



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

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<b>Bill Number:</b>	H. 3858	Amended by House Ways and Means on April 30, 2025
<b>Subject:</b>	Taxation on Boats	
<b>Requestor:</b>	House Ways and Means	
<b>RFA Analyst(s):</b>	Daigle and Miller	
<b>Impact Date:</b>	May 5, 2025	

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### Fiscal Impact Summary

This bill removes the requirement to title an outboard boat motor and allows an auditor to combine a boat and outboard motor on a property tax notice. This bill also increases the title fee for watercraft from \$10 to \$20. Additionally, this bill removes the provision that marine dealers that sell a minimum of ten outboard motors can renew marine dealer permits, and marine dealers who only service outboard motors are no longer allowed one demonstration number. This bill also exempts 42.8571 percent of the fair market value (FMV) of watercraft from property tax, which effectively lowers the current 10.5 percent assessment ratio to 6 percent. This bill takes effect after January 1, 2026, and first applies to property tax years beginning after 2026.

The Department of Natural Resources (DNR) indicates that this bill will increase non-recurring expenses by approximately \$150,000 in FY 2025-26 in order to update education publications and forms, train staff on the updates pursuant to this bill, and to process expected returns and refunds. In addition, DNR indicates that this bill may result in a slight decrease in recurring Other Fund expenditures as they will no longer be required to pay for printing and mailing outboard motor decals. The slight decrease in printing and mailing expenditures for outboard motor decals may offset some new non-recurring expenses; however, the extent offset is unknown, and the Revenue and Fiscal Affairs Office (RFA) expects it to be minimal. DNR anticipates requesting General Fund appropriations for the net increase in expenses.

Additionally, based on data provided by DNR, RFA estimates that this bill will reduce Other Fund revenue by approximately \$32,000 in FY 2025-26 and \$64,000 beginning in FY 2026-27, due to the net effect of removing the title requirement on outboard motors and increasing the watercraft title fee from \$10 to \$20.<sup>1</sup> Outboard motor title fees generated approximately \$460,000 per fiscal year on average from FY 2021-22 to FY 2023-24, which will be eliminated under the bill. DNR also reports that, on average from FY 2021-22 to FY 2023-24, approximately \$396,000 per fiscal year was collected from the current \$10 watercraft title fee, which would double under the fee increase in the bill. Based on these figures, RFA estimates that removing the requirement to title outboard motors and increasing the title fee for watercraft from \$10 to \$20 would result in an average annual net revenue reduction of approximately \$64,000 per fiscal year. Furthermore, RFA anticipates a minimal reduction of Other Fund revenue due a

<sup>1</sup> Please note that the estimate for FY 2025-26 reflects 6 months of collections as the act takes effect on January 1, 2026, and the FY2026-27 estimate reflects a full fiscal year of collections.

reduction in marine dealer permits and demonstration numbers from dealers who only service and sell outboard motors. RFA anticipates DNR will request General Fund appropriations to offset this reduction in Other Funds revenue.

This bill may reduce General Fund and Education Improvement Act (EIA) Fund sales tax revenue due to a decrease in the amount of casual excise tax collected by DNR for issuing outboard motor titles. Based on information provided by DNR, RFA estimates that that in FY 2025-26 and FY 2026-27 approximately \$360,000 and \$377,000 of casual excise taxes would be collected separately on outboard motors under current law, respectively. Since this bill removes the titling requirement for outboard motors, DNR will no longer collect a separate casual excise tax when an outboard motor is purchased from a non-retailer. These sales would be subject to sales and use tax. However, if there is no longer a requirement to title the motor, there will be no triggering event to ensure collection of the sales and use tax. Further, if an outboard motor is affixed to a watercraft, its value may be included within the FMV of the watercraft used to calculate the casual excise sales tax owed and subject to the maximum sales tax cap. It is unclear what percentage of casual excise taxes collected separately on outboard motors might be retained within the casual excise taxes collected on watercrafts. Therefore, this bill may reduce General Fund sales tax revenue by up to \$144,000 and EIA revenue by up to \$36,000 in FY 2025-26, and reduce General Fund sales tax revenue by up to \$301,600 and EIA revenue by up to \$75,400 beginning in FY 2026-27, depending on self-reporting of sales and use tax for non-retail sales and how much of the value of an outboard motor affixed to a boat is captured in tax on the watercraft itself. Please note that estimates for FY 2025-26 reflect 6 months of collections as the act takes effect on January 1, 2026, and the FY2026-27 estimates reflect a full fiscal year of collections.

