant to the provisions in Section 12-28-2740.

The increase in “C” Funds revenue would be shifted from the State Highway Fund to county transportation committees. The estimated revenue increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in “C” Funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750.

Fiscal Year	Increase in Estimated “C” Funds Revenue
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Amended by Senate Finance Special Transportation Subcommittee on March 8, 2017
State Expenditure
The following sections would affect state expenditures as follows:

Section 4. This section increases current biennial registration fees by $16. DMV indicates non-recurring expenditures for this section will total $11,000 in FY 2017-18 for programming and system testing.

Section 5. This bill adds an infrastructure maintenance fee for in-state and out-of-state residents that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56. DMV expects non-recurring expenditures of $53,000 for programming, system updates, and system testing in FY 2017-18.

Section 6. This section adds a biennial road use fee of $120 for alternative fuel vehicles and a $60 biennial road use fee for hybrid vehicles. DMV indicates non-recurring expenditures for this section will total $124,000 in FY 2017-18 for programming, system updates, and system testing.

Section 8. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019 in the same manner as the current motor carrier property tax. DOR currently administers the property tax for in-state carriers. This bill would add out-of-state carriers to the road use fee and transfer the program to DMV. Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $12 of the fee is retained by DOR for operating costs. This bill would change the distribution by sending the $12 fee to DMV.

Department of Motor Vehicles. DMV indicates non-recurring expenditures for administration of the motor carrier fee program are expected to total at least $401,900 in FY 2018-19 based upon the latest estimates for the required programing, testing, and project management to set up this system within the agency. They also anticipate additional non-recurring expenditures above this amount for consulting with tax specialists with the knowledge of motor carrier property taxes and valuation to assist in designing and testing the system. Additional recurring expenditures for administering the program, producing forms and materials, processing fee submissions, and handling disputes are expected, but projected expenditures for conducting these functions are currently undetermined. The agency expects to hire four FTE's to administer the program with estimated personnel expenditures of $157,500 per year including fringe benefits.

Department of Revenue. DOR does not anticipate a reduction in personnel expenditures from moving the administration of the motor carrier fee to DMV because the staff who administer this program have additional responsibilities for administration of other property tax assessments that remain with the agency.

Section 9. This section increases the current fee for a five-year driver's license from $12.50 to $25.00 and from $25.00 to $50.00 for a ten-year driver's license. DMV indicates non-recurring expenditures for this section will total $5,000 in FY 2017-18 for programming and system testing.

State Revenue
The following sections would affect state revenue as follows:

Section 1. This section of the bill as amended creates the Infrastructure Maintenance Trust Fund to be used exclusively for the repairs, maintenance, and improvements to the existing transportation system. All interest income of the Infrastructure Maintenance Trust Fund must be credited to the fund.

Section 2. The bill increases the current $0.16 per gallon motor fuel user fee by $0.02 per gallon per year for six years for a total increase of $0.12 per gallon of fuel. The first increase will take effect July 1, 2017. The increased revenue as a result of this section must be credited to the Infrastructure Maintenance Trust Fund. Based on the latest information from the U.S. Department of Energy, increasing the current user fee from $0.16 to $0.18 would generate an additional $68,857,000 in FY 2017-18. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual revenue to the Infrastructure Maintenance Trust Fund by fiscal year for FY 2017-18 to FY 2022-23 is provided in the table below.

Fiscal Year	Motor Fuel Fee Increase (Total of $0.12)	Net Impact on $0.0075 Environmental and Inspection Fee Revenue
FY 2017-18	$68,857,000	($46,000)
FY 2018-19	$153,958,000	($98,000)
FY 2019-20	$234,338,000	($142,000)
FY 2020-21	$316,881,000	($186,000)
FY 2021-22	$401,669,000	($230,000)
FY 2022-23	$485,807,000	($272,000)

As the user fee is increased in the first five years, we expect the demand for motor fuel to decline due to an increase in the relative overall price of motor fuel, which reduces the estimated number of gallons. Based upon an analysis of several academic studies, the demand elasticity for gasoline averages -0.2 in the short-run for the United States. The studies suggest that the long-run demand changes will be slightly more sensitive to price changes in gasoline as consumers seek out alternatives. Therefore, we used an elasticity of -0.2 in this analysis, meaning that a one percent increase in the price of gasoline would reduce the amount purchased by 0.2 percent.

Currently revenue from the inspection fee of $0.0025 is divided between the Department of Agriculture and the State Non-Federal Aid Highway Fund. The Department of Agriculture receives 10 percent of the fee, and the State Non-Federal Aid Highway Fund receives 90 percent. Section 10 of this bill redirects the Department of Agriculture's share of the inspection fee to the State Non-Federal Aid Highway Fund so that the Fund receives 100 percent of the inspection fee. The Department of Health and Environmental Control (DHEC) receives the revenue generated by the $0.0050 environmental inspection fee. The table below estimates the effect of a reduction in demand for motor fuel on DHEC and on the State Non-Federal Aid Highway Fund, based on the Fund receiving 100 percent of the inspection fee. The motor fuel fee increase begins July 1, 2017. Therefore, the estimate represents eleven months of a full fiscal year.

Environmental and Inspection Fee ($0.0075)		
	$0.0050	$0.0025
Fiscal Year	Department of Health and Environmental Control	Department of Transportation (State Non-Federal Aid Highway Fund)
FY 2017-18	($31,000)	($16,000)
FY 2018-19	($65,000)	($32,000)
FY 2019-20	($95,000)	($48,000)
FY 2020-21	($124,000)	($62,000)
FY 2021-22	($153,000)	($77,000)
FY 2022-23	($181,000)	($91,000)

Section 4. The biennial registration fee for every passenger vehicle and every property-carrying vehicle with a gross weight of 6,000 pounds or less, excluding property carrying trucks, is increased by $16.00. The increase will apply to all individuals, including individuals 65 years of age or older and individuals who are handicapped pursuant to Section 56-3-620. Based upon DMV data, there will be approximately 3,179,000 vehicles subject to this additional fee in FY 2017-18. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. The estimated additional revenue from this fee increase is $12,731,000 for FY 2017-18. From each biennial registration fee collected pursuant to this section, $16.00 must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Biennial Vehicle Registration Fee Increase Total Additional Revenue
FY 2017-18	$12,731,000
FY 2018-19	$26,090,000

Section 5. This section creates a new infrastructure maintenance fee that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56 beginning July 1, 2017. The fee is 5 percent of the sales price up to $500 for a vehicle or item first registered in this state and $250 for new residents registering an out-of-state vehicle in South Carolina for the first time. The fee for in-state vehicles is increased by $100 per year to $700. The fee for new residents registering an out-of-state vehicle is increased by $20 per year to $350. This fee replaces the current 5 percent sales tax up to $300 for vehicles and items purchased in South Carolina required to be registered under Chapter 3 of Section 56. We assume that the majority of trailers are exempt under Section 56-3-120 and are captured under the permanent fee in Section 12-37-2860 instead. These trailers would remain subject to the sales tax.

Based on our current estimates for motor vehicles, motorcycles, motor carriers, and recreational vehicles, increasing the maximum fee for these items to $500 will generate $72,722,000 in additional revenue to the Infrastructure Maintenance Trust Fund in FY 2017-18. Increasing the fee by an additional $100 will generate an additional $29,686,000 in FY 2018-19, and $25,585,000 in FY 2019-20. By FY 2019-20, the revenue increase will total $127,993,000 compared to the current sales tax.

Total Revenue

Item	Current Sales Tax ($300 cap)	Infrastructure Fee ($500 cap)	Infrastructure Fee ($600 cap)	Infrastructure Fee ($700 cap)
Motor vehicle	$183,000,000	$253,300,000	$281,500,000	$305,600,000
Motorcycle	$2,208,000	$2,760,000	$3,312,000	$3,863,000
Heavy duty trucks	$1,119,000	$1,866,000	$2,239,000	$2,612,000
Recreational Vehicle	$1,684,000	$2,807,000	$3,368,000	$3,929,000
Total	$188,011,000	$260,733,000	$290,419,000	$316,004,000

Net Change from Prior Fiscal Year

Item	FY 2016-17 Revenue Increase	FY 2017-18 Revenue Increase	FY 2018-19 Revenue Increase	FY 2019-20 Revenue Increase
Motor vehicle	$0	$70,300,000	$28,200,000	$24,100,000
Motorcycle	$0	$552,000	$552,000	$551,000
Heavy duty trucks	$0	$747,000	$373,000	$373,000
Recreational Vehicle	$0	$1,123,000	$561,000	$561,000
Total	$0	$72,722,000	$29,686,000	$25,585,000

Currently, 80 percent of the $300 sales tax is distributed to the State Highway Fund, but the remaining twenty percent is credited to the EIA Fund. The bill as amended directs DMV to send 20 percent of every fee collected up to $60 to the EIA Fund. As such, the EIA fund would receive the same $37,600,000 in revenue from the Infrastructure Maintenance Fee that is currently received from sales tax.

