Bill Number:	S. 0056 Prefiled on December 13, 2016
Author:	Bryant
Subject:	Motor Vehicle Property Tax
Requestor:	Senate Finance
RFA Analyst(s):	Jolliff
Impact Date:	January 10, 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	$0	$0
Other and Federal	$0	$0
Local Expenditure	Undetermined	$0
Local Revenue	Undetermined	$0

Fiscal Impact Summary

This bill may increase expenditures for counties if they must process a significant number of assessment changes. Given the uncertainty regarding taxpayer behavior and the prevalence of discrepancies between sale and assessment value, the impact on local expenditures is undetermined.

The bill may reduce local property tax revenue by up to $18,821,000 for the inclusion of rebates and sales incentives in determining motor vehicle assessments. However, given the uncertainty surrounding this issue, the ultimate impact on local revenues is undetermined.

Explanation of Fiscal Impact

Prefiled on December 13, 2016
State Expenditure
N/A

State Revenue
N/A

Local Expenditure
This bill requires county auditors to reduce the assessment on a motor vehicle based upon the sales price including and rebates or sales incentives. In FY 2017-18, we expect sales to total 288,990 new vehicles and 630,576 used vehicles. We anticipate that the current assessments largely capture the fair value of the vehicle. However, reducing the assessment for rebates and sales incentives will lower the value, particularly for new vehicles. This bill may increase

expenditures for counties if they must process a significant number of assessment changes. However, because the taxpayer must provide the bill of sale and request a lower assessment, we anticipate that this will reduce the number of assessment changes to some extent. Given the uncertainty regarding taxpayer behavior and the prevalence of discrepancies between sale and assessment value, the impact on local expenditures is undetermined.

Local Revenue
This bill requires county auditors to reduce the assessment on a motor vehicle if a taxpayer produces a bill of sale that reflects a sales price lower than the assessment. In addition, the county is required to reduce the assessment by any rebate or other sales incentive given to the buyer. Under S.C. Reg. 117-1840.2, vehicles are valued based upon the valuation guide prescribed by the Department of Revenue. Auditors may deviate from the prescribed valuation only in unusual or extenuating circumstances. Further, auditors are specifically precluded from including rebates or sales incentives by an Administrative Law Judge Division ruling. See *Hurley v. Lancaster County Auditor*, No. 02-ALJ-17-0102-CC (S.C. Admin. Ct. Aug. 1, 2002). The ruling specifically addressed rebates and sales incentives and determined that auditors may not reduce the value for these marketing incentives.

This bill would change the current practice to require counties to lower vehicle assessments based upon sales price and rebates and sales incentives. Based upon average incentive spending data published by TrueCar for January 2014 to November 2015, we estimate that the average new vehicle sales incentive will be approximately $3,160 for 2017. This encompasses both rebates and the monetary value of rate reductions. Lacking a definition of sales incentives, we assume that taxpayers may receive the full value reduction for all incentives, cash or otherwise. We anticipate 288,990 new car sales in FY 2017-18. If the value of each of these vehicles is reduce for the average sales incentive of $3,160, this would lower total value by approximately $913,208,400. At an assessment ratio of 6 percent and a statewide average millage rate of 343.5, potentially this would reduce new car property taxes by up to $18,821,000.

Additionally, taxpayers who purchase a used vehicle for a sales price below the market value would be able to request that the auditor lower the assessment based upon the bill of sale value. Sales incentives typically are much lower for used vehicles and may have a small impact on the assessment. For FY 2017-18 we estimate 630,576 used car sales. The bill may affect a portion of these, but we expect this to be much lower than the potential impact for new vehicles.

In total, the impact on local revenue will also be dependent upon taxpayer behavior. Because the taxpayer must provide the bill of sale and request a lower assessment, we anticipate that this will mitigate the revenue impact to some extent. However, given the uncertainty surrounding this issue, the ultimate impact on local revenues is undetermined.

Frank A. Rainwater

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