



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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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.

Bill Number:	S.0107	Introduced on January 10, 2023
Author:	Campsen	
Subject:	Maximum Sales Tax	
Requestor:	Senate Finance	
RFA Analyst(s):	Daigle	
Impact Date:	February 21, 2024	

Fiscal Impact Summary

This bill limits the sales tax on livestock trailers to the maximum sales tax of \$500 or 5 percent, whichever is less.

This bill is not expected to impact expenditures for the Department of Revenue (DOR), as administering tax law changes is part of their regular duties.

This bill will reduce General Fund sales tax revenue by approximately \$2,300, Homestead Exemption (HEX) Fund sales tax revenue by approximately \$1,800, and Education Improvement Act Fund (EIA) sales tax revenue by approximately \$500 beginning in FY 2024-25. This bill will also increase the Infrastructure Maintenance Fund (IMF) by approximately \$1,700. Additionally, this bill will reduce local sales tax revenue by an estimated \$2,900. Collectively, this bill will reduce total state and local sales tax revenue by an estimated \$5,800.

Explanation of Fiscal Impact

Introduced on January 10, 2023

State Expenditure

This bill limits the sales tax on livestock trailers to the maximum sales tax of \$500 or 5 percent, whichever is less. The Revenue and Fiscal Affairs Office (RFA) anticipates that this bill will not impact expenditures for DOR, as administering tax law changes is part of their regular duties.

State Revenue

This bill limits the sales tax on livestock trailers pursuant to §12-36-2110(A) to the maximum sales tax of \$500 or 5 percent, whichever is less. Currently, only trailers or semitrailers, pulled by a truck tractor, and horse trailers are subject to the maximum sales tax. Additionally, the Department of Motor Vehicles (DMV) indicates that livestock trailers are currently not subject to the infrastructure maintenance fee that applies instead of the state sales tax for items that must be registered pursuant to Chapter 3 of Title 56. Trailers used for the transportation of any livestock other than horses are currently subject to the 6 percent state sales tax as well as any county implemented local option sales taxes. Further, DMV does not maintain data as to the type of trailers registered within the state and their associated sales price.

Based on online price data, 92.2 percent of livestock trailers are purchased at an average price of \$7,366, and 7.8 percent of livestock trailers are purchased at an average price of \$21,086.¹ Additionally, according to the most recent Trailer Body Builders' Annual *Trailer Output Report*, the top twenty-five trailer manufacturers produced 330,744 trailers in 2022. Based on the number of trailers produced in 2022, RFA estimates that 1,565 livestock trailers were produced in 2022, and 1,142 were sold in the U.S.² According to DATAINTELO's report *Livestock Trailer Sales Market Report: Global Forecast from 2023 to 2031*, the global livestock trailer market is projected to grow at a compound annual growth rate of 5.5 percent from 2022 to 2030³. Therefore, RFA estimates that in 2024, approximately 1,272 trailers will be sold in the U.S. By applying a 1.6 percent factor to account for South Carolina's population, we estimate that 19 trailers will be purchased at an average price of \$7,366, and 2 trailers will be purchased at an average of \$21,086 in 2024. For the sale of livestock trailers to be limited by the \$500 maximum tax, the purchase price must be greater than \$10,000. As indicated above, this analysis assumes 92.2 percent of livestock trailer sales will be subject to the 5 percent tax, as 5 percent of \$7,366, or \$368, is less than \$500. However, the remaining 7.8 percent of sales will be subject to the maximum sales tax, as 5 percent of \$21,086, or \$1,054, is greater than \$500.

Furthermore, items taxed pursuant to §12-36-2110(A) are exempt from the 1 percent sales tax remitted to the HEX Fund. As such, 4 percent of the total 5 percent tax will be remitted to the General Fund and 1 percent to the EIA Fund. Pursuant to §12-36-2110(A)(4), revenue generated from maximum sales tax items in excess of \$300 is credited to the Infrastructure Maintenance Fund (IMF). In order for this threshold to be reached, an item must cost more than \$6,000.

Multiplying the estimated 21 livestock trailers by their average assumed cost results in estimated total livestock trailer sales of approximately \$182,000 a year. Applying the current 6 percent sales tax rate and comparing to the proposed maximum tax rate yields the following:

Fund	Livestock Trailers		
	Current Sales Tax	Anticipated Sales Tax (\$500 maximum)	Difference
General Fund (4%)	\$7,300	\$5,000	(\$2,300)
EIA Fund (1%)	\$1,800	\$1,300	(\$500)
HEX Fund (1%)	\$1,800	\$0	(\$1,800)
IMF	N/A	\$1,700	\$1,700
Total	\$10,900	\$8,000	(\$2,900)

¹ Truck Paper, February 2024, <https://www.truckpaper.com/DataAnalysis/HighLowAverage?Category=887>, Accessed February 15, 2024.

² According to Specialty Research's March 2019 report *Livestock Trailer Manufacturing Industry in North America: Size, Shares, Segmentation, Competitors, Growth, Channels & Trends*, approximately 1,500 livestock trailers were manufactured for the North American Market in 2018. A PR Newswire press release indicated that in 2018 approximately 380,000 trailers were manufactured. Therefore, 39 percent of trailers that were manufactured were livestock trailers. Based on data collected by RFA in 2022 on the 2017 and 2018 sales of livestock trailers, we estimate that approximately 73 percent of manufactured trailers in North America were sold in the U.S.

³ Vedpathak, A. *Livestock Trailers Sales Market Report: Global Forecasts from 2023 to 2031*. DATAINTELO. <https://dataintelo.com/report/global-livestock-trailers-sales-market/>. Accessed February 14, 2024.

In summary, this bill will reduce General Fund sales tax revenue by approximately \$2,300, HEX Fund revenue by approximately \$1,800, and EIA Fund revenue by approximately \$500 beginning in FY 2024-25. This bill will also increase IMF revenue by approximately \$1,700, which results in a net reduction to state sales tax revenue of \$2,900 beginning in FY 2024-25.

Local Expenditure

N/A

Local Revenue

This bill will reduce local sales tax revenue by an estimated \$2,900 beginning in FY 2024-25 from applying the maximum sales tax to livestock trailers. In addition to the 6 percent state sales tax, livestock trailers are currently subject to any locally imposed sales taxes. Items subject to the maximum sales tax are not subject to local taxes. Local sales taxes in South Carolina average an additional 1.57 percent. Therefore, 1.57 percent of the estimated total livestock trailer sales of \$182,000 a year is approximately \$2,900.



Frank A. Rainwater, Executive Director