The bill as amended also extends the current sales tax exemption on motor vehicles purchased by active duty members of the United States Armed Forces who are residents of another state to exempt these purchases from the Infrastructure Maintenance Fee. These purchases are currently exempt and therefore, are not included in the projected revenue from the Infrastructure Maintenance Fee. As such, the bill does not alter our analysis of the revenue generated by the fee.

Individuals registering a vehicle in South Carolina that was previously registered out-of-state will be subject to a $250.00 fee in FY 2017-18. The fee increases by $20.00 per year for a maximum of $350.00. The bill exempts active duty military from this fee. DMV indicates that they cannot isolate the number of registrations occurring as a result of new residents moving into the state and registering an out-of-state vehicle for the first time. Data provided by DMV would include cars that were registered in another state, purchased by a dealer, and then sold in South Carolina. Therefore, we used the U.S. Census Bureau's migration data as a proxy. The Census Bureau estimates annual in-migration for people moving into South Carolina to be 99,919. This is based upon the number of personal exemptions claimed on the 52,710 income tax records for people moving into South Carolina from 2014 to 2015. Reducing this figure by 19.7% to account for individuals under age 16 who would not be likely to register a vehicle, we expect 80,235 vehicles to be subject to the out-of-state $250.00 fee in FY 2017-18. The revenue generated from the infrastructure maintenance fee pursuant to out-of-state transfers must be credited to the Infrastructure Maintenance Trust Fund. The estimated additional revenue from this fee is $20,059,000 for FY 2017-18.

This analysis is based upon income tax returns for individuals who have changed their state of residence for income tax purposes. The estimate may include a small number of active duty military who changed their state of residence to South Carolina and would be exempt from the fee. However, this is not expected to have a significant impact on the revenue estimate. The estimated annual revenue increase for FY 2017-18 to FY 2022-23 is provided in the table below.

Fiscal Year	Revenue from Out-of-State Transfers
FY 2017-18	$20,059,000
FY 2018-19	$21,967,000
FY 2019-20	$23,924,000
FY 2020-21	$25,932,000
FY 2021-22	$27,992,000
FY 2022-23	$30,104,000

In total, this section is expected to increase revenue to the Infrastructure Maintenance Trust Fund by $92,781,000 beginning in FY 2017-18. The total Infrastructure Maintenance Fee revenue attributable to this section is provided in the table below.

Fiscal Year	Revenue From In-state Infrastructure Maintenance Fees	Revenue from Out-of-State Transfers	Infrastructure Maintenance Fees
FY 2017-18	$72,722,000	$20,059,000	$92,781,000
FY 2018-19	$102,408,000	$21,967,000	$124,375,000
FY 2019-20	$127,993,000	$23,924,000	$151,917,000
FY 2020-21	$127,993,000	$25,932,000	$153,925,000
FY 2021-22	$127,993,000	$27,992,000	$155,985,000
FY 2022-23	$127,993,000	$30,104,000	$158,097,000

Section 6. This section creates a new registration fee for alternative fuel vehicles that are powered by fuels other than those subject to the motor fuel user fee. For vehicles powered exclusively by electricity, hydrogen, or another fuel not subject to the user fee, a biennial road user fee of $120.00 is added. Based upon data from DMV, we estimate 460 vehicles powered exclusively by alternate fuels will be subject to the $120.00 fee. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $14,000.

For vehicles that use a combination of a motor fuel subject to the motor fuel user fee and another fuel source, the biennial road user fee is $60.00. We estimate that in FY 2017-18 there will be 44,000 vehicles that use a combination of fuels subject to the $60.00 fee. Since the increase begins January 1, 2018, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $660,000. The proposed biennial alternative fuel and hybrid vehicle fees will total $674,000 in FY 2017-18. All of the fees collected pursuant to this section must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Hybrid and Alternative Fuel Vehicle Fee Total Additional Revenue
FY 2017-18	$674,000
FY 2018-19	$1,453,000

Section 7. This section increases the maximum sales and use tax limitation on enumerated items from the current $300 per item to $500 per item beginning July 1, 2017, $600 per item on July 1, 2018, and $700 per item on July 1, 2019. The revenue generated by increasing the maximum sales and use tax by an additional $200 per item would not be credited to the state public school building fund or the EIA fund as directed by current statute, but would instead be redirected to the Infrastructure Maintenance Trust Fund.

Additionally, motor vehicles, motorcycles, motor carriers, recreational vehicles, and trailers subject to the new infrastructure maintenance fee are exempt from the sales and use tax. The revenue increase attributable to the remaining items subject to the maximum sales and use tax cap is included in the table below. The increase in the sales and use tax cap per item would increase revenue to the Infrastructure Maintenance Trust Fund by an estimated $1,678,000 in FY 2017-18.

Total Revenue
Lines may not sum to total due to rounding.

Item	Current $300 Max Cap	FY 2017-18 $500 Max Cap	FY 2018-19 $600 Max Cap	FY 2019-20 $700 Max Cap
Aircraft	$21,000	$34,000	$41,000	$48,000
Boat	$3,846,000	$4,807,000	$5,769,000	$6,730,000
Self-propelled light construction equipment	$663,000	$1,105,000	$1,325,000	$1,546,000
Trailers	$1,312,000	$1,574,000	$1,889,000	$2,204,000
Total	$5,842,000	$7,520,000	$9,024,000	$10,528,000

Net Change from Prior Fiscal Year
Lines may not sum to total due to rounding.

Item	FY 2016-17 Revenue Increase	FY 2017-18 Revenue Increase	FY 2018-19 Revenue Increase	FY 2019-20 Revenue Increase
Aircraft	$0	$14,000	$6,000	$7,000
Boat	$0	$961,000	$962,000	$961,000
Self-propelled light construction equipment	$0	$442,000	$220,000	$221,000
Trailers	$0	$262,000	$315,000	$315,000
Total	$0	$1,678,000	$1,503,000	$1,504,000

Section 8. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019. The valuation of the large commercial motor vehicles for the road use fee is to be determined in the same manner as currently prescribed for motor carriers. This section adds out-of-state apportioned carriers that currently do not pay property taxes to the road use fee. The road use fee for in-state carriers would remain the same as the current property tax amount.

In order to estimate the road use fee on out-of-state carriers, we calculate full-time equivalent (FTE) vehicles based upon the average in-state registration fee of $706 and the total out-of-state registration fees collected. This accounts for the apportionment of out-of-state vehicles based on mileage. For FY 2015-16, DMV reported total out-of-state vehicle registration collections of $7,802,991. Dividing the total fees by the estimated average fee results in an estimated 11,047 FTE out-of-state vehicles in FY 2015-16. We estimate that this will increase to approximately 12,012 out-of-state vehicles by FY 2018-19 based upon recent growth in fee collections. Using an approximate new vehicle value of $120,000 and multiplying this value by the estimated 12,012 vehicles results in a total value of $1,441,416,000. Based upon an average vehicle age of

6 years, the average value at the depreciated rate of 0.25 would be $360,354,000. As outlined in Section 12-43-220(g), this depreciated vehicle value is then assessed at 9.5 percent and multiplied by an equalization factor currently set at 80 percent by DOR.

Because the new fee is paid at the time of registration and may be paid quarterly, the actual distribution of the calendar year 2019 revenue may vary depending upon registration timing. Since the fee begins January 1, 2019, we assume for this analysis that the registrations will be evenly distributed across the year and that one-half of the full year's fees will be paid from January through June of FY 2018-19. Additionally, the change in timing will accelerate fee collections for in-state carriers by six months compared to the current fee timing. Using an estimated statewide millage of 338.4, we estimate that one-half of total collections for road use fees will be $4,634,000 for out-of-state carriers. Based upon our latest analysis of collections for in-state motor carriers through the end of 2016, we estimate that total fees for in-state carriers will be approximately $25,115,000 for calendar year 2019. One-half of these fees will total approximately $12,558,000 in FY 2018-19. Total motor carrier fees for new collections and the one-time acceleration of in state fees will be approximately $17,192,000 in FY 2018-19.

Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $75 of the fee is distributed to local jurisdictions under Section 12-27-2870, and $12 is retained by DOR. This bill would change the distribution by sending the $12 fee currently retained by DOR to DMV. The remaining $75 is to be combined with the revenue generated by the road use fee in Section 12-37-2850 and distributed based upon Sections 12-37-2865 and 12-37-2870. Based upon fee collections through calendar year 2016, we estimate total one-time registration fees will be approximately $703,000 in calendar year 2019. One-half of one-time registration fees will total approximately $352,000 in FY 2018-19. Of this amount, $48,000 will be reallocated from DOR to DMV for operations and $303,000 will be distributed based upon Section 12-37-2865 as outlined below.

Combining the projected motor carrier road use fees and one-time registration fee revenue for FY 2018-19 yields total revenue of $17,495,000 to be distributed under Section 12-37-2865. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Additionally, Subitem L(2) of Section 10 directs DMV to retain $400,000 in the first calendar year to offset programming costs. This leaves $17,095,000 for distribution under Section 122-37-2865. Counties will receive $12,821,000 in FY 2018-19 above the fees collected under our current property tax due to the fee acceleration. The remaining $4,274,000 will be credited to the Infrastructure Maintenance Trust Fund. These amount may vary, however, depending upon registration timing.

