



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
**(803)734-3780 • RFA.SC.GOV/IMPACTS**

*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

---

<b>Bill Number:</b>	S. 0502	Introduced on January 28, 2021
<b>Author:</b>	Gambrell	
<b>Subject:</b>	Sales Tax, Exemptions	
<b>Requestor:</b>	Senate Finance	
<b>RFA Analyst(s):</b>	Gallagher	
<b>Impact Date:</b>	March 17, 2022	

---

### **Fiscal Impact Summary**

This bill exempts toys purchased by the Marines Toys for Tots Foundation (foundation) from sales tax when the toys are purchased for use in donation boxes. We anticipate that the Department of Revenue (DOR) will be able to administer the new exemption with existing staff and resources, as the department already administers several sales tax exemptions. Therefore, this bill is not expected to impact expenditures for the agency.

As the effective date of this act is January 1, 2022, the foundation could request a tax refund from DOR for toys purchased from January 1, 2022, until the passage of this act. RFA estimates that this may reduce FY 2021-22 General Fund sales tax by up to \$28,000, the Education Improvement Act (EIA) Fund by up to \$7,000, and the Homestead Exemption Act (HEX) Fund by up to \$7,000, resulting in a total revenue reduction of up to \$42,000. The timing of the refund impact may vary depending on when the bill is passed. Beginning in FY 2022-23, this bill is estimated to reduce state General Fund sales tax by \$56,000, the EIA Fund by \$14,000, and the HEX Fund by \$14,000, for a total state revenue reduction of \$84,000 a year.

Further, this bill will reduce local sales taxes by an estimated \$10,000 in FY 2021-22 and an estimated \$20,000 a year beginning in FY 2022-23. Collectively, the proposed sales tax exemption will reduce total state and local sales tax revenue by an estimated \$52,000 in FY 2021-22 and \$104,000 a year beginning in FY 2022-23.

### **Explanation of Fiscal Impact**

#### **Introduced on January 28, 2021**

#### **State Expenditure**

This bill exempts toys purchased by the foundation from sales tax when the toys are purchased for use in donation boxes, therefore requiring DOR to administer additional sales tax exemptions. We anticipate that DOR will be able to administer the new exemption with existing staff and resources, as DOR already administers several sales tax exemptions. Therefore, this bill is not expected to impact expenditures for the agency.

## State Revenue

This bill exempts toys purchased by the foundation from sales tax when the toys are purchased for use in donation boxes. According to the Toys for Tots 2021 Newsletter, the foundation distributed 20.2 million toys to 7.4 million children in 2020 and reported total monetary donations of \$92.0 million. Toys for Tots further reports that 97 percent of monetary donations go to providing toys, books, and other gifts to less fortunate children. The foundation has a presence in all 50 states and operates locally within 40 counties in South Carolina. As such, this analysis assumes that the foundation uses 97 percent of its annual monetary donations to purchase toys for use in donation boxes, and that these toys are purchased in each state in proportion to population.

Multiplying monetary donations of \$92.0 million by 97 percent and applying a population factor of 1.57 percent yields an estimated gross sales amount of approximately \$1,401,000. Applying the total state sales tax rate of 6 percent yields an annual reduction in state sales tax of an estimated \$84,000. As the effective date of this act is January 1, 2022, the foundation could request a tax refund from DOR for toys purchased from January 1, 2022, until the passage of this act. RFA estimates that this may reduce General Fund sales tax by up to \$28,000, the EIA Fund by up to \$7,000, and the HEX Fund by up to \$7,000 in FY 2021-22, resulting in a total revenue reduction of up to \$42,000. The timing of the refund impact may vary depending on when the bill is passed. This bill will reduce General Fund sales tax by an estimated \$56,000, the EIA Fund by \$14,000, and the HEX Fund by \$14,000, for a total state revenue reduction of \$84,000 a year beginning in FY 2022-23.

## Local Expenditure

N/A

## Local Revenue

This bill exempts toys purchased by the foundation when the toys are purchased for use in donation boxes. Local sales taxes in South Carolina average an additional 1.43 percent. Based upon the analysis outlined in the State Revenue section, this bill would, therefore, reduce local sales taxes by an estimated \$10,000 in FY 2021-22 and \$20,000 a year beginning in FY 2022-23. Collectively, the proposed sales tax exemption will reduce total state and local sales tax revenue by an estimated \$52,000 in FY 2021-22 and \$104,000 a year beginning in FY 2022-23.



---

Frank A. Rainwater, Executive Director