



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3933 Introduced on March 7, 2017
Author: Willis
Subject: Dealer License Plates
Requestor: House Education and Public Works
RFA Analyst(s): Wren
Impact Date: March 21, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	Undetermined	\$0
Other and Federal	Undetermined	\$0
Local Expenditure	\$0	\$0
Local Revenue	(\$1,502,000)	\$0

Fiscal Impact Summary

The bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds for issuance of the additional dealer license plates. The bill will increase Other Funds revenue of the Department of Motor Vehicles by \$5,000 and \$48,000 to the State Highway Fund of the State Transportation Infrastructure Bank from the fees collected on the additional dealer license plates. We anticipate that the additional number of dealer license plates may negatively impact the number of vehicles rented and thereby reduce sales tax revenue. However, the amount of reduced sales tax revenue is undetermined due to a lack of data. The bill will reduce property tax revenue of local governments by \$1,502,000.

Explanation of Fiscal Impact

Introduced on March 7, 2017

State Expenditure

This bill requires the Department of Motor Vehicles (DMV) to issue an additional two dealer license plates to motor vehicle dealers that have a full-service dealership of new or used vehicles. The two additional plates are in addition to the number of plates that a dealer currently receives pursuant to Section 56-3-2320. The dealer must be able to demonstrate the presence of a service garage at the dealership.

Department of Motor Vehicles. The agency indicates that the issuance of additional dealer license plates can be managed within existing appropriations. Therefore, this bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue

This bill allows the Department of Motor Vehicles (DMV) to provide an additional two dealer license plates to a dealer that has a full-service dealership of new or used vehicles. The two additional plates are in addition to the number of plates that a dealer currently receives pursuant to Section 56-3-2320. The dealer must be able to demonstrate the presence of a service garage at the dealership in order to receive the additional two dealer license plates.

Based upon data provided by DMV, there are currently 20,580 issued dealer license plates and 2,938 active motor vehicle dealers. Pursuant to Section 56-3-2320, the fee for a dealer license plate is \$20. Of the \$20 fee, \$2 is credited to DMV to be used for the production and issuance of new license plates, and the remaining \$18 is credited to the State Highway Fund of the State Transportation Infrastructure Bank.

Based upon data from the U.S. Census Bureau, approximately 45 percent of motor vehicle dealers are full-service dealers and have a service garage at their location. For this analysis, we assume that each full-service dealer will claim the additional two dealer plates pursuant to this bill, which will result in a total of 2,644 new dealer license plates. Therefore, this bill will generate an additional \$5,000 in Other Funds revenue for DMV and an additional \$48,000 for the State Highway Fund of the State Transportation Infrastructure Bank.

The increased number of dealer license plates would allow dealers to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. This would reduce the demand for rental cars by the individuals whose vehicles are being serviced. This shift in who provides an alternative vehicle to the individual whose vehicle is being serviced reduces sales tax revenue that is generated from rental vehicles. The sales tax on rental vehicles is 6 percent. Of the 6 percent, 4 percent is allocated to the General Fund, 1 percent to EIA, and 1 percent to Homestead Exemption. Data are not available to determine the reduction in sales tax revenue as a result of fewer vehicle rentals. Therefore, the reduction in revenue to the General Fund, EIA, and Homestead Exemption is undetermined.

Local Expenditure

N/A

Local Revenue

The increased number of dealer license plates would allow dealers to register fewer vehicles in the dealerships name. For this analysis, we assume that motor vehicle dealers will provide vehicles displaying dealer license plates to individuals whose vehicles are being serviced or repaired by the dealership. Since motor vehicle dealers are not required to pay property taxes on vehicles displaying dealer plates, this bill would cause a decline in property tax revenue for county governments.

Based upon data obtained from DMV and the U.S. Census Bureau, we estimate this bill will allow automobile dealers to claim an additional 2,644 dealer license plates. Based upon data from NADA, the average new vehicle retail price is \$33,456, and the average used vehicle retail price is \$19,400. Additionally, NADA data on the number of average vehicle sales indicates that 58 percent, or 1,534 of the 2,644 dealer plates represent new car dealerships, and 42 percent, or

1,110 of dealer plates represent used car dealerships. At an assessment ratio of 6 percent and a statewide average millage rate of 343.5, this bill would reduce property tax revenue on new cars by \$1,058,000 and by \$444,000 on used cars, for a total of \$1,502,000.



Frank A. Rainwater, Executive Director