



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
 (803)734-0640 • RFA.SC.GOV/IMPACTS

**Bill Number:** H. 4715 Introduced on January 25, 2018  
**Author:** Kirby  
**Subject:** Watercraft  
**Requestor:** House Ways and Means  
**RFA Analyst(s):** Powell, A. Martin, Mitchell, and Gable  
**Impact Date:** February 28, 2018

**Estimate of Fiscal Impact**

	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
<b>State Expenditure</b>				
General Fund	\$0	\$0	\$0	\$0
Other and Federal	\$7,660	\$14,159	\$82,121	\$155,305
Full-Time Equivalent Position(s)	0.00	0.00	0.00	0.00
<b>State Revenue</b>				
General Fund	\$0	\$0		
Other and Federal	(\$931,600)	(\$1,339,730)	(\$395,820)	\$65,080
<b>Local Expenditure</b>	Undetermined	Undetermined	Undetermined	Undetermined
<b>Local Revenue</b>	Undetermined	Undetermined	Undetermined	Undetermined

**Fiscal Impact Summary**

This bill will increase the Other Funds expenditures of the Department of Natural Resources (DNR) by \$7,660 in FY 2018-19, \$14,159 in FY 2019-20, \$82,121 in FY 2020-21, and \$115,305 in FY 2021-22 and each year thereafter. These increases take into account the additional programming required to implement this bill, more frequent decal mailings, and savings resulting from the transfer of renewal notice mailings to the counties.

This bill will decrease the Other Funds revenues of DNR from boat, boat motor, and watercraft registrations by \$931,600 in FY 2018-19, \$1,339,730 in FY 2019-20, and \$395,820 in FY 2020-21. Other Funds revenues of DNR will increase by \$65,080 in FY 2021-22 and each year thereafter.

This bill is expected to increase local government expenditures for the additional responsibilities imposed by the bill, but is also expected to reduce delinquent taxes for boats, boat motors, and watercraft and may reduce the expenses associated with collecting unpaid taxes for these items. Due to the small sample size and varying nature of the responses received from the counties, the amount of the expenditure impact on local governments is undetermined. The bill makes changes to the timing of property tax collections on boats, boat motors, and watercraft and any impact on the timing of these revenues will depend upon the schedule of renewal and county implementation. Therefore, the revenue impact on local governments is undetermined.

## Explanation of Fiscal Impact

**Introduced on January 25, 2018**

### State Expenditure

The following sections will affect state expenditures:

**Sections 3 and 5.** These sections reduce the registration period for watercraft from three years to one year and reduce the corresponding registration fee from \$30 to \$10. They also transfer the responsibility to print and mail watercraft certificate of number renewal notices from the DNR to the county auditors. The county auditors will then process the applications, transmit the fees to the appropriate state fund, and notify DNR to issue a renewed certificate decal. The bill becomes effective January 1, 2019, and will be phased in over a three-year period as existing registrations expire.

Over the last three fiscal years, DNR has printed and mailed an average of 92,507 decals each year. The cost for printing and mailing each registration is \$0.72. As the bill is phased in, DNR will mail additional decals each year for three years until all boat registrations are on a one-year cycle. Based on DNR's predictions for future renewals, this bill will result in printing and mailing approximately 51,040 additional decals in FY 2019-20, 145,431 additional decals in FY 2020-21, and 191,521 each year thereafter.

DNR will also experience a reduction in expenditures associated with printing and mailing renewal notices, as this responsibility has been transferred to the county auditors. Currently, DNR mails these notices at an annual cost of \$22,590 for forms and postage. As notices will only be mailed by DNR prior to January 1, 2018, DNR will experience a reduction in Other Funds expenditures of \$11,295 in FY 2018-2019 and of \$22,590 each year thereafter.

The net impact of these changes is summarized in the following table:

	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
Number of Additional Decals	0	51,040	145,431	191,521
Cost for Additional Decals	\$0	\$36,749	\$104,711	\$137,895
Savings from Renewal Notice Mailings	(\$11,295)	(\$22,590)	(\$22,590)	(\$22,590)
Net Change in Other Funds Expenditures	(\$11,295)	\$14,159	\$82,121	\$115,305

DNR will also incur expenditures associated with developing a computer program to track remittances by county and to balance each of the county renewal files against actual receipts. Additional programming will also be needed to export files on a monthly basis listing registration renewals and new registrations. DNR estimates that this project will take a programmer and a database administrator working together four and a half weeks to complete at a cost of \$18,955. DNR also notes that South Carolina Interactive will also be required to update

its programming to implement the new fee and registration calculations in the titling/registration system. A cost estimate for this is not available, but DNR anticipates the impact will be minimal and can be managed within existing appropriations.

