

**Fiscal Impacts of Legislation  
Affecting Revenue Collections  
Fiscal Year 2016-17**



General Fund Revenue  
Education Improvement Act Fund  
Homestead Exemption Fund  
Other State Funds  
Local Property Tax Revenue

September 14, 2016

State of South Carolina  
South Carolina Revenue and Fiscal Affairs Office  
Board of Economic Advisors  
[www.rfa.sc.gov](http://www.rfa.sc.gov)  
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**Status of Legislation Affecting Revenue Collections**  
Fiscal Years 2015-16 to 2019-20

Line No	No FIS	Bill Number	Primary Sponsor	Description	Estimated General Fund Revenue Impact					Bill Status	Line No
					FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20		
1				<b>Total Net Impact of Legislation Signed By the Governor</b>							1
2											2
3		227	Campbell	Extend the end date for remission of redevelopment fees to Redevelopment Authority to January 1, 2037		(5,342,560)	(10,685,120)			Signed by Governor, 06/07/16; Act 255, 06/16/16	3
4		427	Hutto	Allow a job tax credit for support activities and specialized services in the air transportation industry & agricultural packaging		(1,125,000)	(1,634,000)	(1,634,000)	(1,634,000)	Signed by Governor, 06/08/16; Act 256, 06/16/16	4
5		454	Campsen	Changes to the deer quota tags		0	0	0	0	Signed by Governor, 06/08/16; Act 257, 06/16/16	5
6		484	Shealy	Prohibits schools from denying a meal or providing an alternative meal if the student owes the school money for meals		0	0	0	0	Signed by Governor, 06/05/16; Act 258, 06/16/16	6
7		667	Hayes	Jurisdiction and boundaries between North Carolina and South Carolina	0	0	0	0	0	Signed by Governor, 06/10/16; Act 270, 06/17/16	7
8		932	Bennett	Revise application deadline for certain property owned by certain members of the armed forces		0	0	0	0	Signed by Governor, 06/03/16; Act 206, 06/09/16	8
9		973	Cromer	Extend the end date of the transfer of insurance tax revenue to the S. C. Forestry Commission to 2030		0	(3,555,000)	0	0	Vetoed by Governor, 06/06/16; House - veto overridden, 06/15/16; Act 273, 06/21/16	9
10		1036	Cleary	State Board of Dentistry may issue restricted dental auxiliary instructor's licenses to dentists; practice limited w/ dental programs		0	0	0	0	Signed by Governor, 06/03/16, Act 211, 06/09/16	10
11		1049	Massey	Allow an expired marketing cooperative association to reapply with the Sec. of State after two years		0	0	0	0	Signed by Governor, 04/21/16; Act 149, 05/02/16	11
12		1111	Peeler	Revise method of calculating and crediting manufacturers license plates fee		2,765	5,530	0	0	Signed by Governor, 06/03/16; Act 214, 06/09/16	12
13		1122	Rankin	Provide for the reimposition of the local option tourism development fee		0	0	0	0	Signed by Governor, 06/06/16; Act 269, 06/17/16	13
14		1166 JR	Leatherman	Provide for annual installment payments by SC State University; due dates; debt relief; furloughs		0	0	0	0	Signed by Governor, 06/07/16; Act 286, 07/14/16	14
15		1258	Senate Finance	DMV to remit license fee revenue to SC DOT; second one-half of sales tax on motor vehicles transferred to SC DOT		(65,680,000)	0	0	0	Signed by Governor, 06/08/16; Act 275, 06/21/16	15
16		3147	G.M. Smith	Income tax deduction for retirement benefits of active duty members in armed forces		(6,499,595)	(9,918,584)	(13,374,156)	(16,491,477)	Signed by Governor, 06/07/16; Act 272, 06/17/16	16
17		3313	Pope	Reclassifying agricultural property to commercial or residential property	0	0	0	0	0	Signed by Governor, 06/07/16; Act 251, 06/14/16	17
18		3710	Hixon	Provide an additional five years of eligibility for the multiple lot discount	0	0	0	0	0	Signed by Governor, 06/06/16; Act 237, 06/13/16	18
19		3768	G.M. Smith	Establish the "SC Able Savings Program"; accept private funds to support individual/family with disabilities		(724,140)	0	0	0	Signed by Governor, 04/29/16; Act 165, 05/06/16	19
20		3874	Mitchell	Allow an income tax credit for constructing, purchasing, or leasing renewable energy property		(3,495,000)	(3,495,000)	(3,495,000)	(2,500,000)	Signed by Governor, 02/16/16; Act 134, 02/23/16	20
21		3891	Toole	Delete the five percent sales tax surcharge on rental cars and trucks		(1,888,600)	0	0	0	Signed by Governor, 06/03/16; Act 224, 06/09/16	21
22		3927	Willis	Issuance of special and souvenir license plates; DMV may retain fee	0	0	0	0	0	Signed by Governor, 05/25/16; Act 186, 05/31/16	22
23		4145	White	Create the Coordinating Council for Workforce Development; allow a tax credit to taxpayers that hire an apprentice; grants		0	0	0	0	Signed by Governor, 06/08/16; Act 252, 06/14/16	23
24		4151	Pitts	Allow for the affixing of stamps to packages of cigarettes		0	0	(1,260,848)	(2,120,696)	Signed by Governor, 03/14/16; Act 145, 03/17/16	24
25		4328	White	Income tax conformity with the Internal Revenue Code; update references		(7,849,100)	0	0	0	Signed by Governor, 04/21/16; Act 160, 05/02/16	25
26		4416	Felder	Allow certain schools and volunteer fire departments an exemption from impact fees		0	0	0	0	Signed by Governor, 06/03/16; Act 229, 06/09/16	26
27		4548	Sandifer	Allow a motor vehicle dealer to impose closing fees on motor vehicle sales contracts; S.C. Consumer Affairs to regulate		0	0	0	0	Signed by Governor, 06/03/16; Act 231, 06/09/16	27
28		4554	Clemmons	Enact the "SC Aniti-Money Laundering Act" to regulate the money transmission services business		d/	0	0	0	Signed by Governor, 06/09/16; Act 266, 06/16/16	28
29		4577	White	Provide for the crediting of aircraft taxes to the State Aviation Fund		(2,359,000)	0	0	0	Signed by Governor, 06/05/16; Act 239, 06/13/16	29
30		4712	White	Classify off-premise outdoor advertising signs as personal property and provide for taxation of the site		0	0	0	0	Signed by Governor, 04/29/16; Act 167, 05/06/16	30
31		4717	White	Create the "S.C. Farm Aid Fund" to assist farmers that sustained at least a 40% loss of agricultural commodities; provide grants		0	0	0	0	Vetoed by Governor, 05/16/16; veto overridden, 05/17/16, 05/18/16; Act 174, 05/24/16	31
32		4762	Anthony	Relating to limitations on millage rate increases & exceptions in counties with at least 40,000 acres of "state or national forest land"		0	0	0	0	Vetoed by Governor, 06/06/16; veto overridden, 06/15/16; Act 276, 06/21/16	32
33		4765	G.R. Smith	Add a voluntary individual income tax check off for contributions made to Habitat for Humanity		0	(1,335)	0	0	Signed by Governor, 06/22/16; Act 280, 06/28/16	33
34		5009	Cole	Delete the fifty percent of tax liability provision of the textile communities revitalization income tax credit		(774,416)	0	0	0	Signed by Governor, 05/23/16; Act 179, 05/27/16	34
35		5011	Clemmons	Provide for the reimposition of the local option tourism development fee		0	0	0	0	Vetoed by Governor, 05/26/16; veto overridden, 06/01/16; Act 249, 06/14/16	35
36		5034	White	Increase the percentage of bingo revenue distributed to charities (2% more)		(1,821,901)	0	0	0	Signed by Governor, 06/07/16; Act 254, 06/14/16	36
37				<b>Total Net Impact of Legislation Signed By the Governor</b>	<b>0</b>	<b>(97,556,547)</b>	<b>(29,283,509)</b>	<b>(19,764,004)</b>	<b>(22,746,173)</b>		37
38				<b>Total Net Impact of Provisos Included in FY2016-17 Appropriation Act</b>							38
39											39
40											40
41											41
42		5001	Proviso 57.8	Retained Bar admissions fee - SC Appellate Court		(67,368)	0	0	0	Certain items vetoed, 06/08/16; certain item overridden, 06/15/16; Act 284, 07/13/16	42
43		5001	Proviso 57.19	Retained filing fees - SC Appellate Court		(150,000)	0	0	0	Certain items vetoed, 06/08/16; certain item overridden, 06/15/16; Act 284, 07/13/16	43
44		5001	Proviso 117.142	Retail Facilities Revitalization Act repeal suspension		(268,500)	0	0	0	Certain items vetoed, 06/08/16; certain item overridden, 06/15/16; Act 284, 07/13/16	44
45											45
46				<b>Total Net Impact of Provisos Included in FY2015-16 Appropriation Act</b>	<b>0</b>	<b>(485,868)</b>	<b>0</b>	<b>0</b>	<b>0</b>		46
47											47
48				<b>Total Net Impact of Ratified Legislation Awaiting the Governor's Signature</b>							48
49											49
50				None							50
51											51
52				<b>Total Net Impact of Ratified Legislation Awaiting the Governor's Signature</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		52
53											53
54				<b>Total Net Impact of Legislation Enrolled for Ratification</b>							54
55											55
56				None							56
57											57
58				<b>Total Net Impact of Legislation Enrolled for Ratification</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		58
59											59
60				<b>Total Net Impact of Legislation / Provisos Enacted or Waiting to Be Enacted</b>	<b>0</b>	<b>(98,042,415)</b>	<b>(29,283,509)</b>	<b>(19,764,004)</b>	<b>(22,746,173)</b>		60
61											61
62				<b>Total Net Impact of Legislation That Has Passed One Legislative Body</b>							62
63											63
64		135	Cleary	Health insurance coverage for autism spectrum disorder		10,489	10,489	0	0	House - 1st reading, HLCI, 05/05/15; committed to Ways & Means, 01/21/16	64
65		199	Grooms	Enact "Peanut's Law"; penalties for speeding in work zones	0	0	0	0	0	House - 3rd reading, returned to Senate w/ amend, 05/27/15	65
66		444	Gregory	Allow a job tax credit for securities brokers if located on a corporate campus	0	(2,750,000)	(2,750,000)	(2,750,000)	(2,750,000)	House - 1st reading, Ways & Means, 04/14/15	66
67		512	Sheheen	Penalties for violation of wilful damage to water system	Minimal	0	0	0	0	House - 1st reading, Judiciary, 04/28/15	67
68		589	Lourie	Enact the "Music Therapy Practice Act"; to regulate and license music therapy		8,900	0	0	0	House - 1st reading, 3M, 02/04/16	68
69		626	Gregory	Property tax exemption of 80% of FMV of a renewable energy resource for ten years if operational by December 31, 2020		0	0	0	0	House - recommit to Ways & Means, 05/03/16; fav. w/ amend., 05/19/16; ret. to House, 06/02/16	69
70		743	Matthews	Enact the "Port Enhancement Zone Act"; allow job tax credits in a port enhancement zone; sales tax exemption on materials		(1,960,000)	(900,000)	(900,000)	(900,000)	House - 1st reading, Ways & Means, 04/12/16	70
71		976	Hayes	Relating to limited lines and special producer insurance licensing; regulation and definitions		0	0	(100,000)	0	House - 1st reading, HLCI, 02/09/16	71
72		1073	Setzler	Income tax conformity with the Internal Revenue Code; update references		a/	0	0	0	House - 1st reading, Ways & Means, 04/13/16	72

**Status of Legislation Affecting Revenue Collections  
Fiscal Years 2015-16 to 2019-20**

Line No	No FIS	Bill Number	Primary Sponsor	Description	Estimated General Fund Revenue Impact					Bill Status	Line No
					FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20		
73		1075	Hayes	Allow an income tax credit for buying or converting a heavy-duty vehicle to an alternative fueled vehicle; definitions		(1,496,850)				House - 1st reading, Ways & Means, 04/13/16	73
74		1125	Reese	Delete the fifty percent of tax liability provision of the textile communities revitalization income tax credit		b/				House - 1st reading, Ways & Means, 04/13/16	74
75		1182	Shealy	Funds to be distributed equally to counties for coroners, equipment, and training		0				House - 3rd reading, returned to Senate w/ amend, 06/02/16	75
76		3037	Daning	Military personnel and dependents may receive in-state tuition rates						Senate - 1st reading, Education, 02/24/15; Report - maj. fav. w/ amend, min. unfav., 02/25/16	76
77		3149	G.M. Smith	Defer payment of property taxes of service members in hazard duty zone by 90 days after date of deployment	0					Senate - 1st reading, Finance, 05/04/15	77
78		3250	G.M. Smith	Allow DHEC to retain certificate of need fees for program administration	(500,000)					Senate - 1st reading, Medical Affairs, 05/04/15; minority report removed, 05/24/16	78
79		3259	Stavrinakis	Reduce the minimum square footage requirement for eligible site for qualified retail facility	(1,062,000)					Senate - 1st reading, Finance, 04/29/15	79
80		3440	Crosby	Provide that a moped must be registered, carry insurance, not operated on road with speed limit more than 35 miles per hour	75,000					Vetoed by Governor, 06/10/16; House - veto overridden, 06/15/16	80
81		3579	Simrill	Enact the "SC Infrastructure Finance Reform and Tax Relief Act"; transportation reform; gas tax	(51,337,963)	(38,248,740)	(48,759,298)			<b>Free conference powers granted, 05/26/16</b>	81
82		3722	Lucas	Relating to the State Ethics Commission; ethics reform legislation	0	0				Senate - 1st reading, Judiciary, 03/05/15; fav. w/ amend., 03/11/15	82
83		3794	Forrester	Delete provision that person 65 years and over must get a five-year driver's license; delete vision screening every five years	0					Senate - 1st reading, Transportation, 05/19/15	83
84		4092	Loftis	Property will continue to receive the four percent assessment ratio after owner dies until the estate is settled		0	0			Senate - 1st reading, Finance, 02/24/16	84
85		4447	Henegan	Allow issuance of mobile barbershop permits; provide for regulation		0	0			Senate - 1st reading, LCI, 02/10/16; fav. report, 05/17/16	85
86		4515	Daning	Allow undergraduate in-state tuition for children of members of the U.S. military who died in active duty service after Sept. 11, 2001		0				Senate - 1st reading, Education, 02/11/16	86
87		4525	Simrill	Extend the end date of the transfer of insurance tax revenue to the S.C. Forestry Commission to 2030		0	c/			Senate - 1st reading, Banking and Insurance, 04/26/16	87
88		4556	Duckworth	Allow a property tax exemption for "emergency medical technician" if permanently and totally disabled		0	0			Senate - 1st reading, Finance, 04/26/16	88
89		4574	Spires	Enact the "Electrology Practice Act" to provide for licensure; advisory board; conduct		0	0			Senate - 1st reading, Medical Affairs, 04/20/16	89
90		4763	Pope	Create the Internet Crimes Against Children Fund; additional assessments imposed by courts; revise amounts		0	0			<b>Free conference report adopted, 06/15/16</b>	90
91		4943	Hixon	Collection and disposition of revenues from individual antlerless deer tags; changes to deer quota program		0	0			Senate - 1st reading, Fish, Game, and Forestry, 03/08/16	91
92		5119	Goldfinch	Income tax deduction for retirement benefits of active duty members in armed forces		e/				Senate - 3rd reading, returned to House w/ amend, 06/02/16	92
93											93
94				<b>Total Net Impact of Legislation That Has Passed One Legislative Body</b>	<b>(52,824,963)</b>	<b>(44,436,202)</b>	<b>(52,398,810)</b>	<b>(3,750,000)</b>	<b>(3,650,000)</b>		94
95											95
96				<b>Total Net Impact of Legislation Affecting FY2014-15 to FY2017-18 Revenue Collections</b>	<b>(52,824,963)</b>	<b>(142,478,617)</b>	<b>(81,682,319)</b>	<b>(23,514,004)</b>	<b>(26,396,173)</b>		96

- Notes: a/ Not shown separately to avoid duplication in totals (H.4328, signed by Governor).  
b/ Not shown separately to avoid duplication in totals (H.5009, signed by Governor).  
c/ Not shown separately to avoid duplication in totals (S.973, ratified).  
d/ This bill would increase General Fund revenue by an estimated \$31,680,000. The crediting of revenue is dependent upon the establishment of licensing and procedures.  
e/ Not shown separately to avoid duplication in totals (H.3147, signed by Governor).  
f/ This bill could potentially reduce SC State University's debt repayment obligation to the State in principal and interest payments up to \$3,434,000 through FY2019-20 if SCSU ends each fiscal year without an operating deficit.

Sources: South Carolina Board of Economic Advisors; Legislative Printing and Information Technology Resources.

**Status of Legislation Affecting Revenue Collections  
Fiscal Years 2015-16 to 2019-20**

Line No	No FIS	Bill Number	Primary Sponsor	Description	Estimated Other Funds Revenue Impact			Estimated Local Funds Revenue Impact			Line No
					FY2015-16	FY2016-17	FY2017-18	FY2015-16	FY2016-17	FY2017-18	
1				<b>Total Net Impact of Legislation Signed By the Governor</b>							1
2											2
3		227	Campbell	Extend the end date for remission of redevelopment fees to Redevelopment Authority to January 1, 2037		0	0		0	0	3
4		427	Hutto	Allow a job tax credit for support activities and specialized services in the air transportation industry & agricultural packaging		0	0		0	0	4
5		454	Campsen	Changes to the deer quota tags		insufficient data			0		5
6		484	Shealy	Prohibits schools from denying a meal or providing an alternative meal if the student owes the school money for meals		0			(2,564,417)		6
7		667	Hayes	Jurisdiction and boundaries between North Carolina and South Carolina		minimal			minimal		7
8		932	Bennett	Revise application deadline for certain property owned by certain members of the armed forces		0			(215,000)		8
9		973	Cromer	Extend the end date of the transfer of insurance tax revenue to the S.C. Forestry Commission to 2030		0	3,555,000		0	0	9
10		1036	Cleary	State Board of Dentistry may issue restricted dental auxiliary instructor's licenses to dentists; practice limited w/ dental program		undeterminable			0		10
11		1049	Massey	Allow an expired marketing cooperative association to reapply with the Sec. of State after two years		undeterminable			0		11
12		1111	Peeler	Revise method of calculating and crediting manufacturers license plates fee		0	0		76,160	152,320	12
13		1122	Rankin	Provide for the reimposition of the local option tourism development fee		0	0		undeterminable	0	13
14		1166 JR	Leatherman	Provide for annual installment payments by SC State University; due dates; debt relief; furloughs		f/			0	0	14
15		1258	Senate Finance	DMV to remit license fee revenue to SC DOT; second one-half of sales tax on motor vehicles transferred to SC DOT		65,680,000			0		15
16		3147	G.M. Smith	Income tax deduction for retirement benefits of active duty members in armed forces		0	0		0	0	16
17		3313	Pope	Reclassifying agricultural property to commercial or residential property	0				(1,070,000)		17
18		3710	Hixon	Provide an additional five years of eligibility for the multiple lot discount	0	0			(1,600,000)		18
19		3768	G.M. Smith	Establish the "SC Able Savings Program"; accept private funds to support individual/family with disabilities		0			0		19
20		3874	Mitchell	Allow an income tax credit for constructing, purchasing, or leasing renewable energy property		0	0		0	0	20
21		3891	Toole	Delete the five percent sales tax surcharge on rental cars and trucks		455,700	0		250,000	0	21
22		3927	Willis	Issuance of special and souvenir license plates; DMV may retain fee	74,382			0			22
23		4145	White	Create the Coordinating Council for Workforce Development; allow a tax credit to taxpayers that hire an apprentice; grants		0	0		0	0	23
24		4151	Pitts	Allow for the affixing of stamps to packages of cigarettes		0	0		0	0	24
25		4328	White	Income tax conformity with the Internal Revenue Code; update references		0	0		0	0	25
26		4416	Felder	Allow certain schools and volunteer fire departments an exemption from impact fees		0	0		undeterminable	0	26
27		4548	Sandifer	Allow a motor vehicle dealer to impose closing fees on motor vehicle sales contracts; S.C. Consumer Affairs to regulate		10,500	0		0	0	27
28		4554	Clemmons	Enact the "SC Anti-Money Laundering Act" to regulate the money transmission services business		0			0		28
29		4577	White	Provide for the crediting of aircraft taxes to the State Aviation Fund		2,359,000	0		0	0	29
30		4712	White	Classify off-premise outdoor advertising signs as personal property and provide for taxation of the site		0	0		(115,000)	0	30
31		4717	White	Create the "S.C. Farm Aid Fund" to assist farmers that sustained at least a 40% loss of agricultural commodities; provide grant		0			0		31
32		4762	Anthony	Relating to limitations on millage rate increases & exceptions in counties with at least 40,000 acres of "state or national forest l		0	0		undeterminable	0	32
33		4765	G.R. Smith	Add a voluntary individual income tax check off for contributions made to Habitat for Humanity		0	0		0	0	33
34		5009	Cole	Delete the fifty percent of tax liability provision of the textile communities revitalization income tax credit		0	0		0	0	34
35		5011	Clemmons	Provide for the reimposition of the local option tourism development fee		0	0		undeterminable	0	35
36		5034	White	Increase the percentage of bingo revenue distributed to charities (2% more)		1,681,167	0		0	0	36
37											37
38				<b>Total Net Impact of Legislation Signed By the Governor</b>	<b>74,382</b>	<b>70,186,367</b>	<b>3,555,000</b>	<b>(2,670,000)</b>	<b>(4,168,257)</b>	<b>152,320</b>	<b>38</b>
39											39
40				<b>Total Net Impact of Provisos Included in FY2016-17 Appropriation Act</b>							40
41											41
42		5001	Proviso 57.8	Retained Bar admissions fee - SC Appellate Court							42
43		5001	Proviso 57.19	Retained filing fees - SC Appellate Court							43
44		5001	Proviso 117.142	Retail Facilities Revitalization Act repeal suspension							44
45											45
46				<b>Total Net Impact of Provisos Included in FY2015-16 Appropriation Act</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>
47											47
48				<b>Total Net Impact of Ratified Legislation Awaiting the Governor's Signature</b>							48
49											49
50				None							50
51											51
52				<b>Total Net Impact of Ratified Legislation Awaiting the Governor's Signature</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52</b>
53											53
54				<b>Total Net Impact of Legislation Enrolled for Ratification</b>							54
55											55
56				None							56
57											57
58				<b>Total Net Impact of Legislation Enrolled for Ratification</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58</b>
59											59
60				<b>Total Net Impact of Legislation / Provisos Enacted or Waiting to Be Enacted</b>	<b>74,382</b>	<b>70,186,367</b>	<b>3,555,000</b>	<b>(2,670,000)</b>	<b>(4,168,257)</b>	<b>152,320</b>	<b>60</b>
61											61
62				<b>Total Net Impact of Legislation That Has Passed One Legislative Body</b>							62
63											63
64		135	Cleary	Health insurance coverage for autism spectrum disorder		0	0		0	0	64
65		199	Grooms	Enact "Peanut's Law"; penalties for speeding in work zones		undeterminable			0		65
66		444	Gregory	Allow a job tax credit for securities brokers if located on a corporate campus		0	0		0	0	66
67		512	Sheheen	Penalties for violation of wilful damage to water system		0			0		67
68		589	Lourie	Enact the "Music Therapy Practice Act"; to regulate and license music therapy		3,207,360			0		68
69		626	Gregory	Property tax exemption of 80% of FMV of a renewable energy resource for ten years if operational by December 31, 2020		0			(303,000)		69
70		743	Matthews	Enact the "Port Enhancement Zone Act"; allow job tax credits in a port enhancement zone; sales tax exemption on materials		(400,000)			0		70
71		976	Hayes	Relating to limited lines and special producer insurance licensing; regulation and definitions		0	0		0	0	71
72		1073	Setzler	Income tax conformity with the Internal Revenue Code; update references		a/			a/		72

**Status of Legislation Affecting Revenue Collections**  
Fiscal Years 2015-16 to 2019-20

Line No	No FIS	Bill Number	Primary Sponsor	Description	Estimated Other Funds Revenue Impact			Estimated Local Funds Revenue Impact			Line No
					FY2015-16	FY2016-17	FY2017-18	FY2015-16	FY2016-17	FY2017-18	
73		1075	Hayes	Allow an income tax credit for buying or converting a heavy-duty vehicle to an alternative fueled vehicle; definitions		0			(7,253)		73
74		1125	Reese	Delete the fifty percent of tax liability provision of the textile communities revitalization income tax credit		b/			b/		74
75		1182	Shealy	Funds to be distributed equally to counties for coroners, equipment, and training		0			1,610,000		75
76		3037	Danig	Military personnel and dependents may receive in-state tuition rates							76
77		3149	G.M. Smith	Defer payment of property taxes of service members in hazard duty zone by 90 days after date of deployment	0			minimal			77
78		3250	G.M. Smith	Allow DHEC to retain certificate of need fees for program administration	500,000			0			78
79		3259	Stavrinakis	Reduce the minimum square footage requirement for eligible site for qualified retail facility	0			0			79
80		3440	Crosby	Provide that a moped must be registered, carry insurance, not operated on road with speed limit more than 35 miles per hour	0			0			80
81		3579	Simrill	Enact the "SC Infrastructure Finance Reform and Tax Relief Act"; transportation reform; gas tax	437,335,843			0			81
82		3722	Lucas	Relating to the State Ethics Commission; ethics reform legislation	undeterminable	undeterminable		0	0		82
83		3794	Forrester	Delete provision that person 65 years and over must get a five-year driver's license; delete vision screening every five years	1,817,900			0			83
84		4092	Loftis	Property will continue to receive the four percent assessment ratio after owner dies until the estate is settled		0	0	undeterminable		0	84
85		4447	Henegan	Allow issuance of mobile barbershop permits; provide for regulation		minimal		0			85
86		4515	Danig	Allow undergraduate in-state tuition for children of members of the U.S. military who died in active duty service after Sept. 11, 2		undeterminable		0			86
87		4525	Simrill	Extend the end date of the transfer of insurance tax revenue to the S.C. Forestry Commission to 2030		0	c/	0		0	87
88		4556	Duckworth	Allow a property tax exemption for "emergency medical technician" if permanently and totally disabled		0		0			88
89		4574	Spires	Enact the "Electrology Practice Act" to provide for licensure; advisory board; conduct		minimal		(1,854,000)		0	89
90		4763	Pope	Create the Internet Crimes Against Children Fund; additional assessments imposed by courts; revise amounts		1,800,000	0	1,200,000		0	90
91		4943	Hixon	Collection and disposition of revenues from individual antlerless deer tags; changes to deer quota program		undeterminable	0	0		0	91
92		5119	Goldfinch	Income tax deduction for retirement benefits of active duty members in armed forces		0		0		0	92
93											93
94				<b>Total Net Impact of Legislation That Has Passed One Legislative Body</b>	<b>439,653,743</b>	<b>4,607,360</b>	<b>0</b>	<b>0</b>	<b>645,747</b>	<b>0</b>	<b>94</b>
95											95
96				<b>Total Net Impact of Legislation Affecting FY2014-15 to FY2017-18 Revenue Collections</b>	<b>439,728,125</b>	<b>74,793,727</b>	<b>3,555,000</b>	<b>(2,670,000)</b>	<b>(3,522,510)</b>	<b>152,320</b>	<b>96</b>

- Notes: a/ Not shown separately to avoid duplication in totals (H.4328, signed by Governor).  
b/ Not shown separately to avoid duplication in totals (H.5009, signed by Governor).  
c/ Not shown separately to avoid duplication in totals (S.973, ratified).  
d/ This bill would increase General Fund revenue by an estimated \$31,680,000. The crediting of revenue is dependent upon the establishment of lic  
e/ Not shown separately to avoid duplication in totals (H.3147, signed by Governor).  
f/ This bill could potentially reduce SC State University's debt repayment obligation to the State in principal and interest payments up to \$3,434,000

Sources: South Carolina Board of Economic Advisors; Legislative Printing and Information Technology Resources.



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**Bill Number:** S. 227 As signed by the Governor on June 7, 2016  
**Author:** Campbell  
**Subject:** Remission of Redevelopment Fees  
**Requestor:** Senate  
**RFA Analyst(s):** Shuford  
**Impact Date:** June 30, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$5,342,560)	(\$10,685,120)
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill as amended would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

This bill would decrease General Fund withholding tax revenue by \$5,342,560 in FY 2016-17 for extending the redevelopment authority allocations from January 2017 through June 2017. The extended allocations in July 2017 through December 2017 would decrease withholding tax revenue by an additional \$5,342,560 in FY 2017-18, for a total decrease in General Fund withholding revenue of \$10,685,120.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on April 26, 2016**

**State Expenditure**

The Department of Revenue indicates that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

This amendment extends the allocation of individual income tax withholdings to a redevelopment authority from January 1, 2017, until January 1, 2021. This allocation is equal to five percent of all wages paid to employees by a federal employer at a closed or realigned military installation. Pursuant to Section 12-10-88(C), redevelopment authority allocations are scheduled to sunset on January 1, 2017. In addition to extending the allocation, the amendment

specifies that redevelopment authority allocations in future fiscal years may not exceed the amount remitted in FY 2014-15.

Based on data provided by the Department of Revenue, allocations to the redevelopment authorities located at the Charleston Naval Complex, the Savannah River Site, and the Myrtle Beach Air Force Base totaled \$10,685,120 in FY 2014-15. Specifically, the Charleston Naval Complex received \$8,097,497, the Savannah River Site received \$1,925,713, and the Myrtle Beach Air Force Base received \$661,910.

Under the sunset provisions in existing law, we expect General Fund withholding tax revenue to increase beginning in January 2017. Since the amendment extends the redevelopment authority allocations to January 1, 2021, the General Fund would not realize these withholding tax increases.

Taking into account the extension of the redevelopment authority allocations past January 2017 and the limitation of these extended allocations to the amounts remitted to the authorities by the Department of Revenue in FY 2014-15, we estimate that General Fund withholding tax revenue will decrease by \$10,685,120 beginning in January 2017, the amount of the redevelopment authority allocations remitted in FY 2014-15. This revenue decrease will be realized over two fiscal years since the continuation of the allocations begins in the middle of a state fiscal year. We estimate that General Fund withholding tax revenue would decrease by \$5,342,560 in FY 2016-17 for the continued redevelopment authority allocations for January 2017 through June 2017. The continued allocations for July 2017 through December 2017 will decrease withholding tax revenue by an additional \$5,342,560 in FY 2017-18, for a total decrease in General Fund withholding tax revenue of \$10,685,120.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by the Senate Finance Sales and Income Tax Subcommittee on April 12, 2016**

**State Expenditure**

The Department of Revenue indicates that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

This amendment extends the allocation of individual income tax withholdings to a redevelopment authority from January 1, 2017, until January 1, 2027. This allocation is equal to five percent of all wages paid to employees by a federal employer at a closed or realigned military installation. Pursuant to Section 12-10-88(C), redevelopment authority allocations are scheduled to sunset on January 1, 2017. In addition to extending the allocation, the amendment specifies that redevelopment authority allocations in future fiscal years may not exceed the amount remitted in FY 2014-15.

Based on data provided by the Department of Revenue, allocations to the redevelopment authorities located at the Charleston Naval Complex, the Savannah River Site, and the Myrtle Beach Air Force Base totaled \$10,685,120 in FY 2014-15. Specifically, the Charleston Naval Complex received \$8,097,497, the Savannah River Site received \$1,925,713, and the Myrtle Beach Air Force Base received \$661,910.

Under the sunset provisions in existing law, we expect General Fund withholding tax revenue to increase beginning in January 2017. Since the amendment extends the redevelopment authority allocations to January 1, 2027, the General Fund would not realize these withholding tax increases.

Taking into account the extension of the redevelopment authority allocations past January 2017 and the limitation of these extended allocations to the amounts remitted to the authorities by the Department of Revenue in FY 2014-15, we estimate that General Fund withholding tax revenue will decrease by \$10,685,120 beginning in January 2017, the amount of the redevelopment authority allocations remitted in FY 2014-15. This revenue decrease will be realized over two fiscal years since the continuation of the allocations begins in the middle of a state fiscal year. We estimate that General Fund withholding revenue would decrease by \$5,342,560 in FY 2016-17 for the continued redevelopment authority allocations for January through June 2017. The continued allocations for July through December 2017 will decrease withholding revenue by an additional \$5,342,560 in FY 2017-18, for a total decrease in General Fund withholding revenue of \$10,685,120.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill Filed on January 13, 2015**

**State Expenditure**

The Department of Revenue indicates that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

This bill would amend Section 12-10-88(C) to extend until January 1, 2037 the allocation of individual income tax withholdings equal to five percent of all wages paid to employees by a federal employer at a closed or realigned military installation to a redevelopment authority. This section, as last amended by Act 290 of 2010, would end these redevelopment authority allocations on January 1, 2017.

In FY 2013-14, allocations to the redevelopment authorities located at the Charleston Naval Complex, the Savannah River Site, and the Myrtle Beach Air Force Base totaled \$9,786,553. Specifically, the Charleston Naval Complex received \$7,265,019, the Savannah River Site received \$1,968,344, and the Myrtle Beach Air Force Base received \$553,190. Since the redevelopment authority allocations would end January 1, 2017 under current statute, the extension to 2037 would reduce General Fund individual income tax withholding revenue by

one-half of an estimated \$11,820,000 in FY 2016-17, or \$5,910,000, and an additional \$5,910,000 in FY 2017-18 for a total revenue decrease of \$11,820,000.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** S.0427                      As signed by the Governor on June 8, 2016  
**Author:** Hutto  
**Subject:** Job tax credits  
**Requestor:** Senate  
**RFA Analyst(s):** Martin and Stein  
**Impact Date:** June 21, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$750,000)	(\$1,634,000)
Other and Federal	(\$375,000)	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill, as amended, would reduce sales and use tax revenue by an estimated \$1,125,000 in FY2016-17. Of this amount, General Fund sales and use tax would be reduced by \$750,000, the EIA fund would be reduced by \$187,500, and the Homestead Exemption Fund would be reduced by \$187,500 in FY2016-17. This bill, as amended, would also reduce General Fund income tax, bank tax, or insurance premium tax revenue by an estimated \$1,634,000 in FY2017-18, and each fiscal year thereafter.