This bill will no longer require an auditor to separately tax outboard motors on a property tax notice. RFA contacted each county to determine the local expenditure savings impact. We received responses from Beaufort, Charleston, Cherokee, Chester, Chesterfield, Florence, Greenville, Horry, McCormick, Oconee, and York. Most of these counties anticipate no cost savings on postage and mailing by being able to combine the boat and outboard motor on a tax notice, and any potential savings would be offset by initial costs for programming, software updates, and other requirements necessary to implement the changes. Additionally, they report an undetermined non-recurring expenditure to update software to combine the boat and outboard motor on a tax notice, with Beaufort County indicating that software updates could cost up to \$100,000. Based on previous conversations, counties also anticipate that this may lead to outdated information on total watercraft value as an owner of a boat can replace an outboard motor on a boat, and without the requirement of separate titling and tax notices, there is no way for the auditor's office to be aware of this change in value.

This bill will result in a decrease in property tax revenue beginning in tax year 2027 due to the 42.8571 percent FMV property tax exemption for watercraft and the removal of the requirement to register outboard motors. Based on the assessed value of all watercraft and millage rates provided by the Department of Revenue (DOR), we anticipate the statewide property tax reduction due to the 42.8571 percent FMV property tax exemption for watercraft will total approximately \$47,022,000 beginning in tax year 2027. This estimate assumes that the 5 counties

that currently have an effective assessment ratio of 6 percent remove the exemption and revert to a 10.5 percent assessment ratio. Additionally, multiple counties indicated there may be a reduction of watercraft property taxes as outboard motor titles are currently used in conjunction with tax notices to accurately tax outboard motors, and without the title and by combining a boat and outboard motor on one tax notice, counties have expressed concern that any upgrade of an outboard motor will not be known to the counties. We anticipate that the counties will offset any property tax revenue reduction by a millage rate increase, within the allowable limits.

## **Explanation of Fiscal Impact**

### **Amended by House Ways and Means on April 30, 2025**

#### **State Expenditure**

This bill defines watercraft as including any affixed outboard motor and establishes what a watercraft does not include. Additionally, this bill removes the requirement to title an outboard motor. Currently, DNR titles outboard motors as well as watercraft. This bill also increases the title fee for watercraft from \$10 to \$20.

Further, this bill also amends Section 50-23-10 dealing with marine dealer permits so that marine dealers who sell new or used watercraft must sell a minimum of ten watercraft a year in order to renew the permit. Currently, marine dealers who sell a minimum of ten outboard motors or ten watercraft are authorized to renew marine dealer permits, which is removed by this bill. Marine dealer permits are currently \$10. In addition, this bill amends Section 50-23-11 dealing with dealer demonstration numbers so that marine dealers who only service watercraft are allowed one demonstration number. Currently, marine dealers who only service watercraft or outboard motors are allowed one dealer demonstration number. Only permitted marine dealers can apply for dealer demonstration numbers for a fee of \$30.

Additionally, this bill as amended exempts 42.8571 percent of the FMV of watercraft from property tax. This exemption does not apply to a boat or watercraft classified as a primary or secondary residence as provided for in Section 12-37-224.

DNR reports that this bill will increase the department's non-recurring expenses by approximately \$150,000 in FY 2025-26. This bill will require DNR to incur some upfront expenses in order to update educational publications and forms and train staff on the update. DNR also expects that they will be required to process returns and refunds as the public adjusts to the changes in title fees and property taxes. Therefore, DNR anticipates the bill will increase the department's non-recurring expenses by \$150,000. In addition, DNR indicates that this bill may result in a minimal decrease in recurring Other Fund expenditures as they will no longer be required to pay for printing and mailing outboard motor decals. The decrease in printing and mailing expenditures for outboard motor decals may offset some new non-recurring expenses; however, the extent of the offset is unknown. DNR anticipates requesting General Fund appropriations for the net increase in expenses.

