



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:	H. 3858	Amended by Senate Finance on February 18, 2026
Subject:	Taxation on Boats	
Requestor:	Senate Finance	
RFA Analyst(s):	Daigle and Miller	
Impact Date:	March 3, 2026	

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 creates a new outboard motor registration, which is subject to a fee of \$10, a \$15 late fee if registrations are submitted thirty days late, and a \$30 late fee if registrations are submitted at least sixty days late. Further, this bill specifies how fee revenue from watercraft and outboard motors must be used by the Department of Natural Resources (DNR). 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, and phases-in the exemption over three years. This bill takes effect after January 1, 2026, and first applies to property tax years beginning after 2026.

This bill may increase expenses for DNR to update education publications and forms and to train staff on the updates pursuant to this bill; however, the expenditure impact of this bill on DNR is pending, contingent on a response from the agency.

This bill removes the requirement to title outboard motors for a fee of \$10 and introduces a new outboard motor registration fee of \$10. This bill also specifies the allocation of revenue from watercraft and outboard motors. Revenue and Fiscal Affairs (RFA) anticipates that the new registration requirement for outboard motors will result in no change in state revenue, although the changes in revenue allocation may impact specific operational funding for DNR. However, the revenue impact of this bill is pending, contingent upon further review by DNR.

This bill may also impact General Fund and Education Improvement Act Fund (EIA) sales tax revenue due to a change in the amount of casual excise tax collected by DNR when issuing outboard motor titles. Of the casual excise tax collected, 4 percent is allocated to the General Fund and 1 percent is allocated to the EIA. DNR currently collects a separate casual excise tax when an outboard motor is purchased from a non-retailer upon issuance of a title. RFA anticipates the new outboard motor registration requirement will trigger the collection of the sales and use tax; however, the revenue impact of this bill is pending, contingent upon further review by DNR.

This bill will no longer require an auditor to separately tax outboard motors on a property tax notice, but the auditor will be required to mail outboard registration number renewal notices to the owners of outboard motors in the county as determined by DNR. Currently, each county

auditor must mail watercraft certificate of number renewal notices to the owners of watercraft as determined by DNR. RFA contacted each county to determine the local expenditure impact of this bill. We received responses from the counties of Dillon, Edgefield, Florence, Greenwood, Horry, and Lancaster. Based on responses received, this bill may result in an undetermined local non-recurring expenditure to update software to combine the boat and outboard motor on a tax notice.

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 phased-in over a three-year period. Based on the latest 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 \$51,443,000 beginning in tax year 2029 upon full implementation of the exemption. We anticipate that the counties will offset any property tax revenue reduction by a millage rate increase, within the allowable millage increase limits. The table below provides the impact statewide by fiscal year during the phase-in period. For more information, the table provided in the Local Revenue Section of the Explanation of Fiscal Impact provides an estimated impact by county by year through the three-year phase-in.

Estimated Property Tax Decrease (All Millage)

Tax Year (Exempt Percentage)	TY 2027 (14.2857% Exempt)	TY 2028 (28.5714% Exempt)	TY 2029 (42.8571% Exempt)
Estimated Statewide Property Tax Decrease	\$12,863,000	\$25,721,000	\$51,443,000

Explanation of Fiscal Impact

Amended by Senate Finance on February 18, 2026

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 and introduces a new outboard motor registration requirement for a fee of \$10. Outboard motor registrations must be renewed annually. A person who does not initiate or renew their motor registration within the time period specified by this bill is subject to a late penalty of \$15 if submitted thirty days late and \$30 if submitted sixty or more days late. This bill also outlines exemptions to outboard motor registration, which are based on the ownership and purpose of use of the motor. This bill also sets registration requirements, including how long a person has to register a motor after obtaining ownership, contents of registration forms, and dealer registration responsibilities. A registration may not be renewed if DNR has received notice that property taxes are due on the outboard motor. Further, this bill requires DNR to maintain a record of all registrations and outlines what must be included in the records. This bill mandates that these are public records. This bill also specifies how fee revenue from watercraft and outboard motors must be used by DNR.

In addition, this bill requires county auditors to mail outboard motor registration number renewal notices to owners of outboard motors in the county as determined by DNR no later than forty-five days before expiration of the registration. This bill provides requirements for renewal notices and fees for counties. Further, this bill also removes the requirement for DNR to provide list of watercraft and outboard motor registrations and titles to county auditors, and in turn requires that county auditors must have access to DNR's registration records as applicable to the respective county. DNR may not charge counties for online access network fees for watercraft and owner information.

Currently, DNR titles outboard motors as well as watercraft. DNR is also required to provide a list of registered and titled motors and watercraft to county auditors currently.

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 §12-37-224 and is phased-in over three years

This bill may increase expenses for DNR in order to update education publications and forms and to train staff on the updates pursuant to this bill; however, the expenditure impact of this bill on DNR is pending, contingent on a response from the agency.

State Revenue

This bill removes the requirement to title outboard motors for a fee of \$10 and introduces a new outboard motor registration fee of \$10. This bill also specifies the allocation of revenue from watercraft and outboard motors. RFA anticipates that the new registration requirement for outboard motors will result in no change in state revenue, although the changes in revenue allocation may impact specific operational funding for DNR. However, the revenue impact of this bill is pending, contingent upon further review by DNR.

Currently, revenue from fees in connection with titling a boat must be used for law enforcement responsibilities by DNR, and any other fees received and money collections dealing with watercraft and outboard motors must be used for the expenses of the department in administering the watercraft and outboard motor provisions. The allocation of watercraft and outboard motor revenue required by this bill is outlined in the following table.