**Explanation of Fiscal Impact**

**Explanation of Amendment (June 1, 2016) – By the House of Representatives**

**State Expenditure**

The Department of Commerce reports that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

The following is a section-by-section explanation of the bill as amended:

**Section 1.** This section would amend Section 12-6-3360(M)(13)(a) to include support activities and specialized services in the air transportation industry as full-time employees for purposes of qualifying for an annual job tax credit. These jobs would include aircraft maintenance and repair services, aircraft testing services, aircraft inspection services, fueling aircraft on a contractual or fee basis, and airport passenger screening security services. Air traffic control operators and operations would not be included in this definition. Since this industry is accounted for in the

Board of Economic Advisors' General Fund revenue estimate, any change to this industry's employment base would affect the current revenue estimates. Without this legislation, aircraft support service workers would be ineligible for the job tax credit as it seeks approval for applying a job tax credit from the Department of Revenue for each new full-time employee hired, and other economic development incentives from the Coordinating Council for Economic Development.

The aircraft support services industry has exhibited slow, and sometimes declining, growth in South Carolina. Based on the latest data from the U.S. Department of Labor, Bureau of Labor statistics there are nearly 1,500 individuals employed in 66 companies in the aircraft support services industry making an average annual salary of \$54,183 per year. The average establishment employs slightly more than 22 individuals. Employment growth in this industry has been sluggish since the end of the last national recession in 2009; however, the number of aircraft support services companies has increased over this period.

According to the Department of Revenue's annual ranking of county designations for a job tax credit, the amount of a job tax credit ranges from \$1,500 per job in a developed county to \$8,000 per job in an economically-distressed county based upon the location of the new qualified full-time job. The job tax credit may be claimed for five years beginning in year two after the creation of the job for each new full-time job created if the maximum level of new jobs is maintained. Any unused job tax credits may be carried forward for a period of fifteen years from the taxable year in which the credit is earned by the taxpayer.

Because it is difficult to estimate with certainty in which county new qualified jobs may be created, an estimated average job tax credit of \$3,800 per eligible job is used in the analysis. If the aircraft support services industry continues to expand at the current average annual pace of job growth in the state, then multiplying an estimated 30 new full-time jobs by a nonrefundable job tax credit of \$3,800 per eligible job yields a reduction in General Fund income tax, bank tax, or insurance premium tax revenue of an estimated \$114,000 in FY2017-18, and each fiscal year thereafter.

**Section 2.** This section would amend Section 12-6-3360(A) to add to the list of qualifying industries eligible for a nonrefundable job tax credit each new full-time job created in the agricultural packaging industry. According to the U.S. Department of Commerce, this industry comprises establishments primarily engaged in performing services on crops, subsequent to their harvest, with the intent of preparing them for market or further processing. These establishments provide postharvest activities, such as crop cleaning, sun drying, shelling, fumigating, curing, sorting, grading, packing, and cooling. This bill, however, expands the definition of agricultural packaging further by including all aspects of packaging to include all of the technology that is incorporated in bringing an agricultural product to market as described in Section 4 below.

**Section 3.** This section would amend Section 12-6-3360(M)(4) to include seasonal workers as full-time employees in agricultural packaging and agribusiness operations. The seasonal worker would only count as a fraction of a full-time worker based on the percentage of total hours the seasonal worker performs in the agricultural packaging or agribusiness operation in the state each year. The U.S. Department of Agriculture defines a "seasonal worker" as one that maintains

a permanent place of residence but works temporarily based upon the cycle of the agricultural harvest. This differs from a “migrant worker” as one that has no permanent place of residence but moves from agricultural operation to operation as the agricultural harvests change with the seasons. Because this bill does not make a distinction between the types of worker in the agricultural packaging industry, this could be a source of confusion in determining the eligibility of qualified workers for job tax credits.

Since this industry is accounted for in the Board of Economic Advisors’ General Fund revenue estimate, any change to this industry’s employment base would affect the current revenue estimates. Without this legislation, an agricultural packaging company would be ineligible for the job tax credit as it seeks approval for applying a job tax credit from the Department of Revenue for each new full-time employee hired, and other economic development incentives from the Coordinating Council for Economic Development.

The agricultural packaging industry has exhibited slow growth in South Carolina. This is because of the increased use of technology in the industry that has displaced many workers. Based on the latest data from the U.S. Department of Labor, Bureau of Labor statistics there are nearly 8,600 individuals employed in 382 companies in the agricultural packaging industry making an average annual salary of \$48,846 per year. The average establishment employs slightly more than 22 individuals. Each year, the agricultural packaging industry expands by an average of 18 companies creating nearly an additional 400 jobs. These jobs are geographically dispersed throughout the state including both the metropolitan areas and the state’s rural counties.

According to the Department of Revenue’s annual ranking of county designations for a job tax credit, the amount of a job tax credit ranges from \$1,500 per job in a developed county to \$8,000 per job in an economically-distressed county based upon the location of the new qualified full-time job. The job tax credit may be claimed for five years beginning in year two after the creation of the job for each new full-time job created if the maximum level of new jobs is maintained. Any unused job tax credits may be carried forward for a period of fifteen years from the taxable year in which the credit is earned by the taxpayer.

Because it is difficult to estimate with certainty in which county new qualified jobs may be created, an estimated average job tax credit of \$3,800 per eligible job is used in the analysis. If the agricultural packaging industry continues to expand at the current average annual pace of job growth, then multiplying an estimated 400 new full-time jobs by a nonrefundable job tax credit of \$3,800 per eligible job yields a reduction in General Fund income tax, bank tax, or insurance premium tax revenue of an estimated \$1,520,000 in FY2017-18, and each fiscal year thereafter.

**Section 4.** This section would further amend Section 12-6-3360(M) to define “agricultural packaging” to include the technology of enclosing or protecting or preserving agricultural products for distribution, storage, sale, and use. The definition of “packaging” is expanded to include the process of design, evaluation, and production of packages used for agricultural products. This process is further described as a coordinated system of preparing agricultural goods for transport, warehousing, logistics, sale, and end use.

**Section 5.** This section would amend Section 12-36-2120(17) to add a sales and use tax exemption to include machines used in the agricultural packaging of tangible personal property for sale. Based on the latest data from the U.S. Department of Commerce, Bureau of the Census, nearly \$125,000,000,000 of agricultural packaging equipment is manufactured annually. After adjusting the data for sales made to South Carolina agricultural packagers and applying a six percent sales and use tax rate, a reduction of sales and use tax revenue of an estimated \$1,125,000 in FY2016-17 would result. Of this amount, General Fund sales and use tax would be reduced by \$750,000, the EIA fund would be reduced by \$187,500, and the Homestead Exemption Fund would be reduced by \$187,500 in FY2016-17.

**Section 6.** This section would add Section 13-1-1780 to direct the S.C. Department of Commerce and the Coordinating Council for Economic Development to consider the economic benefits of agricultural businesses in awarding benefits for economic development projects. This section is permissive and is not expected to affect state General Fund revenue in FY2016-17.

**Section 7.** Except where specified otherwise, this act takes effect upon approval by the Governor. Section 1 applies to tax years beginning after 2015.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment (May 19, 2016) – By the House Ways & Means Committee  
State Expenditure**

The Department of Commerce reports that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

This bill, as amended, would strike all after the enacting words and insert the following:

**Section 1.** This section would amend Section 12-6-3360(M)(13)(a) to include support activities and specialized services in the air transportation industry as full-time employees for purposes of qualifying for an annual job tax credit. These jobs would include aircraft maintenance and repair services, aircraft testing services, aircraft inspection services, fueling aircraft on a contractual or fee basis, and airport passenger screening security services. Air traffic control operators and operations would not be included in this definition. Since this industry is accounted for in the Board of Economic Advisors' General Fund revenue estimate, any change to this industry's employment base would affect the current revenue estimates. Without this legislation, aircraft support service workers would be ineligible for the job tax credit as it seeks approval for applying a job tax credit from the Department of Revenue for each new full-time employee hired, and other economic development incentives from the Coordinating Council for Economic Development.

The aircraft support services industry has exhibited slow, and sometimes declining, growth in South Carolina. Based on the latest data from the U.S. Department of Labor, Bureau of Labor statistics there are nearly 1,500 individuals employed in 66 companies in the aircraft support services industry making an average annual salary of \$54,183 per year. The average establishment employs slightly more than 22 individuals. Employment growth in this industry has been sluggish since the end of the last national recession in 2009; however, the number of aircraft support services companies has increased over this period.

According to the Department of Revenue's annual ranking of county designations for a job tax credit, the amount of a job tax credit ranges from \$1,500 per job in a developed county to \$8,000 per job in an economically-distressed county based upon the location of the new qualified full-time job. The job tax credit may be claimed for five years beginning in year two after the creation of the job for each new full-time job created if the maximum level of new jobs is maintained. Any unused job tax credits may be carried forward for a period of fifteen years from the taxable year in which the credit is earned by the taxpayer.

Because it is difficult to estimate with certainty in which county new qualified jobs may be created, an estimated average job tax credit of \$3,800 per eligible job is used in the analysis. If the aircraft support services industry continues to expand at the current average annual pace of job growth in the state, then multiplying an estimated 30 new full-time jobs by a nonrefundable job tax credit of \$3,800 per eligible job yields a reduction in General Fund income tax, bank tax, or insurance premium tax revenue of an estimated \$114,000 in FY2016-17, and each fiscal year thereafter.

**Section 2.** This act takes effect upon approval by the Governor and applies to tax years beginning after 2015.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill Filed February 5, 2015**

**State Expenditure**

The Department of Commerce reports that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

The following is a section-by-section explanation of the bill.

**Section 1.** This bill would amend Section 12-6-3360(A) to add to the list of qualifying industries eligible for a nonrefundable job tax credit each new full-time job created in the agricultural packaging industry. According to the U.S. Department of Commerce, this industry comprises establishments primarily engaged in performing services on crops, subsequent to their harvest, with the intent of preparing them for market or further processing. These establishments provide

postharvest activities, such as crop cleaning, sun drying, shelling, fumigating, curing, sorting, grading, packing, and cooling. This bill, however, expands the definition of agricultural packaging further by including all aspects of packaging to include all of the technology that is incorporated in bringing an agricultural product to market as described in Section 3 below.

**Section 2.** This section would amend Section 12-6-3360(M)(4) to include seasonal workers as full-time employees in agricultural packaging and agribusiness operations. The seasonal worker would only count as a fraction of a full-time worker based on the percentage of total hours the seasonal worker performs in the agricultural packaging or agribusiness operation in the state each year. The U.S. Department of Agriculture defines a “seasonal worker” as one that maintains a permanent place of residence but works temporarily based upon the cycle of the agricultural harvest. This differs from a “migrant worker” as one that has no permanent place of residence but moves from agricultural operation to operation as the agricultural harvests change with the seasons. Because this bill does not make a distinction between the types of worker in the agricultural packaging industry, this could be a source of confusion in determining the eligibility of qualified workers for job tax credits.

Since this industry is accounted for in the Board of Economic Advisors’ General Fund revenue estimate, any change to this industry’s employment base would affect the current revenue estimates. Without this legislation, an agricultural packaging company would be ineligible for the job tax credit as it seeks approval for applying a job tax credit from the Department of Revenue for each new full-time employee hired, and other economic development incentives from the Coordinating Council for Economic Development.

The agricultural packaging industry has exhibited slow growth in South Carolina. This is because of the increased use of technology in the industry that has displaced many workers. Based on the latest data from the U.S. Department of Labor, Bureau of Labor statistics there are nearly 8,600 individuals employed in 382 companies in the agricultural packaging industry making an average annual salary of \$48,846 per year. The average establishment employs slightly more than 22 individuals. Each year, the agricultural packaging industry expands by an average of 18 companies creating nearly an additional 400 jobs. These jobs are geographically dispersed throughout the state including both the metropolitan areas and the state’s rural counties.

According to the Department of Revenue’s annual ranking of county designations for a job tax credit, the amount of a job tax credit ranges from \$1,500 per job in a developed county to \$8,000 per job in an economically-distressed county based upon the location of the new qualified full-time job. The job tax credit may be claimed for five years beginning in year two after the creation of the job for each new full-time job created if the maximum level of new jobs is maintained. Any unused job tax credits may be carried forward for a period of fifteen years from the taxable year in which the credit is earned by the taxpayer.

Because it is difficult to estimate with certainty in which county new qualified jobs may be created, an estimated average job tax credit of \$3,800 per eligible job is used in the analysis. If the agricultural packaging industry continues to expand at the current average annual pace of job growth, then multiplying an estimated 400 new full-time jobs by a nonrefundable job tax credit of \$3,800 per eligible job yields a reduction in General Fund income tax, bank tax, or insurance

premium tax revenue of an estimated \$1,520,000 in FY2016-17, and each fiscal year through FY2020-21.

**Section 3.** This section would further amend Section 12-6-3360(M) to define “agricultural packaging” to include the technology of enclosing or protecting or preserving agricultural products for distribution, storage, sale, and use. The definition of “packaging” is expanded to include the process of design, evaluation, and production of packages used for agricultural products. This process is further described as a coordinated system of preparing agricultural goods for transport, warehousing, logistics, sale, and end use.

**Section 4.** This section would amend Section 12-36-2120(17) to add a sales and use tax exemption to include machines used in the agricultural packaging of tangible personal property for sale. Based on the latest data from the U.S. Department of Commerce, Bureau of the Census, nearly \$125,000,000,000 of agricultural packaging equipment is manufactured annually. After adjusting the data for sales made to South Carolina agricultural packagers and applying a six percent sales and use tax rate, a reduction of sales and use tax revenue of an estimated \$1,125,000 in FY2015-16 would result. Of this amount, General Fund sales and use tax would be reduced by \$750,000, the EIA fund would be reduced by \$187,500, and the Homestead Exemption Fund would be reduced by \$187,500 in FY2015-16.

**Section 5.** This section would add Section 13-1-1780 to direct the S.C. Department of Commerce and the Coordinating Council for Economic Development to consider the economic benefits of agricultural businesses in awarding benefits for economic development projects. This section is permissive and is not expected to affect state General Fund revenue in FY2015-16.

**Section 6.** Except where specified otherwise, this act takes effect upon approval by the Governor.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** S. 0454 As signed by the Governor on June 8, 2016  
**Author:** Campsen  
**Subject:** Hunting and Fishing Licenses  
**Requestor:** Senate  
**RFA Analyst(s):** Wren and Stein  
**Impact Date:** July 7, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	Undetermined	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	Undetermined	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

The bill as amended would have no expenditure or revenue impact on the General Fund. The expenditure and revenue impact on Other Funds and Federal Funds is undetermined.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on May 24, 2016**

**State Expenditure**

The bill as amended expands the permit program by requiring hunters to obtain antlerless and antler restriction deer tags. In addition, the amended bill specifies how revenue from the sale of non-residential antlered deer tags and resident antler restriction individual deer tags is to be used. Section 50-11-315 is added, which requires all deer taken to be tagged and provides the penalties for altering such tags.

**Department of Natural Resources.** The department provided data for companion House Bill 4943 and indicated that the bill would have no expenditure impact on the General Fund. However, the bill would require an additional expenditure of Other Funds in order to notify the public of the changes in the tagging laws and regulations, to print additional tag sets to comply with each option, and postage for mailing out new tag sets. At this time, it is not known how the bill will affect the buyer demand for the various hunting tags. Therefore, it is not possible to estimate the expenditure required to comply with the provisions of this bill. The bill might have an impact on federal funds received by the department. The federal government matches every one dollar in state hunting fee revenue collected by the department with three federal dollars. Currently, the department receives the maximum federal allocation. The department indicates

that if revenues were to decrease due to buyer resistance to the new tag fee system, the federal allocation would be subject to reduction. Therefore, the expenditure impact of this bill is undetermined.

### **State Revenue**

This bill as amended provides that residents will receive eight date-specific individual antlerless deer tags and three unrestricted individual antlered deer tags with the purchase of a state hunting license and a big game permit. Hunters under the age of sixteen, lifetime, and gratis licensees may receive these tags upon request from the Department of Natural Resources. Residents, including persons under the age of sixteen, lifetime, and gratis licensees also may purchase two antler restriction individual antlered deer tags for five dollars per tag. Residents may also purchase additional individual antlerless deer tags at the current fee of five dollars per tag. Non-residents may purchase up to four antlered deer tags, with a fifty dollar fee for the first tag and twenty dollars for each additional tag, with a maximum number of four antlered deer tags. Non-residents may also purchase individual antlerless deer tags for ten dollars each. Eighty percent of the funds received from non-resident antlered deer tags must be used to administer the tag program, for deer management, and for research. The remaining twenty percent must be used for law enforcement. Funds received from the resident antler restriction individual antlered deer tags will be used to administer the Coyote Management Program.

The Department of Natural Resources provided data on the number of resident and non-resident antlerless deer tags issued in FY 2014-15 for House Bill 4943. Assuming non-residents purchase a similar number of antlerless deer tags in FY 2016-17, Other Funds of the department would increase by approximately \$111,000. However, some consideration must be given to buyer resistance for the new fees. Also, the department does not track the number of harvested buck. Therefore, the revenue impact of this bill is undetermined for FY 2016-17.

### **Local Expenditure**

N/A

### **Local Revenue**

N/A

### **Explanation of Bill Filed on February 12, 2015**

#### **State Expenditure**

This bill amends Section 50-9-650 by providing that a person must have immediate access and authorization to utilize deer quota tags to hunt on property with a Deer Quota Program permit. Additionally, this bill expands the permit program by requiring hunters to possess a set of individual deer tags to hunt all deer and sets the fees for these individual tags. Also, Section 50-9-920(B) is amended, which relates to the revenues derived from the sale of licenses, permits and tags and to substitute Deer Quota Program permit for Antlerless Deer Quota permit. This bill also adds Section 50-11-315, which sets the bag limit taken with individual deer tags and provides penalties associated with violations of this section. Section 50-11-320 is added, which states that all deer taken must be tagged and provides the penalties for altering such tags.

**Department of Natural Resources.** The Department estimates, based on currently available data, that expansion of the deer quota program, so as to include bucks, will increase expenditures

by \$173,732 (in restricted funds) annually for printing and mailing tags. Any increase in deer quota program license revenue would be used to offset the increased costs. This bill would have no expenditure impact on the General Fund or Federal Funds.

**State Revenue**

This bill deletes the need for individual antlerless deer tags, which are currently five dollars for both residents and nonresidents and requires hunters to purchase a set of individual deer tags. The new individual deer tags are fifteen dollars for a combined set of antlered and antlerless deer tags for in-state residents and thirty dollars for out-of-state residents. Also, the Antlerless Deer Quota Program has been expanded to include bucks and as a result, renamed the Deer Quota Program. Additionally, this bill sets bag limits on the number of all deer taken with the new individual deer tags.

The Department of Natural Resources provided data on the number of antlerless deer tags and the number of big game permits sold in FY 2014. However, since the Department does not currently track the number of harvested bucks and the big game permit provides the privilege to hunt bear and turkey in addition to deer, we do not have sufficient data to determine a revenue impact at this time.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** S. 484 As signed by the Governor on June 5, 2016  
**Author:** Shealy  
**Subject:** Elementary school food service meal requirements  
**Requestor:** Senate  
**RFA Analyst(s):** Fulmer  
**Impact Date:** August 16, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill as amended would have no expenditure impact on the General Fund, Federal Funds, or Other Funds as well as the local school districts.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on May 19, 2016**

**State Expenditure**

The amendment adds a provision exempting school fundraisers from the requirements of Section 59-10-310, which requires school provided meals meet or exceed the nutritional requirements established by the United States Department of Agriculture Food and Nutrition Service. The amendment also deletes provisions from the bill as filed that applied Section 59-10-310 to summer school and required inclusion of a la carte items on the school menu.

There is no expenditure impact on the General Fund, Federal Funds, or Other Funds to the State Department of Education or the local school districts.

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill Filed on February 25, 2015**

**State Expenditure**

The bill requires the Department of Education and local school districts to provide meals to kindergarten through twelfth grade that must meet or exceed the nutritional requirements established by the United States Department of Agriculture (USDA) Food and Nutrition Service. All a la carte items sold for student consumption must be included on school menus in addition to the regular meals.

The State Department of Education indicates that this bill may affect local school districts in several ways, some positive and some negatively. The result is unknown.

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** S. 0667 As signed by the Governor on June 10, 2016  
**Author:** Hayes  
**Subject:** Boundary clarification between N.C. and S.C.  
**Requestor:** Senate  
**RFA Analyst(s):** Jolliff, Dunbar, Fulmer, Martin, Stein, Shuford, Walling, and Wren  
**Impact Date:** June 24, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

The bill is not expected to have a material impact on General Fund, Federal Funds, or Other Funds expenditures or revenues based upon the expected small number of residences and business affected. The bill is expected to have a minimal impact to General Fund expenditures for the Commission on Higher Education that can be absorbed within current funding levels. We anticipate that the bill may have a minimal impact on General Fund expenditures for funding to local school districts for impacted students. Additionally, the bill is expected to have a minimal impact on Federal Fund and Other Fund revenues for in-state tuition allowances and motor vehicle registrations.

The bill is expected to have a minimal impact on local revenues due to changes in property taxes for real and personal property and state and federal funding for local school districts. The impacts are expected to be minimal based upon the small number of properties affected, and the exact amount will depend upon the net value of the properties moving in to and out of South Carolina.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the House of Representatives on June 1, 2016**

**State Expenditures and State Revenue**

This bill as amended addresses the legal issues regarding the re-establishment of the boundary between South Carolina and North Carolina and specifies provisions for individuals and businesses moving between the two states as a result of the boundary clarification. The boundary clarification is expected to affect three businesses, approximately forty-six residences,

and agricultural property. Of these, sixteen residences are expected to move from South Carolina to North Carolina, three are expected to move from North Carolina to South Carolina, and twenty-seven are situated on the boundary. Two business are expected to move from South Carolina to North Carolina and one is situated on the boundary.

The sections impacting state expenditures and revenues are as follows:

**Section 4.** This section would add Section 12-2-110 to specify that, for purposes of all South Carolina tax credits and other tax incentives, the definition of “new jobs” does not include any job created in South Carolina by employees whose work location is changed from North Carolina to South Carolina as a result of a change in the boundary between the two states. Also, there is no new investment created in South Carolina as a result of property that changes location from North Carolina to South Carolina as a result of a change in the boundary clarification. As the section specifically states that no new jobs or capital investment are created as a result of changing the boundary from North Carolina to South Carolina, this section is not expected to impact General Fund, Other Fund, or Federal Fund revenues.

**Section 5.** This section provides that individuals whose residency or taxpayers whose property or business location is considered to have changed from South Carolina to North Carolina solely as a result of the boundary clarification are not liable for any taxes or entitled to any refunds for periods prior to the boundary clarification date. In addition, taxpayers who sold products or services subject to South Carolina taxes to persons whose residence or location is changed as a result of the boundary clarification are not allowed a refund for any taxes paid prior to the boundary clarification. This section is not expected to impact General Fund, Other Fund, or Federal Fund revenues.

**Section 6.** This section authorizes the Department of Revenue to compromise taxes that result in taxation in both South Carolina and North Carolina solely because of the boundary clarification. This section will not impact General Fund, Other Fund, or Federal Fund revenues since the department currently has this authority pursuant to Section 12-4-320.

**Section 7.** This section directs that residency changes and business property changes from North Carolina to South Carolina or from South Carolina to North Carolina as a result of the boundary clarification must be treated as though the individual moved to or from South Carolina on January 1, 2017, for income tax purposes. This provides for the administrative date of the change and has no impact on General Fund, Other Fund, or Federal Fund revenues.

**Section 8.** This section would add Section 12-21-820 to provide if a South Carolina taxpayer that sells cigarettes and tobacco products becomes a North Carolina taxpayer as a result of the boundary clarification and possesses tax-paid cigarettes and tobacco products in inventory, then the retailer is entitled to a refund of South Carolina taxes paid. The wholesaler of South Carolina tax-paid cigarettes is not entitled to a refund as the result of the boundary clarification. This section is expected to apply to one business, a gas station, previously in South Carolina that is now in North Carolina. Tax revenue from this business will no longer be attributable to South Carolina. However, given that only one business will be impacted, this section is not expected to have a material impact on General Fund or Other Funds revenue.

**Section 9.** This section provides that if property changes locations from North Carolina to South Carolina as a result of the boundary clarification and a deed is filed in South Carolina, no state or county deed recording fees may be charged. Since deed recording fees may not be charged for properties affected by the boundary clarification, this section of the bill will have no impact on General Fund, Federal Fund, or Other Funds revenue.

**Section 10.** This section would add Section 12-28-350 to provide if a South Carolina retailer that sells motor fuel whose business location changes from South Carolina to North Carolina as a result of the boundary clarification is allowed a refund of South Carolina motor fuel taxes or user fees if North Carolina requires the retailer to pay the North Carolina motor fuel or user fees on that same fuel. This section is expected to apply to one business, a gas station, previously in South Carolina that is now in North Carolina. Tax revenue from this business will no longer be attributable to South Carolina. However, given that only one business will be impacted, this section is not expected to have a material impact on General Fund or Other Funds revenue.

**Section 11.** This section would add Section 12-36-2695 to require any business that collects and pays sales and use taxes or admissions taxes whose business changes from North Carolina to South Carolina as a result of the boundary clarification to obtain a South Carolina retail license or admission tax license for that location before January 1, 2017, and begin collecting and paying SC sales and use taxes or admissions taxes. This section is expected to apply to one business, a gas station, previously in South Carolina that is now in North Carolina. North Carolina will allow this business to continue sales of alcohol and fireworks so long as it does not change ownership, but any tax revenue will no longer be attributable to South Carolina. However, given that only one business will be impacted, this section is not expected to have a material impact on General Fund revenue.

**Section 13.** This section specifies that individuals and businesses whose residency transfers to South Carolina must register any vehicles and pay personal property taxes. The section also makes provisions for providing refunds on personal property taxes for persons whose residency or business location changes to North Carolina on a pro-rated basis. The impact on motor vehicles registration fees will depend upon the number of vehicles that move into or out of South Carolina. Based upon the small number of properties affected, we anticipate that the impact on Other Fund revenue will be minimal.

**Section 18.** This section requires the Department of Health and Environmental Control (DHEC) to provide a facility previously located in North Carolina that now will be within DHEC's jurisdiction with a reasonable time to comply with South Carolina laws, rules, and regulations. The Department of Health and Environmental Control reports that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Section 19.** This section allows Medicaid service providers outside South Carolina in adjacent areas within twenty-five miles of the border to continue to provide medically necessary services after January 1, 2017, to South Carolina Medicaid recipients. This would not impact General Fund, Other Fund, or Federal Fund expenditures or revenues.

**Section 21.** This section allows individuals whose residence is determined to be located in North Carolina to enroll their children residing with them in the South Carolina district in which the property was previously believed to be located as long as the family maintains residence on that same property. The State Department of Education indicates there is no expenditure impact to the department. Based upon the expected small number of residences impacted, we anticipate that this section may have a minimal impact on General Fund expenditures for funding to school districts for the affected students.

**Section 22.** This section directs public institutions of higher education in South Carolina to provide up to ten years of in-state tuition pricing for any resident and their dependents residing on South Carolina property affected by the boundary clarification and continuing to reside on that property. Additionally, this section directs the institutions to provide up to two years of in-state tuition pricing for North Carolina residents and their dependents affected by the boundary changes without satisfying the twelve-month residency requirement. The two-year period can be extended if the resident shows intent of establishing permanent domicile in South Carolina. The Commission on Higher Education reports this would have minimal impact to General Fund expenditures that could be absorbed with the current level of funding. Based upon the expected small number of residences impacted, we anticipate that this section may have a minimal impact on Other Funds and Federal Funds revenue for in-state tuition allowances.

#### **Local Expenditures and Revenues**

The sections impacting local expenditures and revenues are as follows:

**Section 9.** This section provides that if property changes locations from North Carolina to South Carolina as a result of the boundary clarification and a deed is filed in South Carolina, no state or county deed recording fees may be charged. There would be no revenue impact on county governments that are affected by the boundary clarification.

**Section 12.** This section outlines the valuation of real property for inclusion on property tax rolls, exempts agricultural property moving between states from roll-back taxes, and specifies that taxpayers must apply for any applicable tax exemptions. The impact on local property tax revenue is undeterminable. Revenue may increase or decrease depending upon the net value of the property moving between states. The impact is, however, expected to be minimal based upon the small number of properties affected.

**Section 13.** This section specifies that individuals and businesses whose residency transfers to South Carolina must register any vehicles and pay personal property taxes. The section also makes provisions for providing refunds on personal property taxes for persons whose residency or business location changes to North Carolina on a pro-rated basis. The impact on local property tax revenue is undeterminable and may increase or decrease depending upon the value of the personal property that moves between states and any refunds due. The impact, however, is expected to be minimal based upon the small number of properties affected.

**Section 14.** This section allows a person impacted by the boundary clarification who is now required to register a personal motor vehicle in South Carolina to receive a property tax rebate from the county for the difference in the property taxes paid if the taxes would have been less in

North Carolina. The individual may receive the rebate for two years. The impact on local property tax revenues will depend on the number of motor vehicles impacted by the boundary clarification. However, we anticipate that the impact will be minimal based upon the small number of properties affected.

**Section 15.** This section changes the lien date for nonbusiness personal property, other than motor vehicles, affected by the boundary clarification to January 1, 2017, for 2017 only. This changes is not expected to impact local expenditures or revenues.

**Section 17.** This section provides that the registers of deeds or the clerks of courts in the affected counties shall file the Notice of State Boundary Clarification in the record for all affected lands. The notice must be properly indexed, including the correct order of indexing, in the same manner as any instrument conveying or encumbering real property. Additionally, the registers of deeds or clerks of courts must inform attorneys and others using their offices of the requirements of this section. The information may be provided by clerks and registers by those means that they would normally utilize to provide general notices to users of their services such as postings on their web pages. The Revenue and Fiscal Affairs Office contacted the affected counties (Cherokee, Chesterfield, Dillon, Greenville, Horry, Lancaster, Marlboro, Oconee, Pickens, Spartanburg, and York) regarding the expenditure impact of this section of the bill and received no responses. Although no responses were received, any notices and requirements for county clerks and registers resulting from this bill can be placed on county websites. Therefore, this section is not expected to impact local expenditures.

**Section 21.** This section allows individuals whose residence is determined to be located in North Carolina to enroll their children residing with them in the South Carolina district in which the property was previously believed to be located as long as the family maintains residence on that same property. The local school district affected would be able to claim the student attending school and receive applicable state and federal funding. This section may have a minimal impact on local revenue as a result of a change in state and federal funds for the affected students.



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Frank A. Rainwater, Executive Director



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**Bill Number:** S. 0932 As signed by the Governor on June 3, 2016  
**Author:** Bennett  
**Subject:** Property tax assessment ratios  
**Requestor:** Senate  
**RFA Analyst(s):** Jolliff  
**Impact Date:** June 7, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	(\$215,000)	\$0

**Fiscal Impact Summary**

This bill is not expected to impact local expenditures. The bill is expected to reduce local property tax revenue in FY 2016-17 by \$215,000 for refunds issued for tax years 2014 and 2015.

**Explanation of Fiscal Impact**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

This bill amends Section 12-43-220(c)(2)(v)(C)(3) by changing the date of application for the special assessment ratio on residential properties owned by a member of the Armed Forces of the United States from May fifteenth of each year to the first penalty date of the year for which the taxes are due. This subitem allows a member of the Armed Forces of the United States to claim the special four percent assessment ratio on two properties when the member receives orders for a permanent change of duty station so long as the member attempts to sell the first acquired residence within thirty days of acquiring the second residence. The owner may claim the special assessment on both residences for two property tax years. The bill changes the application date for the special assessment ratio in this section to match the application date for all other owner occupied property. Additionally, taxpayers who missed the application deadline for tax year 2014 or 2015 will receive refunds so long as they make application by January 15, 2017. Based upon the limited number of refunds anticipated and since the new application date will

correspond to the application date for all owner occupied property, we do not anticipate that this bill will have a significant impact on local expenditures.

### **Local Revenue**

This bill amends Section 12-43-220(c)(2)(v)(C)(3) by changing the date of application for the special assessment ratio on owner occupied property owned by a member of the Armed Forces of the United States from May fifteenth of each year to the first penalty date of the year for which the taxes are due. This subitem allows a member of the Armed Forces of the United States to claim the special four percent assessment ratio on two properties when the member receives orders for a permanent change of duty station so long as the member attempts to sell the first acquired residence within thirty days of acquiring the second residence. The owner may claim the special assessment on both residences for two property tax years. Based upon the limited scope of this section, we do not anticipate that changing the date by which the owner must apply for the special ratio from May fifteenth to the first penalty date will have a significant impact on local property tax revenue.

The bill would also allow service members who qualified for the special assessment ratio to apply for a refund for tax year 2014 or 2015 if the taxpayer was denied the special assessment ratio because application was made after the May fifteenth deadline. Subitem B allows an active duty member of the Armed Forces of the United States to retain the special four percent assessment ratio when the member is either permanently or temporarily relocated regardless of any rental income attributable to the property. Based upon our analysis of H. 3027 of 2014, the bill that enacted this section, we estimated that approximately 428 service members would qualify for this provision and that it may reduce local property tax revenue by \$357,000 for tax year 2014 for the reduction in the assessment ratio from six to four percent. The section was enacted in March 2014. If fifty percent of the service members who qualified for this provision applied after the May fifteenth penalty date for tax year 2014, the total estimated local property tax refund for tax year 2014 would be approximately \$179,000. Subsequently, if approximately ten percent of qualifying members failed to apply by the deadline for tax year 2015, this would amount to a refund of approximately \$36,000 for tax year 2015. Adding the two tax year refunds together, the bill would reduce local property tax revenue by approximately \$215,000 in FY 2016-17 when the refunds are issued.