## State Revenue

This bill removes the requirement to title outboard motors and increases the title fee for watercraft from \$10 to \$20. These changes in title fees will reduce Other Fund revenue by approximately \$32,000 in FY 2025-26 and \$64,000 beginning in FY 2026-27.<sup>2</sup> DNR provided data on revenue derived from outboard motor title fees and the watercraft title fee. DNR reports that from FY 2021-22 to FY 2023-24, approximately \$460,000 per fiscal year was derived from outboard motor title fees on average, which will be eliminated under the bill. Further, DNR reports that, on average from FY 2021-22 to FY 2023-24, approximately \$396,000 per fiscal year was collected from the current \$10 watercraft title fee, which will double under the bill, for additional revenue of approximately \$396,000 on average per fiscal year. Based on these figures, RFA estimates that removing the requirement to title outboard motors and increasing the title fee for watercraft from \$10 to \$20 would result in an average annual net revenue reduction of approximately \$64,000 per fiscal year.

Additionally, this bill requires that marine dealers who sell new or used watercraft must sell a minimum of ten watercraft a year in order to renew their marine dealer permit. Currently, marine dealers who sell a minimum of ten outboard motors or ten watercraft are authorized to renew marine dealer permits, and marine dealer permits are \$10. Furthermore, this bill states that marine dealers who only service watercraft are allowed one demonstration number. Currently, marine dealers who only service watercraft or outboard motors are allowed one dealer demonstration number. Only permitted marine dealers can apply for dealer demonstration numbers for a fee of \$30. RFA anticipates that this may reduce the revenue collected by DNR on marine dealer permits and demonstration numbers for dealers who only sell and service outboard motors. The impact due to marine dealer permits and demonstration numbers for dealers may be minimal as these dealers are only allowed one demonstration number each and based on a search by RFA, there are likely not many dealers in the state who only sell and service outboard motors. Therefore, RFA anticipates a minimal revenue reduction to Other Funds revenue due to the reduction in marine dealer permit and demonstration number fees. We anticipate that DNR will request recurring General Fund appropriations to offset the net reduction in Other Funds revenue due to this bill.

This bill may reduce General Fund and Education Improvement Act (EIA) Fund sales tax revenue due to a decrease in the amount of casual excise tax collected by DNR for issuing outboard motor titles. Currently, a casual excise tax is imposed for the issuance of every certificate of title, or other proof of ownership, for every outboard motor less than five horsepower that is purchased from a non-retailer as a single unit.<sup>3, 4</sup> Boat motors are a maximum tax item, and therefore, the casual excise tax on a boat motor is 5 percent of the FMV but no

<sup>2</sup> Please note that the estimate for FY 2025-26 reflects 6 months of collections as the act takes effect on January 1, 2026, and the FY2026-27 estimate reflects a full fiscal year of collections.

<sup>3</sup> South Carolina Department of Natural Resources, *Boating – Titling and Register a Watercraft or Outboard Motor in SC* Retrieved February 18, 2025, [https://www.dnr.sc.gov/boating/Titling\\_and\\_Registration/index.html](https://www.dnr.sc.gov/boating/Titling_and_Registration/index.html)

<sup>4</sup> If purchased from a retailer, boat motors are subject to sales and use tax. Since boat motors are maximum tax items, they are subject to 5 percent sales and use tax not to exceed \$500. Source: State of South Carolina, Department of Revenue, *SC Revenue Ruling #22-7: Sales of Boats, Boat Motors, and Boat Trailers*, October 20, 2022, <https://dor.sc.gov/resources-site/lawandpolicy/Advisory%20Opinions/RR22-7.pdf>

more than \$500.<sup>5</sup> Of the casual excise tax collected, 4 percent is allocated to the General Fund and 1 percent is allocated to the EIA Fund. Since this bill removes the titling requirement for outboard motors, DNR will no longer collect a separate casual excise tax when an outboard motor is purchased from a non-retailer. These sales would be subject to sales and use tax. However, if there is no longer a requirement to title the motor, there will be no triggering event to ensure collection of the sales and use tax. Further, if an outboard motor is affixed to a watercraft, its value may be included within the FMV of the watercraft used to calculate the casual excise sales tax owed and subject to the maximum sales tax cap.