Fee Type	Used for Law Enforcement Responsibilities	Used for Administering Watercraft and Outboard Motor Provisions
Watercraft Certificate of Title	70%	30%
Watercraft Registration and Renewal	67%	33%
Duplicate Documents	60%	40%
Decals and Duplicate Decals		100%
Outboard Motor Registration and Renewal		100%
FOIA Related to Watercraft and Outboard Motor Records		100%
*Fund Balances to be Retained and Carried Forward		

This bill may impact General Fund and EIA sales tax revenue due to a decrease in the amount of casual excise tax collected by DNR when 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.^{1,2} 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 more than \$500.³ Of the casual excise tax collected, 4 percent is allocated to the General Fund and 1 percent is allocated to the EIA. DNR currently collects a separate casual excise tax when an outboard motor is purchased from a non-retailer upon issuance of a title. RFA anticipates the new outboard motor registration requirement will trigger the collection of the sales and use tax; however, the revenue impact of this bill is pending, contingent upon further review by DNR.

Local Expenditure

This bill will no longer require an auditor to separately tax outboard motors on a property tax notice, but the auditor will be required to mail outboard registration number renewal notices to the owners of outboard motors in the county as determined by DNR. Currently, each county auditor must mail watercraft certificate of number renewal notices to the owners of watercraft as determined by DNR. RFA contacted each county to determine the local expenditure impact of this bill. We received responses from the counties of Dillon, Edgefield, Florence, Greenwood, Horry, and Lancaster. Based on responses received, this bill may result in an undetermined local non-recurring expenditure to update software to combine the boat and outboard motor on a tax notice.

¹ 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

² 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>

³ 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, but they are required to be registered with DNR. This bill also no longer requires an auditor to send a separate tax notice for an outboard motor. 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 with a three-year phase-in beginning in tax year 2027. This exemption does not apply to a boat or watercraft classified as a primary or secondary residence pursuant to §12-37-224. This change 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 \$51,443,769 beginning in tax year 2029 after the exemption has been fully phased-in. We anticipate that the counties will offset any property tax revenue reduction by a millage rate increase, within the allowable millage increase limits. The following table displays the estimated property tax reduction by county by tax year:

Estimated Property Tax Decrease (All Millage)

County	TY 2027 (14.2857% Exempt)	TY 2028 (28.5714% Exempt)	TY 2029 (42.8571% Exempt)
Abbeville	\$90,000	\$180,000	\$361,000
Aiken	\$306,000	\$613,000	\$1,226,000
Allendale	\$10,000	\$20,000	\$40,000
Anderson	\$1,607,000	\$3,214,000	\$6,427,000
Bamberg	\$19,000	\$38,000	\$76,000
Barnwell	\$53,000	\$107,000	\$213,000
Beaufort	\$0	\$0	\$0
Berkeley	\$909,000	\$1,818,000	\$3,635,000
Calhoun	\$72,000	\$144,000	\$288,000
Charleston	\$0	\$0	\$0
Cherokee	\$63,000	\$125,000	\$251,000
Chester	\$37,000	\$73,000	\$146,000
Chesterfield	\$34,000	\$69,000	\$138,000
Clarendon	\$204,000	\$407,000	\$815,000
Colleton	\$227,000	\$453,000	\$906,000
Darlington	\$113,000	\$225,000	\$451,000
Dillon	\$45,000	\$90,000	\$179,000
Dorchester	\$0	\$0	\$0
Edgefield	\$113,000	\$225,000	\$451,000
Fairfield	\$137,000	\$273,000	\$547,000
Florence	\$0	\$0	\$0
Georgetown	\$420,000	\$840,000	\$1,680,000
Greenville	\$1,256,000	\$2,512,000	\$5,025,000
Greenwood	\$131,000	\$263,000	\$526,000
Hampton	\$19,000	\$39,000	\$78,000
Horry	\$0	\$0	\$0
Jasper	\$43,000	\$87,000	\$173,000
Kershaw	\$194,000	\$388,000	\$775,000
Lancaster	\$92,000	\$185,000	\$369,000
Laurens	\$179,000	\$357,000	\$715,000
Lee	\$30,000	\$60,000	\$120,000
Lexington	\$2,255,000	\$4,511,000	\$9,021,000
Marion	\$38,000	\$75,000	\$151,000
Marlboro	\$17,000	\$34,000	\$68,000
McCormick	\$98,000	\$196,000	\$392,000

Newberry	\$239,000	\$478,000	\$956,000
Oconee	\$769,000	\$1,537,000	\$3,075,000
Orangeburg	\$287,000	\$574,000	\$1,147,000
Pickens	\$579,000	\$1,158,000	\$2,315,000
Richland	\$670,000	\$1,341,000	\$2,681,000
Saluda	\$213,000	\$425,000	\$851,000
Spartanburg	\$347,000	\$693,000	\$1,386,000
Sumter	\$200,000	\$399,000	\$798,000
Union	\$25,000	\$51,000	\$101,000
Williamsburg	\$62,000	\$123,000	\$247,000
York	\$661,000	\$1,321,000	\$2,643,000
Statewide	\$12,863,000	\$25,721,000	\$51,443,000

Please note, pursuant to §12-37-220(B)(38)(b), counties are 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. This bill specifies that the exemption pursuant to this bill and the exemption by ordinance cannot combined and are not cumulative. Further, this bill repeals §12-37-220(B)(38)(b) beginning in tax year 2030.

Frank A. Rainwater, Executive Director