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**Bill Number:** S.0973 Governor’s veto overridden on June 15, 2016  
**Author:** Cromer  
**Subject:** Insurance Premium Tax  
**Requestor:** House Ways and Means  
**RFA Analyst(s):** Martin  
**Impact Date:** June 18, 2016

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**Estimate of Fiscal Impact**

	<b>FY 2016-17</b>	<b>FY 2017-18</b>
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	(\$3,555,000)
Other and Federal	\$0	\$3,555,000
<b>Local Expenditure</b>	N/A	N/A
<b>Local Revenue</b>	N/A	N/A

**Fiscal Impact Summary**

This bill, as amended, is not expected to affect General Fund insurance premium tax revenue in FY2016-17, but is expected to reduce General Fund insurance premium tax revenue by an estimated \$3,555,000 in FY2017-18. This bill, as amended, is expected to increase Other Fund revenue by an estimated \$3,555,000 in FY2017-18. This bill, as amended, would not affect Federal Fund revenue.

**Explanation of Fiscal Impact**

**Explanation of Amendment (May 19, 2016) – By the House Ways & Means Committee**

This amendment would strike the bill in its entirety and insert the language from H.4525.

**State Expenditure**

This bill, as amended, would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the appropriate accounts as specified in the bill. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

**State Revenue**

**Section 1.** Currently, pursuant to Act 155 of 2013, Section 38-7-20(B) permits the transfer of two and one-quarter percent of General Fund insurance premium tax revenue to the South Carolina Forestry Commission. The transferred funds are used by the Forestry Commission for

firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue remains in the General Fund. Additionally, this transfer does not affect the amount of revenue to be allocated to local fire departments.

Since the passage of Act 155 of 2013, the Board of Economic Advisors (BEA) has recognized the transfer of a portion of General Fund insurance premium tax revenue to the S.C. Forestry Commission in its official General Fund revenue forecast each year. The transfer will amount to an estimated \$3,304,679 in FY2016-17. This revenue transfer is scheduled to cease July 1, 2017, at which time, the BEA will no longer set aside insurance premium tax revenue to be transferred to the South Carolina Forestry Commission after FY2016-17.

This bill, as amended, would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2030. The current transfer of revenues would remain in effect for an additional thirteen fiscal years through June 30, 2030. The transfer of two and one-quarter percent of insurance premium taxes will still occur; however, the allocation of the revenue has been amended as follows:

- One percent must be transferred to the South Carolina Forestry Commission and used for firefighting and firefighting equipment replacement
- One percent must be transferred to the aid to fire districts account within the State Treasury and distributed for firefighting equipment replacement in the same manner as described in Section 23-9-410
- One-quarter of one percent must be transferred to the aid to emergency medical services regional councils within the Department of Health and Environmental Control and used for grants to fund emergency medical technician and paramedic training
- The remaining insurance premium taxes collected must be deposited in the state general fund.

Because the provisions of the amended bill first apply to the transfer of insurance premium tax revenue in FY2017-18, the transfer will amount to an estimated \$3,555,000 in FY2017-18. Based on the allocation schedule above, the South Carolina Forestry Commission would receive an estimated \$1,580,000, the aid to fire districts account would receive an estimated \$1,580,000, and the aid to emergency medical services regional councils account would receive an estimated \$395,000 in FY2017-18. Since the BEA had planned for the transfer of insurance premium tax revenue to cease after June 30, 2017, this amended bill would cause a reduction in General Fund insurance premium tax revenue of an estimated \$3,555,000 in FY2017-18. There would also be a concomitant increase of \$3,555,000 in Other Fund revenue in FY2017-18.

**Section 2.** This act takes effect on July 1, 2017, and first applies to Fiscal Year 2017-2018.

**Explanation of Updated Bill (May 17, 2016) – House Ways & Means Committee  
State Expenditure**

This bill, as updated, would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the appropriate accounts as specified in the bill. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

#### **State Revenue**

**Section 1.** Currently, pursuant to Act 155 of 2013, Section 38-7-20(B) permits the transfer of two and one-quarter percent of General Fund insurance premium tax revenue to the South Carolina Forestry Commission. The transferred funds are used by the Forestry Commission for firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue remains in the General Fund. Additionally, this transfer does not affect the amount of revenue to be allocated to local fire departments.

Since the passage of Act 155 of 2013, the Board of Economic Advisors (BEA) has recognized the transfer of a portion of General Fund insurance premium tax revenue to the S.C. Forestry Commission in its official General Fund revenue forecast each year. The transfer will amount to an estimated \$3,304,679 in FY2016-17. This revenue transfer is scheduled to cease July 1, 2017, at which time, the BEA will no longer set aside insurance premium tax revenue to be transferred to the South Carolina Forestry Commission after FY2016-17.

This bill, as updated, would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2022. The current transfer of revenues would remain in effect for an additional five fiscal years through June 30, 2022. The transfer of two and one-quarter percent of insurance premium taxes will still occur; however, because the provisions of the amended bill first apply to the transfer of insurance premium tax revenue in FY2017-18, the transfer will amount to an estimated \$3,555,000 in FY2017-18. Since the BEA had planned for the transfer of insurance premium tax revenue to cease after June 30, 2017, this amended bill would cause a reduction in General Fund insurance premium tax revenue of an estimated \$3,555,000 in FY2017-18. There would also be a concomitant increase of \$3,555,000 in Other Fund revenue in FY2017-18.

**Section 2.** This act takes effect upon approval by the Governor.

#### **Local Expenditure**

N/A

#### **Local Revenue**

N/A

#### **Explanation of Amendment (February 4, 2016) – By the Senate**

##### **State Expenditure**

This bill would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the South Carolina Forestry Commission pursuant to Act 155 of 2013. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

**State Revenue**

This bill, as amended, would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2022. The current transfer of revenues would remain in effect for an additional five fiscal years through June 30, 2022.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill Filed January 13, 2016****State Expenditure**

This bill would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the South Carolina Forestry Commission pursuant to Act 155 of 2013. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

**State Revenue**

Currently, pursuant to Act 155 of 2013, Section 38-7-20(B) permits the transfer of two and one-quarter percent of General Fund insurance premium tax revenue to the South Carolina Forestry Commission. The transferred funds are used by the Forestry Commission for firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue remains in the General Fund. Additionally, this transfer does not affect the amount of revenue to be allocated to local fire departments.

Since the passage of Act 155 of 2013, the Board of Economic Advisors (BEA) has recognized the transfer of a portion of General Fund insurance premium tax revenue to the S.C. Forestry Commission in its official General Fund revenue forecast each year. The transfer will amount to an estimated \$3,304,679 in FY2016-17. This revenue transfer is scheduled to cease July 1, 2017. This bill would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2027. The current transfer of revenues would remain in effect for an additional ten fiscal years through June 30, 2027. Since the BEA has already incorporated the revenue transfer into its revenue estimate and will continue to do so in the future, this bill would not affect the BEA's General Fund insurance premium tax revenue forecast in future fiscal years,

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** S. 1036 As signed by the Governor on June 3, 2016  
**Author:** Cleary  
**Subject:** State Board of Dentistry  
**Requestor:** Senate  
**RFA Analyst(s):** Wren and Stein  
**Impact Date:** June 7, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	Undetermined	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	Undetermined	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill would have no expenditure impact on the General Fund or Federal Funds. This bill would increase Other Fund expenditures by the Department of Labor, Licensing and Regulation’s State Board of Dentistry; however, new Other Fund license fees authorized by this bill would be used to offset those expenditures. The increase in Other Fund expenditures will depend upon the fee amounts set by regulation and is therefore undetermined.

This bill authorizes a new category of restricted dental auxiliary instructor’s license and authorizes fees to be set by regulation. This bill would increase Other Fund revenues collected and retained by the Department of Labor, Licensing and Regulation. As the fee has not yet been established or approved, the amount of revenue that would be collected is undetermined at this time.

**Explanation of Fiscal Impact**

**State Expenditure**

This bill adds Section 40-15-176 authorizing the State Board of Dentistry to issue a new restricted dental auxiliary instructor’s license to dentists who meet certain specified criteria and to charge fees set by regulation. The bill provides additional criteria by which a dentist may qualify to receive a restricted dental instructor’s license and authorizes biennial renewal rather than annual renewal of these two instructor’s licenses.

The Department of Labor, Licensing and Regulation reports that this bill would have no expenditure impact on the General Fund or Federal Funds. The expenditure impact on Other Funds is expected to be minimal and would be offset by the new fees authorized in the bill. The total Other Fund expenditure increase will depend upon the fee amount to be set by regulation and is therefore undetermined.

**State Revenue**

This bill adds Section 40-15-176, which authorizes the State Board of Dentistry to issue a restricted dental auxiliary instructor's license which must be renewed biennially in accordance with the fee schedule established by the Board of Dentistry in regulation. This bill also amends Section 40-15-175, which states that restricted dental instructor's licenses must be renewed biennially instead of annually.

The State Board of Dentistry does not have sufficient data to determine the number of restricted dental auxiliary instructor's licenses that may be issued as a result of this bill. Additionally, since this bill creates a new license, the fees have not been set in regulation. Therefore, the revenue impact of Section 40-15-176 is undetermined. Any revenue generated from this new license would be allocated to the State Board of Dentistry.

Based on data from the State Board of Dentistry, there were 16 active dental restricted instructor's licenses in FY 2014-15. Renewal fees of \$4,480 for this license were collected by the State Board of Dentistry in FY 2014-15. Under the proposed bill all licenses in this category will renew biennially with an expiration date of March 1 in odd-numbered years. Therefore, the State Board of Dentistry would experience a decline of \$4,480 in revenues in FY 2016-17 and in every odd-numbered fiscal year thereafter. But the shortfall would be reversed in the following even-numbered year.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** S. 1049 As signed by the Governor on April 21, 2016  
**Author:** Massey  
**Subject:** Marketing Cooperative Associations  
**Requestor:** Senate  
**RFA Analyst(s):** Kokolis and Wren  
**Impact Date:** May 19, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	Undetermined	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill as amended would have no expenditure impact on the General Fund, Federal Funds, or Other Funds. This bill as amended would have no revenue impact on the General Fund or Federal Funds. The revenue impact on Other Funds is undetermined.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on February 18, 2016**

**State Expenditure**

This bill as amended makes a minor wording change for clarification to Section 33-47-1160. The expenditure impact of the bill as amended is unchanged from the bill as filed on February 2, 2016.

**State Revenue**

This bill as amended makes a minor wording change for clarification to Section 33-47-1160. The revenue impact of the bill as amended is unchanged from the bill as filed on February 2, 2016.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill Filed on February 2, 2016**

**State Expenditure**

This bill adds Section 33-47-1160, which allows a marketing cooperative association whose term has expired to apply to the Secretary of State for reinstatement within two years after the effective date of the expiration. The application for reinstatement must include the name of the association, the effective date of expiration, and include revised articles of incorporation. If the Secretary of State determines the application contains the required information, the expiration must be canceled and a certificate of reinstatement must be issued.

**Secretary of State.** The agency indicates that any expenditures associated with this bill can be absorbed within current appropriations.

**State Revenue**

This bill would allow the Secretary of State to reinstate a marketing cooperative association whose term has expired within a two-year period, as long as the required documentation is received.

The Secretary of State's Office indicates that marketing cooperative association filings are included with other business filings in their database. Therefore, they are not able to distinguish how many businesses are registered as marketing cooperative associations. Per the agency, any marketing cooperative association applying for reinstatement must pay a ten-dollar fee for filing articles of incorporation pursuant to Section 33-47-260. Since the agency is unable to determine the number of marketing associations that may be affected by this bill, the revenue impact is undetermined for FY 2016-17.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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**Bill Number:** S. 1111 As signed by the Governor on June 3, 2016  
**Author:** Peeler  
**Subject:** License Plates  
**Requestor:** Senate  
**RFA Analyst(s):** Williams and Kokolis  
**Impact Date:** July 18, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$2,765	\$5,530
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$76,160	\$152,320

**Fiscal Impact Summary**

This bill would increase the State’s General Fund by \$2,765 in FY 2016-17 and by \$5,530 in FY 2017-18 and increase revenue allocated to certain county jurisdictions by \$76,160 in FY 2016-17 and by \$152,320 in FY 2017-18. This bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Explanation of Fiscal Impact**

**State Expenditure**

**The Department of Revenue.** The department indicates that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**The Department of Motor Vehicles.** The department indicates that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds. This bill would not change the way the department currently issues permits.

**State Revenue**

This bill requires the annual fee to register a manufacturer license plate be computed by using the average price of the vehicle manufacturer’s fleet times the property tax rates times the average millage for all purposes statewide for the preceding calendar year. This amount is set at \$789 for calendar years 2017 and 2018. This rate reflects an absolute dollar amount increase of \$35 from the current fee of \$754 set in Act 321 of 2014. Registration fees for state residents participating in the employee benefit program remains at \$20 with the remaining \$769 allocated to the county in which the employee assigned the vehicle resides. For those program vehicles registered to nonresident employees, the entire fee of \$789 must be credited to the State’s General Fund.

Multiplying \$35, the increase in the annual fee for 2017, by 158, the number of out-of-state vehicles, results in a revenue increase of \$5,530 for a full fiscal year. Since the annual fee increases in calendar year 2017, the revenue impact for FY 2016-17 is one-half of the revenue impact for FY 2017-18. In future odd-numbered years, the Department of Revenue will determine the annual registration fee, which will be effective for the next two calendar years.

**Local Expenditure**

N/A

**Local Revenue**

Registration fees allocated to local governments increase from the current \$734 per year to \$769 per year. Multiplying \$35, the increase in the annual fee for 2017, by 4,352, the number of in-state vehicles, results in a revenue increase of \$152,320 for a full fiscal year. Since the annual fee increases in calendar year 2017, the revenue impact for FY 2016-17 is one-half of the revenue impact for FY 2017-18.



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**Bill Number:** S. 1122 As signed by the Governor on June 6, 2016  
**Author:** Rankin  
**Subject:** Local Option Tourism Fee  
**Requestor:** Senate  
**RFA Analyst(s):** Dunbar and Wren  
**Impact Date:** July 5, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$371,850)	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	(\$7,253)	\$0

**Fiscal Impact Summary**

This bill would have no expenditure impact to the General Fund, Federal Funds, or Other Funds. The bill as amended is expected to reduce General Fund revenue by \$371,850 from allowing an income tax credit for purchasing or installing an alternative fueling station. Motor carrier property tax revenue would be reduced by \$7,253 from reducing the gross capitalized cost of alternative fueled vehicles by thirty percent. In sum, the bill as amended would reduce General Fund revenue by \$371,850 and local revenue by \$7,253 in FY 2016-17.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the House of Representatives on June 1, 2016**

**State Expenditure**

N/A

**State Revenue**

Section 1 of the amended bill adds liquefied natural gas to the definition of alternative fuel and also adds alternative fuel to the definition of motor fuel. The Department of Revenue reports that liquefied natural gas is currently taxed at the motor fuel user fee rate of \$0.1675 at the equivalent diesel gallon rate. Therefore, this section would have no impact on the General Fund, Federal Funds, or Other Funds.

This amendment also allows an income tax credit equal to twenty-five percent of the cost to the taxpayer of purchasing, constructing, and installing property that is used for distributing,

dispensing, or storing alternative fuel. The credit may be taken in three annual installments beginning with the taxable year in which the property is placed in service. Based upon the most recent information from the U.S. Department of Energy's Alternative Fuels Data Center, there are currently fifty-six alternative fuel dispensing stations in South Carolina. Based upon data from the U.S. Department of Energy and the Natural Gas Vehicles for America Organization, the average cost of an alternative fuel station is \$1,005,000. Applying the expected growth rate of alternative fuel vehicles in South Carolina to the number of alternative fueling stations would result in an additional six fueling stations at a total estimated cost of \$6,030,000 in FY 2016-17. The unused portion of any unexpired credit may be carried forward for no more than ten succeeding taxable years. Any state agency or instrumentality, authority, or political subdivision, including municipalities may transfer any applicable credit. Based on the corporate income tax credit data from the Department of Revenue's FY 2013-14 Annual Report, we estimate that seventy-four percent of the earned credits will be used, with the remaining twenty-six percent carried forward. The corresponding reduction in income tax revenue from the twenty-five percent tax credit and the three-year installment requirement would be \$371,850 in FY 2016-17.

#### **Local Expenditure**

N/A

#### **Local Revenue**

Section 2 of the amended bill amends the definition of gross capitalized cost so that the valuation basis of a motor vehicle fueled wholly or partially by natural gas or propane is comparable to that of a diesel or gasoline powered vehicle. The gross capitalized cost of a motor vehicle fueled wholly or partially with natural gas or propane is reduced by a dollar amount not to exceed thirty percent of its original value. The amendment applies only to vehicles acquired after 2015 and before 2026. Based upon collections from the South Carolina Department of Revenue, the total estimated motor carrier property tax revenue is \$21,394,000 for FY 2016-17. This estimate reflects flat growth in assessed value for motor carrier property and our anticipation that fleet replacement is slowing compared to recent years. Based upon flat growth in vehicle value and assuming that the value of the existing fleet declines by ten percent for the annual depreciation allowance, ten percent of the estimated revenue, or \$2,139,400, is for fleet replacement. Based upon data from the U.S. Department of Energy, 1.13 percent of motor carriers over 26,000 pounds are powered by alternative fuel. Multiplying the estimated \$2,139,400 revenue for new vehicles by 1.13 percent yields an estimated \$24,175 in motor carrier property tax revenue due to new alternative vehicles for FY 2016-17. Reducing the valuation basis of these vehicles by thirty percent would result in a \$7,253 reduction in motor carrier local property tax revenue in FY 2016-17

#### **Explanation of Amendment by the House Ways and Means Licenses, Fees, Insurance Tax and Other Charges Subcommittee on May 3, 2016**

##### **State Expenditure**

N/A

##### **State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

The bill as amended makes changes to Section 4-10-930(A), which states the provisions for imposing a local option tourism development fee. Currently, Subsection 1 allows for an ordinance adopted by a supermajority of the municipal council, which must be at least two-thirds of the members of a municipal council. Subsection 2 allows for imposition by a referendum called by a majority of the members of the municipal council and requires approval of a majority of qualified electors. The amendment deletes the first provision in Subsection 1 as stated above.

Also, the bill adds Section 4-10-980, which provides that the local option tourism development fee may be renewed and imposed within a municipality in the same manner as authorized for the initial imposition of the fee. Any reimposition of the fee is effective immediately upon the termination of the fee previously imposed. The impact of this section as detailed below is unchanged from the bill as filed on February 25, 2016.

The tourism development tax may only be imposed by a municipality located in a county where revenue from the state accommodations tax is at least \$14 million in a fiscal year. Based upon the Department of Revenue's Information letter #16-3, currently only Horry County meets this criteria. Therefore, only municipalities in Horry County may impose this tax and Myrtle Beach is the only municipality that imposes the local option tourism development fee. The bill provides for the method by which a qualifying municipality may impose or reimpose an existing fee. However, this will be dependent upon the outcome of the required referendum. Due to the permissive nature of the bill as amended, the local revenue impact is undetermined.

**Explanation of Bill Filed on February 25, 2016****State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

This bill adds Section 4-10-980, which states that the local option tourism development fee may be renewed and imposed within a municipality in the same manner as authorized for the initial imposition of the fee. Any reimposition of the fee is effective immediately upon the termination of the fee previously imposed.

The tourism development tax may only be imposed by a municipality located in a county where revenue from the state accommodations tax is at least \$14 million in a fiscal year. Based upon the Department of Revenue's Information letter #16-3, currently only Horry County meets this

criteria. Therefore, only municipalities in Horry County may impose this tax and Myrtle Beach is the only municipality that imposes the local option tourism development fee. The bill provides for the method by which a qualifying municipality may reimpose an existing fee. Upon expiration, the bill would allow for Myrtle Beach to reimpose the fee. However, this will be dependent upon the outcome of the required referendum. Due to the permissive nature of this bill, the local revenue impact is undetermined.



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**Bill Number:** S. 1166      As signed by the Governor on June 7, 2016  
**Author:** Leatherman  
**Subject:** SC State University  
**Requestor:** Senate  
**RFA Analyst(s):** Walling, Kokolis, and Shuford  
**Impact Date:** August 3, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	See Below	See Below
Other and Federal	See Below	See Below
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	See Below	See Below
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill potentially reduces South Carolina State University’s current outstanding debt service obligations of \$12,000,000 if SCSU obtains SACS accreditation for the FY 2016-17 school year and meets other benchmarks in subsequent years. Simultaneously, this bill potentially reduces revenue to the State, by the same \$12,000,000, for the debt repayment obligations relieved pursuant to this bill. Additionally, this bill would reduce General Fund expenditures by \$1,462,290 and Other Fund expenditures by \$937,710 each year beginning FY 2016-17 and ending FY 2021-22 if South Carolina State University institutes a twenty day mandatory employee furlough program. South Carolina State University is also responsible for expenditures up to \$150,000 in FY 2016-17 for the cost of a third party accounting consultant.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on May 31, 2016**

**State Expenditure**

This bill as amended outlines the loan repayment agreement and repayment schedule for two loans provided to South Carolina State University (SCSU). The first of which is the \$12,000,000 loan provided pursuant to Proviso 19.2, Part 1B, of Act 286 of 2014. The second loan referenced was to the university pursuant to April 30, 2014 Budget and Control Board loan in the amount of \$6,000,000. The loan of \$12,000,000 will be forgiven at a rate of \$8,000,000 in FY 2016-17, \$2,000,000 in FY 2017-18, and \$2,000,000 in FY 2018-19 provided the university receives and maintains accreditation from the Southern Association of Colleges and Schools (SACS) and meets certain benchmarks for each subsequent fiscal year until the loan is fully forgiven. Additionally, the loan agreement includes a provision for the South Carolina State Auditor to

review the financial structure and activities of SCSU. Upon the completion of this review, the State Auditor must submit a report of finding and recommendations to designated authorities by December 30, 2016. The bill requires the Executive Director of the State Fiscal Accountability Authority (SFAA) to hire a third-party accounting consultant to assist SCSU, SFAA, and the State Auditor with their responsibilities for evaluating and promoting the financial integrity of SCSU. The cost of this consultant must not exceed \$150,000 in FY 2016-17 and must be paid by SCSU. SCSU in consultation with the South Carolina Commission on Higher Education (CHE) must develop a quarterly report showing the university's status of fiscal affairs and enrollment growth based on reasonable metrics and benchmarks and provide the report to legislative committees. CHE must certify SCSU has met and maintained required benchmarks to designated authorities by November 1 of each year.

The remaining debt incurred by SCSU pursuant to the April 30, 2014 loan from the Budget and Control Board must be repaid at a rate of \$355,036 annually. The bill as amended authorizes SCSU to reprogram FY 2016-17 appropriations in order to attain accreditation status from SACS. SCSU must notify the designated authorities of any reprogramming.

The amended bill extends SCSU's authority to institute mandatory employee furlough program of twenty days or less each fiscal year, provided furloughs are implemented according to specified requirements. This authority is extended through FY 2021-22.

**South Carolina State University.** SCSU confirmed this bill may reduce the university's current outstanding debt obligations referenced in Section 1 by a total of \$12,000,000. The April 30, 2014 loan provided by the Budget and Control Board remains in effect and must be repaid at its current rate of \$355,036 annually.

Furthermore, the university indicates this bill will result in a savings of \$120,000 per day of a mandatory employee furlough. These savings would decrease General Fund expenditures by \$72,000 and Other Fund expenditures by \$48,000 for each day a furlough is instituted. The furlough will allow the university to reduce General Fund and Other Fund personnel expenditures by a maximum of \$1,462,290 and \$937,710 per year, respectively, for a total of \$2,400,000 if the furlough is implemented for the maximum twenty days. SCSU is also responsible for the cost of the third party accounting consultant, up to a maximum of \$150,000 in FY 2016-17.

**South Carolina Office of the State Auditor.** The office indicates this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Fiscal Accountability Authority.** The authority indicates this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**South Carolina Commission on Higher Education.** The commission indicates this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

### **State Revenue**

This bill will reduce SCSU's debt repayment obligations to the State for the \$12,000,000 loan provided pursuant to Proviso 19.2, Part 1B, of Act 286 of 2014 if SCSU obtains SACS accreditation for the FY 2016-17 school year and meets other benchmarks.

### **Local Expenditure and Revenue**

N/A

### **Explanation of Bill as Filed by Senate Finance on March 10, 2016**

#### **State Expenditure**

This bill relieves \$1,000,000 of South Carolina State University's (SCSU) outstanding debt for each year the university operates without an operating budget deficit. In years in which loan principal is forgiven, the next year's installment payment shall be proportionately reduced. The new payment amount will be calculated by the Executive Budget Office and provided to SCSU on or before July 30<sup>th</sup> each year. Additionally, this bill allows the institution to implement a mandatory employee furlough of up to twenty days in each fiscal year. The furlough option is available beginning with FY 2016-17 and ending with FY 2021-22.

**South Carolina State University.** A review of the university's current outstanding debt obligations referenced in Section 1 of this bill indicates accrued debt from indirect cost recoveries, pursuant to Section 2-65-70, will total \$741,778 at the end of FY 2015-16. Outstanding debt obligations also include an interagency loan of \$6,000,000 approved by the Budget and Control Board on April, 30 2014. A loan repayment schedule extends the due date of this loan to June 30, 2020, and requires the first annual payment of \$355,036 be made by June 30, 2016. Total principal and interest payments by SCSU based on this schedule would total \$6,280,934 by June 30, 2020, before any reduction specified in this bill.

This bill does not affect the transfer of up to \$12,000,000 that was certified by the South Carolina State Blue Ribbon Advisory Committee, approved by the Joint Bond Review Committee, and subsequently sourced from the Contingency Reserve Fund by the Budget and Control Board at a meeting on December 8, 2014. Since the funds were transferred from the Contingency Reserve Fund without any repayment requirements, these transferred funds are not considered a debt service obligation for this analysis.

Given that Section 3 of this legislation allows a proportional reduction of outstanding debt obligations for each fiscal year that the university ends without an operating deficit, the annual repayment obligations for the \$6,000,000 loan and the indirect cost recoveries may be reduced over time. A preliminary analysis provided by Senate Finance Committee staff and SCSU suggests that up to \$3,434,400 of outstanding principal and interest obligations may be relieved through this legislation if SCSU ends each fiscal year without an operating budget deficit. This will reduce SCSU debt service repayment obligations to the State.

Furthermore, the university indicates this bill will result in a savings of \$115,000 per day of a mandatory employee furlough. These savings would decrease General Fund expenditures by \$69,000 and Other Fund expenditures by \$46,000 for each day a furlough is instituted. The

furlough will allow the university to reduce General Fund and Other Fund personnel expenditures by a maximum of \$1,362,290 and \$937,710 per year, respectively, for a total of \$2,300,000 if the furlough is implemented for the maximum twenty days.

**The Department of Administration.** The Department of Administration indicates this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

This bill will reduce SCSU's debt repayment obligations to the State for the \$6,000,000 loan and the indirect cost recoveries. The reduction in principal and interest payments to the State by SCSU may total up to \$3,434,400 through FY 2019-20 if SCSU ends each fiscal year without an operating budget deficit.

**Local Expenditure and Revenue**

N/A



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**Bill Number:** S. 1258 As signed by the Governor on June 8, 2016  
**Author:** Senate Finance Committee  
**Subject:** S.C. Infrastructure Bank  
**Requestor:** Senate  
**RFA Analyst(s):** Dunbar  
**Impact Date:** July 6, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$65,680,000)	\$0
Other and Federal	\$65,680,000	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill would reduce fees and fines revenue from the Department of Motor Vehicles by an estimated \$84,211,596 to be distributed to the Department of Transportation’s State Highway Fund. General Fund sales and use tax revenue and the State Non-Federal Aid Highway Fund will be reduced by an estimated \$65,680,000 each to be distributed to the Department of Transportation’s State Highway Fund. Other Funds of the Department of Transportation will increase by a total of \$215,571,596 in FY 2016-17. There will be no impact to Federal Funds from this bill.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on May 31, 2016**

**State Expenditure**

**The Department of Transportation.** The Department indicates that this bill would have no expenditure impact to the General Fund, Federal Funds, or Other Funds.

**State Revenue**

The bill as amended adds Part I to establish the governance of the state’s transportation infrastructure system through the Commission of the Department of Transportation. This section will have no revenue impact to the General Fund, Federal Funds, or Other Funds. Part II of the amendment adds Section 11-43-167 so that any fee or fine revenue collected by the Department of Motor Vehicles, except funds attributable to plate replacement, must be credited to the State Highway Fund. The funds credited to the State Highway Fund pursuant to this Section shall be allocated to the state funded resurfacing program. Based upon data from the Department of

Motor Vehicles, the total projected fee and fine revenue is an estimated \$84,211,596 for FY 2015-16. This does not include estimated plate replacement revenue. This section would reduce fee and fine revenue for the Department of Motor Vehicles by \$84,211,596, and increase revenue to the Department of Transportation's State Highway Fund by \$84,211,596 in FY 2016-17.

Currently, Section 12-36-2647 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax credited to the General Fund and does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in General Fund sales and use tax revenue of \$60,947,394 and a concomitant increase in State Highway Fund revenue in FY 2014-15.

This bill amends Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to the State Highway Fund. Again, this transfer only affects the four percent component of the sales and use tax and does not affect the one percent for EIA. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests the 5% motor vehicle sales and use tax will generate an estimated \$164,200,000 in FY 2016-17.

Under current law, \$65,680,000 is expected to be transferred to the Department of Transportation for the State Non-Federal Aid Highway Fund, \$65,680,000 is expected for deposit to the General Fund, and \$32,840,000 is to be credited to the Education Improvement Act Fund. Pursuant to this bill, the General Fund allocation of \$65,680,000 would be transferred to the State Highway Fund in addition to the current allocation of \$65,680,000 for a total of \$131,360,000. The Department of Transportation must transfer an amount equal to the revenue credited to the State Highway Fund pursuant to 12-36-2647(A), or \$131,360,000, to the South Carolina Transportation Infrastructure Bank. The first \$50,000,000 transferred to the bank shall be used to finance bridge replacement, rehabilitation projects, and expansion and improvements on existing roads in the State Highway System. Any funds in excess of \$50,000,000 transferred to the bank shall be used to finance expansion and improvements to existing mainline interstates.

This bill takes effect July 1, 2016.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by the House Ways and Means Committee on May 19, 2016  
State Expenditure**

**The Department of Transportation.** The Department indicates that this bill would have no expenditure impact to the General Fund, Federal Funds, or Other Funds.

**State Revenue**

This amendment adds Section 56-1-560 so that any fee or fine revenue collected by the Department of Motor Vehicles, except funds attributable to plate replacement, must be credited to the State Highway Fund. Based upon data from the Department of Motor Vehicles, the total projected fee and fine revenue is an estimated \$84,211,596 for FY 2015-16. This does not include estimated plate replacement revenue. This section would reduce fee and fine revenue for the Department of Motor Vehicles by \$84,211,596, and increase revenue to the Department of Transportation's State Highway Fund by \$84,211,596 in FY 2016-17.

Currently, Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax credited to the General Fund and does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in General Fund sales and use tax revenue of \$60,947,394 and a concomitant increase in State Highway Fund revenue in FY 2014-15.

This section would amend Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to the State Highway Fund. Again, this transfer only affects the four percent component of the sales and use tax and does not affect the one percent for EIA. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests the 5% motor vehicle sales and use tax will generate an estimated \$164,200,000 in FY 2016-17.

Under current law, \$65,680,000 is expected to be transferred to the Department of Transportation for the State Non-Federal Aid Highway Fund, \$65,680,000 is expected for deposit to the General Fund, and \$32,840,000 is to be credited to the Education Improvement Act Fund. Pursuant to this bill, the General Fund allocation of \$65,680,000 would be transferred to the State Highway Fund in addition to the current allocation of \$65,680,000 for a total of \$131,360,000. The Department of Transportation shall transfer an amount equal to the revenue credited to the State Highway Fund pursuant to 12-36-2647(A), or \$131,360,000, to the South Carolina Transportation Infrastructure Bank. The first \$50,000,000 transferred to the bank shall be used to finance bridge replacement, rehabilitation projects, and expansion and improvements on existing roads in the State Highway System. Any funds in excess of \$50,000,000 transferred to the bank shall be used to finance expansion and improvements to existing mainline interstates.

This bill takes effect July 1, 2016.

**Local Expenditure**

N/A

**Local Revenue**

N/A

## **Explanation of bill filed April 20, 2016**

### **State Expenditure**

**The Department of Transportation.** The Department indicates that this bill would have no expenditure impact to the General Fund, Federal Funds, or Other Funds.

### **State Revenue**

This bill amends Sections 56-19-520(A)(4), 56-19-420(C), 56-1-550, 56-1-200, 56-1-170(B)(3), 56-1-740(B)(3), 56-5-750(G)(3), 56-1-460(A)(1)(e)(iii), 56-1-286(K)(1), 56-5-2951(B)(1), 56-5-2951(H)(3), 56-1-746(D)(3), 56-1-2080, 56-1-400(A), 56-1-390(2), 56-3-355, 56-3-1335, 12-37-2740(D), and 56-9-330 of the South Carolina Code so that the revenue generated from various operating fees and fines collected by the Department of Motor Vehicles be reallocated to the State Highway Fund of the Department of Transportation. Based upon a preliminary analysis of data from the Department of Motor Vehicles, revenues generated relating to these operating fees and fines were \$37,766,607 in FY 2014-15. This portion of the bill would reduce the Department of Motor Vehicles fees and fines revenue by an estimated \$38,750,000 and generate a corresponding \$38,750,000 revenue increase to the State Highway Fund in FY 2016-17.