Revenue for FY 2019-20 will comprise a full year of fees. Based upon collections through calendar year 2016, we estimate that total motor carrier road use fees will be $25,343,000 for in-state carriers and $9,670,000 for out-of-state carriers, for a total of $35,013,000 in FY 2019-20. Fees for one-time registrations will yield an additional $606,000 to be distributed, while $97,000 will be retained by DMV. Adding the motor carrier fee amounts together yields total revenue of $35,619,000 to be distributed based upon Section 12-37-2865. Counties will receive $26,714,000 under the current distribution formula in Section 12-37-2870, and the remaining

$8,905,000 will be credited to the Infrastructure Maintenance Trust Fund. This will increase county revenue by approximately $765,000 for FY 2019-20.

Section 9. This section increases the driver's license fee for a 5-year driver's license from $12.50 to $25.00 and from $25.00 to $50.00 for a 10-year driver's license. Based upon the most recent data from DMV, the estimated additional revenue from the increased driver's license fees in FY 2017-18 is $7,455,000. Since the increase begins January 1, 2018, this figure represents six months of a full fiscal year. We do not anticipate that the fee increase will be sufficient to prompt residents to renew licenses early to avoid the increase. However, the estimate may be marginally impacted if individuals renew early. Another timing issue impacts the FY 2017-18 estimate. Calendar year 2017 included a larger than normal number of expiring driver's licenses due to DMV procedural changes in 2006, and we do not expect this trend to continue. All of the fees collected pursuant to this section must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Driver's License Fee Increase Total Additional Revenue
FY 2017-18	$7,455,000
FY 2018-19	$9,834,000

Section 10. This section reallocates 10 percent of the $0.0025 motor fuel inspection fee that is currently allocated to the Department of Agriculture to the State Non-Federal Aid Highway Fund. Pursuant to Section 39-41-70, the revenue from the 10 percent of the $0.0025 motor fuel inspection fee is currently used as necessary under the direction of the Commissioner of Agriculture to make all necessary regulations for the inspection of petroleum products, employ all necessary chemists, and enforce standards as to safety, purity, and value for power and heating purposes. Therefore, in FY 2017-18, revenue of the Department of Agriculture will decline by $952,000, and revenue of the State Non-Federal Aid Highway Fund will increase by $952,000. The estimated reallocation of revenue for FY 2017-18 to FY 2021-22 is provided in the table below.

Fiscal Year	Reduction in Revenue to the Department of Agriculture	Increase in Revenue to the State Non-Federal Aid Highway Fund
FY 2017-18	($952,000)	$952,000
FY 2018-19	($975,000)	$975,000
FY 2019-20	($989,000)	$989,000
FY 2020-21	($1,003,000)	$1,003,000
FY 2021-22	($1,016,000)	$1,016,000

Section 11. This section increases the current $0.0266 per gallon user fee on gasoline that is distributed as "C" Funds by $0.003325 per gallon each year beginning July 1, 2018, until the total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" Funds revenue will increase by $9,721,000 in FY 2018-19, which is the first

year of the $0.003325 increase in the gasoline user fee. The "C" funds allocated to county transportation committees must be expended pursuant to the provisions in Section 12-28-2740. The increase in "C" Funds revenue would be shifted from the State Highway Fund to county transportation committees. The estimated revenue increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in "C" Funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750.

Fiscal Year	Increase in Estimated "C" Funds Revenue
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Section 12. This section repeals Section 12-28-530. The Department of Revenue indicates that this section is a simplification of requirements that would have been imposed on all retailers and distributors. Repealing the section will have no effect on the agency.

Local Expenditure

Section 6. This section adds a biennial road use fee for hybrid and alternative fuel vehicles. The Revenue and Fiscal Affairs Office contacted all forty-six county governments regarding the expenditure impact of this section of the bill. Florence and Horry Counties indicate that this bill will have no expenditure impact on their localities. Clarendon and Lancaster Counties indicate that this bill will have a minimal expenditure impact on their localities.

Local Revenue

Section 8. This section creates the motor carrier road use fee to replace the current motor carrier property tax beginning January 1, 2019. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Due to a change in timing for fee payments, this will increase local funding to counties by $12,821,000 in FY 2018-19. This amount may vary, however, depending upon registration timing. For FY 2019-20 county revenue will increase by approximately $765,000 for FY 2019-20 over the current estimate for motor carrier property tax revenue. For additional explanation of the revenue determination, see Section 8 under State Revenue.

Section 11. This section increases the current $0.0266 per gallon user fee on gasoline that is distributed to "C" Funds by $0.003325 per gallon each year beginning July 1, 2018, until the total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" Funds revenue will increase by $9,721,000 in FY 2018-19, which is the first year of the $0.003325 increase in the gasoline user fee. The "C" funds allocated to county transportation committees must be expended pursuant to the provisions in Section 12-28-2740. The increase in "C" Funds revenue would be shifted from the State Highway Fund to county transportation committees. The estimated revenue increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in "C" Funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750.

Fiscal Year	Increase in Estimated "C" Funds Revenue
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Amended by the House of Representatives on March 1, 2017
State Expenditure
The following sections would affect state expenditures as follows:

Section 5. This section increases current biennial registration fees by $16. DMV indicates non-recurring expenditures for this section will total $11,000 in FY 2017-18 for programming and system testing.

Section 6. This bill adds an infrastructure maintenance fee for in-state and out-of-state residents that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56. DMV expects expenditures of $53,000 for programming, system updates, and system testing in FY 2017-18.

Section 7. This section adds a biennial road use fee of $120 for alternative fuel vehicles and a $60 biennial road use fee for hybrid vehicles. DMV's revised response indicates non-recurring expenditures for this section will total $124,000 in FY 2017-18 for programming, system updates, and system testing.

Section 9. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019 in the same manner as the current motor carrier property tax. DOR currently administers the property tax for in-state carriers. This bill would add out-of-state carriers to the road use fee and transfer the program to DMV. Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $12 of the fee is retained by DOR for operating costs. This bill would change the distribution by sending the $12 fee to DMV.

Department of Motor Vehicles. DMV indicates non-recurring expenditures for administration of the motor carrier fee program are expected to total at least $401,900 in FY 2018-19 based upon the latest estimates for the required programing, testing, and project management to set up this system within the agency. They also anticipate additional non-recurring expenditures above this amount for consulting with tax specialists with the knowledge of motor carrier property taxes and valuation to assist in designing and testing the system. Additional recurring expenditures for administering the program, producing forms and materials, processing fee submissions, and handling disputes are expected, but projected expenditures for conducting these functions are currently undetermined. The agency expects to hire four FTE's to administer the program with estimated personnel expenditures of $157,500 per year including fringe benefits. **Department of Revenue.** DOR does not anticipate a reduction in personnel expenditures from moving the administration of the motor carrier fee to DMV because the staff who administer this program have additional responsibilities for administration of other property tax assessments that remain with the agency.

State Revenue
The following sections would affect state revenue as follows:

Section 1. This section of the bill as amended creates the Infrastructure Maintenance Trust Fund to be used exclusively for the repairs, maintenance, and improvements to the existing transportation system. All interest income of the Infrastructure Maintenance Trust Fund must be credited to the fund.

Section 2. This section permits DOT the discretion to determine if transferring funds to other entities as required by provisions of law would best serve the transportation infrastructure needs of the state. If the department determines that the transfer would not best serve the state, they may delay the transfer indefinitely. This could potentially reallocate revenue if the department decides not to make a transfer to another entity.

Section 3. The bill increases the current $0.16 per gallon motor fuel user fee by $0.02 per gallon per year for five years for a total increase of $0.10 per gallon of fuel. The first increase will take effect July 1, 2017. The increased revenue as a result of this section must be credited to the Infrastructure Maintenance Trust Fund. Based on the latest information from the U.S. Department of Energy, increasing the current user fee from $0.16 to $0.18 would generate an additional $68,857,000 in FY 2017-18. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual revenue to the Infrastructure Maintenance Trust Fund by fiscal year for FY 2017-18 to FY 2020-22 is provided in the table below.

Fiscal Year	Motor Fuel Fee Increase (Total of $0.10)	Net Impact on $0.0075 Environmental and Inspection Fee Revenue
FY 2017-18	$68,857,000	($46,000)
FY 2018-19	$153,958,000	($98,000)
FY 2019-20	$234,338,000	($142,000)
FY 2020-21	$316,881,000	($186,000)
FY 2021-22	$401,669,000	($230,000)

As the user fee is increased in the first five years, we expect the demand for motor fuel to decline due to an increase in the relative overall price of motor fuel, which reduces the estimated number of gallons. Based upon an analysis of several academic studies, the demand elasticity for gasoline averages -0.2 in the short-run for the United States. The studies suggest that the long-run demand changes will be slightly more sensitive to price changes in gasoline as consumers seek out alternatives. Therefore, we used an elasticity of -0.2 in this analysis, meaning that a one percent increase in the price of gasoline would reduce the amount purchased by 0.2 percent.