In FY 2022-23, DNR collected \$312,639 from casual excise taxes on outboard motors. From FY 2020-21 to FY 2022-23, casual excise tax collections for outboard motors have increased by a compound annual growth rate of approximately 4.8 percent. Therefore, RFA estimates that in FY 2025-26 and FY 2026-27 approximately \$360,000 and \$377,000 of casual excise taxes would be collected separately on outboard motors under current law, respectively. It is unclear what percentage of casual excise taxes collected separately on outboard motors might be retained within the casual excise taxes collected on watercrafts. Therefore, this bill may reduce General Fund sales tax revenue by up to \$144,000 and EIA revenue by up to \$36,000 in FY 2025-26, and reduce General Fund sales tax revenue by up to \$301,600 and EIA revenue by up to \$75,400 beginning in FY 2026-27, depending on self-reporting of sales and use tax for non-retail sales and how much of the value of an outboard motor affixed to a boat is captured in tax on the watercraft itself. Please note that the estimates for FY 2025-26 reflect 6 months of collections as the act takes effect on January 1, 2026, and the FY2026-27 estimates reflect a full fiscal year of collections.

### **Local Expenditure**

This bill no longer requires an auditor to send a separate tax notice for an outboard motor. RFA previously contacted each county to determine the local expenditure savings impact. We received responses from Beaufort, Charleston, Cherokee, Chester, Chesterfield, Florence, Greenville, Horry, McCormick, Oconee, and York. Of the counties that addressed this portion of the bill, most anticipate no cost savings on postage and mailing by being able to combine the boat and outboard motor on a tax notice. Some counties expressed that any potential savings due to postage and mailing would be offset by initial costs for programming, software updates, and other requirements in order to implement the new changes. Additionally, they report an undetermined non-recurring expenditure to update software to combine the boat and outboard motor on a tax notice. Beaufort County indicates that software updates could cost up to \$100,000. Additionally, based on previous conversations, counties anticipate combining boats and outboard motors on one property tax notice may result in outdated information on outboard motors, as an owner of a boat can replace an outboard motor multiple times over the years, and without the requirement of a separate tax notice, there is no way for the auditor's office to be aware of this change in value.

<sup>5</sup> Residents eighty-five years of age and older are subject to a 4 percent casual excise tax but no more than \$500. Source: State of South Carolina, Department of Revenue, *SC Revenue Ruling #22-6: Sales of Boats, Boat Motors, and Airplanes*, October 20, 2022, <https://dor.sc.gov/resources-site/lawandpolicy/Advisory%20Opinions/RR22-6.pdf>

## Local Revenue

This bill removes the requirement to title an outboard motor. This bill also no longer requires an auditor to send a separate tax notice for an outboard motor. Currently, outboard motor titles are used to assist auditors in issuing tax notices and collecting local property tax revenue. For information, DNR previously provided the total number of active taxable outboard motor titles by county as follows:

**County Taxable Outboard Motors (Count)**

Abbeville	1,525	Dillon	844	Marion	488
Aiken	9,382	Dorchester	3,099	Marlboro	164
Allendale	66	Edgefield	755	McCormick	824
Anderson	5,368	Fairfield	805	Newberry	1,920
Bamberg	225	Florence	2,239	Oconee	5,117
Barnwell	680	Georgetown	5,305	Orangeburg	6,797
Beaufort	11,169	Greenville	6,117	Pickens	2,632
Berkeley	8,826	Greenwood	2,133	Richland	6,562
Calhoun	735	Hampton	301	Saluda	999
Charleston	28,944	Horry	9,246	Spartanburg	8,400
Cherokee	784	Jasper	2,148	Sumter	1,980
Chester	305	Kershaw	2,199	Union	709
Chesterfield	555	Lancaster	603	Williamsburg	1,021
Clarendon	1,979	Laurens	1,803	York	3,940
Colleton	1,850	Lee	405		
Darlington	1,328	Lexington	10,591		