This bill also amends Sections 56-10-240(C), 56-10-245, 38-73-470, and 56-10-552 of the South Carolina Code so that the revenue generated from uninsured motorist fees and fines collected by the Department of Motor Vehicles be reallocated to the State Highway Fund of the Department of Transportation. Based upon a preliminary analysis of data from the Department of Motor Vehicles, revenues generated relating to the uninsured motorist fees and fines were \$31,286,016 in FY 2014-15. This portion of the bill would reduce the Department of Motor Vehicles fees and fines revenue by an estimated \$33,000,000 and generate a corresponding \$33,000,000 revenue increase to the State Highway Fund in FY 2016-17.

Currently, Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax credited to the General Fund and does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in General Fund sales and use tax revenue of \$60,947,394 and a concomitant increase in State Highway Fund revenue in FY 2014-15.

This section would amend Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to the State Highway Fund. Again, this transfer only affects the four percent component of the sales and use tax and does not affect the one percent for EIA. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue of an estimated \$164,200,000 in FY 2016-17.

Under current law, \$65,680,000 is expected to be transferred to the Department of Transportation for the State Non-Federal Aid Highway Fund, \$65,680,000 is expected for deposit to the General Fund, and \$32,840,000 is to be credited to the Education Improvement Act Fund. Pursuant to this bill, the General Fund allocation of \$65,680,000 would be transferred to the State Highway

Fund in addition to the current allocation of \$65,680,000 for a total of \$131,360,000. The Department of Transportation shall transfer an amount equal to the revenue credited to the State Highway Fund pursuant to 12-36-2647(A), or \$131,360,000, to the South Carolina Transportation Infrastructure Bank. The first \$50,000,000 transferred to the bank shall be used to finance bridge replacement, rehabilitation projects, and expansion and improvements on existing roads in the State Highway System. Any funds in excess of \$50,000,000 transferred to the bank shall be used to finance expansion and improvements to existing mainline interstates.

This bill takes effect July 1, 2016.

**Local Expenditure and Revenue**

N/A



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Frank A. Rainwater, Executive Director



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 3147 As signed by the Governor on June 7, 2016  
**Author:** G.M. Smith  
**Subject:** Taxable Income Deductions  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Shuford and Martin  
**Impact Date:** June 14, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<b>State Expenditure</b>					
General Fund	\$0	\$0	\$0	\$0	\$0
Other and Federal	\$0	\$0	\$0	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00	0.00	0.00	0.00
<b>State Revenue</b>					
General Fund	(\$6,499,595)	(\$9,918,584)	(\$13,374,156)	(\$16,491,477)	(\$19,563,645)
Other and Federal	\$0	\$0	\$0	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0	\$0	\$0	\$0
<b>Local Revenue</b>	\$0	\$0	\$0	\$0	\$0

**Fiscal Impact Summary**

This bill as amended will have no expenditure impact on the General Fund, Federal Funds, or Other Funds. The bill as amended will decrease General Fund individual income tax revenue by \$6,499,595 in FY 2016-17, \$9,918,584 in FY 2017-18, \$13,374,156 in FY 2018-19, \$16,194,477 in FY 2019-20, and a total of \$19,563,645 in FY 2020-21.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on June 2, 2016**

**State Expenditure**

This amendment provides an individual income tax deduction from South Carolina taxable income for retirement benefits attributable to service on active duty in the Armed Forces of the United States. The deductions will be phased-in over a five-year period. The bill as amended also modifies the textile revitalization tax credit to allow individual, partnership, or limited liability taxpayers to carryforward unused credits. The Department of Revenue estimates that this legislation will increase General Fund expenditures by a minimal amount that can be absorbed within current funding.

**State Revenue**

**Section 1.** This section adds Section 12-6-1171 to provide an individual income tax deduction of up to \$17,500 of earned income for taxpayers under age 65 that receive military retirement income. The deduction is equal to the amount of military retirement income, not to exceed \$17,500. When a taxpayer reaches age 65, the taxpayer may deduct up to \$30,000 of military

retirement income. The amendment specifies also that in the case of married taxpayers who file a joint return, the deduction shall be calculated separately as though they had not filed a joint return. This would allow each individual's deduction to be based on the same individual's retirement income and earned income. These additional deductions begin in tax year 2016 and the increases are phased-in over a five-year period. Any amount claimed as a deduction in Section 12-6-1171 will reduce the deduction claimed in Section 12-6-1170, the current deduction for any retirement income. This RFA analysis utilizes updated South Carolina specific military retiree data for 2012 through 2015 provided by staff of the Department of Defense, Office of the Actuary and a 2013 tax year sample of federal and state income tax returns that is adjusted to tax year 2016.

Since Section 12-6-1171 allows different amounts of retirement income deductions by taxpayers depending on their age, we use Department of Defense data to segregate taxpayers with military retirement income into two categories: under age 65 and age 65 and older. Taxpayers under age 65 may deduct earned income equal to their military retirement income up to a maximum of \$17,500 per year. Taxpayers age 65 and older may deduct military retirement income of up to \$30,000 per year.

In FY 2016-17, we anticipate 19,338 taxpayers under age 65 with military retirement income. In tax year 2016, military retirees may deduct earned income equal to the amount of retirement income included in South Carolina taxable income, up to \$5,900. This deduction amount is increased annually by \$2,900 until it reaches \$17,500 in tax year 2020.

We estimated earned income eligible for the proposed deduction for these taxpayers from a survey of 2013 tax year data adjusted to tax year 2016 by identifying all income tax returns where retirees currently claim the \$3,000 deduction. We then recalculated these returns by subtracting up to the proposed maximum \$17,500 deduction based on the earned income reported on the return. This recalculation accounts for returns with no earned income or an amount of earned income less than the proposed maximum \$17,500 deduction.

Using these taxpayers as a proxy for military retirees under age 65, we estimate that tax returns of the anticipated 19,338 military retirees under age 65 in tax year 2016 will deduct an additional \$6,325 in earned income. At an average tax rate of 3.3%, we expect this proposed deduction would reduce General Fund individual income tax revenue by \$4,048,245 in FY 2016-17. Table 1 reports the number of active duty military retirees under age 65 by fiscal year, the maximum earned income deduction each year of the five-year phase-in, the average tax on taxable income at the various deduction amounts, and the estimated total tax revenue reduction by fiscal year.

**Table 1: Tax Revenue Reduction from Phased-in Earned Income Deduction for Military Retirees under Age 65**

<b>Fiscal Year</b>	<b>Active Duty Military Retirees Under Age 65</b>	<b>Maximum Earned Income Deduction Amount</b>	<b>Tax Rate</b>	<b>Total Tax Revenue Reduction from Phased-in Deduction</b>
2016-17	19,338	\$5,900	3.30%	(\$4,048,245)
2017-18	19,410	\$8,800	3.18%	(\$5,636,034)
2018-19	19,481	\$11,700	3.10%	(\$7,230,806)
2019-20	19,553	\$14,600	2.97%	(\$8,599,377)
2020-21	19,626	\$17,500	2.90%	(\$10,042,255)

The average tax rate and the amount of earned income available for the proposed deduction are based on a recalculation of the income tax for each return after the proposed deduction is applied. This method takes into account the taxpayers with no earned income to claim the deduction, the large number of returns that have zero taxable income, returns that are reduced to zero taxable income by the deduction, and returns that do not benefit from the full amount of the proposed deduction.

This analysis is based on total taxable and earned income by tax return, which may include more than one taxpayer reporting earned income. We must rely on this approach because income data is not individually specified on jointly filed South Carolina income tax returns, and we have no other data to disaggregate the income of married taxpayers as if they filed single returns. Since we are limited to total taxable income reported on tax returns, our methodology is less precise than specified by the amendment by assuming all earned income on a jointly filed return is eligible for the deduction, regardless of which taxpayer may have earned the income. This may lead to an overestimation of the revenue reduction for taxpayers under age 65 with military retirement income. Without data that disaggregates joint return income by individual taxpayers, we are unable to determine the potential overestimation amount. Finally, since we have no way to identify military retirees on the federal or state income tax returns, this analysis relies on the premise that the amount of income earned by military retirees under age 65 is similar to the amount claimed by all taxpayers claiming the current \$3,000 retirement deduction.

The deduction for military retirees age 65 and older is also phased-in over five-years beginning in tax year 2016. The deduction based on military retirement income and is \$18,000 in tax year 2016. The deduction amount increases by \$3,000 annually to \$30,000 by tax year 2020. We expect 17,874 active duty military retirees age 65 or older in FY 2016-17 with military retirement income totaling \$556,478,000. This results in a \$31,133 average annual military retirement benefit. After accounting for the proposed \$18,000 deduction, we estimate that the remaining \$234,744,000 in taxable retirement benefits at an average tax rate of 2.9 percent would generate \$6,807,576 in individual income tax revenue in FY 2016-17. This amount is \$1,728,070 less than the \$8,535,648 in estimated tax for this age group under the current maximum \$15,000 deduction. Table 2 reports the number of active duty military retirees age 65

and older by fiscal year, the maximum retirement income deduction during the five-year phase-in, the average tax rate liability for taxable income at the various deduction amounts, and the estimated total tax revenue reduction by fiscal year.

**Table 2: Tax Revenue Reduction from Phased-in Retirement Income Deduction for Military Retirees Age 65 and Older**

Fiscal Year	Active Duty Military Retirees Age 65+	Maximum Retirement Income Deduction Amount	Tax Rate	Tax Revenue Reduction from Phased-in Deduction	Number of Guard and Reserve Retirees Age 65 and Older	Tax on Active Duty Portion of Guard and Reserve Retirement Payments	Total Tax Revenue Reduction from Phased-in Deduction
2016-17	17,874	\$18,000	2.90%	(\$1,728,070)	11,154	\$ 723,280	(\$2,451,350)
2017-18	18,127	\$21,000	2.80%	(\$4,154,770)	11,639	\$ 757,780	(\$4,282,550)
2018-19	18,383	\$24,000	2.65%	(\$5,612,030)	12,145	\$ 793,920	(\$6,143,350)
2019-20	18,643	\$27,000	2.52%	(\$7,060,310)	12,673	\$ 831,790	(\$7,892,100)
2020-21	18,906	\$30,000	2.47%	(\$8,649,930)	13,223	\$ 871,460	(\$9,521,390)

In addition, we anticipate that 11,154 South Carolina taxpayers age 65 and older will receive \$187,963,000 in military retirement from the National Guard and Reserves, for an annual average retirement benefit of \$16,852 in FY 2016-17. While National Guard or Reserve retirement income is not generally taxed in South Carolina, National Guard and Reserve retirement attributable to active duty service is taxable. This adjustment is made by taxpayers on line 3v of the SC 1040 income tax form. Based on an analysis of taxpayers claiming a retirement deduction and having an adjustment on line 3v of the income tax returns, we estimate that approximately 13 percent of this retirement income is from active duty service. Multiplying the \$187,963,000 by 13 percent and applying an average tax rate of 2.96 percent results in an estimated \$723,280 tax liability for taxpayers aged 65 and older. This amount of income tax revenue would be eliminated under the proposed military retirement income deduction. These revenue reductions are reported in Table 2 by fiscal year at the different maximum retirement income deduction phase-in amounts.

Combining the revenue impacts of the earned income tax deduction for military retirees under age 65 and the military retirement income deduction for taxpayers age 65 and older results in an estimated reduction in General Fund individual income tax revenue of \$6,499,595 in FY 2016-17. In FY 2020-21, when the earned income and retirement income deductions are fully phased-in to \$17,500 and \$30,000, respectively, we estimate that General Fund individual income tax revenue will decrease by \$19,563,645. The total revenue reduction by fiscal year is reported in Table 3.

**Table 3: Total Tax Revenue Reduction from  
Military Earned Income and Retirement Income Deductions**

<b>Fiscal Year</b>	<b>Total Tax Revenue Reduction from Phased-in Deduction</b>
2016-17	(\$6,499,595)
2017-18	(\$9,918,584)
2018-19	(\$13,374,156)
2019-20	(\$16,491,477)
2020-21	(\$19,563,645)

**Section 2.** This section allows a taxpayer that has received a nonrefundable textile revitalization credit to transfer, devise, or distribute any unused portion of the credit to another individual, partnership, or limited liability company. The Textiles Communities Revitalization Act allows a taxpayer an income, license, or property tax credit for the renovation, improvement, and redevelopment of abandoned textile mills in South Carolina. The income or license tax credit is equal to twenty-five (25) percent of the qualified rehabilitation expenses. The credit is claimed in equal installments over a five (5) year period beginning with the year the property is placed in service. Any unused credit may be carried forward for five (5) years. A taxpayer may claim this credit against income or license taxes in addition to the credit for rehabilitation of a certified historic structure allowed pursuant to Section 12-6-3535. The real property tax credit is equal to twenty-five (25) percent of the qualified rehabilitation expenses made to the eligible site up limited to seventy-five (75) percent of the real property taxes due on the site each year. The municipality or the county must determine the eligibility of the site and the proposed project. The ordinance shall allow the property tax credit to be taken against up to seventy-five (75) percent of the real property taxes due on the site each year not to exceed eight (8) years. The credit vests in the taxpayer in the year in which the eligible site is placed in service. The credit may be carried forward up to eight (8) years.

According to the latest data from the Department of Revenue, 434 taxpayers have claimed a total of \$20,639,524 of nonrefundable tax credits since passage of the Textiles Communities Revitalization Act in 2005. Because the BEA has already accounted for the full amount of the tax credits in its revenue estimate, regardless of the ownership of the tax credits, this section is not expected to affect General Fund individual income tax, corporate income tax, bank tax, or corporate license fee revenue in FY 2016-17. This section takes effect upon approval of the Governor and applies for rehabilitation expenses incurred for eligible sites placed in service after December 31, 2014, and for all tax years for which final returns have not been filed as of April 30, 2016.

**Explanation of Amendment by the Senate on April 21, 2016  
State Expenditure**

This amendment provides a deduction from South Carolina taxable income of individuals for retirement benefits attributable to service on active duty in the Armed Forces of the United States for taxpayers age 65 or older, or a deduction of earned income equal to the amount of military

retirement pay, not to exceed \$15,000, for taxpayers under age 65. The Department of Revenue estimates that this legislation will increase General Fund expenditures by a minimal amount that can be absorbed within current funding.

### **State Revenue**

This amendment adds Section 12-6-1171 to provide an individual income tax deduction of up to \$15,000 of earned income for taxpayers under age 65 that receive military retirement income. The deduction is equal to the amount of military retirement income, not to exceed \$15,000. When a taxpayer reaches age 65, the taxpayer may deduct up to \$30,000 of military retirement income. These additional deductions begin in tax year 2016. Any amount claimed as a deduction in Section 12-6-1171 will reduce the deduction claimed in Section 12-6-1170. This RFA analysis utilizes updated South Carolina specific military retiree data for 2012 through 2015 provided by staff of the Department of Defense, Office of the Actuary and a 2013 tax year sample of federal and state income tax returns from 2013 that is adjusted to tax year 2016.

Since Section 12-6-1171 allows different amounts of retirement income deductions by taxpayers depending on their age, we use Department of Defense data to segregate these taxpayers with military retirement income into two categories: under age 65 and age 65 and older. Taxpayers under age 65 may deduct earned income equal to their military retirement income up to a maximum of \$15,000 per year. Taxpayers age 65 and older may deduct military retirement income of up to \$30,000 per year.

In FY 2016-17, we anticipate 19,338 taxpayers under age 65 with military retirement income. We can estimate earned income eligible for the proposed deduction for these taxpayers from a survey of 2013 tax year data adjusted to tax year 2016. We segregated all income tax returns where retirees currently claim the \$3,000 deduction. We then recalculated these returns by subtracting the proposed maximum \$15,000 deduction. This recalculation accounts for returns with no earned income or amount of earned income less than the proposed maximum \$15,000 deduction. We found that taxpayer returns claiming the current \$3,000 deduction can also deduct an average of \$14,135 in earned income under the proposed deduction. We estimate that returns of the anticipated 19,338 military retirees under age 65 in tax year 2016 will deduct an additional \$14,135 in earned income. At an average tax rate of 3.0%, we expect this proposed deduction would reduce General Fund individual income tax revenue by \$8,200,279 in FY 2016-17.

The average tax rate and the amount of earned income available for the proposed deduction are based on a recalculation of the income tax for each return after the proposed deduction is applied. This method takes into account the taxpayers with no earned income to claim the deduction, the large number of returns that have zero taxable income, returns that are reduced to zero taxable income by the deduction, and returns that do not benefit from the full amount of the proposed deduction.

This analysis is based on tax return data, which may have more than one retiree reporting retirement and earned income. We use this approach for two reasons. First because we have no other data to estimate this revenue impact. Secondly, the bill states that a taxpayer's earned income deduction is from South Carolina taxable income. Taxable income is not specified by

taxpayer on jointly filed South Carolina income tax returns. Therefore, we anticipate that the amendment would allow a taxpayer to deduct all earned income on a jointly filed return, regardless of which specific taxpayer may have earned the income, as many court decisions have stated that the taxpayer should receive the benefit of doubt when ambiguity exists. In addition, since taxpayer data is not individually specified on South Carolina income tax returns, we would not be able to determine the revenue impact if this ambiguity were further clarified. Requiring identification of military retirement income and earned income to a specific taxpayer on a joint return would add to taxpayer burden and the complexity of the tax return. Finally, since we have no way to identify military retirees on the federal or state income tax returns, this analysis relies on the premise that the amount of earned income by military retirees under age 65 is similar to the amount claimed by all retirees claiming the current \$3,000 retirement deduction.

The revenue impact of the April 21, 2016, amendment for military retirees age 65 and older is unchanged from the bill as amended by the Senate Finance Sales and Income Tax Subcommittee on March 15, 2015. We expect 17,874 active duty military retirees age 65 or older in FY 2016-17 with military retirement income totaling \$556,478,000. This results in a \$31,133 average annual military retirement benefit. After accounting for the proposed \$30,000 deduction, we estimate that the remaining \$20,255,000 in taxable retirement benefits at an average tax rate of 2.47 percent would generate \$500,299 in individual income tax revenue in FY 2016-17. This amount is \$8,035,350 less than the \$8,535,648 in estimated tax for this age group under the current maximum \$15,000 deduction.

In addition, we anticipate that 11,154 South Carolina taxpayers age 65 and older will receive \$187,963,000 in military retirement from the National Guard and Reserves, for an annual average retirement benefit of \$16,852 in FY 2016-17. While National Guard or Reserve retirement income is not generally taxed in South Carolina, National Guard and Reserve retirement attributable to active duty service is taxable. This adjustment is made by taxpayers on line 3v of the SC 1040 income tax form. Based on an analysis of taxpayers claiming a retirement deduction and having an adjustment on line 3v of the income tax returns, we estimate that approximately 13 percent of this retirement income is from active duty service. Multiplying the \$187,963,000 by 13 percent and applying an average tax rate of 2.96 percent results in an estimated \$723,280 tax liability for taxpayers aged 65 and older. This amount of income tax revenue would be eliminated under the proposed \$30,000 maximum military retirement income deduction.

Combining the revenue impacts of the earned income tax deduction for military retirees under age 65 and the military retirement income deduction for taxpayers age 65 and older results in an estimated reduction in General Fund individual income tax revenue of \$16,958,909 in FY 2016-17.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by Senate Finance Sales and Income Tax Subcommittee on  
March 15, 2015**

**State Expenditure**

This amendment provides a deduction from South Carolina taxable income of individuals for retirement benefits attributable to service on active duty in the Armed Forces of the United States. The Department of Revenue estimates that this legislation will increase General Fund expenditures by a minimal amount that can be absorbed within current funding.

**State Revenue**

This amendment strikes all after the enacting words of the bill and adds an individual income tax deduction of up to \$15,000 of military retirement income for taxpayers under age 65 and up to \$30,000 of military retirement income for taxpayers age 65 or older for tax year 2016. Any amount claimed as a deduction in Section 12-6-1171 will reduce the deduction claimed in Section 12-6-1170. This RFA analysis utilizes updated South Carolina specific military retiree data for 2012 through 2015 provided by staff of the Department of Defense, Office of the Actuary.

Generally, retirement income from active duty military service is taxable in South Carolina, while National Guard or Reserve retirement income is not taxed. However, Guard and Reserve retirement attributable to active duty service is taxable and is one of the adjustments made on line 3v of the SC 1040 income tax form. Also, any retirement income based on disability is excluded from federal and South Carolina income tax. The taxability of the remaining active duty, Reserve, and Guard military retirement income is discussed below.

Since Section 12-6-1171 allows different amounts of retirement income deductions by taxpayers depending on their age, we use Department of Defense data to segregate these taxpayers into two categories: age 65 and older and under age 65. Taxpayers age 65 and older may deduct income of up to \$30,000 per year, while taxpayers under age 65 may deduct retirement income up to \$15,000 per year.

For example, we expect 17,874 active duty military retirees age 65 or older in FY 2016-17 with military retirement income totaling \$556,478,000. This results in a \$31,133 average annual military retirement benefit. After accounting for the proposed \$30,000 deduction, we estimate that the remaining \$20,255,000 in taxable retirement benefits at an average tax rate of 2.47 percent would generate \$500,299 in individual income tax revenue in FY 2016-17. This amount is \$8,035,350 less than the \$8,535,648 in estimated tax for this age group under the current maximum \$15,000 deduction.

In FY 2016-17, we anticipate 19,338 taxpayers under age 65 with military retirement income of \$531,856,000 resulting in an average \$27,503 annual military retirement benefit. After accounting for the proposed \$15,000 deduction, we estimate that the remaining \$241,781,000 in taxable retirement benefits multiplied by an average tax rate of 2.96 percent will generate \$7,156,718 in individual income tax revenue in FY 2016-17. This amount is \$9,427,720 less than the \$16,584,435 in estimated tax for this age group under the current maximum \$3,000 deduction.

As stated earlier, the active duty portion of National Guard and Reserve retirement income is taxable in South Carolina. We anticipate that 11,154 South Carolina taxpayers age 65 and older will receive \$187,963,000 in military retirement, an annual average retirement benefit of \$16,852 in FY 2016-17. Based on an analysis of taxpayers claiming a retirement deduction and having an adjustment on line 3v of the income tax returns, we estimate that approximately 13 percent of this retirement income is from active duty service. Multiplying the \$187,963,000 by 13 percent and applying an average tax rate of 2.96 percent results in an estimated \$723,280 tax liability for taxpayers aged 65 and older. This amount of income tax revenue would be eliminated under the proposed \$30,000 maximum military retirement income deduction.

We estimate further that the 5,212 taxpayers under age 65 with National Guard and Reserve retirement income totaling \$116,093,000 results in a \$22,274 average annual benefit. These taxpayers will remit an estimated \$528,220 in tax under current statutes after applying an average tax rate of 3.5 percent to the \$116,093,000 of retirement income. After accounting for the proposed \$15,000 deduction, we estimate that these taxpayers would remit \$145,880 in tax, or \$382,340 less in tax compared to current statutes.

The average tax rates used in this analysis are based on a re-calculation of the income tax for each return after the proposed deduction is applied. This method takes into account the large number of returns that have zero taxable income, returns that are reduced to zero taxable income by the deduction, and returns that do not benefit from the full amount of the proposed deduction. The tax rates for the two age groups are different because the larger deduction for age 65 and older further reduces remaining South Carolina income subject to tax.

Combining the revenue impacts of the military retirement deduction for both age groups and different types of military retirement income results in an estimated reduction in General Fund individual income tax revenue of \$18,568,690 in FY 2016-17.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill Filed on January 13, 2015**

**State Expenditure**

This bill provides a deduction from South Carolina taxable income of individuals for retirement benefits attributable to service on active duty in the Armed Forces of the United States.

The Department of Revenue estimates that this legislation will have a minimal expenditure impact on the department from revising forms and instructions. The department will have some additional General Fund expenditures that can be absorbed within their current funding.

**State Revenue**

**Updated on May 14, 2015 to Include Revised Analysis and Additional Revenue Impact**

Sections 2 and 4 of this bill allow a deduction of military retirement benefits attributable to service on active duty in the Armed Forces of the United States for taxable years beginning after

2014 from South Carolina taxable income. This deduction is phased-in over three years, with the deduction being 33.33 percent in tax year 2015. The deduction increases to 66.66 percent in tax year 2016 and reaches 100 percent in tax year 2017.

Based on the latest data from the U.S. Department of Defense, Office of the Actuary, there were 57,755 military retirees in South Carolina as of September 2013 receiving \$1,361,388,000 in annual military retirement benefits. This equates to an average annual retirement benefit of \$23,572 for each retiree in South Carolina.

Since Section 12-6-1170 allows different amounts of retirement income deductions by taxpayers depending on their age, we use Department of Defense data to segregate these taxpayers into two categories: age 65 and older and under age 65. Taxpayers age 65 and older may deduct retirement income of up to \$15,000 per year, while taxpayers under age 65 may deduct retirement income up to \$3,000 per year.

Adjusting the number of South Carolina military retirees and their retirement income in tax year 2013 to tax year 2015, or FY 2015-16, we anticipate 30,450 taxpayers age 65 or older with military retirement income totaling \$798,214,000. This results in an average \$26,214 annual military retirement benefit. After accounting for the current \$15,000 deduction and any non-taxable retirement income such as disability payments, we estimate that the remaining \$323,210,000 in taxable retirement benefits at an average tax rate of 2.9 percent would generate \$9,373,090 in individual income tax revenue in FY 2015-16. Adjusting this amount for the 33.33 percent deduction allowed in tax year 2015 results in an estimated \$3,124,051 reduction in General Fund individual income tax revenue in FY 2015-16.

We also anticipate 28,717 taxpayers under age 65 with military retirement income totaling \$665,618,000, resulting in an average \$23,179 annual military retirement benefit. After accounting for the current \$3,000 deduction and any non-taxable retirement income such as disability payments, we estimate that the remaining \$557,536,000 in taxable retirement benefits multiplied by an average tax rate of 3.4 percent will generate \$18,956,224 in individual income tax revenue in FY 2015-16. Adjusting this amount for the 33.33 percent deduction allowed in tax year 2015 results in an estimated \$6,318,109 reduction in General Fund individual income tax revenue in FY 2015-16.

The average tax rates used in this analysis are based on a re-calculation of the income tax for each return after the proposed deduction is applied. This method takes into account the large number of returns that have zero taxable income, returns that are reduced to zero taxable income by the deduction, and returns that do not benefit from the full amount of the proposed deduction. The tax rates for the two age groups are different because the larger deduction for age 65 and older further reduces remaining South Carolina income subject to tax.

Combining the revenue impact for these two age groups results in an estimated \$9,442,160 reduction in General Fund individual income tax revenue in FY 2015-16, the first year of the three-year phase-in. The total reduction in General Fund individual income tax revenue in FY 2016-17 with the 66.66 percent deduction is an estimated \$19,698,280. In the final year with the

100 percent deduction, the total reduction in General Fund individual income tax revenue is an estimated \$30,832,254 for FY 2017-18.

The revised analysis and additional revenue impact in this updated fiscal impact statement is from our reexamination of Section 3 that amends Section 12-6-1170(A)(2) for taxable years after 2016 to exclude military retirement income for purposes of the deduction allowed by this section. Section 12-6-1170 allows different amounts of retirement income deductions by taxpayers depending on their age. Significant to this analysis is Section 12-6-1170(B), which states that a taxpayer aged 65 and older is allowed a \$15,000 deduction from South Carolina taxable income reduced by the \$10,000 retirement income deduction. This proposed amendment in Section 12-6-1170(A)(2) would allow taxpayers aged 65 and older to deduct up to the \$15,000 amount allowed without subtracting \$10,000 of military retirement income that will no longer be taxable. This results in an increase in the revenue impact of this bill from our original estimate. Based on data compiled by the Revenue and Fiscal Affairs Office from a Department of Revenue sample of 2012 federal and state matched returns, we estimate that the 30,450 taxpayers age 65 or older with military retirement income in tax year 2016 would be allowed to deduct an additional \$186,088,000 of South Carolina taxable income compared to the current statute. At an average tax rate of 2.9 percent, this would reduce General Fund individual income tax revenue by \$5,397,000. Adjusting this amount for the 33.33 percent deduction allowed in tax year 2015 results in an estimated \$1,799,000 reduction in General Fund individual income tax revenue in FY 2015-16. By FY 2017-18, these additional deductions are expected to total \$202,064,413 and reduce General Fund individual income tax revenue by \$5,860,000 when the deduction reaches 100 percent.

Combining the revenue impacts of the military retirement deduction and the revision to the maximum \$15,000 deduction allowed in Section 3 of the bill results in an estimated \$11,241,160 reduction in General Fund individual income tax revenue in FY 2015-16, the first year of the three-year phase-in. The total reduction in General Fund individual income tax revenue in FY 2016-17 with the 66.66 percent deduction is an estimated \$23,447,280. In the final year with the 100 percent deduction, the total reduction in General Fund individual income tax revenue is an estimated \$36,692,254 for FY 2017-18.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 3313 As signed by the Governor on June 7, 2016  
**Author:** Pope  
**Subject:** Roll-back tax due on a parcel  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Jolliff and Wren  
**Impact Date:** July 14, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	Undetermined	\$0
<b>Local Revenue</b>	Undetermined	\$0

**Fiscal Impact Summary**

The impact of the bill as amended on local expenditures statewide is undetermined given the permissive nature of the provisions allowing counties to provide electronic property tax bills. The impact of the bill as amended on local property tax revenue will depend upon the percentage of property platted as open space and the value determination for the open space percentage of the property. Local revenue may be reduced by up to \$1,070,000 if all property owners elect to include the required minimum ten percent open space for conservation. Additionally, local property tax revenue collections may be delayed for appeals of roll-back tax assessment that taxpayers will not be required to pay until the final appeal date.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on May 18, 2016**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

**Section 5.** This section of the bill as amended adds Section 12-43-370, which allows a county to give taxpayers the option to receive certain property tax bills and receipts in electronic form. Each county may determine which classes of property will be permitted to receive electronic bills and receipts, if any. Also, participating counties must create an application process to allow

taxpayers to submit email addresses, must advertise the application process for two weeks in a newspaper, and may publish the application process on the county's website.

The Revenue and Fiscal Affairs Office contacted all forty-six county governments regarding the expenditure impact of this section and received responses from nine counties.

**Beaufort County.** Beaufort County reports that this bill would result in an annual savings of approximately \$12,000 per year.

**Charleston County.** Charleston County reports this bill would likely require additional staffing.

**Cherokee County.** Cherokee County reports this bill could likely save on printing and postage costs, but would require the expenditure of additional funds for software and administration.

**Clarendon County.** Clarendon County reports this bill would require the expenditure of additional funds on software and labor.

**Florence County.** Florence County reports this bill would save on postage.

**Greenwood County.** Greenwood County indicates this bill would potentially require the expenditure of additional funds for administration.

**Saluda County.** Saluda County reports this bill would require the expenditure of additional funds on software and possibly additional employees.

**Williamsburg County.** Williamsburg County reports this bill would require the expenditure of additional funds on software and labor.

**York County.** York County reports this bill would require the expenditure of additional funds on software and internal overhead.

Seven of the nine responding county governments indicate this bill would require additional expenditures but could not place a dollar amount on the expenses to be incurred. Two counties responded that these provisions would reduce county expenditures. Additionally, the provisions of this bill apply only to the counties wishing to provide electronic property tax bills and receipts to taxpayers. Given the permissive nature of this section, the impact on local expenditures statewide is undetermined.

### **Local Revenue**

**Section 1.** This section of the bill as amended amends Section 12-43-222 on the calculation of roll-back tax due on a parcel of real property changed from agricultural use to commercial or residential use to specify that if at least ten percent of a parcel is platted for green space for conservation or open space, the open space portion of the property must be valued as such for calculation of the roll-back tax. If the property is converted to another use other than green space within five years, then the property owner at the time of conversion is liable for the roll-back taxes as if this section was not effective. Additionally, this section only applies when a local

jurisdiction requires the designation of green space for conservation or open space as a condition to develop residential or commercial property.

Currently, property converted from agricultural use to commercial or residential property is assessed roll-back taxes based upon the property taxes that would have been collected for the past five years if the property had been taxed under the new property assessment classification and value. Based upon information from county assessors, we estimate that roll-back taxes statewide total approximately \$10,700,000 per year. If all of these properties included the minimum ten percent green space for conservation, local roll-back tax revenue may be reduced up to \$1,070,000 annually statewide beginning with tax year 2016. The total reduction in local revenue will depend upon the percentage of property platted as open space in accordance with this section, and the value determination for the open space percentage of the property. As such, the exact amount of the local property tax revenue reduction resulting from this section is undetermined.

**Section 2.** This section amends Section 12-43-220(d)(4) to make conforming changes by adding the necessary references to the roll-back tax exemption created by Section 1 of this bill. This section is not expected to impact local property tax revenue.

**Section 3.** This section specifies that Sections 1 and 2 of the bill as amended apply to property tax years after 2015.

**Sections 4 and 7.** Section 4 adds subitem B to Section 12-43-220(c)(2)(vii) to specify that when a property that has undergone an assessable transfer of interest and is also subject to penalties because the previous owner improperly received the reduced four percent assessment ratio, the responsibility for the penalties and additional property taxes belongs with the original owner of the property and do not constitute a lien on the property. These provisions also apply to property transfers as a result of a divorce settlement or trust distributions. Based upon responses received from three county assessors, counties do not typically levy penalties on the original property owner after a sale has occurred since collecting these would be unenforceable. In any isolated instances in which a county imposed additional taxes and penalties following a divorce settlement or trust distribution on a transferee, these collections would no longer be enforceable.

Section 7 specifies that the changes to Section 12-43-220(c)(2)(vii) in Section 4 of the bill apply retroactively and any penalties or additional taxes that are no longer valid as a result of this change must be refunded for any taxes years open for the assessment of delinquent property taxes. No interest is due on any refunds issued as a result of this provision.