In addition to affecting the Infrastructure Maintenance Trust Fund, the demand reduction in total gallons will lower the $0.0075 environmental and inspection fee anticipated revenue to the Department of Agriculture, DHEC, and DOT. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual reduction in revenue for each agency for FY 2017-18 to FY 2021-22 by agency is provided in the table below.

Environmental and Inspection Fee ($0.0075)			
Fiscal Year	$0.0050	$0.0025	
	Department of Health and Environmental Control	10% to the Department of Agriculture	90% to the Department of Transportation (State Non-Federal Aid Highway Fund)
FY 2017-18	($31,000)	($2,000)	($14,000)
FY 2018-19	($65,000)	($3,000)	($29,000)
FY 2019-20	($95,000)	($5,000)	($43,000)
FY 2020-21	($124,000)	($6,000)	($56,000)
FY 2021-22	($153,000)	($8,000)	($69,000)

Section 5. The biennial registration fee for every passenger vehicle and every property-carrying vehicle with a gross weight of 6,000 pounds or less, excluding property carrying trucks, is increased by $16.00. The increase will apply to all individuals, including individuals 65 years of age or older and individuals who are handicapped pursuant to Section 56-3-620. Based upon DMV data, there will be approximately 3,179,000 vehicles subject to this additional fee in FY 2017-18. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. The estimated additional revenue from this fee increase is $12,731,000 for FY 2017-18. From each biennial registration fee collected pursuant to this section, $16.00 must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Biennial Vehicle Registration Fee Increase Total Additional Revenue
FY 2017-18	$12,731,000
FY 2018-19	$26,090,000

Section 6. This section creates a new infrastructure maintenance fee that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56 beginning July 1, 2017. The fee is 5 percent of the sales price up to $500 for a vehicle or item first registered in this state and $250 for new residents registering an out-of-state vehicle in South Carolina for the first time. This fee replaces the current 5 percent sales tax up to $300 for vehicles and items purchased in South Carolina required to be registered under Chapter 3 of

Section 56. We assume that the majority of trailers are exempt under Section 56-3-120 and are captured under the permanent fee in Section 12-37-2860 instead. These trailers would remain subject to the sales tax.

Based on our current estimates for motor vehicles, motorcycles, motor carriers, and recreational vehicles, increasing the maximum fee for these items to $500 will generate $72,722,000 in additional revenue to the Infrastructure Maintenance Trust Fund in FY 2017-18.

Item	Current Sales Tax ($300 cap)	Infrastructure Fee ($500 cap)	Revenue Increase
Motor vehicle	$183,000,000	$253,300,000	$70,300,000
Motorcycle	$2,208,000	$2,760,000	$552,000
Heavy duty trucks	$1,119,000	$1,866,000	$747,000
Recreational Vehicle	$1,684,000	$2,807,000	$1,123,000
Total	$188,011,000	$260,733,000	$72,722,000

Currently, 80 percent of the current $300 fee is distributed to the State Highway Fund, but the remaining twenty percent is credited to the EIA Fund. This bill would transfer 80 percent of the total $188,011,000 generated by the current sales tax cap, or $150,409,000, from the State Highway Fund to the Infrastructure Maintenance Trust Fund. The remaining twenty percent of the current sales tax is credited to the EIA Fund. The bill as amended directs DMV to send 20 percent of every fee collected up to $60 to the EIA Fund. As such, the EIA fund would receive the same $37,600,000 in revenue from the Infrastructure Maintenance Fee that is currently received from sales tax.

The bill as amended also extends the current sales tax exemption on motor vehicles purchased by active duty members of the United States Armed Forces who are residents of another state to exempt these purchases from the Infrastructure Maintenance Fee. These purchases are currently exempt and therefore, are not included in the projected revenue from the Infrastructure Maintenance Fee. As such, the bill does not alter our analysis of the revenue generated by the fee.

Individuals registering a vehicle in South Carolina that was previously registered out-of-state will be subject to a $250 fee. The bill exempts active duty military from this fee. DMV indicates that they cannot isolate the number of registrations occurring as a result of new residents moving into the state and registering an out-of-state vehicle for the first time. Data provided by DMV would include cars that were registered in another state, purchased by a dealer, and then sold in South Carolina. Therefore, we used the U.S. Census Bureau’s migration data as a proxy. The Census Bureau estimates annual in-migration for people moving into South Carolina to be 99,919. This is based upon the number of personal exemptions claimed on the 52,710 income tax records for people moving into South Carolina from 2014 to 2015. Reducing this figure by 19.7% to account for individuals under age 16 who would not be likely to register a vehicle, we expect 80,235 vehicles to be subject to the out-of-state $250 fee in FY 2017-18. The estimated additional revenue from this fee is $20,059,000 for FY 2017-18.

This analysis is based upon income tax returns for individuals who have changed their state of residence for income tax purposes. The estimate may include a small number of active duty military who changed their state of residence to South Carolina and would be exempt from the fee. However, this is not expected to have a significant impact on the revenue estimate.

In total, this section is expected to increase revenue to the Infrastructure Maintenance Trust Fund by $92,781,000 plus an additional $188,011,000 in revenue transferred from the State Highway Fund and EIA Fund for a total of $280,792,000 in FY 2017-18. The section will decrease State Highway Fund revenue by $150,409,000 and EIA revenue by $37,602,000 in FY 2017-18.

Section 7. This section creates a new registration fee for alternative fuel vehicles that are powered by fuels other than those subject to the motor fuel user fee. For vehicles powered exclusively by electricity, hydrogen, or another fuel not subject to the user fee, a biennial road user fee of $120.00 is added. Based upon data from DMV, we estimate 460 vehicles powered exclusively by alternate fuels will be subject to the $120.00 fee. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $14,000.

For vehicles that use a combination of a motor fuel subject to the motor fuel user fee and another fuel source, the biennial road user fee is $60.00. We estimate that in FY 2017-18 there will be 44,000 vehicles that use a combination of fuels subject to the $60.00 fee. Since the increase begins January 1, 2018, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $660,000. The proposed biennial alternative fuel and hybrid vehicle fees will total $674,000 in FY 2017-18. All of the fees collected pursuant to this section must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Hybrid and Alternative Fuel Vehicle Fee Total Additional Revenue
FY 2017-18	$674,000
FY 2018-19	$1,453,000

Section 8. This section increases the maximum sales and use tax limitation on enumerated items from the current $300 per item to $500 per item beginning July 1, 2017. The revenue generated by increasing the maximum sales and use tax by an additional $200 per item would not be credited to the state public school building fund or the EIA fund as directed by current statute, but would instead be redirected to the Infrastructure Maintenance Trust Fund.

Additionally, motor vehicles, motorcycles, motor carriers, recreational vehicles, and trailers subject to the new infrastructure maintenance fee are exempt from the sales and use tax. The revenue increase attributable to the remaining items subject to the maximum sales and use tax cap is included in the table below. The increase in the sales and use tax cap by $200 per item would increase revenue to the Infrastructure Maintenance Trust Fund by an estimated $1,678,000 in FY 2017-18.

Item	Current $300 Max Cap	Proposed $500 Max Cap	Estimated Revenue Increase
Aircraft	$21,000	$34,000	$13,000
Boat	$3,846,000	$4,807,000	$961,000
Self-propelled light construction equipment	$663,000	$1,105,000	$442,000
Trailers	$1,312,000	$1,574,000	$262,000
Total	$5,842,000	$7,520,000	$1,678,000

Section 9. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019. The valuation of the large commercial motor vehicles for the road use fee is to be determined in the same manner as currently prescribed for motor carriers. This section adds out-of-state apportioned carriers that currently do not pay property taxes to the road use fee. The road use fee for in-state carriers would remain the same as the current property tax amount.

In order to estimate the road use fee on out-of-state carriers, we calculate full-time equivalent (FTE) vehicles based upon the average in-state registration fee of $706 and the total out-of-state registration fees collected. This accounts for the apportionment of out-of-state vehicles based on mileage. For FY 2015-16, DMV reported total out-of-state vehicle registration collections of $7,802,991. Dividing the total fees by the estimated average fee results in an estimated 11,047 FTE out-of-state vehicles in FY 2015-16. We estimate that this will increase to approximately 12,012 out-of-state vehicles by FY 2018-19 based upon recent growth in fee collections. Using an approximate new vehicle value of $120,000 and multiplying this value by the estimated 12,012 vehicles results in a total value of $1,441,416,000. Based upon an average vehicle age of 6 years, the average value at the depreciated rate of 0.25 would be $360,354,000. As outlined in Section 12-43-220(g), this depreciated vehicle value is then assessed at 9.5 percent and multiplied by an equalization factor currently set at 80 percent by DOR.