These items taken together will result in an increase in Other Funds expenditures at DNR of \$7,660 in FY 2018-19, \$14,159 in FY 2019-20, \$82,121 in FY 2020-21, and \$115,305 in FY 2021-22 and each year thereafter.

**State Revenue**

The following sections will affect state revenues:

**Section 1.** This section deals with fees for dealer demonstration numbers. It sets the fee at \$30 and sets an expiration date for dealer demonstration numbers. The Department of Natural Resources indicates that this section reflects its implementation of Article 3 of Title 50, Chapter 23 of the South Carolina Code of Laws. Therefore, there is no revenue impact associated with this section.

**Sections 3 and 5.** These sections reduce the registration period for watercraft from three years to one year and reduce the corresponding registration fee from \$30 to \$10. The bill becomes effective January 1, 2019, and will be phased in over a three-year period as existing registrations expire.

Approximately one-third of the existing \$30 three-year boat registrations will expire each year and be replaced with a one-year registration. DNR reports that the average Other Funds revenue for watercraft registrations over the last three years has been \$2,775,200 per year. As the three-year \$30 registrations expire and are replaced with one-year \$10 registrations, DNR’s annual revenues will be reduced until full implementation is reached.

The estimated change in Other Funds revenue compared to the average annual renewal revenue total of \$2,775,00 is summarized in the following table:

FY	Forecasted Renewals	Registration Fee	Revenue	Change in Revenue	Cumulative Impact
2018-19 (July-December)	46,090	\$30	\$1,382,700	\$0	\$0
2018-19 (January- June)	46,090	\$10	\$460,900	(\$931,600)	(\$931,600)
2019-20	143,547	\$10	\$1,435,470	(\$1,339,730)	(\$2,271,330)
2020-21	237,938	\$10	\$2,379,380	(\$395,820)	(\$2,667,150)
2021-22	284,028	\$10	\$2,840,280	\$65,080	(\$2,602,070)

**Local Expenditure**

This bill transfers the responsibility for printing and mailing watercraft certificate of number renewal notices from DNR to the county auditors. Local expenditures for these mailings will be \$22,500 annually statewide. Local governments may also incur costs associated with procuring

additional computers for data entry and/or customer service. The change in timing of tax notices so that these notices correspond with renewals may mitigate this impact and is expected to improve collections, which may reduce expenditures related to collecting delinquent taxes.

We surveyed twenty-three counties regarding the expenditure impact of this bill. We received three responses that provided information regarding expenditures or revenues. Saluda County noted that additional computer terminals would be needed to facilitate data entry and customer service at a cost of \$8,000 to \$10,000. Horry County did not anticipate an expenditure impact and noted that this bill may decrease the number of boats, boat motors, and watercraft on the unpaid property tax list, which would result in a small increase in revenue that would offset the required expenditures. Florence County also noted that this may decrease the number of boats, boat motors and watercraft on the unpaid property tax list but did not provide an estimated revenue or expenditure impact. Due to the small sample size and varying nature of the responses, the amount of the expenditure impact on local governments is undetermined.

### **Local Revenue**

This bill modifies the timing of collection for boats, boat motors, and watercraft subject to property tax, per Section 12-37-714. The tax year would begin with the last day of the month in which a certificate of number for the boat, boat motor, or watercraft is issued, and end of the last day of the month in which the certificate of number expires or is due to expire. No certificate of number may be issued until the property taxes are paid for the year for which the registration is to be issued. Currently, boat property taxes are paid on a one year delay. However, the bill states that it is the intent of the General Assembly that the provisions of this act result in only one tax payment due per boat, boat motor, or watercraft in any twelve-month period. We do not expect counties to bill taxpayers for the prior year's taxes and for the upcoming year when the registration changes from three years to one year. However, the bill does not specify how the transition must occur. If counties bill for both taxes in arrears and in advance during the transition, this would significantly increase revenue.

We estimate that statewide property tax collections from boats, boat motors, and watercraft total approximately \$54,512,000 annually. This estimate is based on the following responses from counties in response to our inquiry regarding boat, boat motor, and watercraft tax collections: Abbeville - \$165,000, Dillon - \$86,000, Kershaw - \$491,000, Oconee - \$1,088,000, Pickens - \$649,000, Richland - \$2,292,000 and Spartanburg - \$1,405,000. These values were prorated based upon the ratio of each county's total personal property assessed values to determine a statewide estimate. In summary, local property tax revenue collections are expected to shift between fiscal years during the transition. The impact on local revenue overall will depend on the change in timing of registrations and the implementation process. Therefore, the net impact is undetermined.



---

Frank A. Rainwater, Executive Director