COMMITTEE REPORT

March 30, 2017

**H. 3933**

Introduced by Rep. Willis

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Read the first time March 7, 2017.

**THE COMMITTEE ON EDUCATION AND PUBLIC WORKS**

To whom was referred a Bill (H. 3933) to amend Section 56‑3‑2320, as amended, Code of Laws of South Carolina, 1976, relating to the Department of Motor Vehicles’ issuance of dealer license plates, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

MERITA A. ALLISON for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**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 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

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 56‑3‑2320, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE DEPARTMENT OF MOTOR VEHICLES’ ISSUANCE OF DEALER LICENSE PLATES, SO AS TO PROVIDE THAT THE DEPARTMENT SHALL SUPPLY AN ADDITIONAL TWO LICENSE PLATES TO A FULL‑SERVICE DEALER WHO CAN DEMONSTRATE THE PRESENCE OF A SERVICE GARAGE AT HIS DEALERSHIP.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 56‑3‑2320(A) of the 1976 Code, as last amended by Act 253 of 2012, is further amended to read:

“(A) Upon application being made and the required fee being paid to the Department of Motor Vehicles, the department may issue dealer license plates to a licensed motor vehicle dealer. The license plates, notwithstanding other provisions of this chapter to the contrary, may be used exclusively on motor vehicles owned by, assigned, or loaned for test driving purposes to the dealer when operated on the highways of this State by the dealer, its corporate officers, its employees, or a prospective purchaser of the motor vehicle. The use by a prospective purchaser is limited to seven days, and the dealer shall provide the prospective purchaser with a dated demonstration certificate. The certificate must be approved by the department. Dealer plates must not be used to operate wreckers or service vehicles in use by the dealer nor to operate vehicles owned by the dealer that are leased or rented by the public. No dealer plates may be issued by the department unless the dealer furnishes proof in a form acceptable to the department that he has a retail business license as required by Chapter 36, Title 12 and has made at least twenty sales of motor vehicles in the twelve months preceding his application for a dealer plate. The sales requirement may be waived by the department if the dealer has been licensed for less than one year. For purposes of this section, the transfer of ownership of a motor vehicle between the same individual or corporation more than one time is considered as only one sale. Multiple transfer of motor vehicles between licensed dealers for the purpose of meeting eligibility requirements for motor vehicle dealer plates is prohibited.

A dealer may be issued two plates for the first twenty vehicles sold during the preceding year and one additional plate for each fifteen vehicles sold beyond the initial twenty during the preceding year. The department shall supply an additional two plates above the number of plates that a dealer would otherwise be entitled pursuant to this section if the dealer is a full‑service dealer, whether of new or used vehicles, and can demonstrate the presence of a service garage at the dealership. For good cause shown, the department in its discretion may issue extra plates. If the dealer has been licensed less than one year, the department shall issue a number of license plates based on an estimated number of sales for the coming year. The department may increase or decrease the number of plates issued based on actual sales made.

The cost of each dealer plate issued is twenty dollars.

Upon application to the department, a public or private school, college, or university, the United Service Organization South Carolina, the American Red Cross, or an economic development entity created or sanctioned by the county where the entity is located, may be issued a license plate to be used on vehicles loaned or rented to the school, college, university, the United Service Organization South Carolina, the American Red Cross, or economic development entity by a licensed motor vehicle dealer. The plate must be a personalized plate designed by the department. The cost of each plate issued is two hundred dollars, of which one hundred sixty dollars must be remitted by the department to the county in which the school, college, university, chapter of the United Service Organization South Carolina, chapter of the American Red Cross, or economic development entity is located. Each plate is valid for two years, and there is no limit on the number of plates which may be issued, except in the case of an economic development entity where only one plate per entity is allowed.

A dealer license plate is allowed on a motor vehicle which the dealer lends to a public or private school for use in a driver education program. A plate used for this purpose may be obtained without fee and without regard to the limit on plates issued pursuant to this section. When the motor vehicle is no longer used for driver education, the dealer shall surrender the plate to the department.

Notwithstanding the provisions of this section, a dealer exclusively selling heavy duty trucks at retail is eligible to obtain license plates for exclusive use on the heavy duty trucks regardless of the number of trucks sold by him during the preceding required number of months. These license plates for trucks must be noted with a distinct and separate identification and used only on heavy duty trucks. For purposes of this section, heavy duty trucks include trucks having a gross vehicle weight of sixteen thousand pounds or greater.”

SECTION 2. This act takes effect upon approval by the Governor.

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