Because the new fee is paid at the time of registration and may be paid quarterly, the actual distribution of the calendar year 2019 revenue may vary depending upon registration timing. Since the fee begins January 1, 2019, we assume for this analysis that the registrations will be evenly distributed across the year and that one-half of the full year's fees will be paid from January through June of FY 2018-19. Additionally, the change in timing will accelerate fee collections for in-state carriers by six months compared to the current fee timing. Using an estimated statewide millage of 338.4, we estimate that one-half of total collections for road use fees will be $4,634,000 for out-of-state carriers. Based upon our latest analysis of collections for in-state motor carriers through the end of 2016, we estimate that total fees for in-state carriers will be approximately $25,115,000 for calendar year 2019. One-half of these fees will total approximately $12,558,000 in FY 2018-19. Total motor carrier fees for new collections and the one-time acceleration of in state fees will be approximately $17,192,000 in FY 2018-19.

Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $75 of the fee is distributed to local jurisdictions under Section 12-27-2870, and $12 is retained by DOR. This bill would change the distribution by sending the $12 fee currently retained by DOR to DMV. The remaining $75 is to be combined with the revenue generated by the road use fee in Section 12-37-2850 and distributed based upon Sections 12-37-2865 and 12-37-2870. Based upon fee collections through calendar year 2016, we estimate total one-time registration fees will be approximately $703,000 in calendar year 2019. One-half of one-time registration fees will total approximately $352,000 in FY 2018-19. Of this amount, $48,000 will be reallocated from DOR to DMV for operations and $303,000 will be distributed based upon Section 12-37-2865 as outlined below.

Combining the projected motor carrier road use fees and one-time registration fee revenue for FY 2018-19 yields total revenue of $17,495,000 to be distributed under Section 12-37-2865. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Additionally, Subitem L(2) of Section 10 directs DMV to retain $400,000 in the first calendar year to offset programming costs. This leaves $17,095,000 for distribution under Section 122-37-2865. Counties will receive $12,821,000 in FY 2018-19 above the fees collected under our current property tax due to the fee acceleration. The remaining $4,274,000 will be credited to the Infrastructure Maintenance Trust Fund. These amount may vary, however, depending upon registration timing.

Revenue for FY 2019-20 will comprise a full year of fees. Based upon collections through calendar year 2016, we estimate that total motor carrier road use fees will be $25,343,000 for in-state carriers and $9,670,000 for out-of-state carriers, for a total of $35,013,000 in FY 2019-20. Fees for one-time registrations will yield an additional $606,000 to be distributed, while $97,000 will be retained by DMV. Adding the motor carrier fee amounts together yields total revenue of $35,619,000 to be distributed based upon Section 12-37-2865. Counties will receive $26,714,000 under the current distribution formula in Section 12-37-2870, and the remaining $8,905,000 will be credited to the Infrastructure Maintenance Trust Fund. This will increase county revenue by approximately $765,000 for FY 2019-20.

Section 14. This section reallocates 10 percent of the $0.0025 motor fuel inspection fee that is currently allocated to the Department of Agriculture to the State Non-Federal Aid Highway Fund. Pursuant to Section 39-41-70, the revenue from the 10 percent of the $0.0025 motor fuel inspection fee is currently used as necessary under the direction of the Commissioner of Agriculture to make all necessary regulations for the inspection of petroleum products, employ all necessary chemists, and enforce standards as to safety, purity, and value for power and heating purposes. Therefore, in FY 2017-18, revenue of the Department of Agriculture will decline by $952,000, and revenue of the State Non-Federal Aid Highway Fund will increase by $952,000. The estimated reallocation of revenue for FY 2017-18 to FY 2021-22 is provided in the table below.

Fiscal Year	Reduction in Revenue to the Department of Agriculture	Increase in Revenue to the State Non-Federal Aid Highway Fund
FY 2017-18	($952,000)	$952,000
FY 2018-19	($975,000)	$975,000
FY 2019-20	($989,000)	$989,000
FY 2020-21	($1,003,000)	$1,003,000
FY 2021-22	($1,016,000)	$1,016,000

Section 15. This section increases the current $0.0266 per gallon user fee on gasoline that is distributed as "C" Funds by $0.003325 per gallon each year beginning July 1, 2018, until the total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" Funds revenue will increase by $9,721,000 in FY 2018-19, which is the first year of the $0.003325 increase in the gasoline user fee. The "C" funds allocated to county transportation committees must be expended pursuant to the provisions in Section 12-28-2740. The estimated revenue increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in "C" Funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750.

Fiscal Year	Increase in Estimated "C" Funds Revenue
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Local Expenditure
Section 7. This section adds a biennial road use fee for hybrid and alternative fuel vehicles. The Revenue and Fiscal Affairs Office contacted all forty-six county governments regarding the expenditure impact of this section of the bill. Florence and Horry Counties indicate that this bill will have no expenditure impact on their localities. Clarendon and Lancaster Counties indicate that this bill will have a minimal expenditure impact on their localities.

Local Revenue
Section 9. This section creates the motor carrier road use fee to replace the current motor carrier property tax beginning January 1, 2019. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Due to a change in timing for fee payments, this will increase local funding to counties by $12,821,000 in FY 2018-19. This amount may vary, however, depending upon registration timing. For FY 2019-20 county revenue will increase by approximately $765,000 for FY 2019-20 over the current estimate for motor carrier property tax revenue. For additional explanation of the revenue determination, see Section 9 under State Revenue.

Section 15. This section increases the current $0.0266 per gallon user fee on gasoline that is distributed to "C" Funds by $0.003325 per gallon each year beginning July 1, 2018, until the total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" Funds revenue will increase by $9,721,000 in FY 2018-19, which is the first year of the $0.003325 increase in the gasoline user fee. The "C" funds allocated to county transportation committees must be expended pursuant to the provisions in Section 12-28-2740. The estimated revenue increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in "C" Funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750.

Fiscal Year	Increase in Estimated "C" Funds Revenue
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Amended by House Ways and Means on February 14, 2017
Updated for Revised Agency Response
State Expenditure
The following sections would affect state expenses as follows:

Section 5. This section increases current biennial registration fees by $16. DMVs revised response indicates non-recurring expenditures for this section will total $11,000 in FY 2017-18 for programming and system testing.

Section 6. This bill adds an infrastructure maintenance fee for in-state and out-of-state residents that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56. DMV expects expenditures of $53,000 for programming, system updates, and system testing in FY 2017-18.

Section 7. This section adds a biennial road use fee of $120 for alternative fuel vehicles and a $60 biennial road use fee for hybrid vehicles. DMV's revised response indicates non-recurring expenditures for this section will total $124,000 in FY 2017-18 for programming, system updates, and system testing.

Section 9. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019 in the same manner as the current motor carrier property tax. DOR currently administers the property tax for in-state carriers. This bill would add out-of-state carriers to the road use fee and transfer the program to DMV. Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $12 of the fee is retained by DOR for operating costs. This bill would change the distribution by sending the $12 fee to DMV.

Department of Motor Vehicles. DMVs revised response indicates non-recurring expenditures for administration of the motor carrier fee program are expected to total at least $401,900 in FY 2018-19 based upon the latest estimates for the required programing, testing, and project management to set up this system within the agency. They also anticipate additional non-recurring expenditures above this amount for consulting with tax specialists with the knowledge of motor carrier property taxes and valuation to assist in designing and testing the system. Additional recurring expenditures for administering the program, producing forms and materials, processing fee submissions, and handling disputes are expected, but projected expenditures for conducting these functions are currently undetermined. The agency expects to hire four FTE's to administer the program with estimated personnel expenditures of $157,500 per year including fringe benefits.

Department of Revenue. DOR does not anticipate a reduction in personnel expenditures from moving the administration of the motor carrier fee to DMV because the staff who administer this program have additional responsibilities for administration of other property tax assessments that remain with the agency.

State Revenue
The following sections would affect state revenue as follows:

Section 1. This section of the bill as amended creates the Infrastructure Maintenance Trust Fund to be used exclusively for the repairs, maintenance, and improvements to the existing transportation system. All interest income of the Infrastructure Maintenance Trust Fund must be credited to the fund.

Section 2. This section permits DOT the discretion to determine if transferring funds to other entities as required by provisions of law would best serve the transportation infrastructure needs of the state. If the department determines that the transfer would not best serve the state, they may delay the transfer indefinitely. This could potentially reallocate revenue if the department decides not to make a transfer to another entity.

Section 3. The bill increases the current $0.16 per gallon motor fuel user fee by $0.02 per gallon per year for five years for a total increase of $0.10 per gallon of fuel. The first increase will take effect July 1, 2017. The increased revenue as a result of this section must be credited to the Infrastructure Maintenance Trust Fund. Based on the latest information from the U.S. Department of Energy, increasing the current user fee from $0.16 to $0.18 would generate an additional $68,857,000 in FY 2017-18. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual revenue to the Infrastructure Maintenance Trust Fund by fiscal year for FY 2017-18 to FY 2020-22 is provided in the table below.