Additionally, this bill as amended exempts 42.8571 percent of the FMV of watercraft from property tax. This exemption does not apply to a boat or watercraft classified as a primary or secondary residence pursuant to Section 12-37-224. This effectively lowers the assessment ratio for watercraft from 10.5 percent to 6 percent. RFA previously contacted each county to determine the local property tax revenue impact. We received responses from Beaufort, Charleston, Cherokee, Chester, Chesterfield, Florence, Greenville, Horry, McCormick, and York. Further, based on the assessed value of all watercraft and millage rates provided by DOR, we estimate that the statewide property tax reduction will total approximately \$47,022,000 beginning in tax year 2027. The following table displays the estimated property tax reduction by county:

**Estimated Property Tax Decrease (All Millage)– Tax Year 2027**

Abbeville	\$240,000	Greenwood	\$405,000
Aiken	\$957,000	Hampton	\$0
Allendale	\$29,000	Horry	\$0
Anderson	\$5,872,000	Jasper	\$274,000
Bamberg	\$41,000	Kershaw	\$579,000
Barnwell	\$172,000	Lancaster	\$265,000
Beaufort	\$0	Laurens	\$559,000
Berkeley	\$3,199,000	Lee	\$119,000
Calhoun	\$525,000	Lexington	\$6,412,000
Charleston	\$6,854,000	Marion	\$95,000
Cherokee	\$192,000	Marlboro	\$53,000
Chester	\$104,000	McCormick	\$331,000
Chesterfield	\$81,000	Newberry	\$728,000
Clarendon	\$560,000	Oconee	\$2,457,000
Colleton	\$782,000	Orangeburg	\$985,000
Darlington	\$360,000	Pickens	\$1,954,000
Dillon	\$151,000	Richland	\$2,678,000
Dorchester	\$0	Saluda	\$678,000
Edgefield	\$382,000	Spartanburg	\$980,000
Fairfield	\$397,000	Sumter	\$614,000
Florence	\$0	Union	\$90,000
Georgetown	\$1,441,000	Williamsburg	\$186,000
Greenville	\$2,450,000	York	\$1,791,000
		<b>Statewide</b>	<b>\$47,022,000</b>

Please note, counties are currently allowed to implement a property tax exemption by ordinance that effectively decreases the assessment ratio to 6 percent. According to the South Carolina Association of Counties and information provided by the counties, Beaufort, Dorchester, Florence, Hampton, and Horry Counties implemented an effective assessment ratio of 6 percent for watercraft. None of these counties indicated whether they would consider removing this exemption to offset the exemption enacted by this bill. However, for purposes of this estimate, RFA assumes each of these 5 counties will remove the exemption and that the impact will be \$0. If these counties do not remove the exemptions currently in place, this bill would result in an additional local property tax revenue reduction as follows:

**Estimated Property Tax Decrease (All Millage)– Tax Year 2027  
If Counties Keep Current Effective 6% Assessment**

Beaufort	\$1,373,000
Dorchester	\$1,290,000
Florence	\$572,000
Hampton	\$60,000
Horry	\$2,787,000

Furthermore, counties anticipate a reduction in property tax revenue as outboard motor titles are currently used in conjunction with tax notices to accurately tax outboard motors, and without the title and by combining a boat and outboard motor on one tax notice, counties have expressed concern that any upgrade of an outboard motor will not be known to the counties. Overall, RFA anticipates that counties will experience an undetermined decrease in property tax revenue, depending upon self-reporting of outboard motor upgrades, among other factors. Some counties have reported that they will be required to increase millage rates, within the allowable millage rate increase limitations, to offset any revenue lost due to the watercraft property tax exemption and changes for outboard motors.



Frank A. Rainwater, Executive Director