Given the limited scope of applicability of Section 4, we do not anticipate that these sections will have a material impact on local property tax collections or refunds.

**Section 6.** This section amends Section 12-43-220(d)(3) by adding subitem B to specify that roll-back taxes may not be applied solely because the owner of the property fails to make written application for an agricultural assessment so long as the actual use of the property remains agricultural. Based upon previous discussions with counties regarding the imposition of roll-back taxes and change of use, we are not aware of any counties that currently change the

assessment of property from agricultural use to another classification based solely upon failure to file an application for agricultural use property without other evidence regarding an actual change in property usage. If there are counties that rely solely upon a failure to file the application for agricultural use as a justification for changing the classification of property from agricultural use to another classification, these counties would no longer be able to use the failure to file an application as justification. We would expect that property owners would appeal the property tax imposed if the property is still used for agricultural purposes upon receiving notice of the change in use valuation or a higher tax bill. If any county has imposed roll-back taxes and changed the valuation of agricultural use property solely on the basis of failure to file the necessary application and additionally denied an appeal on this basis alone, then property tax revenue could be reduced as a result of this section.

Additionally, the section specifies that if roll-back taxes are assessed and the owner appeals, then the property must continue to be assessed as agricultural and the roll-back taxes may not be applied until the final appeal date. Depending upon the timing of the appeal, number of appeals, and the frequency of county appellate board meetings, collection of the taxes may be delayed since owners will not be required to pay these taxes until the final appeal date.

**Explanation of Amendment by the House Ways and Means Committee on April 23, 2015**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

The amendment to the bill adds an additional sentence to Section 4 of the bill to specify that the transferor of a property is the sole party responsible for tax penalties in the event that the property is transferred as a result of a property settlement pursuant to a divorce or the distribution of a trust. This further clarifies instances in which a county may not hold a transferee responsible for penalties incurred by the transferor. This section as amended is not expected to impact local revenues and does not alter the original impact of the bill.

**Explanation of Bill Filed on January 14, 2015**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

This bill amends Section 12-43-222 on the calculation of roll-back tax due on a parcel of real property changed from agricultural to commercial or residential use to specify that if at least ten percent of a parcel is platted for green space for conservation or open space, the open space portion of the property must be valued as such for calculation of the roll-back tax. Currently, property converted from agricultural use to commercial or residential property is assessed a penalty based upon the property taxes that would have been collected for the past five years if the property had been taxed under the new property assessment classification and value. Based upon information from county assessors, we estimate that roll-back taxes statewide total approximately \$10,700,000 per year. If all of these properties elected to include the minimum ten percent green space for conservation, local roll-back tax revenue may be reduced up to \$1,070,000 annually statewide beginning with tax year 2015. The reduction in local revenue will depend upon the percentage of property platted as open space and the value determination for the open space percentage of the property.

Additionally, the bill adds subitem B to Section 12-43-220(c)(2)(vii) to specify that when a property that has undergone an assessable transfer of interest and is also subject to penalties because the previous owner improperly received the reduced four percent assessment ratio, the responsibility for the penalties and additional property taxes due belongs with the original owner of the property and do not constitute a lien on the property. Based upon responses received from three county assessors, counties do not typically levy penalties on the original property owner after a sale has occurred since collecting these would be unenforceable. Therefore, this section of the bill is not expected to impact local revenues.



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 3710 As signed by the Governor on June 6, 2016  
**Author:** Hixon  
**Subject:** Multiple lot discount  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Jolliff  
**Impact Date:** June 7, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	Undetermined	\$0
<b>Local Revenue</b>	(\$800,000) to (\$1,600,000)	\$0

**Fiscal Impact Summary**

The bill as amended will have a minimal impact on local expenditures for administration of the extension of the multiple lot discount, but the exact amount is undetermined. We estimate extending the discount for an additional tax year for qualifying properties will reduce local property tax revenue by \$800,000 to \$1,600,000 in FY 2016-17.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on June 1, 2016**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

This bill as amended would extend the property tax multiple lot discount in Section 12-43-225 for one additional tax year through 2016. Revenue and Fiscal Affairs previously contacted all forty-six counties regarding the impact of this bill. Sixteen counties responded to our inquiry. Based upon the responses, we anticipate that the bill as amended will have a minimal impact on local expenditures for administration of the extension, but the exact amount is undetermined.

**Local Revenue**

This bill as amended would extend the property tax multiple lot discount in Section 12-43-225 for one additional tax year. Currently, a developer may receive a multiple lot discount on property taxes for five years after the plat is recorded or until a certificate of occupancy is issued for the improvement on the lot or the improvement is occupied, whichever occurs first. The discount is also extended to a homebuilder who purchases a qualifying lot for an additional tax year after the date of purchase.

In addition to the exemption periods allowed for all lots, the discount for developers is currently extended specifically for lots that received the discount on December 31, 2011, and for builders that received the discount between December 31, 2008, and January 1, 2012. In both instances, the discount is extended through tax year 2015 under current law. This bill as amended would further extend the discount for the same properties for one additional year through tax year 2016.

We surveyed all forty-six counties and received responses from sixteen, representing approximately 44.9% of state population. Based upon the responses, we estimate total property tax exempted for multiple lot discounts was approximately \$15,969,000 for tax year 2014. We further asked respondents about the percentage of the properties receiving the discount that are on an extension past five years. Most respondents were not able to easily identify properties on extension since the extension is not a part of most data systems. Of those that did give a response, the responses ranged from 0 on extension to approximately 55%. Based upon this information, we estimate extending the discount for an additional tax year for qualifying properties will reduce local property tax revenue by \$800,000 to \$1,600,000 in FY 2016-17.

**Explanation of Amendment by the House of Representatives on April 28, 2015****State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

This bill as amended would extend the property tax multiple lot discount in Section 12-43-225 for additional years. Revenue and Fiscal Affairs contacted all forty-six counties regarding the impact of this bill. Sixteen counties responded to our inquiry. Based upon the responses, we anticipate that the bill as amended will have a minimal impact on local expenditures for administration of the extension.

**Local Revenue**

This bill as amended would extend the property tax multiple lot discount in Section 12-43-225 for additional years. Currently, a developer may receive a multiple lot discount on property taxes for five years after the plat is recorded or until a certificate of occupancy is issued for the improvement on the lot or the improvement is occupied, whichever occurs first. The discount is also extended to a homebuilder who purchases a qualifying lot for an additional tax year after the date of purchase.

In addition to the exemption periods allowed for all lots, the discount for developers is currently extended specifically for lots that received the discount on December 31, 2011, and for builders that received the discount between December 31, 2008, and January 1, 2012. In both instances, the discount is extended through tax year 2015. This bill as amended would further extend the discount for the same properties through tax year 2019.

We surveyed all forty-six counties and received responses from sixteen, representing approximately 44.9% of state population. Based upon the responses, we estimate total property tax exempted for multiple lot discounts was approximately \$15,969,000 for tax year 2014. We further asked respondents about the percentage of the properties receiving the discount that are on an extension past five years. Most respondents were not able to easily identify properties on extension since the extension is not a part of most data systems. Of those that did give a response, the responses ranged from 0 on extension to approximately 55%. Based upon this information, we estimate extending the discount for an additional four tax years for qualifying properties will reduce local property tax revenue by \$800,000 to \$1,600,000 per tax year. Given the recent improvement in the housing market, the impact is expected to decline over the four year period, assuming properties are developed and sold.



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 3768                      As signed by the Governor on April 29, 2016  
**Author:** G. M. Smith  
**Subject:** SC Able Savings Program  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Fulmer, Gardner, Shuford, and Stein  
**Impact Date:** June 30, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$1,696,000	\$1,121,000
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$724,140)	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill as amended would have a recurring General Fund expenditure impact of \$1,121,000 for FY 2016-17 and each year thereafter, as well as a nonrecurring General Fund expenditure impact of \$575,000 for FY 2016-17. There is no expenditure impact to Federal Funds or Other Funds. This bill would reduce General Fund individual income tax revenue by \$724,140 beginning in FY 2016-17.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on March 22, 2016**

**State Expenditure**

This bill as amended establishes the South Carolina ABLE Savings Program and authorizes the establishment of savings accounts for individuals with disabilities. These savings accounts can be used to supplement benefits for disability-related expenses provided through private insurance, Medicaid, the supplemental security income program, the beneficiary’s employment, and other sources. Designated beneficiaries of the program can be residents or non-residents of South Carolina. The bill as amended further provides guidelines for the maintenance of these accounts.

The Department of Social Services, Department of Disabilities and Special Needs, and Department of Health and Human Services indicate there is no expenditure impact to the General Fund, Federal Funds, or Other Funds.

**Office of State Treasurer.** The Treasurer's Office indicates there may not be enough revenue available in the South Carolina ABLE Savings Expense Fund to cover first year recurring and nonrecurring expenses. STO estimates a total recurring expenditure of \$1,121,000 to the General Fund, with \$200,000 for salaries and fringe benefits and other additional recurring expenditures for office expenses, marketing and consumer outreach, investment management, legal analysis and offering statements, industry consultants, annual audit consultants, and investment oversight consultants. There will be a nonrecurring expenditure impact of \$575,000 for account maintenance and record keeping, legal analysis, contract negotiations, and creation of marketing materials and a website. The total General Fund expenditure impact will be \$1,696,000 for recurring and nonrecurring expenses for FY2016-17 and \$1,121,000 for recurring expenses every year thereafter. There is no expenditure impact to Federal Funds and Other Funds.

#### **State Revenue**

This amended bill adds two deductions from South Carolina taxable income in Section 12-6-1140. The first deduction is for contributions made to a South Carolina ABLE Savings Program or a qualified account located in another state established pursuant to Section 529A of the Internal Revenue Code. The second deduction is for interest earnings and qualified distributions from the South Carolina savings program or a qualified account located in another state established pursuant to Section 529A of the Internal Revenue Code. Maximum contributions by federal law are limited to \$14,000 for 2016 and are adjusted annually for inflation. Based on U.S. Joint Committee on Taxation revenue estimates for the Tax Increase Prevention Act of 2014 adjusted for South Carolina taxpayers only, we expect that the exclusion of contributions, interest earnings, and qualified distributions from South Carolina taxable income will amount to \$13,410,000. These deductions will decrease General Fund individual income tax revenue by \$724,140 beginning in FY 2016-17.

#### **Local Expenditure**

N/A

#### **Local Revenue**

N/A

#### **Explanation of Amendment by the House of Representatives on April 29, 2015**

##### **State Expenditure**

This bill as amended establishes the South Carolina ABLE Savings Program and authorizes the establishment of savings accounts for individuals with disabilities. These savings accounts can be used to supplement benefits for disability-related expenses provided through private insurance, Medicaid, the supplemental security income program, the beneficiary's employment, and other sources. The bill further provides guidelines for the maintenance of these accounts.

The Department of Social Services, Department of Disabilities and Special Needs, and Department of Health and Human Services indicate there is no expenditure impact to the General Fund, Federal Funds, or Other Funds.

**Office of State Treasurer.** The Treasurer's Office indicates there may not be enough revenue available in the South Carolina ABLE Savings Expense Fund to cover first year recurring and

nonrecurring expenses. STO estimates a total recurring expenditure of \$1,121,000 to the General Fund, with \$200,000 for salaries and fringe benefits and other additional recurring expenditures for office expenses, marketing and consumer outreach, investment management, legal analysis and offering statements, industry consultants, annual audit consultants, and investment oversight consultants. There will be a nonrecurring expenditure impact of \$575,000 for account maintenance and record keeping, legal analysis, contract negotiations, and creation of marketing materials and a website. The total General Fund expenditure impact will be \$1,696,000 for recurring and nonrecurring expenses for FY2016-17 and \$1,121,000 for recurring expenses every year thereafter. There is no expenditure impact to Federal Funds and Other Funds.

### **State Revenue**

This bill amends Section 12-6-1140 by adding two deductions from South Carolina taxable income. The first deduction is for contributions made to a South Carolina ABLE Savings Program and the second is for interest earnings and qualified distributions from the savings program. Maximum contributions by federal law are limited to \$14,000 for 2016 and are adjusted annually for inflation. Based on U.S. Joint Committee on Taxation revenue estimates for the Tax Increase Prevention Act of 2014 adjusted for South Carolina taxpayers only, we expect that the exclusion of contributions, interest earnings, and qualified distributions from South Carolina taxable income will amount to \$13,410,000. These deductions will decrease General Fund individual income tax revenue by \$724,140 beginning in FY 2016-17.

### **Explanation of Amendment by the Ways and Means Committee on April 16, 2015**

#### **State Expenditure**

This bill establishes the South Carolina ABLE Savings Program and authorizes the establishment of savings accounts for individuals with disabilities, which can be used to provide for disability-related expenses that supplement any private insurance, Medicaid assistance, Supplemental Security Income Program under the Social Security Act, and other income sources. The State Treasurer shall implement and administer the program. All expenses incurred by the State Treasurer must be payable from the South Carolina ABLE Savings Expense Fund. The State Treasurer, the Department of Social Services, the Department of Health and Human Services, and the Department of Disability and Special Needs are authorized to exchange data regarding eligible individuals to carry out the purposes of this bill.

**Office of State Treasurer.** The Treasurer's Office indicates that first year expenses for developing and administering the ABLE Program will exceed any revenue available in the South Carolina ABLE Savings Expense Fund. This fund receives revenue from the program manager, public and private grants, and General Fund appropriations. The Treasurer's Office estimates General Fund recurring expenditures of \$599,537 for salaries and fringe benefits for two new FTEs, a Program Manager at \$67,108 and a Program Coordinator at \$45,326. Other anticipated expenditures include office space, computers and equipment, printing costs, marketing costs, investment consultant expenses, and website maintenance costs. Additionally, the Treasurer's office estimates non-recurring expenditures of \$540,000 for legal analysis, contract negotiations, creation of marketing materials and disclosure documents, and creation of a website. The expenditure impact will total \$1,139,537 in FY 2015-16. Federal Funds and Other Funds will not be affected.

**Department of Social Services.** The department indicates that this bill would have no impact on General Fund, Other Fund, or Federal Fund expenditures.

**Department of Health and Human Services.** The department indicates that this bill would have no impact on General Fund, Other Fund, or Federal Fund expenditures.

**Department of Disabilities and Special Needs.** The department indicates this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

This bill mandates that interest earnings and qualified distributions from the South Carolina ABLE Savings Program are not subject to South Carolina income tax. Unlike the South Carolina Future Scholar Program, contributions to the ABLE Program are not deductible from South Carolina income tax. Maximum contributions by federal law are limited to \$14,000 for 2015 and are adjusted annually for inflation.

Based on U.S. Joint Committee on Taxation revenue estimates for the Tax Increase Prevention Act of 2014 adjusted for South Carolina taxpayers only, we expect that the exclusion of interest earnings and qualified distributions from South Carolina taxable income will decrease General Fund individual income tax revenue by \$231,100 in FY 2016-17.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 3874 As signed by the Governor on February 16, 2016  
**Author:** Mitchell  
**Subject:** Renewable energy property  
**Requestor:** Senate  
**RFA Analyst(s):** Wren  
**Impact Date:** March 3, 2016 - Updated to correct a typographical error

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<b>State Expenditure</b>					
General Fund	\$0	\$0	\$0	\$0	\$0
Other and Federal	\$0	\$0	\$0	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00	0.00	0.00	0.00
<b>State Revenue</b>					
General Fund	(\$3,495,000)	(\$3,495,000)	(\$3,495,000)	(\$2,500,000)	(\$2,500,000)
Other and Federal	\$0	\$0	\$0	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0	\$0	\$0	\$0
<b>Local Revenue</b>	\$0	\$0	\$0	\$0	\$0

**Fiscal Impact Summary**

This bill would reduce General Fund income tax revenue by \$3,495,000 in FY 2016-17, FY 2017-18, and FY 2018-19 and \$2,500,000 in FY 2019-20 and FY 2020-21. This fiscal impact has been updated to correct a typographical error in the summary table above.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on January 28, 2016**

**State Expenditure**

N/A

**State Revenue**

This amendment made minor technical changes to the language of the bill as amended on January 26, 2016. The amendment changes the provision in Section 12-6-3770 that taxpayers may not claim any other credits with respect to solar energy property to specify that they may not claim other state credits. This clarifies that taxpayers are not precluded from claiming federal credits along with the state credit. Also, this amendment removes the reference in Section 12-6-3587 to real property as it relates to geothermal machinery and equipment. Because the definition of the system already excluded land and buildings, in our analysis we assumed taxpayers would not be allowed to claim the tax credit on the real property associated with geothermal machinery and equipment. As such, these changes are not expected to have a

significant impact on the credits claimed. Therefore, the impact of the bill as amended is unchanged from the bill as amended on January 26, 2016.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by the Senate on January 26, 2016**

**State Expenditure**

N/A

**State Revenue**

This amendment adds Section 12-6-3770, which reduces the credit for renewable energy property from thirty-five percent to twenty-five percent. Additionally, the credit is limited to property that is located on the Environmental Protection Agency's National Priority List, National Priority List Equivalent Sites, or on a list of related removal actions and certified by the Department of Health and Environmental Control. The credit must be taken in five equal annual installments on a first-come, first-served basis, and the aggregate of credits may not exceed \$2,500,000 in a taxable year for all taxpayers. Also, the type of equipment has been limited to equipment for non-residential purposes with a nameplate capacity of at least two thousand kilowatts that uses solar radiation as a substitute for traditional energy for water heating, active space heating and cooling, passive heating, daylighting, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat. Also included are related devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy. The provisions of this act are repealed on December 31, 2016.

The Department of Revenue reports that five businesses claimed the existing solar energy equipment tax credit in 2013. Additionally, the Environmental Protection Agency's National Priority List references approximately thirty sites in South Carolina. Based upon our analysis of existing solar energy equipment tax credits for business purposes over the past three years, we estimate that five businesses will claim the proposed renewable energy property tax credit in FY 2016-17. Since the credit for each installation of renewable energy property placed in service for business purposes may not exceed \$2,500,000, must be taken in five equal installments, and the aggregate of credits for all taxpayers may not exceed \$2,500,000 in a taxable year, we estimate that this amendment would reduce General Fund income tax revenue by \$2,500,000 in FY 2016-17. Additionally, General Fund income tax revenue would also be reduced by \$2,500,000 in FY 2017-18 and each year thereafter until FY 2020-21.

Additionally, this amendment amends Section 12-6-3587, which states that a taxpayer who purchases and installs geothermal machinery and equipment or real property is allowed a tax credit of twenty-five percent of the costs incurred by the taxpayer. This equipment is in addition to the current solar energy system and small hydropower system currently allowed by this section. The geothermal equipment and machinery or real property must be for use at the taxpayer's residence and is defined as a heat pump that uses the ground or groundwater as a

thermal energy source to heat or cool a structure or equipment that uses the internal heat of the earth as a substitute for traditional energy for water heating or active space heating or cooling. Also, the equipment must meet or exceed applicable federal Energy Star requirements on the date of installation. The amount of the credit in any year may not exceed three thousand five hundred dollars for each facility or fifty percent of the taxpayer's tax liability, whichever is less. If the amount of the credit exceeds three thousand five hundred dollars for each facility, the taxpayer may carry forward the excess for up to ten years. The provisions contained in this section related to geothermal machinery and equipment or real property are repealed January 1, 2019.

The Internal Revenue Service reports that in tax year 2013, 43,400 South Carolina taxpayers claimed \$17,059,000 in federal residential renewable energy tax credits, an average of \$391 per tax return. The federal tax credit is a thirty percent credit and applies to solar electric, solar water, small wind energy, and geothermal heat pump property costs. The U. S. Energy Information Administration's 2014 Annual Energy Outlook projects that geothermal energy comprises approximately seven percent of all residential renewable energy generated. Applying the seven percent estimate, the amount of geothermal credits is estimated at \$1,194,000. Since the South Carolina tax credit is for twenty-five percent of the cost, we estimate that 3,038 taxpayers will each claim a credit of \$328 per year. Based upon an average projected South Carolina resident tax liability of \$1,509 for 2016 and given the distribution of the federal tax credits across federal AGI, we anticipate that taxpayers will be able to take the full tax credit despite the fifty percent tax liability limitation. Federal residential energy tax credits claimed by South Carolina residents declined by five percent from 2011 to 2013. However, we anticipate that the South Carolina tax credit may encourage new installations, and we assume installations will remain at the 2013 level instead of continuing to decline. Therefore, we estimate that the addition of geothermal machinery and equipment or real property as allowed in this section of the amendment will reduce General Fund income tax revenue by \$995,000 in FY 2016-17, FY 2017-18, and FY 2018-19.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill as Recalled From Senate Finance Committee on June 3, 2015**

**State Expenditure**

N/A

**State Revenue**

Since this bill was recalled from the Senate Finance Committee, the current version of the bill reverts back to the amendment adopted by the House on April 29, 2015. This amendment limits the thirty-five percent tax credit for renewable energy property that is located on the Environmental Protection Agency's National Priority List, National Priority List Equivalent Sites, and related removal actions. This amendment also removes the requirement that the credit must be taken in five installments and removes the reference of renewable energy systems used for non-business purposes.

The Department of Revenue reports that five businesses claimed the existing solar energy equipment tax credit in 2013. Additionally, the Environmental Protection Agency's list references approximately thirty sites in South Carolina. Based upon our analysis of existing solar energy equipment tax credits for business purposes over the past three years, we estimate that five businesses will claim the proposed renewable energy property tax credit in FY 2016-17. Since the credit for each installation of renewable energy property placed in service for business purposes may not exceed \$2,500,000, we estimate that this amendment would reduce General Fund income tax revenue by \$12,500,000 in FY 2016-17 only as this amendment has a year one effective date.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by Senate Finance Subcommittee on May 19, 2015**

**State Expenditure**

N/A

**State Revenue**

This amendment reduces the credit for renewable energy property from thirty-five percent to twenty-five percent. Additionally, the credit is limited to property that is located on the Environmental Protection Agency's National Priority List, National Priority List Equivalent Sites, or on a list of related removal actions and certified by the Department of Health and Environmental Control. The credit must be taken in five equal annual installments on a first come first serve basis and the aggregate of credits may not exceed \$2,500,000 in a taxable year for all taxpayers. Also, the type of equipment has been limited for non-residential purposes with a nameplate capacity of at least two thousand kilowatts that uses solar radiation as a substitute for traditional energy for water heating, active space heating and cooling, passive heating, daylighting, generating electricity, distillation, desalination, detoxification, or the production of industrial or commercial process heat. Also included are related devices necessary for collecting, storing, exchanging, conditioning, or converting solar energy to other useful forms of energy.

The Department of Revenue reports that five businesses claimed the existing solar energy equipment tax credit in 2013. Additionally, the Environmental Protection Agency's National Priority List references approximately thirty sites in South Carolina. Based upon our analysis of existing solar energy equipment tax credits for business purposes over the past three years, we estimate that five businesses will claim the proposed renewable energy property tax credit in FY 2016-17. Since the credit for each installation of renewable energy property placed in service for business purposes may not exceed \$2,500,000, must be taken in five equal installments, and the aggregate of credits for all taxpayers may not exceed \$2,500,000 in a taxable year, we estimate that this amendment would reduce General Fund income tax revenue by \$2,500,000 in FY 2016-17. Additionally, General Fund income tax revenue would also be reduced by \$2,500,000 in FY 2017-18 and each year thereafter for a total of \$12,500,000 in FY 2020-21.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by the House on April 29, 2015****State Expenditure**

N/A

**State Revenue**

This amendment limits the thirty-five percent tax credit for renewable energy property that is located on the Environmental Protection Agency's National Priority List, National Priority List Equivalent Sites, and related removal actions. This amendment also removes the requirement that the credit must be taken in five installments and removes the reference of renewable energy systems used for non-business purposes.

The Department of Revenue reports that five businesses claimed the existing solar energy equipment tax credit in 2013. Additionally, the Environmental Protection Agency's list references approximately thirty sites in South Carolina. Based upon our analysis of existing solar energy equipment tax credits for business purposes over the past three years, we estimate that five businesses will claim the proposed renewable energy property tax credit in FY 2016-17. Since the credit for each installation of renewable energy property placed in service for business purposes may not exceed \$2,500,000, we estimate that this amendment would reduce General Fund income tax revenue by \$12,500,000 in FY 2016-17 only as this amendment has a year one effective date.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill Filed on March 19, 2015****State Expenditure**

N/A

**State Revenue**

This bill adds Section 12-6-3370, which provides for a thirty-five percent income tax credit to a business or individual that constructs, purchases, or leases renewable energy property. For business renewable energy property, the credit must be taken in five equal installments beginning with the taxable year in which the property is placed in service. A taxpayer who owns renewable energy property that serves a non-business purpose must take the credit in the taxable year in which the property is placed in service. Renewable energy property is defined as biomass equipment, combined heat and power system property, geothermal equipment, hydroelectric generators, wind equipment, and solar energy equipment that uses solar radiation as a substitute for traditional energy. The credit for each installation of renewable energy property placed in

service for a business purpose may not exceed \$2,500,000. Credits for renewable energy property placed in service for non-business purposes range from \$1,400 to \$10,500 based on the type of renewable energy equipment. No credit is allowed for renewable energy property provided by public funds. Additionally, a taxpayer who claims another credit allowed with respect to renewable energy property may not take the credit allowed in this Section for the same property.

The Department of Revenue reports that five businesses claimed the existing solar energy equipment tax credit in 2013. Based upon our analysis of existing solar energy equipment tax credits for business purposes over the past three years, we estimate that five businesses will claim the proposed renewable energy property tax credit in FY 2016-17 and an additional five businesses will claim the credit each year thereafter through FY 2020-21. Since the credit for each installation of renewable energy property placed in service for a business purpose may not exceed \$2,500,000 and must be taken in five equal installments, we estimate that this bill would reduce General Fund income tax revenue by \$2,500,000 in FY 2016-17 and each year thereafter for a total of \$37,500,000 in FY 2020-21.

Based on data from the Department of Revenue, two hundred fifty-six taxpayers claimed the existing non-business solar energy equipment tax credit for a total of \$625,628 in 2013. Since the credit for non-business renewable energy property must be taken in the taxable year in which the property is placed in service and assuming a similar trend, we estimate this bill would reduce General Fund income tax revenue by \$628,628 in FY 2016-17.

In summary, this bill would reduce General Fund income tax revenue by \$3,125,628 in FY 2016-17. Additionally, General Fund income tax revenue would be reduced by an additional \$2,500,000 in FY 2017-18 and each year thereafter for a total of \$38,125,628 in FY 2020-21.

The estimates represented above are for data on renewable energy equipment. Data on real property eligible under the new renewable energy equipment credit is not available.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 3891 As signed by the Governor on June 3, 2016  
**Author:** Toole  
**Subject:** Surcharges on passenger motor vehicles  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Dunbar  
**Impact Date:** July 5, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$2,194,720)	\$0
Other and Federal	\$302,640	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$250,000	\$0

**Fiscal Impact Summary**

This bill as amended will reduce General Fund revenue by an estimated \$2,194,720 and increase EIA and Homestead Exemption sales tax revenue each by \$151,320 for a total of \$302,640 in FY 2016-17 and each year thereafter. Local revenue will increase by an estimated \$250,000 in FY 2016-17 and each year thereafter. Local sales tax could be increased by a minimal amount.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on May 11, 2016.**

**State Expenditure**

The Department of Revenue indicates that this bill would have no expenditure impact to the General Fund, Federal funds, or Other Funds.

**State Revenue**

**Section 1.** Currently, a vehicle surcharge of five percent is added to each private passenger motor vehicle rental contract of thirty-one days or less in South Carolina. The surcharge is a sales tax applied to the total amount stated in the rental agreement. The accumulated surcharges are collected by the vehicle rental company in a segregated account and used to reimburse the vehicle personal property taxes due each year on the rental vehicles of each rental car company. Any amount in excess of the total property taxes due each taxable year is remitted to the Department of Revenue and deposited in the state General Fund. According to data from the Department of Revenue, the private passenger rental surcharge amounted to \$2,497,383 in FY2014-15.

This bill as amended would make the following changes to Section 56-31-50:

- Deletes the five percent sales tax surcharge in each rental contract.
- Extends the number of days that charges may be applied to rental vehicles from thirty (30) days to ninety (90) days.
- Deletes the requirement that any surcharge or fees be placed into a segregated account to be used to reimburse the rental company for any motor vehicle personal property taxes due each taxable year. This amendment does not absolve the rental company from its obligation to pay annual personal property taxes on its rental car fleet.
- Allows the rental company to impose a “vehicle license fee” to be stated as a separate charge to recover the rental company’s costs for licensing, titling, registering, plating, and inspecting of its rental vehicles and taxes paid in connection with the registered vehicle. If the vehicle license fee is greater than the actual costs of the rental company, the company shall retain the excess amount and adjust the average per vehicle charge for the following calendar year to reduce excess amount.
- This vehicle license fee is subject to local and state sales tax.

The amount of the vehicle license fee must be disclosed at the time of reservation and must appear as a separately itemized charge. The motor vehicle rental company is permitted to adjust the vehicle license fee to reflect changing financial conditions. There are no provisions in the bill to limit the number of changes to the vehicle license fee during a calendar year or the amount that may be charged per vehicle. The rental company may charge a vehicle license fee to recoup the costs for licensing, titling, registering, plating, and inspecting of its rental vehicles. Other stated fees may include, but are not limited to, airport access fees, airport concession fees, and any additional fees the rental company may wish to include in the stated per vehicle rental price.

The vehicle license fee is subject to state and local sales taxes. Our estimate of vehicle license fees is based upon tax data from DOR records. DOR records indicated that approximately 39,100 private passenger rental vehicles in South Carolina paid \$14,076,000 in property taxes in FY 2013-14. We estimate that titling and registration fees total \$1,056,000 and the total vehicle license fees would be approximately \$15,132,000. Applying the six percent sales tax, we estimate that the General Fund (4%) would receive \$605,280 and the EIA (1%) and the Homestead Exemption (1%) would receive \$151,320 respectively. This compares to the current revenue of \$2,500,000 for the General Fund and \$0 for the EIA and Homestead. Therefore, the General Fund would notice a net reduction of \$1,894,720 while the EIA and Homestead would receive an increase of \$151,320 each. If a local jurisdiction imposes a local option sales tax, then the local tax would apply too.

**Section 3.** This bill as amended repeals Section 12-37-717, which imposes a three percent surcharge on the rental of heavy equipment. Based upon the most recent data from the

Department of Revenue, the current three percent surcharge on the rental of heavy equipment property generates \$300,000 in General Fund revenue. This section of the bill would reduce General Fund revenue by \$300,000 in FY 2016-17.

**Section 4.** This act takes effect on January 1, 2017.

### **Local Expenditure**

N/A

### **Local Revenue**

**Section 2.** This bill as amended adds Section 56-31-60, which imposes a two and one-half percent rental fee on heavy equipment. The fee is to be remitted to the Department of Revenue on a quarterly basis and then distributed to the local jurisdiction. The local jurisdiction will distribute the funds in the same manner as the personal property tax. Based upon the most recent data from the Department of Revenue, the current three percent surcharge on the rental of heavy equipment property generates \$300,000 in General Fund revenue. We estimate that the two and one-half percent heavy equipment rental fee will generate an additional \$250,000 of revenue in FY 2016-17 and each year thereafter.

### **Updated for Revised Analysis and Fiscal Impact on April 28, 2016**

#### **State Expenditure**

The Department of Revenue indicates that this bill would have no expenditure impact to the General Fund, Other Funds, or Federal Funds.

#### **State Revenue**

**Section 1.** Currently, a vehicle surcharge of five percent is added to each private passenger motor vehicle rental contract of thirty-one days or less in South Carolina. The surcharge is a sales tax applied to the total amount stated in the rental agreement. The accumulated surcharges are collected by the vehicle rental company in a segregated account and used to reimburse the vehicle personal property taxes due each year on the rental vehicles of each rental car company. Any amount in excess of the total property taxes due each taxable year is remitted to the Department of Revenue and deposited in the state General Fund. According to data from the Department of Revenue, the private passenger rental surcharge amounted to \$2,497,383 in FY2014-15.

This bill as amended would make the following changes to Section 56-31-50:

- Deletes the five percent sales tax surcharge in each rental contract.
- Extends the number of days that charges may be applied to rental vehicles from thirty (30) days to ninety (90) days.
- Deletes the requirement that any surcharge or fees be placed into a segregated account to be used to reimburse the rental company for any motor vehicle personal property taxes due each taxable year. This amendment does not absolve the rental company from its obligation to pay annual personal property taxes on its rental car fleet.

- Allows the rental company to impose a “vehicle license fee” to be stated as a separate charge to recover the rental company’s costs for licensing, titling, registering, plating, and inspecting of its rental vehicles and taxes paid in connection with the registered vehicle. If the vehicle license fee is greater than the actual costs of the rental company, the company shall retain the excess amount and adjust the average per vehicle charge for the following calendar year to reduce excess amount.
- This vehicle license fee is subject to local and state sales tax.

The amount of the vehicle license fee must be disclosed at the time of reservation and must appear as a separately itemized charge. The motor vehicle rental company is permitted to adjust the vehicle license fee to reflect changing financial conditions. There are no provisions in the bill to limit the number of changes to the vehicle license fee during a calendar year or the amount that may be charged per vehicle. The rental company may charge a vehicle license fee to recoup the costs for licensing, titling, registering, plating, and inspecting of its rental vehicles. Other stated fees may include, but are not limited to, airport access fees, airport concession fees, and any additional fees the rental company may wish to include in the stated per vehicle rental price.

The vehicle license fee is subject to state and local sales taxes. Our estimate of vehicle license fees is based upon recently updated tax data from DOR records. DOR records indicated that approximately 39,100 private passenger rental vehicles in South Carolina paid \$21,729,406 in property taxes in tax year 2015. We estimate that titling and registration fees total \$1,056,000 and the total vehicle license fees would be approximately \$22,785,406. Applying the six percent sales tax, we estimate that the General Fund (4%) would receive approximately \$911,400 and the EIA (1%) and the Homestead Exemption (1%) would receive \$227,850 respectfully. This compares to the current revenue of \$2,500,000 for the General Fund and \$0 for the EIA and Homestead. Therefore, the General Fund would notice a net reduction of \$1,588,600 while the EIA and Homestead would receive an increase of \$227,850 each. If a local jurisdiction imposes a local option sales tax, then the local tax would apply too.