Fiscal Year	Motor Fuel Fee Increase (Total of $0.10)	Net Impact on $0.0075 Environmental and Inspection Fee Revenue
FY 2017-18	$68,857,000	($46,000)
FY 2018-19	$153,958,000	($98,000)
FY 2019-20	$234,338,000	($142,000)
FY 2020-21	$316,881,000	($186,000)
FY 2021-22	$401,669,000	($230,000)

As the user fee is increased in the first five years, we expect the demand for motor fuel to decline due to an increase in the relative overall price of motor fuel, which reduces the estimated number of gallons. Based upon an analysis of several academic studies, the demand elasticity for gasoline averages -0.2 in the short-run for the United States. The studies suggest that the long-run demand changes will be slightly more sensitive to price changes in gasoline as consumers seek out alternatives. Therefore, we used an elasticity of -0.2 in this analysis, meaning that a one percent increase in the price of gasoline would reduce the amount purchased by 0.2 percent.

In addition to affecting the Infrastructure Maintenance Trust Fund, the demand reduction in total gallons will lower the $0.0075 environmental and inspection fee anticipated revenue to the Department of Agriculture, DHEC, and DOT. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual reduction in revenue for each agency for FY 2017-18 to FY 2021-22 by agency is provided in the table below.

Environmental and Inspection Fee ($0.0075)			
	$0.0050	$0.0025	
Fiscal Year	Department of Health and Environmental Control	10% to the Department of Agriculture	90% to the Department of Transportation (State Non-Federal Aid Highway Fund)
FY 2017-18	($31,000)	($2,000)	($14,000)
FY 2018-19	($65,000)	($3,000)	($29,000)
FY 2019-20	($95,000)	($5,000)	($43,000)
FY 2020-21	($124,000)	($6,000)	($56,000)
FY 2021-22	($153,000)	($8,000)	($69,000)

Section 5. The biennial registration fee for every passenger vehicle and every property-carrying vehicle with a gross weight of 6,000 pounds or less, excluding property carrying trucks, is increased by $16.00. The increase will apply to all individuals, including individuals 65 years of age or older and individuals who are handicapped pursuant to Section 56-3-620. Based upon DMV data, there will be approximately 3,179,000 vehicles subject to this additional fee in FY 2017-18. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. The estimated additional revenue from this fee increase is $12,731,000 for FY 2017-18. From each biennial registration fee collected pursuant to this

section, $16.00 must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Biennial Vehicle Registration Fee Increase Total Additional Revenue
FY 2017-18	$12,731,000
FY 2018-19	$26,090,000

Section 6. This section creates a new infrastructure maintenance fee that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56 beginning July 1, 2017. The fee is 5 percent of the sales price up to $500 for a vehicle or item first registered in this state and $250 for new residents registering an out-of-state vehicle in South Carolina for the first time. This fee replaces the current 5 percent sales tax up to $300 for vehicles and items purchased in South Carolina required to be registered under Chapter 3 of Section 56. We assume that the majority of trailers are exempt under Section 56-3-120 and are captured under the permanent fee in Section 12-37-2860 instead. These trailers would remain subject to the sales tax.

Based on our current estimates for motor vehicles, motorcycles, motor carriers, and recreational vehicles, increasing the maximum fee for these items to $500 will generate $72,722,000 in additional revenue to the Infrastructure Maintenance Trust Fund in FY 2017-18.

Item	Current Sales Tax ($300 cap)	Infrastructure Fee ($500 cap)	Revenue Increase
Motor vehicle	$183,000,000	$253,300,000	$70,300,000
Motorcycle	$2,208,000	$2,760,000	$552,000
Heavy duty trucks	$1,119,000	$1,866,000	$747,000
Recreational Vehicle	$1,684,000	$2,807,000	$1,123,000
Total	$188,011,000	$260,733,000	$72,722,000

Currently, 80 percent of the current $300 fee is distributed to the State Highway Fund, but the remaining twenty percent is credited to the EIA Fund. This bill would transfer 80 percent of the total $188,011,000 generated by the current sales tax cap, or $150,409,000, from the State Highway Fund to the Infrastructure Maintenance Trust Fund. The remaining twenty percent of the current sales tax is credited to the EIA Fund. This EIA revenue would shift to the Infrastructure Maintenance Trust Fund, reallocating $37,602,000 in FY 2017-18.

Individuals registering a vehicle in South Carolina that was previously registered out-of-state will be subject to a $250 fee. The bill exempts active duty military from this fee. DMV indicates that they cannot isolate the number of registrations occurring as a result of new residents moving into the state and registering an out-of-state vehicle for the first time. Data provided by DMV would include cars that were registered in another state, purchased by a dealer, and then sold in South Carolina. Therefore, we used the U.S. Census Bureau's migration data as a proxy. The Census Bureau estimates annual in-migration for people moving into South Carolina to be 99,919. This is based upon the number of personal exemptions claimed on the 52,710 income tax records for people moving into South Carolina from 2014 to 2015. Reducing this figure by 19.7% to account for individuals under age 16 who would not be likely to register a vehicle, we expect 80,235 vehicles to be subject to the out-of-state $250 fee in FY 2017-18. The estimated additional revenue from this fee is $20,059,000 for FY 2017-18.

This analysis is based upon income tax returns for individuals who have changed their state of residence for income tax purposes. The estimate may include a small number of active duty military who changed their state of residence to South Carolina and would be exempt from the fee. However, this is not expected to have a significant impact on the revenue estimate.

In total, this section is expected to increase revenue to the Infrastructure Maintenance Trust Fund by $92,781,000 plus an additional $188,011,000 in revenue transferred from the State Highway Fund and EIA Fund for a total of $280,792,000 in FY 2017-18. The section will decrease State Highway Fund revenue by $150,409,000 and EIA revenue by $37,602,000 in FY 2017-18.

Section 7. This section creates a new registration fee for alternative fuel vehicles that are powered by fuels other than those subject to the motor fuel user fee. For vehicles powered exclusively by electricity, hydrogen, or another fuel not subject to the user fee, a biennial road user fee of $120.00 is added. Based upon data from DMV, we estimate 460 vehicles powered exclusively by alternate fuels will be subject to the $120.00 fee. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $14,000.

For vehicles that use a combination of a motor fuel subject to the motor fuel user fee and another fuel source, the biennial road user fee is $60.00. We estimate that in FY 2017-18 there will be 44,000 vehicles that use a combination of fuels subject to the $60.00 fee. Since the increase begins January 1, 2018, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $660,000. The proposed biennial alternative fuel and hybrid vehicle fees will total $674,000 in FY 2017-18. All of the fees collected pursuant to this section must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Hybrid and Alternative Fuel Vehicle Fee Total Additional Revenue
FY 2017-18	$674,000
FY 2018-19	$1,453,000

Section 8. This section increases the maximum sales and use tax limitation on enumerated items from the current $300 per item to $500 per item beginning July 1, 2017. The revenue generated by increasing the maximum sales and use tax by an additional $200 per item would not be credited to the state public school building fund or the EIA fund as directed by current statute, but would instead be redirected to the Infrastructure Maintenance Trust Fund.

Additionally, motor vehicles, motorcycles, motor carriers, recreational vehicles, and trailers subject to the new infrastructure maintenance fee are exempt from the sales and use tax. The revenue increase attributable to the remaining items subject to the maximum sales and use tax cap is included in the table below. The increase in the sales and use tax cap by $200 per item would increase revenue to the Infrastructure Maintenance Trust Fund by an estimated $1,678,000 in FY 2017-18.

Item	Current $300 Max Cap	Proposed $500 Max Cap	Estimated Revenue Increase
Aircraft	$21,000	$34,000	$13,000
Boat	$3,846,000	$4,807,000	$961,000
Self-propelled light construction equipment	$663,000	$1,105,000	$442,000
Trailers	$1,312,000	$1,574,000	$262,000
Total	$5,842,000	$7,520,000	$1,678,000

Section 9. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019. The valuation of the large commercial motor vehicles for the road use fee is to be determined in the same manner as currently prescribed for motor carriers. This section adds out-of-state apportioned carriers that currently do not pay property taxes to the road use fee. The road use fee for in-state carriers would remain the same as the current property tax amount.

In order to estimate the road use fee on out-of-state carriers, we calculate full-time equivalent (FTE) vehicles based upon the average in-state registration fee of $706 and the total out-of-state registration fees collected. This accounts for the apportionment of out-of-state vehicles based on mileage. For FY 2015-16, DMV reported total out-of-state vehicle registration collections of $7,802,991. Dividing the total fees by the estimated average fee results in an estimated 11,047 FTE out-of-state vehicles in FY 2015-16. We estimate that this will increase to approximately 12,012 out-of-state vehicles by FY 2018-19 based upon recent growth in fee collections. Using an approximate new vehicle value of $120,000 and multiplying this value by the estimated 12,012 vehicles results in a total value of $1,441,416,000. Based upon an average vehicle age of 6 years, the average value at the depreciated rate of 0.25 would be $360,354,000. As outlined in Section 12-43-220(g), this depreciated vehicle value is then assessed at 9.5 percent and multiplied by an equalization factor currently set at 80 percent by DOR.

