



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. 3869	Introduced on January 30, 2025
Subject:	Sales Tax Exemption	
Requestor:	House Ways and Means	
RFA Analyst(s):	Daigle	
Impact Date:	February 5, 2025	

Fiscal Impact Summary

This bill exempts from sales tax clothing required by current good manufacturing practices at perishable food manufacturing facilities, which are defined by the North American Industry Classification System (NAICS) 311991. The exemption will apply to tax years after 2025. For reference, these items were exempt from sales tax by budget proviso in FY 2019-20 to FY 2022-23.

This bill will have no expenditure impact on the Department of Revenue (DOR) as the sales tax exemption can be managed with existing resources.

This bill would reduce state sales and use tax revenue by approximately \$13,000 in FY 2025-26 and approximately \$27,000 in FY 2026-27 by exempting clothing required for use by perishable prepared food manufacturing facilities. Of this total, General Fund revenue would be reduced by \$9,000, the Education Improvement Act Fund (EIA) would be reduced by \$2,000, and the Homestead Exemption Fund (HEX) would be reduced by \$2,000 in FY 2025-26. Beginning in FY 2026-27, General Fund revenue would be reduced by \$18,000, the EIA would be reduced by \$4,500, and the HEX would be reduced by \$4,500, subject to changes in inflation and employment. Since this bill would apply to tax years beginning after 2025, the FY 2025-26 estimate reflects a start date of January 1, 2026, and includes the last two quarters of the fiscal year. The FY 2026-27 estimate reflects the full fiscal year impact.

Local sales tax revenue would be reduced by approximately \$3,000 in FY 2025-26 and approximately \$7,000 in FY 2026-27 for the exemption. This estimate is based on applying an average local tax rate of 1.59 percent. The impact on each local jurisdiction will depend on the local option sales taxes in effect for the various entities.

Explanation of Fiscal Impact

Introduced on January 30, 2025

State Expenditure

This bill exempts clothing required by current good manufacturing practices for perishable food manufacturing facilities from sales tax. DOR indicates that there will be no expenditure impact as the department can administer the changes with existing resources.

State Revenue

This bill exempts from sales tax, clothing required by current good manufacturing practices pursuant to 21 C.F.R. Section 111.10, which covers the requirements that apply for preventing microbial contamination from sick or infected personnel and for hygienic practices. The bill specifies that the exemption is applicable for clothing to prevent health hazards for people who work in direct contact with food, food contact services, and food packaging materials at perishable prepared food manufacturing facilities, which are defined by NAICS code 311991.

Currently, clothing required by current good manufacturing practices to prevent health hazards for people working with food, food contact services, and food packaging materials at perishable prepared food manufacturing facilities (as defined by NAICS code 311991) are not exempt from sales tax but have been previously exempt. For reference, these clothing items were exempt from sales tax by budget proviso in FY 2019-20 to FY 2022-23. However, sales tax data regarding the actual impact of the exemption are unavailable.

To determine the impact, we estimate that in 2025, 2026, and 2027 there will be approximately 614, 622, and 630 employees at perishable prepared food manufacturing establishments in South Carolina, respectively. Based on information from the U.S. Bureau of Labor Statistics (BLS), in 2023 there was an average of 591 employees at 30 perishable prepared food manufacturing establishments in South Carolina and 64,316 employees at 1,806 establishments in the U.S. The BLS projects that U.S. employment in other food manufacturing (NAICS 3119) will grow by a compound annual growth rate of approximately 1.28 percent from 2023 through 2033.¹ On average, South Carolina accounts for approximately 0.93 percent of total U.S. perishable prepared food manufacturing employment; therefore, a ratio of 0.93 percent is applied to the forecast of U.S. perishable prepared food manufacturing employment to estimate the portion attributed to South Carolina.²

Common clothing items required for food processing include butcher and other food service coats and smocks, work shirts, flex-waist pants or chef pants, gloves, aprons, food-safe hats, hairnets, beard guards, slip-resistant safety shoes and other liquid proof outerwear.³ Depending on the establishment, some employees purchase their own clothing items while others are provided by the employer through uniform rental companies. Assuming a mix of self-purchases and rentals and adjusting for inflation, we estimate that on average, clothing items

¹ In the NAICS Hierarchy for 311991, NAICS 3119 - Other Food Manufacturing, is the industry group that includes the National Industry NAICS 311991 – Perishable Prepared Food Manufacturing.

² U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, *Private, NAICS 311991 Perishable prepared food manufacturing, All Counties in South Carolina 2018 – 2023 Annual Averages, All establishment sizes*, Retrieved February 4, 2025, https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=2&st=45&year=2023&qtr=A&own=5&ind=311991&supp=0

³ Shoes for Crews, *Food Processing Uniforms: What You Need to Buy*, May 2018, <https://www.sfc2b.com/blog/food-processing-uniforms-what-you-need-to-buy.html#:~:text=Some%20common%20uniform%20items%20worn%20by%20food%20processing,hairnets%20and%20beard%20guards%207%20Slip-resistant%20safety%20shoes>

required for perishable prepared food manufacturing establishments will cost approximately \$677 in 2024, \$694 in 2025, and \$714 in 2026 per employee.⁴

Multiplying the estimated cost of clothing per employee by the estimated number of employees for perishable prepared food manufacturing establishments yields an estimate for total spending on required clothing for perishable prepared food manufacturing employees in the state each year. Then fiscal year estimates are determined by averaging the total amounts from each calendar year.⁵ Additionally, since this bill would apply to tax years beginning after 2025, the FY 2025-26 estimate reflects the sales beginning January 1, 2026, for last two quarters of the fiscal year. The FY 2026-27 estimate reflects the full fiscal year. This yields a reduction in sales and use tax of an estimated \$13,000 in FY 2025-26 and \$27,000 beginning in FY 2026-27. Of the FY 2025-26 total, General Fund revenue would be reduced by \$9,000, the EIA would be reduced by \$2,000, and the HEX would be reduced by \$2,000. Of the FY 2026-27 total, General Fund revenue would be reduced by \$18,000, the EIA would be reduced by \$4,500, and the HEX would be reduced by \$4,500.

Local Expenditure

N/A

Local Revenue

This bill would also reduce local sales tax revenue because of the exemption. Based upon the analysis included under the State Revenue section and applying an average local tax rate of 1.59 percent, local sales tax revenue would be reduced by approximately \$3,000 in FY 2025-26 and by approximately \$7,000 beginning in FY 2026-27. The impact on each local jurisdiction will depend on the local option sales taxes in effect for the various entities.

⁴ Ezell, Colby, P3 Cost Analysts, *Average Uniform Rental Costs (And How to Find Savings)*, June 2022, <https://www.costanalysts.com/uniform-rental-cost/>, [average rental costs]

Direct Textile Store, Retrieved February 3, 2025, <https://directtextilestore.com/search-results-page?q=food%20processing%20apparel>, [prices of butcher and other food service smocks, work shirts, pants, gloves, and aprons]
Restaurant Supply.com, Retrieved February 3, 2025, <https://www.restaurantssupply.com/>, [prices of hairnets and beard guards]
TINGLEY, *Food Processing Workwear*, Retrieved February 3, 2025, <https://www.tingleyrubber.com/pages/food-processing-workwear>, [prices of nonslip shoes, and liquid proof overalls and jackets]

⁵ For example, 2025 and 2026 estimates are averaged to get an estimate for FY 2025-26.



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