**Section 3.** This bill as amended repeals Section 12-37-717, which imposes a three percent surcharge on the rental of heavy equipment. Based upon the most recent data from the Department of Revenue, the current three percent surcharge on the rental of heavy equipment property generates \$300,000 in General Fund revenue. This section of the bill would reduce General Fund revenue by \$300,000 in FY 2016-17.

**Section 4.** This act takes effect on January 1, 2017.

**Local Expenditure**

N/A

**Local Revenue**

**Section 2.** This bill as amended adds Section 56-31-60, which imposes a two and one-half percent rental fee on heavy equipment. The fee is to be remitted to the Department of Revenue on a quarterly basis and then distributed to the local jurisdiction. The local jurisdiction will distribute the funds in the same manner as the personal property tax. Based upon the most recent data from the Department of Revenue, the current three percent surcharge on the rental of heavy equipment property generates \$300,000 in General Fund revenue. We estimate that the two and one-half percent heavy equipment rental fee will generate an additional \$250,000 of revenue in FY 2016-17 and each year thereafter.

**Explanation of Amendment by the Senate on April 14, 2016**

**State Expenditure**

The Department of Revenue indicates that this bill would have no expenditure impact to the General Fund, Other Funds, or Federal Funds.

**State Revenue**

**Section 1.** Currently, a vehicle surcharge of five percent is added to each private passenger motor vehicle rental contract of thirty-one days or less in South Carolina. The surcharge is a sales tax applied to the total amount stated in the rental agreement. The accumulated surcharges are collected by the vehicle rental company in a segregated account and used to reimburse the vehicle personal property taxes due each year on the rental vehicles of each rental car company. Any amount in excess of the total property taxes due each taxable year is remitted to the Department of Revenue and deposited in the state General Fund. According to data from the Department of Revenue, the private passenger rental surcharge amounted to \$2,497,383 in FY2014-15.

This bill as amended would make the following changes to Section 56-31-50:

- Deletes the five percent sales tax surcharge in each rental contract.
- Extends the number of days that charges may be applied to rental vehicles from thirty (30) days to ninety (90) days.
- Deletes the requirement that any surcharge or fees be placed into a segregated account to be used to reimburse the rental company for any motor vehicle personal property taxes due each taxable year. This amendment does not absolve the rental company from its obligation to pay annual personal property taxes on its rental car fleet.
- Allows the rental company to impose a “vehicle license fee” to be stated as a separate charge to recover the rental company’s costs for licensing, titling, registering, plating, and inspecting of its rental vehicles and taxes paid in connection with the registered vehicle. If the vehicle license fee is greater than the actual costs of the rental company, the company shall retain the excess amount and adjust the average per vehicle charge for the following calendar year to reduce excess amount.
- This vehicle license fee is subject to local and state sales tax.

The amount of the vehicle license fee must be disclosed at the time of reservation and must appear as a separately itemized charge. The motor vehicle rental company is permitted to adjust the vehicle license fee to reflect changing financial conditions. There are no provisions in the bill to limit the number of changes to the vehicle license fee during a calendar year or the amount that may be charged per vehicle. The rental company may charge a vehicle license fee to recoup the costs for licensing, titling, registering, plating, and inspecting of its rental vehicles. Other stated fees may include, but are not limited to, airport access fees, airport concession fees, and any additional fees the rental company may wish to include in the stated per vehicle rental price.

The vehicle license fee is subject to state and local sales taxes. Our estimate of vehicle license fees is based upon tax data from DOR records. DOR records indicated that approximately 39,100 private passenger rental vehicles in South Carolina paid \$14,076,000 in property taxes in FY 2013-14. We estimate that titling and registration fees total \$1,056,000 and the total vehicle license fees would be approximately \$15,132,000. Applying the six percent sales tax, we estimate that the General Fund (4%) would receive \$605,280 and the EIA (1%) and the Homestead Exemption (1%) would receive \$151,320 respectfully. This compares to the current revenue of \$2,500,000 for the General Fund and \$0 for the EIA and Homestead. Therefore, the General Fund would notice a net reduction of \$1,894,720 while the EIA and Homestead would receive an increase of \$151,320 each. If a local jurisdiction imposes a local option sales tax, then the local tax would apply too.

**Section 3.** This bill as amended repeals Section 12-37-717, which imposes a three percent surcharge on the rental of heavy equipment. Based upon the most recent data from the Department of Revenue, the current three percent surcharge on the rental of heavy equipment property generates \$300,000 in General Fund revenue. This section of the bill would reduce General Fund revenue by \$300,000 in FY 2016-17.

**Section 4.** This act takes effect on January 1, 2017.

#### **Local Expenditure**

N/A

#### **Local Revenue**

**Section 2.** This bill as amended adds Section 56-31-60, which imposes a two and one-half percent rental fee on heavy equipment. The fee is to be remitted to the Department of Revenue on a quarterly basis and then distributed to the local jurisdiction. The local jurisdiction will distribute the funds in the same manner as the personal property tax. Based upon the most recent data from the Department of Revenue, the current three percent surcharge on the rental of heavy equipment property generates \$300,000 in General Fund revenue. We estimate that the two and one-half percent heavy equipment rental fee will generate an additional \$250,000 of revenue in FY 2016-17 and each year thereafter.

**Updated for Revised Analysis and Fiscal Impact on March 1, 2016**

## **State Expenditure**

The Department of Revenue indicates that this bill would have no expenditure impact to the General Fund, Other Funds, or Federal Funds.

## **State Revenue**

**Section 1.** Currently, a vehicle surcharge of five percent is added to each private passenger motor vehicle rental contract of thirty-one days or less in South Carolina. The surcharge is a sales tax applied to the total amount stated in the rental agreement. The accumulated surcharges are collected by the vehicle rental company in a segregated account and used to reimburse the vehicle personal property taxes due each year on the rental vehicles of each rental car company. Any amount in excess of the total property taxes due each taxable year is remitted to the Department of Revenue and deposited in the state General Fund. According to data from the Department of Revenue, the private passenger rental surcharge amounted to \$2,497,383 in FY2014-15.

This bill would amend Section 56-31-50 by making the following changes:

- Deletes the five percent sales tax surcharge in each rental contract.
- Extends the number of days that charges may be applied to rental vehicles from thirty (30) days to ninety (90) days.
- Deletes the requirement that any surcharge or fees be placed into a segregated account to be used to reimburse the rental company for any motor vehicle personal property taxes due each taxable year. This bill does not absolve the rental company from its obligation to pay annual personal property taxes on its rental car fleet.
- Allows the rental company to impose a “vehicle license fee” to be stated as a separate charge to recover the rental company’s costs for licensing, titling, registering, plating, and inspecting of its rental vehicles and taxes paid in connection with the registered vehicle. If the vehicle license fee is greater than the actual costs of the rental company, the company shall retain the excess amount and adjust the average per vehicle charge for the following calendar year to reduce excess amount.
- This vehicle license fee is subject to local and state sales tax.

The amount of the vehicle license fee must be disclosed at the time of reservation and must appear as a separately itemized charge. The motor vehicle rental company is permitted to adjust the vehicle license fee to reflect changing financial conditions. There are no provisions in the bill to limit the number of changes to the vehicle license fee during a calendar year or the amount that may be charged per vehicle. The rental company may charge a vehicle license fee to recoup the costs for licensing, titling, registering, plating, and inspecting of its rental vehicles. Other stated fees may include, but are not limited to, airport access fees, airport concession fees, and any additional fees the rental company may wish to include in the stated per vehicle rental price.

The vehicle license fee is subject to state and local sales taxes. Our estimate of vehicle license fees is based upon tax data from DOR records. DOR records indicated that approximately 39,100 private passenger rental vehicles in South Carolina paid \$14,076,000 in property taxes in FY 2013-14. We estimate that titling and registration fees total \$1,056,000 and the total vehicle license fees would be approximately \$15,132,000. Applying the six percent sales tax, we estimate that the General Fund (4%) would receive \$605,280 and the EIA (1%) and the Homestead Exemption (1%) would receive \$151,320 respectfully. This compares to the current revenue of \$2,500,000 for the General Fund and \$0 for the EIA and Homestead. Therefore, the General Fund would notice a net reduction of \$1,894,720 while the EIA and Homestead would receive an increase of \$151,320 each. If a local jurisdiction imposes a local option sales tax, then the local tax would apply too.

If enacted, this bill would likely take effect in the middle of the calendar year and it is unclear how the proceeds from the current five percent surcharge would be treated.

**Section 2.** This act takes effect upon approval by the Governor.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill Filed on March 24, 2015**

**State Expenditure**

N/A

**State Revenue**

**Section 1.** Currently, a vehicle surcharge of five percent is added to each private passenger motor vehicle rental contract of thirty-one days or less in South Carolina. The surcharge is a sales tax applied to the total amount stated in the rental agreement. The accumulated surcharges are collected by the vehicle rental company in a segregated account and used to reimburse the vehicle personal property taxes due each year on the rental vehicles of each rental car company. Any amount in excess of the total property taxes due each taxable year is remitted to the Department of Revenue and deposited in the state General Fund. According to data from the Department of Revenue, the private passenger rental surcharge amounted to \$2,497,383 in FY2014-15.

This bill would amend Section 56-31-50 by making the following changes:

- Deletes the five percent sales tax surcharge in each rental contract. Instead, the rental company may charge separately stated fees such as vehicle license fees, airport access fees, airport concession fees, and all applicable taxes.
- Extends the number of days that charges may be applied to rental vehicles from thirty (30) days to ninety (90) days.

- Deletes the requirement that any surcharge or fees be placed into a segregated account to be used to reimburse the rental company for any motor vehicle personal property taxes due each taxable year. This bill does not absolve the rental company from its obligation to pay annual personal property taxes on its rental car fleet.
- Allows for a “vehicle license fee” to be stated as a separate charge to recover the rental company’s costs for licensing, titling, registering, plating, and inspecting of its rental vehicles. If the vehicle license fee is greater than the actual costs of the rental company, the company shall retain the excess amount and adjust the average per vehicle charge for the following calendar year to reduce excess amount.

The amount of the vehicle license fee must be disclosed at the time of reservation and must appear as a separately itemized charge. The motor vehicle rental company is permitted to adjust the vehicle license fee to reflect changing financial conditions. There are no provisions in the bill to limit the number of changes to the vehicle license fee during a calendar year or the amount that may be charged per vehicle. The rental company may charge a vehicle license fee to recoup the costs for licensing, titling, registering, plating, and inspecting of its rental vehicles. Other stated fees may include, but are not limited to, airport access fees, airport concession fees, and any additional fees the rental company may wish to include in the stated per vehicle rental price.

Therefore, based on information from the Department of Revenue, the deletion of the five percent sales tax surcharge in each rental contract would reduce General Fund departmental revenue by an estimated \$2,500,000 in FY2016-17, and each fiscal year thereafter.

**Section 2.** This act takes effect upon approval by the Governor.

**Local Expenditure and Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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Bill Number: H. 3927  
 Author: Willis  
 Requestor: House Education and Public Works  
 Date: May 4, 2015  
 Subject: License plates  
 RFA Analyst(s): Shealy and Dunbar

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**Estimate of Fiscal Impact**

	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b>State Expenditure</b>		
General Fund	\$0	N/A
Other and Federal	\$0	N/A
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	N/A	N/A
Other and Federal	\$74,382	N/A
<b>Local Expenditure</b>	N/A	N/A
<b>Local Revenue</b>	N/A	N/A

**Fiscal Impact Summary**

This bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

This bill would increase other fund revenue by \$74,382 in FY 2015-16.

**Explanation of Fiscal Impact**

**State Expenditure**

This bill allows the Department of Motor Vehicles to issue a new special personalized motor vehicle license plate to the owner of private passenger motor vehicles for any special organizational plate authorized pursuant to Section 56-3-8000, or any other organizational plate authorized by law. This bill specifies that the requirement for production, collection, and distribution of fees for the license are those set forth in Section 56-3-8100. Any portion of the fees collected pursuant to this article, not set aside by the Comptroller General to defray the expenses associated with producing and administering the distribution of the license plate, must be distributed to the sponsoring organization. The department is also authorized to produce souvenir license plates for any special organizational license place authorized by law. The sponsoring organization must agree to make the license plate available as a souvenir license plate. The fee for these plates is twenty dollars. Ten dollars of this fee shall be retained by the Department, and the additional ten dollars shall be distributed to the sponsoring organization. The Department may also create a personalized special organizational souvenir license plate with text to be selected by the applicant. The department, in its discretion may refuse to issue a license plate text that may carry connotations offensive to good taste. The sample or souvenir

license plates may be displayed only on the front of private passenger motor vehicles. The Department of Motor Vehicles anticipates no additional expenditures or savings. This bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

This bill amends Section 56-3-2250 so that the Department of Motor Vehicles may produce, upon request, souvenir license plates for any special organization pursuant to Section 56-3-8000. The department may also issue personalized special organizational souvenir license plates. The revenue that is distributed to the Department of Motor Vehicles for personalized and non-personalized souvenir license plates is twenty dollars and ten dollars per license plate, respectively. Based upon information from states that implement similar programs, we estimate 5,579 souvenir license plates will be issued in FY 2015-16. The estimated revenue generated from the souvenir license plates is \$74,382 in FY 2015-16. The estimated revenue that will be distributed to the special organizations is \$55,789 in FY 2015-16. We estimate that a slightly higher amount may be generated in subsequent years due to advertising and awareness of the souvenir license plates.

**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director



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**Bill Number:** H. 4145 As signed by the Governor on June 8, 2016  
**Author:** White  
**Subject:** Coordinating Council for Workforce Development  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Stein, Fulmer, Gardner, Martin, Shuford, Walling, and Wren  
**Impact Date:** August 11, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18	FY 2018-19
<b>State Expenditure</b>			
General Fund	\$0	\$0	\$0
Other and Federal	\$0	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00	0.00
<b>State Revenue</b>			
General Fund	\$0	\$0	\$0
Other and Federal	\$0	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0	\$0
<b>Local Revenue</b>	\$0	\$0	\$0

**Fiscal Impact Summary**

This bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on June 1, 2016**

**State Expenditure**

The amended bill establishes a ten-member Coordinating Council of Workforce Development charged with a series of tasks designed to prepare the state’s workforce to meet the needs of the state’s economy now and in the future. The Council is required to report annually (by July first of each year) to the Governor and General Assembly on actions taken by the Council during the previous year and submit recommendations for legislation or agency action. The Council must develop procedures for sharing and coordinating information among stakeholders; recommend methods to incentivize and increase access to available training programs; identify long-term workforce needs and solutions; conduct an on-going inventory of existing workforce training programs and identify duplication and ineffectiveness. The Council may create subcommittees or advisory groups. The Commission on Higher Education, the Department of Commerce, and the State Board for Technical and Comprehensive Education shall provide staff for the Council.

Directors (or their designees) of five State agencies are named as participants on the Council: the Department of Commerce, Department of Education, State Board for Technical and Comprehensive Education, Department of Employment and Workforce, and Commission on Higher Education. The Council also includes a representative or appointee from each of the

following: a research university, a four-year college or university, a technical college, the business community, and a person knowledgeable of South Carolina's Education and Economic Development Act.. Any costs associated with attendance at meetings will be absorbed by the participating agencies. The Commission on Higher Education, the Department of Commerce, and the State Board for Technical and Comprehensive Education provide staff support to the Council. Any costs associated with support will be absorbed by these agencies. This bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

#### **State Revenue**

N/A

#### **Local Expenditure and Local Revenue**

N/A

#### **Explanation of Amendment by the House of Representatives on January 27, 2016**

##### **State Expenditure**

House Bill 4145 as amended adds Article 15 to Chapter 1 of Title 13 creating a five-member Coordinating Council for Workforce Development and a seventeen-member advisory group within the Department of Commerce. The council is charged with forging partnerships with state, local, and private stakeholders, assessing state-wide needs, coordinating the development of a comprehensive plan to improve workforce training and education, and creating an effective workforce development and job placement system. The bill specifies the council's duties, responsibilities, evaluation, and reporting requirements regarding the development of the plan. The bill also requires the council to establish a multi-agency program called the Pathways Initiative. The proposed Pathways to First Careers program must be designed to facilitate the transition from education to employment in industries with critical workforce shortages. The proposed Pathways to New Opportunities program must be designed to provide subsidized career training, certification, and job placement assistance to adults pursuing careers in critical need industries in the state. The bill also requires the State Board for Technical and Comprehensive Education to establish a Workforce Scholarship and Grants Fund to be used for tuition and education-related expenses for qualified individuals enrolled in eligible programs.

**Department of Commerce.** The bill establishes a new division within the Department of Commerce called the Coordinating Council for Workforce Development charged with developing a coordinated plan, infrastructure, and a scholarship fund designed to create an effective system fostering workforce education, training, and job placement. The department's revised estimate indicates that this new multi-agency initiative will require three additional FTEs to plan, develop, coordinate, and sustain the council's new statewide programs. The increase in recurring General Fund expenditures from the three additional FTEs is estimated at \$280,000 annually.

**State Department of Education.** The department indicates there would be no expenditure impact for the 2016-2017 school year. With the implementation in the 2017-2018 school year, the department indicates there may be additional expenditures; however, the amount of those expenditures is unknown at this time.

**Department of Employment and Workforce.** The Department of Employment and Workforce reports that the expenditure impact of this bill is undeterminable until the agency's specific responsibilities are formulated by the new Coordinating Council for Workforce Development.

**State Board for Technical and Comprehensive Education.** The board indicates that the bill would increase General Fund recurring and nonrecurring expenditures by \$47,123,800 in by FY 2016-17 and by \$6,773,800 in recurring expenditures in FY 2017-18 and each year thereafter. The bill would require a total of forty-eight additional FTEs for the sixteen technical colleges and six new FTEs for the agency. The nonrecurring expenditures for all sixteen colleges include \$28,500,000 in equipment needed for the program; \$10,000,000 for renovating labs and classrooms; \$990,000 for IT modifications; and \$860,000 for the purchase, up-fit, and equipment needed for two simulation trucks. Included in recurring costs are assistance for 2,500 students with training materials (\$500,000), certification fees (\$250,000), and transportation (\$812,500). Other recurring costs include marketing to prospective students (\$715,000), marketing to businesses (\$100,000), miscellaneous administrative expenses (\$127,500), and salary and fringe expense for 54 new FTEs (\$4,268,800).

**Commission on Higher Education.** The agency reports that the expenditure impact of this bill on the agency and on the public institutions of higher education is undeterminable until the specific responsibilities are formulated by the new Coordinating Council for Workforce Development.

**Department of Social Services.** This bill adds a representative from the Department of Social Services to the advisory group. There is no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Department of Vocational Rehabilitation.** The department indicates that this bill will result in a minimal impact on agency expenditures due to the agency's participation on the advisory group and expenses associated with expanded data collection and reporting requirements for Workforce Innovation and Opportunity Act programs. These expenditures will be absorbed within existing resources. This bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Department of Corrections.** The agency anticipates no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Department of Juvenile Justice.** The department reports that any expenditures associated with participation on the advisory group would be minimal and would be absorbed within existing resources. This bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Executive Budget Office.** The Executive Budget Office indicates this bill would have a minimal impact, which can be absorbed within existing resources.

**Revenue and Fiscal Affairs Office.** The agency anticipates no expenditure impact on the General Fund, Federal Funds, or Other Funds.

## **State Revenue**

**Section 3.** Section 3 establishes the Workforce Scholarship and Grant Fund, administered by the State Board for Technical and Comprehensive Education, to provide scholarship funding for eligible individuals. Grants not to exceed \$10,000 or the total cost of attendance, whichever is less, may be awarded from the fund to South Carolina residents enrolled in a technical college or professional certification program. Eligible institution or program is defined as those located in this state that do not discriminate and meet all eligibility guidelines set by the State Board for Technical and Comprehensive Education. Contributions to this grant fund are currently deductible from federal and South Carolina taxable income and will have no impact on General Fund income tax revenue.

**Section 4.** This section would add Section 12-6-3760 to allow a taxpayer to claim a career pathways tax credit if the taxpayer creates an apprenticeship. The nonrefundable tax credit may be claimed for five years beginning in year two as long as the minimum level of five apprenticeships is maintained. A taxpayer claiming this credit is ineligible for income tax credits for apprenticeships pursuant to Section 12-6-3477.

The amounts of the career pathways tax credit are exactly one-half of the job tax credit amounts pursuant to Section 12-6-3360(B) and is as follows:

- \$4,000 for each new full-time apprenticeship created in “Tier IV” counties
- \$2,125 for each new full-time apprenticeship created in “Tier III” counties
- \$1,375 for each new full-time apprenticeship created in “Tier II” counties
- \$750 for each new full-time apprenticeship created in “Tier I” counties

An apprenticeship created pursuant to this section is not considered a new job pursuant to Section 12-6-3360. The eligible taxpayer may have no more than 500 employees and any unused career pathways tax credits may be carried forward for a period of fifteen years from the taxable year in which the credit is earned by the taxpayer. This section takes effect in tax years beginning after 2016 and applies to apprenticeships created after this date.

According to the U.S. Department of Labor, Employment and Training Administration, apprentices make up about 0.3 percent of the total labor force. Based on the latest labor force data from the Bureau of Labor Statistics, there are an estimated 2,229,795 individuals in the civilian labor force in South Carolina. Multiplying 2,229,795 by 0.3 percent yields an estimated 6,689 potential apprentices. Recognizing that some of these individuals are currently employed as apprentices through other various federal and state training programs, we estimate 5,000 individuals may be eligible for workforce training. Because it is difficult to estimate with certainty in which county new apprentices may be found, an estimated average career pathways tax credit of \$1,900 per eligible apprentice is used in this analysis. Multiplying 5,000 potential apprentices by an average career pathways tax credit of \$1,900 yields a reduction of General Fund income tax revenue of an estimated \$9,500,000 beginning in FY 2018-19 and each fiscal year thereafter.

**Local Expenditure**

The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and twenty-three county governments regarding the expenditure impact of this bill. The Municipal Association indicates this bill will have a minimal expenditure impact on municipal governments. Since our office received no responses from the counties surveyed, we are not able to determine the expenditure impact on county governments.

**Local Revenue**

N/A

**Explanation of Amendment by House Ways and Means Committee on May 20, 2015 and Updated for Revised Agency Responses on February 2, 2016****State Expenditure**

House Bill 4145 as amended adds Article 15 to Chapter 1 of Title 13 creating a five-member Coordinating Council for Workforce Development and a seventeen-member advisory group within the Department of Commerce. The council is charged with forging partnerships with state, local, and private stakeholders, assessing state-wide needs, coordinating the development of a comprehensive plan to improve workforce training and education, and creating an effective workforce development and job placement system. The bill specifies the council's duties, responsibilities, evaluation, and reporting requirements regarding the development of the plan. The bill also requires the council to establish a multi-agency program called the Pathways Initiative. The proposed Pathways to First Careers program must be designed to facilitate the transition from education to employment in industries with critical workforce shortages. The proposed Pathways to New Opportunities program must be designed to provide subsidized career training, certification, and job placement assistance to adults pursuing careers in critical need industries in the state. The bill also requires the State Board for Technical and Comprehensive Education to establish a Workforce Scholarship and Grants Fund to be used for tuition and education-related expenses for qualified individuals enrolled in eligible programs. The bill provides limited income tax credits to individuals and entities who contribute to the Workforce Scholarship and Grants Fund.

**Department of Commerce.** The bill establishes a new division within the Department of Commerce called the Coordinating Council for Workforce Development charged with developing a coordinated plan, infrastructure, and a scholarship fund designed to create an effective system fostering workforce education, training, and job placement. The department's revised estimate indicates that this new multi-agency initiative will require three additional FTEs to plan, develop, coordinate, and sustain the council's new state-wide programs. General Fund expenditures are estimated at \$280,000 annually.

**State Department of Education.** The department indicates there would be no expenditure impact for the 2015-2016 school year. With the implementation in the 2016-2017 school year, the department indicates there may be additional expenditures; however, the amount of those expenditures is unknown at this time.

**Department of Employment and Workforce.** The Department of Employment and Workforce reports that the expenditure impact of this bill is undeterminable until the agency's specific

responsibilities are formulated by the new Coordinating Council for Workforce Development.

**State Board for Technical and Comprehensive Education.** The board indicated that the bill would impact General Fund expenditures by \$47,123,800 in by FY 2015-16 and \$6,773,800 in FY 2016-17 and each year thereafter. The bill would require a total of forty-eight additional FTEs for the sixteen technical colleges and six new FTEs for the agency. The non-recurring costs for implementing the bill for all sixteen colleges include \$28,500,000 in equipment needed for the program; \$10,000,000 for renovating labs and classrooms; \$990,000 for IT modifications; and \$860,000 for the purchase, up-fit, and equipment needed for two simulation trucks. Included in recurring costs is the assistance for 2,500 students with training materials (\$500,000), certification fees (\$250,000), and transportation (\$812,500). Other recurring costs include marketing to prospective students (\$715,000), marketing to businesses (\$100,000), miscellaneous administrative expenses (\$127,500), and salary and fringe expense for 54 new FTEs (\$4,268,800).

**Commission on Higher Education.** The agency reports that the expenditure impact of this bill on the agency and on the public institutions of higher education is undeterminable until the specific responsibilities are formulated by the new Coordinating Council for Workforce Development.

**Department of Social Services.** This bill adds a representative from the Department of Social Services to the advisory group. There is no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Department of Vocational Rehabilitation.** The department's updated response indicates that this bill will result in a minimal impact on agency expenditures due to the agency's participation on the advisory group and expenses associated with expanded data collection and reporting requirements for WIOA programs. These expenditures will be absorbed within existing resources. This bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Department of Corrections.** The agency anticipates no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Department of Juvenile Justice.** The department reports that any expenditures associated with participation on the advisory group would be minimal and would be absorbed within existing resources. This bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Executive Budget Office.** The Executive Budget Office indicates this bill would have minimal impact which can be absorbed within existing resources.

**Revenue and Fiscal Affairs Office.** The agency anticipates no expenditure impact on the General Fund, Federal Funds, or Other Funds.

## State Revenue

**Section 3.** Section 3 establishes the Workforce Scholarship and Grant Fund administered by the State Board for Technical and Comprehensive Education to provide scholarship funding for eligible individuals. Grants not to exceed \$10,000 or the total cost of attendance, whichever is less, may be awarded from the fund to South Carolina residents enrolled in a technical college or professional certification program. Eligible institution or program is defined as those located in this state that do not discriminate and meet all eligibility guidelines set by the State Board for Technical and Comprehensive Education.

**Section 4.** Section 4 provides a non-refundable tax credit for an individual's contribution to the fund. The tax credit is limited to 60% of the taxpayer's tax liability. The credit applies against the taxpayer's tax liability for the year in which the taxpayer makes the contribution and applies to contributions made after December 31, 2015. Based on the experience of scholarship tax credits in other states, we expect that South Carolina taxpayers will claim the total \$8,000,000 in tax credits allowed in FY 2016-17. This would reduce General Fund revenue receipts from individual and corporate income taxes annually by \$8,000,000 beginning in FY 2016-17.

**Section 5.** This section would add Section 12-6-3760 to allow a taxpayer to claim a career pathways tax credit if the taxpayer creates an apprenticeship. The nonrefundable tax credit may be claimed for five years beginning in year two as long as the minimum level of five apprenticeships is maintained. The amount of the career pathways tax credit is exactly one-half of the job tax credit amounts pursuant to Section 12-6-3360(B) and is as follows:

- \$4,000 for each new full-time apprenticeship created in "Tier IV" counties
- \$2,125 for each new full-time apprenticeship created in "Tier III" counties
- \$1,375 for each new full-time apprenticeship created in "Tier II" counties
- \$750 for each new full-time apprenticeship created in "Tier I" counties

An apprenticeship created pursuant to this section is not considered a new job pursuant to Section 12-6-3360. The eligible taxpayer may have no more than 500 employees and any unused career pathways tax credits may be carried forward for a period of fifteen years from the taxable year in which the credit is earned by the taxpayer. This section takes effect in tax years beginning after 2015 and applies to apprenticeships created after this date.

According to the U.S. Department of Labor, Employment and Training Administration, apprentices make up about 0.3 percent of the total labor force. Based on the latest labor force data from the Bureau of Labor Statistics, there are an estimated 2,229,795 individuals in the civilian labor force in South Carolina. Multiplying 2,229,795 by 0.3 percent yields an estimated 6,689 potential apprentices. Recognizing that some of these individuals are currently employed as apprentices through other various federal and state training programs, there may be an additional 5,000 individuals that may become eligible for workforce training. Because it is difficult to estimate with certainty in which county new apprentices may be found, an estimated average career pathways tax credit of \$1,900 per eligible apprentice is used in the analysis. Multiplying 5,000 potential apprentices by an average career pathways tax credit of \$1,900 yields a reduction of General Fund income tax revenue of an estimated \$9,500,000 in FY 2017-18 and each fiscal year through FY 2021-22.

### **Local Expenditure**

The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and twenty-three county governments regarding the expenditure impact of this bill. The Municipal Association indicates this bill will have a minimal expenditure impact on municipal governments. Since our office received no responses from the counties surveyed, we are not able to determine the expenditure impact on county governments.

### **Local Revenue**

N/A

### **Explanation of Amendment by House Ways and Means Committee on May 20, 2015**

#### **State Expenditure**

House Bill 4145 as amended adds Article 15 to Chapter 1, Title 13 creating a five-member Coordinating Council for Workforce Development and a seventeen-member advisory group within the Department of Commerce. The council is charged with forging partnerships with state, local, and private stakeholders, assessing state-wide needs, coordinating the development of a comprehensive plan to improve workforce training and education, and creating an effective workforce development and job placement system. The bill specifies the council's duties, responsibilities, evaluation, and reporting requirements regarding the development of the plan. The bill also requires the council to establish a multi-agency program called the Pathways Initiative. The proposed Pathways to First Careers program must be designed to facilitate the transition from education to employment in industries with critical workforce shortages. The proposed Pathways to New Opportunities program must be designed to provide subsidized career training, certification, and job placement assistance to adults pursuing careers in critical need industries in the state. The bill also requires the State Board for Technical and Comprehensive Education to establish a Workforce Scholarship and Grants Fund to be used for tuition and education-related expenses for qualified individuals enrolled in eligible programs. The bill provides limited income tax credits to individuals and entities who contribute to the Workforce Scholarship and Grants Fund.

**Department of Commerce.** The bill establishes a new division within the Department of Commerce called the Coordinating Council for Workforce Development charged with developing a coordinated plan, infrastructure, and a scholarship fund designed to create an effective system fostering workforce education, training, and job placement. The department estimates that this new multi-agency initiative will require five additional FTEs to plan, develop, coordinate, and sustain the council's new state-wide programs. General Fund expenditures are estimated at \$500,000 in the first year and \$425,000 each year thereafter.

**State Department of Education.** The department indicates there would be no expenditure impact for the 2015-2016 school year. With the implementation in the 2016-2017 school year, the department indicates there may be additional expenditures; however, the amount of those expenditures is unknown at this time.

**Department of Employment and Workforce.** The Department of Employment and Workforce reports that the expenditure impact of this bill is undeterminable until the agency's specific responsibilities are formulated by the new Coordinating Council for Workforce Development.

**State Board for Technical and Comprehensive Education.** The board indicated that the bill would impact General Fund expenditures by \$47,123,800 in FY 2015-16 and \$6,773,800 in FY 2016-17 and thereafter. The bill would require a total of forty-eight additional FTEs for the sixteen technical colleges and six new FTEs for the agency. The non-recurring costs for implementing the bill for all sixteen colleges include \$28,500,000 in equipment needed for the program; \$10,000,000 for renovating labs and classrooms; \$990,000 for IT modifications; and \$860,000 for the purchase, up-fit, and equipment needed for two simulation trucks. Included in recurring costs is the assistance for 2,500 students with training materials (\$500,000), certification fees (\$250,000), and transportation (\$812,500). Other recurring costs include marketing to prospective students (\$715,000), marketing to businesses (\$100,000), miscellaneous administrative expenses (\$127,500), and salary and fringe expense for 54 new FTEs (\$4,268,800).

**Commission on Higher Education.** The agency reports that the expenditure impact of this bill on the agency and on the public institutions of higher education is undeterminable until the specific responsibilities are formulated by the new Coordinating Council for Workforce Development.

**Department of Social Services.** This bill adds a representative from the Department of Social Services to the advisory group. There is no expenditure impact to the General Fund, Federal Funds, or Other Funds.

**Department of Vocational Rehabilitation.** The agency was contacted and asked to submit an impact statement, but the agency has not yet responded.

**Department of Corrections.** The agency anticipates no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Department of Juvenile Justice.** The agency was contacted and asked to submit an impact statement, but the agency has not yet responded.

**Executive Budget Office.** The Executive Budget Office indicates this bill would have minimal impact which can be absorbed within existing resources.

**Revenue and Fiscal Affairs Office.** The agency anticipates no expenditure impact on the General Fund, Federal Funds, or Other Funds.

### **State Revenue**

**Section 3.** Section 3 establishes the Workforce Scholarship and Grant Fund administered by the State Board for Technical and Comprehensive Education to provide scholarship funding for eligible individuals. Grants not to exceed \$10,000 or the total cost of attendance, whichever is less, may be awarded from the fund to South Carolina residents enrolled in a technical college or professional certification program. Eligible institution or program is defined as those located in this state that do not discriminate and meet all eligibility guidelines set by the State Board for Technical and Comprehensive Education.