Because the new fee is paid at the time of registration and may be paid quarterly, the actual distribution of the calendar year 2019 revenue may vary depending upon registration timing. Since the fee begins January 1, 2019, we assume for this analysis that the registrations will be evenly distributed across the year and that one-half of the full year’s fees will be paid from January through June of FY 2018-19. Additionally, the change in timing will accelerate fee collections for in-state carriers by six months compared to the current fee timing. Using an estimated statewide millage of 338.4, we estimate that one-half of total collections for road use fees will be $4,634,000 for out-of-state carriers. Based upon our latest analysis of collections for in-state motor carriers through the end of 2016, we estimate that total fees for in-state carriers will be approximately $25,115,000 for calendar year 2019. One-half of these fees will total approximately $12,558,000 in FY 2018-19. Total motor carrier fees for new collections and the one-time acceleration of in state fees will be approximately $17,192,000 in FY 2018-19.

Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $75 of the fee is distributed to local jurisdictions under Section 12-27-2870, and $12 is retained by DOR. This bill would change the distribution by sending the $12 fee currently retained by DOR to DMV. The remaining $75 is to be combined with the revenue generated by the road use fee in Section 12-37-2850 and distributed based upon Sections 12-37-2865 and 12-37-2870. Based upon fee collections through calendar year 2016, we estimate total one-time registration fees will be approximately $703,000 in calendar year 2019. One-half of one-time registration fees will total approximately $352,000 in FY 2018-19. Of this amount, $48,000 will be reallocated from DOR to DMV for operations and $303,000 will be distributed based upon Section 12-37-2865 as outlined below.

Combining the projected motor carrier road use fees and one-time registration fee revenue for FY 2018-19 yields total revenue of $17,495,000 to be distributed under Section 12-37-2865. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Additionally, Subitem L(2) of Section 10 directs DMV to retain $400,000 in the first calendar year to offset programming costs. This leaves $17,095,000 for distribution under Section 122-37-2865. Counties will receive $12,821,000 in FY 2018-19 above the fees collected under our current property tax due to the fee acceleration. The remaining $4,274,000 will be credited to the Infrastructure Maintenance Trust Fund. These amount may vary, however, depending upon registration timing.

Revenue for FY 2019-20 will comprise a full year of fees. Based upon collections through calendar year 2016, we estimate that total motor carrier road use fees will be $25,343,000 for in-state carriers and $9,670,000 for out-of-state carriers, for a total of $35,013,000 in FY 2019-20. Fees for one-time registrations will yield an additional $606,000 to be distributed, while $97,000 will be retained by DMV. Adding the motor carrier fee amounts together yields total revenue of $35,619,000 to be distributed based upon Section 12-37-2865. Counties will receive $26,714,000 under the current distribution formula in Section 12-37-2870, and the remaining $8,905,000 will be credited to the Infrastructure Maintenance Trust Fund. This will increase county revenue by approximately $765,000 for FY 2019-20.

Local Expenditure

Section 7. This section adds a biennial road use fee for hybrid and alternative fuel vehicles. The Revenue and Fiscal Affairs Office contacted all forty-six county governments regarding the expenditure impact of this section of the bill. Florence and Horry Counties indicate that this bill will have no expenditure impact on their localities. Clarendon and Lancaster Counties indicate that this bill will have a minimal expenditure impact on their localities.

Local Revenue

Section 9. This section creates the motor carrier road use fee to replace the current motor carrier property tax beginning January 1, 2019. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Due to a change in timing for fee payments, this will increase local funding to counties by

$12,821,000 in FY 2018-19. This amount may vary, however, depending upon registration timing. For FY 2019-20 county revenue will increase by approximately $765,000 for FY 2019-20 over the current estimate for motor carrier property tax revenue. For additional explanation of the revenue determination, see Section 9 under State Revenue.

Introduced on January 18, 2017
State Expenditure
The following sections would affect state expenses as follows:

Sections 3, 4, and 5. The expenditure impact associated with increasing biennial registration fees by $16, adding an infrastructure maintenance fee for in-state and out-of-state residents, and adding a biennial road use fee for hybrid and alternative fuel vehicles is pending, contingent upon a response from DMV.

Section 7. This section directs DMV to collect a road use fee on all commercial motor vehicles beginning on January 1, 2019 in the same manner as the current motor carrier property tax. DOR currently administers the property tax for in-state carriers. This bill would add out-of-state carriers to the road use fee and transfer the program to DMV. Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $12 of the fee is retained by DOR for operating costs. This bill would change the distribution by sending the $12 fee to DMV.

Department of Motor Vehicles. DMV expects non-recurring expenditures for administration of the motor carrier fee program to total $304,350 in FY 2018-19 based upon the latest estimates for the required programing, testing, and project management to set up this system within the agency. They also anticipate additional non-recurring expenditures above this amount for consulting with tax specialists with the knowledge of motor carrier property taxes and valuation to assist in designing and testing the system. Additional recurring expenditures for administering the program, producing forms and materials, processing fee submissions, and handling disputes are expected, but projected expenditures for conducting these functions are currently undetermined. The agency expects to hire two FTE's to administer the program with estimated personnel expenditures of $84,000 per year including fringe benefits.

Department of Revenue. DOR does not anticipate a reduction in personnel expenditures from moving the administration of the motor carrier fee to DMV because the staff who administer this program have additional responsibilities for administration of other property tax assessments that remain with the agency.

State Revenue
The following sections would affect state revenue as follows:

Section 1. The bill increases the current $0.16 per gallon motor fuel user fee by $0.02 per gallon per year for five years for a total increase of $0.10 per gallon of fuel. The first increase will take effect July 1, 2017. The increased revenue as a result of this section must be credited to the State Highway Fund. Based on the latest information from the U.S. Department of Energy, increasing the current user fee from $0.16 to $0.18 would generate an additional $68,857,000 in FY 2017-

18. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual revenue increase to the State Highway Fund by fiscal year for FY 2017-18 to FY 2020-22 is provided in the table below.

Fiscal Year	Motor Fuel Fee Increase (Total of $0.10)	Net Impact on $0.0075 Environmental and Inspection Fee Revenue
FY 2017-18	$68,857,000	($46,000)
FY 2018-19	$153,958,000	($98,000)
FY 2019-20	$234,338,000	($142,000)
FY 2020-21	$316,881,000	($186,000)
FY 2021-22	$401,669,000	($230,000)

As the user fee is increased in the first five years, we expect the demand for motor fuel to decline due to an increase in the relative overall price of motor fuel, which reduces the estimated number of gallons. Based upon an analysis of several academic studies, the demand elasticity for gasoline averages -0.2 in the short-run for the United States. The studies suggest that the long-run demand changes will be slightly more sensitive to price changes in gasoline as consumers seek out alternatives. Therefore, we used an elasticity of -0.2 in this analysis, meaning that a one percent increase in the price of gasoline would reduce the amount purchased by 0.2 percent.

In addition to affecting the State Highway Fund, the demand reduction in total gallons will lower the $0.0075 environmental and inspection fee anticipated revenue to the Department of Agriculture, DHEC, and DOT. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual reduction in revenue for each agency for FY 2017-18 to FY 2021-22 by agency is provided in the table below.

Environmental and Inspection Fee ($0.0075)			
	$0.0050	$0.0025	
Fiscal Year	Department of Health and Environmental Control	10% to the Department of Agriculture	90% to the Department of Transportation (State Non-Federal Aid Highway Fund)
FY 2017-18	($31,000)	($2,000)	($14,000)
FY 2018-19	($65,000)	($3,000)	($29,000)
FY 2019-20	($95,000)	($5,000)	($43,000)
FY 2020-21	($124,000)	($6,000)	($56,000)
FY 2021-22	($153,000)	($8,000)	($69,000)

Section 3. The biennial registration fee for every passenger vehicle and every property-carrying vehicle with a gross weight of 6,000 pounds or less, excluding property carrying trucks, is increased by $16.00. The increase will apply to all individuals, including individuals 65 years of age or older and individuals who are handicapped pursuant to Section 56-3-620. Based upon

DMV data, there will be approximately 3,179,000 vehicles subject to this additional fee in FY 2017-18. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. The estimated additional revenue from this fee increase is $12,731,000 for FY 2017-18. From each biennial registration fee collected pursuant to this section, $16.00 must be credited to the State Highway Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Biennial Vehicle Registration Fee Increase Total Additional Revenue
FY 2017-18	$12,731,000
FY 2018-19	$26,090,000

Section 4. This section creates a new infrastructure maintenance fee that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56 beginning July 1, 2017. The fee is 5 percent of the sales price up to $500 for a vehicle or item first registered in this state and $250 for new residents registering an out-of-state vehicle in South Carolina for the first time. This fee replaces the current 5 percent sales tax up to $300 for vehicles and items purchased in South Carolina required to be registered under Chapter 3 of Section 56. We assume that the majority of trailers are exempt under Section 56-3-120 and are captured under the permanent fee in Section 12-37-2860 instead. These trailers would remain subject to the sales tax.

