



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** S. 0488 Amended by the Senate on March 29, 2017  
**Author:** Grooms  
**Subject:** Dealer License and Demonstration Plates  
**Requestor:** Senate Transportation  
**RFA Analyst(s):** Wren  
**Impact Date:** May 2, 2017 - Updated for Revised Analysis and Fiscal Impact

**Estimate of Fiscal Impact**

	<b>FY 2017-18</b>	<b>FY 2018-19</b>
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	Undetermined	\$0
Other and Federal	Undetermined	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

The amended 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 from fees on the additional dealer license plates. The plate fees would increase the Department of Motor Vehicles Other Fund revenue by approximately \$60 and the State Highway Fund of the State Transportation Infrastructure Bank Other Fund revenue by approximately \$500. 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. Any reduction in property tax revenue of local governments is expected to be minimal. This fiscal impact statement has been updated to reflect a revised analysis based upon additional detailed data received from DMV regarding the number of dealer license plates.

**Explanation of Fiscal Impact**

**Amended by the Senate on March 29, 2017**  
**Updated for Revised Analysis and Fiscal Impact**

**State Expenditure**

The amended bill requires the Department of Motor Vehicles (DMV) to allow the use of dealer license plates by a person whose vehicle is being serviced by a dealership within certain guidelines, lowers the initial threshold for receiving the first two dealer tags from twenty to fifteen vehicles sold, and allows a dealer participating in a manufacturer's program to be issued two additional plates for each fifteen vehicles sold beyond the initial twenty car sales.

**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**

The amended bill allows motor vehicle dealers to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. In reviewing DMV data on the eligibility and issuance of dealer license plates, new car dealers who are likely to be eligible for the expanded use or eligible for additional plates are not currently receiving the maximum number allowed by law. Therefore, we expect any increase in the number of additional plates to be minimal. According to DMV data, dealers that sell over 100 cars a year are, on average, eligible for seven plates but only receive an average of four plates. Only eleven percent of dealers that sell 100 or more cars per year receive the maximum number of allowed dealer plates. To the extent that current or new dealer license plates are used for cars being serviced, it may reduce sales tax and rental car fee revenue due to fewer rentals. Sufficient data is not available to estimate this reduction, but it is expected to be minimal.

The provision lowering the initial threshold for two dealer license plates from twenty to fifteen is estimated to affect fourteen licensed dealers. Although this provision applies to all licensed dealers, lower volume car dealers are the ones effected. Dealers with sales of twenty or more already qualify for two plates and the graduated schedule for additional plates beyond twenty is unchanged. In reviewing DMV data, we estimate fourteen licensed dealers would be affected. Currently, these dealers are not eligible for dealer plates. We expect approximately twenty-eight more dealer plates to be issued due to this provision. 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. Therefore, we estimate that this bill will increase Other Funds revenue for DMV by approximately \$60 and \$500 for the State Highway Fund of the State Transportation Infrastructure Bank. This section has been updated to include additional data from DMV and a revised analysis.

The amended bill also allows dealers participating in a manufacturer's program to receive two additional dealer license plates for each fifteen vehicles sold beyond the initial twenty sales. In reviewing DMV data on the eligibility and issuance of dealer license plates, new car dealers who are likely to be eligible for additional plates are not currently receiving the maximum number allowed by law. Therefore, we expect any increase in the number of additional plates to be minimal. According to DMV data, dealers that sell over 100 cars a year are, on average, eligible for seven dealer plates but only receive an average of four plates. Only eleven percent of dealers that sell 100 or more cars per year receive the maximum number of allowed dealer plates. Therefore, dealers with this sales volume are not taking advantage of the current maximum number of plates, and we expect this provision to minimally impact the number of issued dealer license plates.

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. Sufficient data is not available to determine the reduction in sales tax revenue as a result of fewer vehicle rentals due to an increase in the number of dealer license plates. Therefore, the reduction in revenue to the General Fund, EIA, and Homestead Exemption is undetermined.

### **Local Expenditure**

N/A

### **Local Revenue**

To the extent that the provisions of this bill generate additional dealer license places, property tax revenue of local governments may be reduced. However, we expect any reduction in property tax revenue to be minimal.

### **Amended by Senate Transportation on March 21, 2017**

### **Updated for Revised Analysis and Fiscal Impact**

#### **State Expenditure**

The amended bill requires the Department of Motor Vehicles (DMV) to issue an additional dealer license plate to motor vehicle dealers for each fifteen vehicles sold beyond the initial twenty. Currently, two dealer plates are issued for the first twenty vehicles sold during the preceding year, and an additional plate may be issued for each fifteen vehicles sold beyond the initial twenty. This bill increases the additional dealer plates to two for each fifteen vehicles sold beyond the initial twenty.

**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**

The amended bill allows motor vehicle dealers to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. The vehicle displaying the dealer license plate must be provided at no charge to the individual and is limited to thirty days. The bill also increases the number of license plates that DMV may issue to a dealer. In addition to the two plates issued for the first twenty vehicles sold during the preceding year, an additional two plates, instead of one, may be issued for each fifteen vehicles sold beyond the initial twenty.

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. We estimate that this bill will allow automobile dealers to claim an additional 980 dealer plates. Therefore, this bill will generate an additional \$2,000 in Other Funds revenue for DMV and an additional \$18,000 for the State Highway Fund of the State Transportation Infrastructure Bank. This section has been updated to reflect a revised

analysis on the number of dealer plates that may be claimed as a result of this bill and a revised analysis on Other Funds revenue for DMV and 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 and still allow them to provide a vehicle with a dealer license plate to an individual whose vehicle is 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 provided by DMV, we estimate this bill will allow automobile dealers to claim an additional 980 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 568 of the 980 dealer plates represent new car dealerships, and 42 percent, or 412 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 \$392,000 and by \$165,000 on used cars, for a total of \$557,000. This section has been updated to reflect a revised analysis on the number of dealer plates that may be claimed as a result of this bill and a revised analysis on the impact to local revenue.

### **Introduced on February 28, 2017**

#### **State Expenditure**

This bill requires the Department of Motor Vehicles (DMV) to issue an additional dealer license plate to motor vehicle dealers for each fifteen vehicles sold beyond the initial twenty. Currently, two dealer plates are issued for the first twenty vehicles sold during the preceding year, and an additional plate may be issued for each fifteen vehicles sold beyond the initial twenty. This bill increases the additional dealer plates to two for each fifteen vehicles sold beyond the initial twenty.

**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 motor vehicle dealers to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. The vehicle displaying the dealer license plate must be provided at no charge to the individual and only for the duration of the service or repair. The bill also increases the number of license plates that DMV may issue to a dealer. In addition to the two plates issued for the first twenty vehicles sold during the preceding year, an additional two plates, instead of one, may be issued for each fifteen vehicles sold beyond the initial twenty.

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. We estimate that this bill will allow automobile dealers to claim an additional 14,704 dealer plates. Therefore, this bill will generate an additional \$29,000 in Other Funds revenue for DMV and an additional \$265,000 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 and still allow them to provide a vehicle with a dealer license plate to an individual whose vehicle is 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 provided by DMV, we estimate this bill will allow automobile dealers to claim an additional 14,704 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 8,528 of the 14,704 dealer plates represent new car dealerships, and 42 percent, or 6,176 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 \$5,880,000 and by \$2,469,000 on used cars, for a total of \$8,349,000.



Frank A. Rainwater, Executive Director