**Section 4.** Section 4 provides a non-refundable tax credit for an individual’s contribution to the fund. The tax credit is limited to 60% of the taxpayer’s tax liability. The credit applies against the taxpayer’s tax liability for the year in which the taxpayer makes the contribution and applies to contributions made after December 31, 2015. Based on the experience of scholarship tax credits in other states, we expect that South Carolina taxpayers will claim the total \$8,000,000 in tax credits allowed in FY 2016-17. This would reduce General Fund revenue receipts from individual and corporate income taxes annually by \$8,000,000 beginning in FY 2016-17.

**Section 5.** This section would add Section 12-6-3760 to allow a taxpayer to claim a career pathways tax credit if the taxpayer creates an apprenticeship. The nonrefundable tax credit may be claimed for five years beginning in year two as long as the minimum level of five apprenticeships is maintained. The amount of the career pathways tax credit is exactly one-half of the job tax credit amounts pursuant to Section 12-6-3360(B) and is as follows:

- \$4,000 for each new full-time apprenticeship created in “Tier IV” counties
- \$2,125 for each new full-time apprenticeship created in “Tier III” counties
- \$1,375 for each new full-time apprenticeship created in “Tier II” counties
- \$750 for each new full-time apprenticeship created in “Tier I” counties

An apprenticeship created pursuant to this section is not considered a new job pursuant to Section 12-6-3360. The eligible taxpayer may have no more than 500 employees and any unused career pathways tax credits may be carried forward for a period of fifteen years from the taxable year in which the credit is earned by the taxpayer. This section takes effect in tax years beginning after 2015 and applies to apprenticeships created after this date.

According to the U.S. Department of Labor, Employment and Training Administration, apprentices make up about 0.3 percent of the total labor force. Based on the latest labor force data from the Bureau of Labor Statistics, there are an estimated 2,229,795 individuals in the civilian labor force in South Carolina. Multiplying 2,229,795 by 0.3 percent yields an estimated 6,689 potential apprentices. Recognizing that some of these individuals are currently employed as apprentices through other various federal and state training programs, there may be an additional 5,000 individuals that may become eligible for workforce training. Because it is difficult to estimate with certainty in which county new apprentices may be found, an estimated average career pathways tax credit of \$1,900 per eligible apprentice is used in the analysis. Multiplying 5,000 potential apprentices by an average career pathways tax credit of \$1,900 yields a reduction of General Fund income tax revenue of an estimated \$9,500,000 in FY 2017-18 and each fiscal year through FY 2021-22.

**Local Expenditure**

The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and twenty-three county governments regarding the expenditure impact of this bill. The Municipal Association indicates this bill will have a minimal expenditure impact on municipal governments. Since our office received no responses from the counties surveyed, we are not able to determine the expenditure impact on county governments.

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director



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**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H.4151                      As signed by the Governor on March 14, 2016  
**Author:** Pitts  
**Subject:** Stamp Tax on Tobacco Products  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Martin  
**Impact Date:** June 24, 2016

**Estimate of Fiscal Impact**

	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
<b>State Expenditure</b>				
General Fund	\$0	\$0	(\$75,000)	(\$75,000)
Other and Federal	\$0	\$0	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00	1.00	0.00
<b>State Revenue</b>				
General Fund	\$0	\$0	(\$1,260,848)	(\$2,120,696)
Other and Federal	\$0	\$0	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0	\$0	\$0
<b>Local Revenue</b>	\$0	\$0	\$0	\$0

**Fiscal Impact Summary**

This bill is expected to reduce General Fund business license tax revenue by an estimated \$1,260,848 in FY2018-19 and reduce General Fund business license tax revenue by an estimated \$2,120,696 in FY2019-20.

**Explanation of Fiscal Impact**

**Explanation of Amendment (February 17, 2016) – By the Senate Finance Committee**

**State Expenditure**

The Department of Revenue estimates that this bill would require the department to hire an additional person to track inventory of the tax stamps and to audit returns related to tobacco tax collections. Also, there should be a revolving fund balance used for the purchase of tax stamps. The amount in the fund balance would depend on the use and administration of the stamps. The department estimates the direct cost to the department’s General Fund to be \$75,000 without considering the amount of the fund balance; however, this amended bill allows the department to retain up to \$400,000 annually not to exceed actual costs. These funds would be paid out of General Fund cigarette tax revenue pursuant to Section 12-21-620(A)(1).

**State Revenue**

The Senate Finance Committee amended the House of Representatives version of bill with the following changes:

- A distributor is allowed a tax credit for the purchase of one stamping machine and equipment. The amount of the credit is equal to the direct costs incurred by the distributor up to \$175,000. This represents an increase in the tax credit of \$50,000 from \$125,000 to \$175,000 per distributor.
- Requires the person(s) authorized to pay the tax to execute a surety bond in the amount of 110 percent of the distributor's estimated tax liability for thirty days, but not less than \$2,000 per person(s). Any default in bonding may result in the revocation of the distributor's privilege to purchase tax stamps.
- Allows the Department of Revenue to retain annually up to \$400,000 of tax revenue not to exceed actual costs to recover the costs associated with the installation and operation of the cigarette stamp program. This revenue may be retained from revenue collected pursuant to Section 12-21-620(A)(1), the seven-cents per cigarette pack portion from the state General Fund.
- Moves the effective date of the legislation out one year from January 1, 2018 to January 1, 2019.

Currently, only three states do not have tax stamps on individual packages of cigarettes – North Carolina, South Carolina, and North Dakota. The imposition of cigarette tax stamps has been to combat illegal smuggling of low-tax rate cigarettes to high-tax rate cigarette states. Section I of the bill allows the Department of Revenue to promulgate regulations necessary to enforce this section. The following is a section-by-section explanation of the bill.

**Section 1.** This section would amend Section 12-21-735 to direct that each person or distributor of cigarettes is subject to the tax imposed by Section 12-21-620 by affixing stamps to each individual package of cigarettes before being sold, distributed, or shipped to another person. A distributor may affix stamps only to packages of cigarettes obtained directly from a manufacturer or importer with a valid permit issued pursuant to 26 U.S.C. Section 5713. This is a federal permit necessary to engage in the business as a manufacturer or importer of tobacco products or processed tobacco or as an export warehouse proprietor. Only the holder of a federal permit may ship or deliver unstamped packages of cigarettes in, into, or from this State, or may transfer, transport, or cause to be transported unstamped cigarettes from a facility owned by the distributor to another facility owned by the distributor.

The Department of Revenue shall prescribe, prepare, and furnish stamps of denominations and in quantities to licensed distributors tax stamps that indicate the payment of the tax. The stamps must be sold only in multiples of 30,000 stamps such that when affixed on an individual package of cigarettes cannot be removed without being mutilated or destroyed. All stamps must identify the distributor of the cigarettes by a serial number or other mark on the stamp. The stamp must clearly indicate whether the taxes were paid on the package of cigarettes or were exempt from taxes. Stamps may only be affixed to packages of cigarettes that are listed on the South Carolina Tobacco Directory published by the Office of the Attorney General pursuant to Section 11-48-30, the Tobacco Qualified Escrow Fund Enforcement.

As a result of requiring the use of tax stamps, the Department of Revenue would allow a tax credit for the purchase of one stamping machine and equipment acquired by a distributor within one year of implementation by the department. A distributor may receive a tax credit for eighteen months beginning in the first month following the purchase of the machine and equipment. The tax credit would apply to the total net purchase of the machinery and equipment up to \$125,000, excluding shipping costs, installation, or ongoing maintenance. Any tax credit must be applied only to the tax remitted under this chapter.

If eight distributors are selected as agents by the Department of Revenue with each investing in a tax metering device and allowed to claim a tax credit against business license tax each month for eighteen consecutive months until the entire \$125,000 tax credit amount is claimed by the distributors, then General Fund business license tax revenue would be reduced by an estimated \$1,000,000 over the eighteen-month period. Of this amount, General Fund business license tax would be reduced by \$333,333 in FY2018-19, and reduced by \$666,667 in FY2019-20.

The Department of Revenue may designate agents to buy or affix stamps to individual packages of cigarettes to satisfy the payment of taxes. The agent is entitled to a discount of 4.25 percent of the face value of the stamps out of the money to be paid by the agent for the stamps as compensation for their services. The Department of Revenue shall provide a method of purchasing stamps. Currently, pursuant to Section 12-21-735, a person or distributor that is required to remit business license tax to the Department of Revenue may apply a discount of 3.5 percent of the tax due. The bill would amend Section 12-21-735 to allow a distributor who applies cigarette tax stamps to packages of cigarettes a discount of 4.25 percent. Under this bill, the cigarette tax discount is increased by 0.0075 percentage points of the face value of the stamps.

Based upon the Board of Economic Advisors' Long Range General Fund revenue plan, General Fund business license tax revenue is an estimated \$23,988,000 in FY2018-19 from the seven-cent per package tax rate. Of this amount, nearly seventy-one percent is from cigarettes, or \$17,175,408, and the remaining twenty-nine percent is from other tobacco products, such as cigars, chewing tobacco, and snuff. The fifty cent per package cigarette surcharge is an estimated \$118,571,666 in FY2018-19. Collectively, the taxes generated from the sale of cigarettes are an estimated \$135,747,074 in FY2018-19. This bill increases the discount allowed by distributors by 0.0075 percentage points (4.25% in the bill less 3.5% currently permitted). The BEA estimates that an increase in the discount by 0.0075 percentage points will reduce General Fund business license tax revenue by an estimated \$1,055,029. Of this amount, General Fund business license tax revenue would be reduced by \$527,515 in FY2018-19, and General Fund business license tax revenue would be reduced by \$1,055,029 in FY2019-20.

Additionally, this amended bill allows the department to retain up to \$400,000 annually not to exceed the actual costs of administering the cigarette stamp program. These funds would be paid out of cigarette tax revenue pursuant to Section 12-21-620(A)(1). Collectively, this amended bill is expected to reduce General Fund business license tax revenue by an estimated \$1,260,848 in FY2018-19 and reduce General Fund business license tax revenue by an estimated \$2,120,696 in FY2019-20.

**Section 2.** This act takes effect on January 1, 2019, except that Section 12-21-735(I) (the department may promulgate regulations) takes effect upon approval by the Governor.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment (May 21, 2015) – By the House Ways & Means Committee**

**State Expenditure**

The Department of Revenue estimates that this bill would require the department to hire an additional person to track inventory of the tax stamps and to audit returns related to tobacco tax collections. Also, there should be a revolving fund balance used for the purchase of tax stamps. The amount in the fund balance would depend on the use and administration of the stamps. The department estimates the direct cost to the department's General Fund to be \$75,000 without considering the amount of the fund balance.

**State Revenue**

This amendment would add a new subsection stating that all costs incurred by the department associated with the installation and operation of the cigarette stamp program must be paid from tobacco tax collections. This amendment would require the Department of Revenue to pay all recurring costs associated with the cigarette tax stamp program to be paid from General Fund business license tax revenue. This amendment would reduce General Fund business license tax revenue by an estimated \$75,000 in FY2017-18, and each fiscal year thereafter.

Currently, only three states do not have tax stamps on individual packages of cigarettes – North Carolina, South Carolina, and North Dakota. The imposition of cigarette tax stamps has been to combat illegal smuggling of low-tax rate cigarettes to high-tax rate cigarette states. Section I of the bill allows the Department of Revenue to promulgate regulations necessary to enforce this section. The following is a section-by-section explanation of the bill.

**Section 1.** This section would amend Section 12-21-735 to direct that each person or distributor of cigarettes is subject to the tax imposed by Section 12-21-620 by affixing stamps to each individual package of cigarettes before being sold, distributed, or shipped to another person. A distributor may affix stamps only to packages of cigarettes obtained directly from a manufacturer or importer with a valid permit issued pursuant to 26 U.S.C. Section 5713. This is a federal permit necessary to engage in the business as a manufacturer or importer of tobacco products or processed tobacco or as an export warehouse proprietor. Only the holder of a federal permit may ship or deliver unstamped packages of cigarettes in, into, or from this State, or may transfer, transport, or cause to be transported unstamped cigarettes from a facility owned by the distributor to another facility owned by the distributor.

The Department of Revenue shall prescribe, prepare, and furnish stamps of denominations and in quantities to licensed distributors tax stamps that indicate the payment of the tax. The stamps

must be sold only in multiples of 30,000 stamps such that when affixed on an individual package of cigarettes cannot be removed without being mutilated or destroyed. All stamps must identify the distributor of the cigarettes by a serial number or other mark on the stamp. The stamp must clearly indicate whether the taxes were paid on the package of cigarettes or were exempt from taxes. Stamps may only be affixed to packages of cigarettes that are listed on the South Carolina Tobacco Directory published by the Office of the Attorney General pursuant to Section 11-48-30, the Tobacco Qualified Escrow Fund Enforcement.

As a result of requiring the use of tax stamps, the Department of Revenue would allow a tax credit for the purchase of one stamping machine and equipment acquired by a distributor within one year of implementation by the department. A distributor may receive a tax credit for eighteen months beginning in the first month following the purchase of the machine and equipment. The tax credit would amount to 5.55 percent of the total net purchase of the machinery and equipment up to \$125,000, excluding shipping costs, installation, or ongoing maintenance. Any tax credit must be applied only to the tax remitted under this chapter.

If eight distributors are selected as agents by the Department of Revenue with each investing in a tax metering device and allowed to claim a tax credit against business license tax each month for eighteen consecutive months until the entire \$125,000 tax credit amount is claimed by the distributors, then General Fund business license tax revenue would be reduced by an estimated \$1,000,000 over the eighteen-month period. Of this amount, General Fund business license tax would be reduced by \$333,333 in FY2017-18, and reduced by \$666,667 in FY2018-19.

The Department of Revenue may designate agents to buy or affix stamps to individual packages of cigarettes to satisfy the payment of taxes. The agent is entitled to a discount of 4.25 percent of the face value of the stamps out of the money to be paid by the agent for the stamps as compensation for their services. The Department of Revenue shall provide a method of purchasing stamps. Currently, pursuant to Section 12-21-735, a person or distributor that is required to remit business license tax to the Department of Revenue may apply a discount of 3.5 percent of the tax due. The bill would revise Section 12-21-735 to allow a distributor who applies cigarette tax stamps to packages of cigarettes a discount of 4.25 percent. Under this bill, the cigarette tax discount is increased by 0.0075 percent of the face value of the stamps.

Based upon the Board of Economic Advisors' Long Range General Fund revenue plan, General Fund business license tax revenue is an estimated \$24,129,000 in FY2017-18 from the seven-cent per package tax rate. Of this amount, nearly seventy-one percent is from cigarettes, or \$17,035,074, and the remaining twenty-nine percent is from other tobacco products, such as cigars, chewing tobacco, and snuff. The fifty cent per package cigarette surcharge is an estimated \$120,142,476 in FY2017-18. Collectively, the taxes generated from the sale of cigarettes are an estimated \$137,177,550 in FY2017-18. This bill increases the discount allowed by distributors by 0.0075 percent (4.25% in the bill less 3.5% currently permitted). The BEA estimates that an increase in the discount by 0.0075 will reduce General Fund business license tax revenue by an estimated \$1,066,146. Of this amount, General Fund business license tax revenue would be reduced by \$533,073 in FY2017-18, and General Fund business license tax revenue would be reduced by \$1,066,146 in FY2018-19.

Collectively, this bill is expected to reduce General Fund business license tax revenue by an estimated \$866,406 in FY2017-18 and reduce General Fund business license tax revenue by an estimated \$1,732,813 in FY2018-19.

**Section 2.** This act takes effect on January 1, 2018, except that Section 12-21-735(I) takes effect upon approval by the Governor.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill filed on May 7, 2015**

**State Expenditure**

The Department of Revenue estimates that this bill would require the department to hire an additional person to track inventory of the tax stamps and to audit returns related to tobacco tax collections. Also, there should be a revolving fund balance used for the purchase of tax stamps. The amount in the fund balance would depend on the use and administration of the stamps. The department estimates the direct cost to the department's General Fund to be \$75,000 without considering the amount of the fund balance.

**State Revenue**

Currently, only three states do not have tax stamps on individual packages of cigarettes – North Carolina, South Carolina, and North Dakota. The imposition of cigarette tax stamps has been to combat illegal smuggling of low-tax rate cigarettes to high-tax rate cigarette states. Section I of the bill allows the Department of Revenue to promulgate regulations necessary to enforce this section. The following is a section-by-section explanation of the bill.

**Section 1.** This section would amend Section 12-21-735 to direct that each person or distributor of cigarettes is subject to the tax imposed by Section 12-21-620 by affixing stamps to each individual package of cigarettes before being sold, distributed, or shipped to another person. A distributor may affix stamps only to packages of cigarettes obtained directly from a manufacturer or importer with a valid permit issued pursuant to 26 U.S.C. Section 5713. This is a federal permit necessary to engage in the business as a manufacturer or importer of tobacco products or processed tobacco or as an export warehouse proprietor. Only the holder of a federal permit may ship or deliver unstamped packages of cigarettes in, into, or from this State, or may transfer, transport, or cause to be transported unstamped cigarettes from a facility owned by the distributor to another facility owned by the distributor.

The Department of Revenue shall prescribe, prepare, and furnish stamps of denominations and in quantities to licensed distributors tax stamps that indicate the payment of the tax. The stamps must be sold only in multiples of 30,000 stamps such that when affixed on an individual package of cigarettes cannot be removed without being mutilated or destroyed. All stamps must identify the distributor of the cigarettes by a serial number or other mark on the stamp. The stamp must clearly indicate whether the taxes were paid on the package of cigarettes or were exempt from taxes. Stamps may only be affixed to packages of cigarettes that are listed on the South Carolina

Tobacco Directory published by the Office of the Attorney General pursuant to Section 11-48-30, the Tobacco Qualified Escrow Fund Enforcement.

As a result of requiring the use of tax stamps, the Department of Revenue would allow a tax credit for the purchase of one stamping machine and equipment acquired by a distributor within one year of implementation by the department. A distributor may receive a tax credit for eighteen months beginning in the first month following the purchase of the machine and equipment. The tax credit would amount to 5.55 percent of the total net purchase of the machinery and equipment up to \$125,000, excluding shipping costs, installation, or ongoing maintenance. Any tax credit must be applied only to the tax remitted under this chapter.

If eight distributors are selected as agents by the Department of Revenue with each investing in a tax metering device and allowed to claim a tax credit against business license tax each month for eighteen consecutive months until the entire \$125,000 tax credit amount is claimed by the distributors, then General Fund business license tax revenue would be reduced by an estimated \$1,000,000 over the eighteen-month period. Of this amount, General Fund business license tax would be reduced by \$333,333 in FY2017-18, and reduced by \$666,667 in FY2018-19.

The Department of Revenue may designate agents to buy or affix stamps to individual packages of cigarettes to satisfy the payment of taxes. The agent is entitled to a discount of 4.25 percent of the face value of the stamps out of the money to be paid by the agent for the stamps as compensation for their services. The Department of Revenue shall provide a method of purchasing stamps. Currently, pursuant to Section 12-21-735, a person or distributor that is required to remit business license tax to the Department of Revenue may apply a discount of 3.5 percent of the tax due. The bill would revise Section 12-21-735 to allow a distributor who applies cigarette tax stamps to packages of cigarettes a discount of 4.25 percent. Under this bill, the cigarette tax discount is increased by 0.0075 percent of the face value of the stamps.

Based upon the Board of Economic Advisors' Long Range General Fund revenue plan, General Fund business license tax revenue is an estimated \$24,129,000 in FY2017-18 from the seven-cent per package tax rate. Of this amount, nearly seventy-one percent is from cigarettes, or \$17,035,074, and the remaining twenty-nine percent is from other tobacco products, such as cigars, chewing tobacco, and snuff. The fifty cent per package cigarette surcharge is an estimated \$120,142,476 in FY2017-18. Collectively, the taxes generated from the sale of cigarettes are an estimated \$137,177,550 in FY2017-18. This bill increases the discount allowed by distributors by 0.0075 percent (4.25% in the bill less 3.5% currently permitted). The BEA estimates that an increase in the discount by 0.0075 will reduce General Fund business license tax revenue by an estimated \$1,066,146. Of this amount, General Fund business license tax revenue would be reduced by \$533,073 in FY2017-18, and General Fund business license tax revenue would be reduced by \$1,066,146 in FY2018-19.

Collectively, this bill is expected to reduce General Fund business license tax revenue by an estimated \$866,406 in FY2017-18 and reduce General Fund business license tax revenue by an estimated \$1,732,813 in FY2018-19.

**Section 2.** This act takes effect on January 1, 2018, except that Section 12-21-735(I) takes effect upon approval by the Governor.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 4328 As signed by the Governor on April 21, 2016  
**Author:** White  
**Subject:** Quarterly Income Tax Withholdings  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Shuford  
**Impact Date:** June 29, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$7,849,100)	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill will reduce General Fund individual, corporate, and savings and loan association income tax revenue and corporate license fees by \$7,849,100 in FY 2016-17.

**Explanation of Fiscal Impact**

**Explanation of Bill Signed by the Governor on April 21, 2016**

**State Expenditure**

The Department of Revenue indicates that this bill as amended would have no expenditure impact to the General Fund, Federal Funds, or Other Funds.

**State Revenue**

The following analysis reviews all sections of the bill as amended as they are referenced in Act 160 of 2016.

**Sections 1 and 2.** This bill as amended changes the due date of the fourth quarter income tax withholding return from the last day in February to the last day in January. The bill also changes the due date for W-2 forms and the annual withholding recapitulation and reconciliation report to the last day in January. These proposed South Carolina date changes correspond with current federal due date requirements for employers' annual reports for federal unemployment tax withholdings, withheld federal income tax, and Form W-2 wage, tips, and other compensation paid to employees. We expect no revenue impact over a fiscal year period from changing the South Carolina return due dates.

**Section 3.** This section updates South Carolina’s conformity to the Internal Revenue Code (IRC) through December 31, 2015 by amending Section 12-6-40(A)(1)(a). Research by the Department of Revenue reports that three federal tax acts enacted in 2015 may have a revenue impact if adopted through this conformity legislation. The attached table provides a brief summary of the 2015 federal tax law changes and their estimated impact on General Fund income tax revenue for FY 2016-17.

<b>2015 Federal Acts and Provisions with South Carolina Revenue Impacts for H. 4328</b>	<b>FY 2016-17</b>
<b>H.R. 3236: The Surface Transportation and Veterans Health Care Choice Improvement Act of 2015</b>	
<i>II. Revenue Provisions</i>	
3. Modification of mortgage information reporting requirements (SC does not adopt this section, but reporting requirement will increase taxpayer compliance)	\$ 105,200
4. Require consistency between estate tax value and income tax basis of assets acquired from a decedent	\$ 155,050
5. Clarify the 6-year statute of limitations in the case of overstatement basis (SC does not adopt the federal statute of limitations, but does extend SC statute of limitations for federal notice of adjustments)	\$ 34,250
<b>H.R. 1314: The Bipartisan Budget Act of 2015</b>	
<i>XI. Revenue Provisions Related to Tax Compliance</i>	
1. Partnership audits and adjustments	\$ 0
2. Partnership interests created by gift	\$ 551,900
<b>H.R. 2029(2)(Q): Protecting Americans from Tax Hikes Act of 2015</b>	
<i>III. Miscellaneous Provisions</i>	
<i>A. Family Tax Relief</i>	
2. Improvements to Section 529 accounts ( Computer technology and equipment permanently allowed as an expense; refunded tuition is expense if re-contributed within 60 days of refund)	(\$ 6,250)
4. Exclusion for wrongfully incarcerated individuals	(\$ 5,000)
<i>B. Real Estate Investment Trusts (“REITs”)</i>	
1. Restriction on tax-free spinoffs involving REITs, including transition rules	\$ 61,900
2. Reduction in percentage limitation on assets of REIT that may be taxable REIT subsidiaries	\$ 0
3. Prohibited transaction safe harbors	\$ 26,400
11. Treatment of certain services provided by taxable REIT subsidiaries	(\$ 1,100)
16. Dividends derived from RICs and REITs ineligible for deduction under United States source portion of dividends from certain foreign corporations	\$ 36,050
<i>C. Additional Provisions</i>	
1. Deductibility of charitable contributions to agricultural research organizations	(\$ 6,226)
6. Church plan clarification	(\$ 3,750)

<b>2015 Federal Acts and Provisions with South Carolina Revenue Impacts for H. 4328</b>	<b>FY 2016-17</b>
<i>D. Revenue Provisions</i>	
1. Updated ASHRAF standards for energy efficient commercial buildings deduction	\$ 4,850
3. Exclusion from gross income of certain clean coal power grants to non-corporate taxpayers	(\$ 219,150)
4. Clarify the valuation rule for early termination of certain charitable remainder unitrusts	\$ 54,800
5. Prevention of transfer of certain losses from tax indifferent parties	\$ 67,860
	<b>\$ 857,900</b>

The following analysis reviews the federal tax provisions amended in 2015 that have a substantial South Carolina revenue impact.

The Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 modifies mortgage information reporting requirements to require the amount of the outstanding principal balance, the address of the property, and the loan origination date. This additional information is intended to increase taxpayer compliance. This act also requires that the fair market value for income tax purposes of a property acquired from a decedent be consistent with the value as determined for estate tax purposes. This is designed to prevent a taxpayer from overstating the basis of inherited property when it is sold, in many cases years after the estate is closed. This inconsistency in fair market value may reduce the amount of capital gains tax due when the property is sold.

The Bipartisan Budget Act of 2015 clarifies that family partnership rules will not affect the determination of whether a person with a capital interest is a partner. With this federal change, a person with capital interest will be recognized as a partner even if the interest is received by gift as long as the capital is a material income-producing factor in the partnership and the partnership determination would be valid under generally applicable rules.

The Protecting Americans from Tax Hikes Act of 2015 allows a non-corporate taxpayer to exclude from gross income any grant, award, or allowance made pursuant to Section 402 (Clean Coal Power Initiatives) of the Energy Policy Act of 2005. This exclusion is applicable to grants received in tax years beginning after 2011.

All other federal tax law changes impacting South Carolina revenue are itemized in the table above. In summary, we expect that updating conformity in Section 12-6-40(A)(1)(a) through the end of 2015 will increase General Fund income tax revenue by \$857,900 in FY 2016-17.

**Section 4.** Section 4A changes the filing date in Section 12-6-4970 for partnership returns to the fifteenth day of the third month following the close of the tax year, rather than the fourth month. These returns allocate income from the partnership to the partners, which is included on the partner's individual income tax return. We expect no revenue impact from this date change.

Section 4B changes the filing date in Section 12-8-590 for withholding on nonresident shareholders of Subchapter S corporations and nonresident partners to the fifteenth day of the third month following the close of the tax year, rather than the fourth month. This change will increase revenue by one additional month of withholding in FY 2016-17 for partnerships and S corporations with a tax year that begins in April 2016 and ends in March 2017. These partnerships and S corporations would currently remit nonresident withholding in July 2017, or FY 2017-18. Under the amendment, they will now pay in June 2017, or FY 2016-17. We anticipate that General Fund individual income tax revenue will increase by \$612,000 in FY 2016-17 from the July 2017 nonresident shareholder and partnership withholding payments being moved to June 2017.

Section 4C changes the filing date in Section 12-13-80 for savings and loan associations to the fifteenth day of the fourth month following the close of the tax year, rather than the third month. This change will decrease General Fund savings and loan association tax revenue by one month from the delayed filings of taxpayers with a tax year that begins in March 2016 and ends in February 2017. These taxpayers, who currently file their return in June 2017, will wait to file in July 2017, or FY 2017-18. We anticipate that General Fund savings and loan association tax revenue will decrease by \$119,000 in FY 2016-17 from the June 2017 returns being moved to July 2017, or FY 2017-18.

Section 4D changes the filing date in Section 12-20-20 for corporations to the fifteenth day of the fourth month following the close of the tax year, rather than the third month. This change will decrease General Fund corporate income tax revenue by one month for taxpayers with a tax year that begins in March 2016 and ends in February 2017. These taxpayers, who currently file their return in June 2017, will wait to file in July 2017, or FY 2017-18. The revenue impact anticipates that an estimated \$7,700,000 of tax revenue paid with the returns will be delayed to July 2017 from June 2017, and an estimated \$2,100,000 of refunds will also be delayed. Total General Fund corporate income tax revenue will decrease by \$5,600,000 in FY 2016-17. We do not anticipate any revenue impact from corporate declarations or withholdings, as those return dates are not changed by this amendment.

Corporate license fee revenue will also be impacted by the change in the corporation income tax return date. Currently, the corporate license fee is remitted on the corporate income tax return due on the fifteenth day of the third month following the close of the tax year. This due date will also change to the fourth month, which will reduce license fee revenue collections by one month in FY 2016-17. We estimate that General Fund corporate license fee revenue will decrease by \$3,600,000 in FY 2016-17 due to one less month of revenue collections.

**Section 5.** This section adds the definitions of diesel gallon equivalent and gasoline gallon equivalent to Section 12-28-110 to clarify the amount of natural or petroleum gas that has the equivalent energy of one gallon of diesel or gasoline fuel, respectively. This section would not affect state General Fund revenue.

**Section 6.** Section 12-28-120 is also added to clarify that a gallon of liquefied natural gas means diesel gallon equivalent (DGE), and that a gallon of compressed natural gas or liquefied petroleum gas means gasoline gallon equivalent (GGE). For any gaseous product for which a

conversion factor is not provided in this chapter, the Department of Revenue shall determine a conversion factor, based on the best information available, and notify the General Assembly that a legislative change is necessary. This section would not affect state General fund revenue.

**Section 7.** Section 12-36-2120(15) is amended to exempt a taxpayer with a miscellaneous fuel user fee license from remitting the sales and use tax on natural gas and liquefied petroleum gas as an alternative fuel sold to the licensee. Currently, sales and use tax is not levied against the sale of motor fuel. According to the Department of Revenue, there are seventy miscellaneous fuel user fee licenses issued to taxpayers. This section is amended to remove the burden of remitting any motor fuel tax due as the result of withdrawal of motor fuel for personal use from being a statutory requirement to being a voluntary submission. This section would not affect state General Fund revenue.

**Section 8.** Section 12-28-1125(A) is amended by repealing language that describes several different types of shipping methods of motor fuel and inserting language that refers to motor fuel shipped by any means. The individual that brings motor fuel into this state would still have to be licensed by the Department of Revenue and obtain an occasional importer's license or a bonded importer's license. This section would not affect state General Fund revenue.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by Senate Finance Sales and Income Tax Subcommittee on March 15, 2016**

**State Expenditure**

The Department of Revenue indicates that this bill as amended would have no expenditure impact to the General Fund, Federal Funds, or Other Funds.

**State Revenue**

For descriptive purposes, the sections are referenced based upon consecutive numbering of each unnumbered section in the amendment.

**Section 1.** This section amends Section 12-6-40(A)(1)(a), which updates South Carolina's conformity to the Internal Revenue Code (IRC) through December 31, 2015. Research by the Department of Revenue reports that three federal tax acts enacted in 2015 may have a revenue impact if adopted through this conformity legislation. The table attached provides a brief summary of the 2015 federal tax law changes and their estimated impact on General Fund income tax revenue for FY 2016-17. The following analysis reviews the federal tax provisions amended in 2015 that have a substantial South Carolina revenue impact.

The Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 modifies mortgage information reporting requirements to require the amount of the outstanding

principal balance, the address of the property, and the loan origination date. This additional information is intended to increase taxpayer compliance. This act also requires that the fair market value for income tax purposes of a property acquired from a decedent be consistent with the value as determined for estate tax purposes. This is designed to prevent a taxpayer from overstating the basis of inherited property when it is sold, in many cases years after the estate is closed. This inconsistency in fair market value may reduce the amount of capital gains tax due when the property is sold.

The Bipartisan Budget Act of 2015 clarifies that family partnership rules will not affect the determination of whether a person with a capital interest is a partner. With this federal change, a person with capital interest will be recognized as a partner even if the interest is received by gift as long as the capital is a material income-producing factor in the partnership and the partnership determination would be valid under generally applicable rules.

The Protecting Americans from Tax Hikes Act of 2015 allows a non-corporate taxpayer to exclude from gross income any grant, award, or allowance made pursuant to Section 402 (Clean Coal Power Initiatives) of the Energy Policy Act of 2005. This exclusion is applicable to grants received in tax years beginning after 2011.

All other federal tax law changes impacting South Carolina revenue are itemized in the table below. In summary, we expect that updating conformity in Section 12-6-40(A)(1)(a) through the end of 2015 will increase General Fund income tax revenue by \$857,900 in FY 2016-17.

<b>2015 Federal Acts and Provisions with South Carolina Revenue Impacts for H. 4328</b>	<b>FY 2016-17</b>
<b>H.R. 3236: The Surface Transportation and Veterans Health Care Choice Improvement Act of 2015</b>	
<i>II. Revenue Provisions</i>	
3. Modification of mortgage information reporting requirements (SC does not adopt this section, but reporting requirement will increase taxpayer compliance)	\$ 105,200
4. Require consistency between estate tax value and income tax basis of assets acquired from a decedent	\$ 155,050
5. Clarify the 6-year statute of limitations in the case of overstatement basis (SC does not adopt the federal statute of limitations, but does extend SC statute of limitations for federal notice of adjustments)	\$ 34,250
<b>H.R. 1314: The Bipartisan Budget Act of 2015</b>	
<i>XI. Revenue Provisions Related to Tax Compliance</i>	
1. Partnership audits and adjustments	\$ 0
2. Partnership interests created by gift	\$ 551,900

<b>2015 Federal Acts and Provisions with South Carolina Revenue Impacts for H. 4328</b>	<b>FY 2016-17</b>
<b>H.R. 2029(2)(Q): Protecting Americans from Tax Hikes Act of 2015</b>	
<b><i>III. Miscellaneous Provisions</i></b>	
<b><i>A. Family Tax Relief</i></b>	
2. Improvements to Section 529 accounts ( Computer technology and equipment permanently allowed as an expense; refunded tuition is expense if re-contributed within 60 days of refund)	(\$ 6,250)
4. Exclusion for wrongfully incarcerated individuals	(\$ 5,000)
<b><i>B. Real Estate Investment Trusts (“REITs”)</i></b>	
1. Restriction on tax-free spinoffs involving REITs, including transition rules	\$ 61,900
2. Reduction in percentage limitation on assets of REIT that may be taxable REIT subsidiaries	\$ 0
3. Prohibited transaction safe harbors	\$ 26,400
11. Treatment of certain services provided by taxable REIT subsidiaries	(\$ 1,100)
16. Dividends derived from RICs and REITs ineligible for deduction under United States source portion of dividends from certain foreign corporations	\$ 36,050
<b><i>C. Additional Provisions</i></b>	
1. Deductibility of charitable contributions to agricultural research organizations	(\$ 6,226)
6. Church plan clarification	(\$ 3,750)
<b><i>D. Revenue Provisions</i></b>	
1. Updated ASHRAE standards for energy efficient commercial buildings deduction	\$ 4,850
3. Exclusion from gross income of certain clean coal power grants to non-corporate taxpayers	(\$ 219,150)
4. Clarify the valuation rule for early termination of certain charitable remainder unitrusts	\$ 54,800
5. Prevention of transfer of certain losses from tax indifferent parties	\$ 67,860
	<b>\$ 857,900</b>

**Section 2.** Section 2A changes the filing date in Section 12-6-4970 for partnership returns to the fifteenth day of the third month following the close of the tax year, rather than the fourth month. These returns allocate income from the partnership to the partners, which is included on the partner’s individual income tax return. We expect no revenue impact from this date change.