Based on our current estimates for motor vehicles, motorcycles, motor carriers, and recreational vehicles, increasing the maximum fee for these items to $500 will generate $72,722,000 in additional revenue to the State Highway Fund in FY 2017-18.

Item	Current Sales Tax ($300 cap)	Infrastructure Fee ($500 cap)	Revenue Increase
Motor vehicle	$183,000,000	$253,300,000	$70,300,000
Motorcycle	$2,208,000	$2,760,000	$552,000
Heavy duty trucks	$1,119,000	$1,866,000	$747,000
Recreational Vehicle	$1,684,000	$2,807,000	$1,123,000
Total	$188,011,000	$260,733,000	$72,722,000

Currently, 80 percent of the current $300 fee is distributed to the State Highway Fund, but the remaining twenty percent is credited to the EIA Fund. This EIA revenue would shift to the State Highway Fund, reallocating $37,602,000 in FY 2017-18.

With regard to the fee for registering an out-of-state vehicle in South Carolina, DMV indicates that they cannot isolate the number of registrations occurring as a result of new residents moving into the state and registering an out-of-state vehicle for the first time. Data provided by DMV would include cars that were registered in another state, purchased by a dealer, and then sold in South Carolina. Therefore, we used the U.S. Census Bureau's migration data as a proxy. The Census Bureau estimates annual in-migration for people moving into South Carolina to be 99,919. This is based upon the number of personal exemptions claimed on the 52,710 income tax records for people moving into South Carolina from 2014 to 2015. Reducing this figure by 19.7% to account for individuals under age 16 who would not be likely to register a vehicle, we expect 80,235 vehicles to be subject to the out-of-state $250 fee in FY 2017-18. The estimated additional revenue from this fee increase is $20,059,000 for FY 2017-18. In total, this section is expected to increase revenue to the State Highway Fund by $130,383,000 and decrease EIA revenue by $37,602,000 in FY 2017-18.

Section 5. This section creates a new registration fee for alternative fuel vehicles that are powered by fuels other than those subject to the motor fuel user fee. For vehicles powered exclusively by electricity, hydrogen, or another fuel not subject to the user fee, a biennial road user fee of $120.00 is added. Based upon data from DMV, we estimate 460 vehicles powered exclusively by alternate fuels will be subject to the $120.00 fee. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $14,000.

For vehicles that use a combination of a motor fuel subject to the motor fuel user fee and another fuel source, the biennial road user fee is $60.00. We estimate that in FY 2017-18 there will be 44,000 vehicles that use a combination of fuels subject to the $60.00 fee. Since the increase begins January 1, 2018, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $660,000. The proposed biennial alternative fuel and hybrid vehicle fees will total $674,000 in FY 2017-18. All of the fees collected pursuant to this section must be credited to the State Highway Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year	Hybrid and Alternative Fuel Vehicle Fee Total Additional Revenue
FY 2017-18	$674,000
FY 2018-19	$1,453,000

Section 6. This section increases the maximum sales and use tax limitation on enumerated items from the current $300 per item to $500 per item beginning July 1, 2017. The revenue generated by increasing the maximum sales and use tax by an additional $200 per item would not be credited to the state public school building fund or the EIA fund as directed by current statute, but would instead be redirected to the State Highway Fund.

Additionally, motor vehicles, motorcycles, motor carriers, recreational vehicles, and trailers subject to the new infrastructure maintenance fee are exempt from the sales and use tax. The revenue increase attributable to the remaining items subject to the maximum sales and use tax cap is included in the table below. The increase in the sales and use tax cap by $200 per item would increase revenue to the State Highway Fund by an estimated $1,678,000 in FY 2017-18.

Item	Current $300 Max Cap	Proposed $500 Max Cap	Estimated Revenue Increase
Aircraft	$21,000	$34,000	$13,000
Boat	$3,846,000	$4,807,000	$961,000
Self-propelled light construction equipment	$663,000	$1,105,000	$442,000
Trailers	$1,312,000	$1,574,000	$262,000
Total	$5,842,000	$7,520,000	$1,678,000

Section 7. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019. The valuation of the large commercial motor vehicles for the road use fee is to be determined in the same manner as currently prescribed for motor carriers. This section adds out-of-state apportioned carriers that currently do not pay property taxes to the road use fee. The road use fee for in-state carriers would remain the same as the current property tax amount.

In order to estimate the road use fee on out-of-state carriers, we calculate full-time equivalent (FTE) vehicles based upon the average in-state registration fee of $706 and the total out-of-state registration fees collected. This accounts for the apportionment of out-of-state vehicles based on mileage. For FY 2015-16, DMV reported total out-of-state vehicle registration collections of $7,802,991. Dividing the total fees by the estimated average fee results in an estimated 11,047 FTE out-of-state vehicles in FY 2015-16. We estimate that this will increase to approximately 12,012 out-of-state vehicles by FY 2018-19 based upon recent growth in fee collections. Using an approximate new vehicle value of $120,000 and multiplying this value by the estimated 12,012 vehicles results in a total value of $1,441,416,000. Based upon an average vehicle age of 6 years, the average value at the depreciated rate of 0.25 would be $360,354,000. As outlined in Section 12-43-220(g), this depreciated vehicle value is then assessed at 9.5 percent and multiplied by an equalization factor currently set at 80 percent by DOR.

Because the new fee is paid at the time of registration and may be paid quarterly, the actual distribution of the calendar year 2019 revenue may vary depending upon registration timing. Since the fee begins January 1, 2019, we assume for this analysis that the registrations will be evenly distributed across the year and that one-half of the full year's fees will be paid from January through June of FY 2018-19. Additionally, the change in timing will accelerate fee collections for in-state carriers by six months compared to the current fee timing. Using an estimated statewide millage of 338.4, we estimate that one-half of total collections for road use fees will be $4,634,000 for out-of-state carriers. Based upon our latest analysis of collections for in-state motor carriers through the end of 2016, we estimate that total fees for in-state carriers will be approximately $25,115,000 for 2019. One-half of these fees will total approximately $12,558,000 in FY 2018-19. Total motor carrier fees for new collections and the one-time acceleration of in state fees will be approximately $17,192,000 in FY 2018-19.

Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $75 of the fee is distributed to local jurisdictions under Section 12-27-2870, and $12 is retained by DOR. This bill would change the distribution by sending the $12 fee currently retained by DOR to DMV. The remaining $75 is to be combined with the revenue generated by the road use fee in Section 12-37-2850 and distributed based upon Sections 12-37-2865 and 12-37-2870. Based upon fee collections through calendar year 2016, we estimate total one-time registration fees will be approximately $703,000 in calendar year 2019. One-half of one-time registration fees will total approximately $352,000 in FY 2018-19. Of this amount, $48,000 will be reallocated from DOR to DMV for operations and $303,000 will be distributed based upon Sections 12-37-2865 as outlined below.

Combining the projected motor carrier road use fees and one-time registration fee revenue for FY 2018-19 yields total revenue of $17,495,000 to be distributed under Section 12-37-2865. Section 12-37-2865 directs that the first $26,500,000 of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the State Highway Fund to be used to finance expansion and improvements to existing mainline interstates. Additionally, Subitem L(2) of Section 10 directs DMV to retain $400,000 in the first calendar year to offset programming costs. This leaves $17,095,000 to be distributed to counties under Section 12-37-2870 in FY 2018-19. Based upon the change in timing, this will increase local funding to counties by $17,095,000 in FY 2018-19. This amount may vary, however, depending upon registration timing.

Revenue for FY 2019-20 will comprise a full year of fees. Based upon collections through calendar year 2016, we estimate that total motor carrier road use fees will be $25,343,000 for in-state carriers and $9,670,000 for out-of-state carriers, for a total of $35,013,000 in FY 2019-20. Fees for one-time registrations will yield an additional $606,000 to be distributed, while $97,000 will be retained by DMV. Adding the motor carrier fee amounts together yields total revenue of $35,619,000 to be distributed based upon Section 12-37-2865. Counties will receive $26,500,000 under the current distribution formula in Section 12-37-2870, and the remaining $9,119,000 will be credited to the State Highway Fund. This will increase county revenue by approximately $834,000 for FY 2019-20.

Local Expenditure
N/A

Local Revenue
Section 7. This section creates the motor carrier road use fee to replace the current motor carrier property tax beginning January 1, 2019. Section 12-37-2865 directs that the first $26,500,000 of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the State Highway Fund to be used to finance expansion and improvements to existing mainline interstates. Due to a change in timing for fee payments, this will increase local funding to counties by $17,095,000 in FY 2018-19. This amount may vary, however, depending upon registration timing. For FY 2019-20 county revenue will increase by approximately $834,000 for FY 2019-20 over the current estimate for motor carrier property tax revenue. For additional explanation of the revenue determination, see Section 7 under State Revenue.

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