Section 2B changes the filing date in Section 12-8-590 for withholding on nonresident shareholders of Subchapter S corporations and nonresident partners to the fifteenth day of the third month following the close of the tax year, rather than the fourth month. This change will increase revenue by one additional month of withholding in FY 2016-17 for partnerships and S corporations with a tax year that begins in April 2016 and ends in March 2017. These partnerships and S corporations would currently remit nonresident withholding in July 2017, or

FY 2017-18. Under the amendment, they will now pay in June 2017, or FY 2016-17. We anticipate that General Fund individual income tax revenue will increase by \$612,000 in FY 2016-17 from the July 2017 nonresident shareholder and partnership withholding payments being moved to June 2017.

Section 2C changes the filing date in Section 12-13-80 for savings and loan associations to the fifteenth day of the fourth month following the close of the tax year, rather than the third month. This change will decrease General Fund savings and loan association tax revenue by one month from the delayed filings of taxpayers with a tax year that begins in March 2016 and ends in February 2017. These taxpayers, who currently file their return in June 2017, will wait to file in July 2017, or FY 2017-18. We anticipate that General Fund savings and loan association tax revenue will decrease by \$119,000 in FY 2016-17 from the June 2017 returns being moved to July 2017, or FY 2017-18.

Section 2D changes the filing date in Section 12-20-20 for corporations to the fifteenth day of the fourth month following the close of the tax year, rather than the third month. This change will decrease General Fund corporate income tax revenue by one month for taxpayers with a tax year that begins in March 2016 and ends in February 2017. These taxpayers, who currently file their return in June 2017, will wait to file in July 2017, or FY 2017-18. The revenue impact anticipates that an estimated \$7,700,000 of tax revenue paid with the returns will be delayed to July 2017 from June 2017, and an estimated \$2,100,000 of refunds will also be delayed. Total General Fund corporate income tax revenue will decrease by \$5,600,000 in FY 2016-17. We do not anticipate any revenue impact from corporate declarations or withholdings, as those return dates are not changed by this amendment.

Corporate license fee revenue will also be impacted by the change in the corporation income tax return date. Currently, the corporate license fee is remitted on the corporate income tax return due on the fifteenth day of the third month following the close of the tax year. This due date will also change to the fourth month, which will reduce license fee revenue collections by one month in FY 2016-17. We estimate that General Fund corporate license fee revenue will decrease by \$3,600,000 in FY 2016-17 due to one less month of revenue collections.

**Section 3.** These sections amend Section 12-28-110 to add the definitions of diesel gallon equivalent and gasoline gallon equivalent to clarify the amount of natural or petroleum gas that has the equivalent energy of one gallon of diesel or gasoline fuel, respectively. This section would not affect state General Fund revenue.

**Section 4.** Section 12-28-120 is also added to clarify that a gallon of liquefied natural gas means diesel gallon equivalent (DGE), and that a gallon of compressed natural gas or liquefied petroleum gas means gasoline gallon equivalent (GGE). For any gaseous product that for which a conversion factor is not provided in this chapter, the Department of Revenue shall determine a conversion factor, based on the best information available, and notify the General Assembly that a legislative change is necessary. This section would not affect state General fund revenue.

**Section 5.** Section 12-36-2120(15) is amended to exempt a taxpayer with a miscellaneous fuel user fee license from remitting the sales and use tax on natural gas and liquefied petroleum gas

as an alternative fuel sold to the licensee. Currently, sales and use tax is not levied against the sale of motor fuel. According to the Department of Revenue, there are seventy miscellaneous fuel user fee licenses issued to taxpayers. This section is amended to remove the burden of remitting any motor fuel tax due as the result of withdrawal of motor fuel for personal use from being a statutory requirement to being a voluntary submission. This section would not affect state General Fund revenue.

**Section 6.** Section 12-28-1125(A) is amended to allow motor fuel shipped into this state “by any means” into storage facilities, and replaces language that describes several different types of shipping methods of motor fuel. The individual that brings motor fuel into this state would still have to be licensed by the Department of Revenue and obtain an occasional importer’s license or a bonded importer’s license. This section would not affect state General Fund revenue.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill Filed on June 3, 2015**

**State Expenditure**

The Department of Revenue indicates that this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

This bill changes the due date of the fourth quarter income tax withholding return from the last day in February to the last day in January. The bill also changes the due date for W-2 forms and the annual withholding recapitulation and reconciliation report to the last day in January. These proposed South Carolina date changes correspond with current federal due date requirements for employers’ annual reports for federal unemployment tax withholdings, withheld federal income tax, and Form W-2 wage, tips, and other compensation paid to employees. We expect no revenue impact over a fiscal year period from changing the South Carolina return due dates.

**Local Expenditure and Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 4416 As signed by the Governor on June 3, 2016  
**Author:** Felder  
**Subject:** Exemption from impact fees  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Wren  
**Impact Date:** August 4, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	Undetermined	\$0

**Fiscal Impact Summary**

This bill as amended would have no expenditure or revenue impact on the General Fund, Federal Funds, or Other Funds. The revenue impact on local governments is undetermined.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the House of Representative on April 26, 2016**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

This amendment adds a sentence to Section 6-1-920(18) to expand the definition of public facilities, as it relates to development impact fees, to include public education facilities for grades K-12 including, but not limited to schools, offices, classrooms, parking areas, playgrounds, libraries, cafeterias, gymnasiums, health and music rooms, computer and science laboratories, and other facilities considered necessary for proper public education of the state's children. The impact of this amendment is unchanged from the bill as filed on December 3, 2015.

**Explanation of Bill Filed on December 3, 2015**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

This bill amends Section 6-1-970 to include the construction of new elementary, middle, or secondary schools and new volunteer fire departments in the list of exemptions from local development impact fees. Currently, a local governmental entity may impose a development impact fee to pay a proportionate share of the cost of system improvements and infrastructure costs associated with providing services to the development. Our office recently contacted the eleven counties that imposed a development impact fee in 2010, the most recent data available. Two of the eleven counties we contacted responded. One county no longer imposes an impact fee and the other indicates that this bill would not apply to their locality. Due to the limited number of responses from the surveyed counties, we are not able to determine the revenue impact of this bill on local governments.



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 4548 As signed by the Governor on June 3, 2016  
**Author:** Sandifer  
**Subject:** Closing Fees on Motor Vehicle Sales Contract  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Wren  
**Impact Date:** August 4, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	Up to \$10,500	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	Up to \$10,500	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill as amended would have no expenditure impact on the General Fund or Federal Funds. The expenditure impact on Other Funds would increase up to \$10,500 annually.

This bill as amended would have no revenue impact on the General Fund or Federal Funds. Other Funds revenue would increase up to \$10,500 annually.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on May 17, 2016**

**State Expenditure**

This bill as amended makes technical changes to provide that the Department of Consumer Affairs may review the amount of the closing fee that is charged by motor vehicle dealers for reasonableness when the fee exceeds \$225. The expenditure impact of the bill as amended is unchanged from the bill as amended by the House Labor, Commerce, and Industry Committee on February 23, 2016.

**State Revenue**

This bill as amended makes technical changes to provide that the Department of Consumer Affairs may review the amount of the closing fee that is charged by motor vehicle dealers for reasonableness when the fee exceeds \$225. The revenue impact of the bill as amended is unchanged from the bill as amended by the House Labor, Commerce, and Industry Committee on February 23, 2016.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by the House Labor, Commerce, and Industry Committee on February 23, 2016****State Expenditure**

This bill amends Section 37-2-307, which increases the annual registration fee from ten dollars to an amount not to exceed twenty-five dollars for motor vehicle dealers who charge closing fees. This fee is paid to the Department of Consumer Affairs. Prior to charging a closing fee, a motor vehicle dealer must provide written notice on the maximum amount of closing fee they intend to charge on an annual basis to the department. The department must review the amount of the closing fee for reasonableness. If the department determines that a closing fee is not reasonable, the department must issue a written order detailing their findings and may require the fee to be reduced or require the motor vehicle dealer to submit a new fee for review.

**Department of Consumer Affairs.** The department indicates that since this bill increases their responsibilities to administer and enforce motor vehicle dealer closing fees, the expenditure impact on Other Funds would be up to \$10,500 annually.

**State Revenue**

This bill amends Section 37-2-307, which increases the annual registration fee from ten dollars to an amount not to exceed twenty-five dollars for motor vehicle dealers who charge closing fees. This fee is paid to the Department of Consumer Affairs.

Based on data provided by the Department of Consumer Affairs, an average of 700 motor vehicle dealer filings are received annually. If the maximum twenty-five dollar fee is imposed, an additional \$10,500 would be generated in Other Funds revenue annually.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 4554 As amended by the House of Representatives on March 16, 2016  
**Author:** Clemmons  
**Subject:** South Carolina Anti-Money Laundering Act  
**Requestor:** Senate Banking and Insurance  
**RFA Analyst(s):** Gardner and Dunbar  
**Impact Date:** May 23, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	See Below	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds. The bill would increase General Fund revenue by \$31,680,000. The timing of the revenue, however, is dependent on when the licensing fees and procedures are established. Even though this bill takes effect upon approval by the Governor, it is anticipated that additional time may be needed before the license fee revenue is received.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the House of Representatives on March 16, 2016**

**State Expenditure**

This bill, as amended, adds Chapter 11 to Title 35 to create the South Carolina Anti-Money Laundering Act, which provides regulation and oversight of money transmission services and currency exchange licenses. According to data from the U.S. Treasury Department, in 2015 South Carolina had 14,080 money service businesses, each of which would require licensing under the bill. The bill assigns oversight for licensing to the South Carolina Attorney General, who is responsible for developing and approving applications for potential licensees, collecting application and license fees, determining surety requirements for potential licensees, authorizing delegates and evaluating change of control requests, conducting examinations and reviewing licensee records, determining permissible investments, and conducting enforcement actions to include license suspension/revocation, the collection of civil penalties, and the issuance of restraining orders.

**Attorney General's Office.** The agency indicates that the bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds. While the agency's Securities Division, which operates solely on Other Funds, will manage the regulation of money transmission services and currency exchange licenses required by the bill, the agency states that any additional costs of the new program will be absorbed within current funding levels in Other Funds.

**Judicial Department.** The agency estimates that this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds in that it creates new criminal offenses and provides for court intervention actions. This may result in an increase in the number of hearings in Circuit Court, as well as a backlog in Common Pleas and General Sessions Courts. The agency indicates it will absorb any additional costs resulting from the bill within current resources.

**State Revenue**

The bill adds Section 35-11-200 to require that a person must be licensed to engage in the business of money transmission or advertise, solicit, or hold himself out as providing money transmission. To obtain a license in the business of money transmission a person must pay a nonrefundable application fee of one thousand five hundred dollars and a license fee of seven hundred fifty dollars. The license fee must be refunded if the application is denied. Based upon data from the U.S. Treasury Department, there were 14,080 money service businesses in South Carolina in 2015. The application fee and license fee revenue from this bill would increase General Fund revenue by \$31,680,000. The timing of the revenue, however, is dependent on when the licensing fees and procedures are established. Even though this bill takes effect upon approval by the Governor, it is anticipated that additional time may be needed before the license fee revenue is received. This analysis assumes that all current operating money service businesses will obtain a license pursuant to this bill.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 4577 As signed by the Governor on June 5, 2016  
**Author:** White  
**Subject:** State Aviation Fund  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Jolliff  
**Impact Date:** June 7, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$2,359,000)	\$0
Other and Federal	\$2,359,000	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill would reduce General Fund aircraft tax revenue by \$2,359,000 and increase revenue to the State Aviation Fund by \$2,359,000 in FY 2016-17.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on May 24, 2016**

**State Expenditure**

N/A

**State Revenue**

This bill as amended would credit any revenue above the first two and one-half million dollars collected from the statewide property tax on aircraft to the State Aviation Fund beginning in FY 2016-17. Funds in excess of five million dollars must be credited equally to the General Fund and the State Aviation Fund. Currently, the first five million dollars collected is credited to the General Fund, the next five million dollars is credited to the State Aviation Fund, and funds in excess of ten million dollars are distributed equally to the General Fund and the State Aviation Fund. The estimated total aircraft tax revenue for FY 2016-17 is \$4,859,000. This bill as amended would reduce General Fund aircraft tax revenue by \$2,359,000 and increase revenue to the State Aviation Fund by \$2,359,000 in FY 2016-17.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Bill Filed on January 12, 2016**

**State Expenditure**

N/A

**State Revenue**

This bill would credit all funds collected from the statewide property tax on aircraft to the State Aviation Fund beginning in FY 2016-17. Currently, the first five million dollars collected is credited to the General Fund, the next five million dollars is credited to the State Aviation Fund, and funds in excess of ten million dollars are distributed equally to the General Fund and the State Aviation Fund. The estimated total aircraft tax revenue for FY 2016-17 is \$4,859,000. This bill would reduce General Fund aircraft tax revenue by \$4,859,000 and increase revenue to the State Aviation Fund by \$4,859,000 in FY 2016-17.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 4712 As signed by the Governor on April 29, 2016  
**Author:** White  
**Subject:** Agricultural real property, mobile home and lessee improvements  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Jolliff  
**Impact Date:** May 31, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	(\$115,000)	\$0

**Fiscal Impact Summary**

This bill as amended is expected to reduce local property tax revenue for the four impacted counties by a total of \$115,000 annually beginning in FY 2016-17.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on April 7, 2016**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

The bill as amended clarifies that the provisions of the bill do not apply if the property's classification for property tax purposes changes due to the addition of buildings, structures, or other improvements subsequent to the erection of the sign on the property. The provisions also do not apply if the classification changes due to the erection of an outdoor advertising sign on existing buildings, structures, or other improvements. These amendments ensure that the provisions of the bill do not inadvertently prevent the proper tax classification of real property due to an outdoor advertising sign. The local revenue impact of the bill as amended is unchanged from the bill as filed.

**Explanation of Amendment by House Ways and Means on February 10, 2016**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

The amendment requires a property owner to notify the county assessor by written or electronic communication that his property meets the requirements of the act. We anticipate that those property owners who are impacted by the law will make the appropriate application to the county for the change in property tax assessment. As such, the estimated local revenue impact of the bill as amended is unchanged from the bill as filed.

**Explanation of Bill Filed on January 20, 2016**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

This bill would clarify that owners of off-premises outdoor advertising signs must file a business personal property tax return. This provision codifies current practice and is not expected to impact property tax revenue. Further, the bill directs that when an outdoor advertising sign is constructed, the land on which the sign is situated must continue to be valued for property tax purposes as it was prior to construction and without regard to any lease or lease income. We have identified four counties that are currently assessing advertising sign property based upon the lease value under Section 12-37-950 or are otherwise assessing the property under a method that would be disallowed under this bill and expect a significant impact on property tax revenue. The estimated reduction in local property tax revenue by county is as follows: Berkeley County estimates \$35,000 per year, Clarendon County estimates \$25,000 per year, Cherokee County estimates \$10,000 per year, and Jasper County estimates \$45,000 per year. The remaining twelve counties that responded replied that the bill is not expected to significantly impact their tax base. Those counties are Abbeville, Beaufort, Berkeley, Calhoun, Charleston, Fairfield, Horry, Newberry, Orangeburg, Sumter, Union, and Williamsburg. We assume that counties that did not respond will not be significantly impacted by the bill. The bill is effective for property tax years after 2014, however, no refunds are allowed. Therefore, we estimate that the bill will reduce local property tax revenue for the impacted counties by a total of \$115,000 beginning in FY 2016-17.



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 4717 Veto overridden on May 18, 2016  
**Author:** White  
**Subject:** Farm Aid Fund  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Stein and Kokolis  
**Impact Date:** August 5, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$40,000,000	\$0
Other and Federal	See Below	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	See Below	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill appropriates \$40,000,000 to the Farm Aid Fund from the FY 2014-15 Contingency Reserve Fund. Any funds remaining after June 30, 2017 lapse to the General Fund. Because the bill authorizes the Department of Agriculture to accept donations and grants, there may be an expenditure impact on Other Funds and Federal Funds to the degree that financial assistance from these sources is awarded to farmers. Correspondingly, Other Fund and Federal Fund revenues will increase by the amount of the federal grants and private donations received by the Fund.

**Explanation of Fiscal Impact**

**Explanation of Amendment by the Senate on April 28, 2016**

**State Expenditure**

The amendment requires the Department of Revenue to assist the Department of Agriculture in the administration of the grant program by providing accounting, auditing, review, and oversight of all financial aspects of the grant program. The amendment divides Advisory Board membership appointments between the Commissioner of Agriculture and the Director of the Department of Revenue. The amendment adds that any applicant who knowingly provides false information will not only have to return the grant funds but will also be subject to prosecution pursuant to Section 16-13-240 (false pretenses). The amount of \$40,000,000 is appropriated to the Farm Aid Fund from the FY 2014-15 Contingency Reserve Fund. The Fund retains its earnings and all revenues credited to this Fund must be used to operate the grant program that provides financial assistance to farmers.

**Department of Agriculture.** The bill requires the department to administer the grant program using existing resources and funds. Except for the \$40,000,000 appropriation and earnings on the Farm Aid Fund, this bill would have no additional expenditure impact on the General Fund. There may be an expenditure impact on Federal Funds or Other Funds or both to the degree that the department is successful in obtaining federal grants and private donations as authorized in the bill.

**Department of Revenue.** The department reports that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

This bill creates the S.C. Farm Aid Fund. The Fund can accept private donations, grants, and property in order to make financial awards from the grant program to farmers facing substantial losses from the October 2015 floods. The Fund retains its earnings. The revenue credited to the Fund will depend upon the amount of grants, contributions, and earnings received. The Revenue and Fiscal Affairs Office is unable to estimate the amount of donations or grants the Fund may receive. Any remaining balance lapses to the General Fund within forty-five days of completion of awarding grants, but not later than June 30, 2017.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by Senate Finance Committee on March 16, 2016**

**State Expenditure**

The March 16<sup>th</sup> amendment to this bill modifies membership on the board by adding the director of the Department of Revenue and by having the Commissioner of Agriculture appoint the four private sector members. The amendment vests authority to administer the grant program in the Department of Agriculture and assigns the board an advisory role. The amendment limits grant awards to eligible losses incurred in the October 2015 floods. The Department is required to provide copies of the application process to the chairmen of the House Ways and Means Committee and the Senate Finance Committee within ten days after the procedure has been adopted. The department must ensure that every person interested in applying for a grant is given the opportunity and must assist, upon request, with the preparation of a person's application. The department is required to use existing resources and funds to administer this program. The amendment declares that upon completion of awarding grants, but no later than July 1, 2018, the Farm Aid Advisory Board is dissolved, the grant program is repealed, and any funds remaining in the Farm Aid Fund shall lapse to the General Fund.

The Department of Agriculture reports that this bill would require one program coordinator and four support staff which will be provided using the department's existing resources and funds.

**State Revenue**

This bill creates the S.C. Farm Aid Fund. The Fund can accept private donations, grants, and property in order to make financial awards from the grant program to farmers facing substantial

losses from the October 2015 floods. The revenue credited to the Fund will depend upon the amount of grants and contributions received, and the Revenue and Fiscal Affairs Office is unable to estimate the amount of donations or grants the Fund may receive.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by House of Representatives on February 25, 2016**

**State Expenditure**

The February 25th amendment to this bill by the House of Representatives amends Section 46-1-160(C) which states that grant awards must be used for agricultural production expenses and losses due to the declared disaster. The amendment adds that grants must be awarded only to entities who demonstrate an intent to continue agricultural operations. The bill also states that awards may not be used to purchase new equipment. The amendment removes the requirement that awards may not be used to pay down debt.

The Department of Agriculture reports that this bill would require one program coordinator and four support staff. Salaries and fringes are estimated at \$185,000, and operating costs are estimated at \$45,000 annually. No new FTE positions would be requested. Federal and Other Fund expenditures would be limited to the revenues received.

**State Revenue**

This bill creates the S.C. Farm Aid Fund. The fund can accept private donations, grants, and property in order to make financial awards from the grant program to farmers facing substantial losses from a natural disaster. The revenue credited to the fund will depend upon the amount of grants and contributions received, and the Revenue and Fiscal Affairs Office is unable to estimate the amount of donations or grants the fund may receive.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by House Ways and Means Committee on February 11, 2016**

**State Expenditure**

The Ways and Means Committee amendment to H. 4717 clarifies several provisions. Grant eligibility criteria now include the provisions that the Governor must have declared a state of emergency in the state, and the U.S. Secretary of Agriculture must have issued a disaster declaration for the county in which the farm is located. The term county and price yield is corrected to read county price and county yield as used to determine the value of uninsured commodities. The new item (C) clarifies that grants are to be used only for agricultural production expenses and losses. They must not be used to purchase new equipment or to pay

down debt. The Farm Aid Board shall require submission of verifying receipts. Item (D) amends the section dealing with the repayment of grants. In addition to requiring full repayment of the grant if the grantee is found to have submitted inaccurate information, the amendment provides that if funds were used for ineligible expenses, the grantee must refund the amount spent on ineligible expenses.

The Department of Agriculture reports that this bill would require one program coordinator and four support staff. Salaries and fringes are estimated at \$185,000, and operating costs are estimated at \$45,000 annually. No new FTE positions would be requested. Federal and Other Fund expenditures would be limited to the revenues received.

**State Revenue**

This bill creates the S.C. Farm Aid Fund. The fund can accept private donations, grants, and property in order to make financial awards from the grant program to farmers facing substantial losses from a natural disaster. The revenue credited to the fund will depend upon the amount of grants and contributions received, and the Revenue and Fiscal Affairs Office is unable to estimate the fund may receive.

**Local Expenditure and Revenue**

N/A

**Explanation of Bill Filed on January 21, 2016**

**State Expenditure**

This bill creates the S.C. Farm Aid Fund to provide grants to farmers who have suffered at least a forty percent loss resulting from a natural disaster. The bill also creates the seven-member Farm Aid Board, specifies grant eligibility criteria, and sets grant limits. The board is authorized to accept private funds, grants, and property. Staff support is to be provided by the Department of Agriculture, and revenues credited to the trust fund must be used to operate the program.

The Department of Agriculture reports that this bill would require one program coordinator and four support staff. Salaries and fringes are estimated at \$185,000, and operating costs are estimated at \$45,000 annually. No new FTE positions would be requested. Federal and Other Fund expenditures would be limited to the revenues received.

**State Revenue**

This bill creates the S.C. Farm Aid Fund. The fund can accept private funds, grants, and property in order to make financial awards from the grant program. The revenue credited to the fund will depend upon the amount of grants and contributions received, and the Revenue and Fiscal Affairs Office is unable to estimate the fund may receive.

**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director



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**Bill Number:** H. 4762 Veto overridden on June 15, 2016  
**Author:** Anthony  
**Subject:** Millage rate increase limits and exceptions  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Jolliff  
**Impact Date:** June 20, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	Undetermined	\$0

**Fiscal Impact Summary**

This bill would change qualifications for the millage rate increase limitation exemption in Section 6-1-320(B)(7). Based upon our analysis, the following counties would now qualify for the exemption: Abbeville, Chesterfield, Edgefield, Fairfield, Greenwood, Laurens, McCormick, Newberry, Oconee, and Union. The impact on local revenue will depend on which local governing bodies, if any, in the newly qualifying counties elect to exceed their millage rate increase limitation as a result of this exemption and as such is undetermined.

**Explanation of Fiscal Impact**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

This bill amends the millage rate increase limitation exemption in Section 6-1-320(B)(7) by changing the qualifications for the exemption. Currently, a local governing body in a county with a population of less than one hundred thousand and at least forty thousand acres of state forest land may exceed the millage rate increase limitation to purchase capital equipment and make expenditures related to capital equipment with a two-thirds vote of the membership of the local

governing body. This bill would amend this section by changing the state forest land requirement to state or national forest land. Since forest land is not clearly defined, we have based our analysis on areas named as forests and excluded state parks and managed wetlands. Based upon GIS data obtained from the Department of Natural Resources, we do not find any counties with a population of less than one hundred thousand that have at least forty thousand acres of state forest land. Changing this requirement to forty thousand acres of state or national forest land, we anticipate that the following counties with a population of less than one hundred thousand will qualify for this exemption: Abbeville, Chesterfield, Edgefield, Fairfield, Greenwood, Laurens, McCormick, Newberry, Oconee, and Union. The impact on local revenue will depend on which local governing bodies, if any, in the newly qualifying counties elect to exceed their millage limitation as a result of this exemption and as such is undetermined.



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 4765 As signed by the Governor on June 22, 2016  
**Author:** G.R. Smith  
**Subject:** Habitat for Humanity  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Shuford  
**Impact Date:** June 30, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$9,175)	(\$10,510)
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill as amended will have no expenditure impact on the General Fund, Federal Funds, or Other Funds. This bill as amended will reduce General Fund individual income tax revenue by \$9,175 in FY 2016-17 and by an additional \$1,335 in FY 2017-18.

**Explanation of Fiscal Impact**

**Explanation of Bill Signed by Governor on June 22, 2016**

**State Expenditure**

The Department of Revenue indicates that this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

**Section 1.** This section adds the South Carolina Association of Habitat for Humanity Affiliates to the list of organizations that South Carolina taxpayers may designate for a voluntary contribution on their individual income tax return. These donations will either reduce a taxpayer's income tax refund or increase the amount of tax paid. Since 2006, nine charities have been added to the list of organizations to which taxpayers may donate through their tax returns. Contributions to these nine organizations average \$23,500 in tax year 2013, the latest data available from the Department of Revenue. If this bill is enacted, donations to Habitat for Humanity would begin on the 2016 tax return files by April 17, 2017. Taxpayers could then claim a charitable deduction on their 2017 income tax return, thereby reducing their income tax liabilities in that year. We estimate that charitable donations will increase by \$23,500 in 2017 from the expected contributions to Habitat for Humanity. These contributions multiplied by an

average rate of 5.68% will result in a reduction in General Fund individual income tax revenue of \$1,335 in FY 2017-18. If a taxpayer claims a standard deduction rather than itemizing their deductions, the revenue reduction to the General Fund will be less than the \$1,335 estimate above.

**Section 2.** This section increases the nonrefundable fifty-dollar income tax credit to seventy-five dollars for each deer carcass processed and donated pursuant to Section 12-6-3750. Meat packers, butchers, or processing plants that contract with nonprofit organizations to process deer for donation to any charitable organization engaged in distributing food to the needy are eligible for the income tax credit. According to information from the South Carolina Department of Revenue, 368 taxpayers have claimed donations totaling \$83,212 against state income taxes since the inception of the tax credit. During the latest tax year, 63 taxpayers claimed donations of \$18,345 of venison. Dividing \$18,345 of venison donations by a tax credit of \$50 per deer carcass yields 367 deer carcasses that had their meat processed and donated to local food charities. Multiplying 367 deer carcasses by a proposed increase in the tax credit of \$25 per carcass yields a reduction in General Fund individual income tax revenue of an estimated \$9,175 in FY c2016-17.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Explanation of Amendment by the Ways and Means Committee on April 19, 2016**

**State Expenditure**

The Department of Revenue indicates that this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

The amendment revises the name of the organization that South Carolina taxpayers may designate for a voluntary contribution in Section 12-6-5060(A) from Habitat for Humanity to the South Carolina Association of Habitat for Humanity Affiliates. The revenue impact of the amended bill is unchanged from the bill as filed.

**Local Expenditure and Revenue**

N/A

**Explanation of Bill Filed on January 27, 2016**

**State Revenue**

This bill amends Section 12-6-5060(A) to add Habitat for Humanity to the list of organizations that South Carolina taxpayers may designate for a voluntary contributions on their individual income tax return. These donations will either reduce a taxpayer's income tax refund or increase the amount of tax paid. Since 2006, nine charities have been added to the list of organizations to which taxpayers may donate through their tax returns. Contributions to these nine organizations averaged \$23,500 in tax year 2013, the latest data available from the Department of Revenue. If this bill is enacted, donations to Habitat for Humanity would begin on the 2016 tax return filed

by April 17, 2017. Taxpayers could then claim a charitable deduction on their 2017 income tax return, thereby reducing their income tax liabilities in that year. We estimate that charitable donations will increase by \$23,500 in 2017 from the expected contributions to Habitat for Humanity. These contributions multiplied by an average tax rate of 5.68% will result in a reduction in General Fund individual income tax revenue of \$1,335 in FY 2017-18. If a taxpayer claims a standard deduction rather than itemizing their deductions, the revenue reduction to the General Fund will be less than the \$1,335 estimate above.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director



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**Bill Number:** H.5009      As signed by the Governor on May 23, 2016  
**Author:** Cole  
**Subject:** Textile Communities Revitalization Income Tax Credit  
**Requestor:** House Ways and Means  
**RFA Analyst(s):** Martin  
**Impact Date:** June 7, 2016

**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$774,416)	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill would reduce General Fund corporate and individual income taxes, corporate license fees, and insurance premium taxes by an estimated \$774,416 in FY2016-17. This bill would not affect Federal Funds or Other Funds revenue in FY2016-17.

**Explanation of Fiscal Impact**

**State Expenditure**

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

**State Revenue**

**Section 1.** The Textile Communities Revitalization Act was first enacted in 2005. Currently, pursuant to Section 12-65-30, a taxpayer is allowed a tax credit against income taxes, corporate license tax, or insurance premium taxes, or any combination of them, or a property tax credit for the renovation, improvement, and redevelopment of abandoned textile mills in South Carolina. The income, license, and/or premium tax credit is equal to twenty-five (25) percent of the qualified rehabilitation expenses. The credit is claimed in equal installments over a five (5) year period beginning with the year the property is placed in service. Any unused credit may be carried forward for five (5) years. The tax credit is limited in use to fifty percent of a taxpayer's income tax liability, fifty percent of a taxpayer's corporate license fees, and/or fifty percent of a taxpayer's insurance premium license taxes in a taxable year. A taxpayer may claim this credit in addition to the credit for rehabilitation of a certified historic structure allowed pursuant to

Section 12-6-3535. The “real property tax credit” is equal to twenty-five (25) percent of the qualified rehabilitation expenses made to the eligible site up to seventy-five (75) percent of the real property taxes due on the site each year. The municipality or the county must determine the eligibility of the site and the proposed project. The ordinance shall allow the property tax credit to be taken against up to seventy-five (75) percent of the real property taxes due on the site each year not to exceed eight (8) years. The credit vests in the taxpayer in the year in which the eligible site is placed in service. The credit may be carried forward up to eight (8) years.

Based on the latest information from the South Carolina Department of Revenue, sixty-eight taxpayers claimed \$2,821,446 of textile revitalization tax credits in FY2013-14. Also according to the Department of Revenue, corporate taxpayer’s carried forward \$176,052 in textile revitalization tax credits to FY2014-15. The Department of Revenue has informed us that information for individual income taxpayer’s carry forwards is not available. The individual taxpayer’s tax credit carryforward can be estimated at the same proportion of the corporate taxpayer’s tax credit carryforward to the total amount of corporate tax credits claimed. The estimated individual taxpayer textile revitalization tax credits are an estimated \$598,364 in FY2014-15. Total textile revitalization tax credits total an estimated \$774,416 in FY2014-15. The table below summarizes this information.

**Analysis of Textile Revitalization Tax Credit Carryforwards  
Fiscal Year 2013-14**

Type of Taxpayer	Number of Taxpayers (Number)	Amount of Tax Credits (Dollars)	Credits Carried Forward To FY2014-15 (Dollars)
Corporate	7	\$641,414	\$176,052
Individual	61	\$2,180,032	\$598,364 *
<b>Total</b>	<b>68</b>	<b>\$2,821,446</b>	<b>\$774,416</b>

Note: \* - estimated

Source: South Carolina Department of Revenue

This bill would delete Section 12-65-30(C)(5) that limits the use of the tax credit to fifty percent of a taxpayer’s income tax liability for a taxable year against corporate and individual income taxes, corporate license fees, and insurance premium taxes. This bill would allow a taxpayer that claims a textile revitalization tax credit for income tax year 2016 to not limit the use of the tax credit to fifty percent of a taxpayer’s income tax liability, regardless of when the tax credit is earned. This change would accelerate the use of the tax credit and positively impact the cash flow of the taxpayer. The full impact of the tax credits earned would still remain, but the timing of the use of the tax credits would be shifted to earlier tax years. This bill would reduce General Fund corporate and individual income taxes, corporate license fees, and insurance premium taxes by an estimated \$774,416 in FY2016-17.

**Section 2.** This act takes effect upon approval by the Governor and first applies to credits claimed for income tax year 2016, regardless of when the credit was earned.

**Local Expenditure**

N/A

**Local Revenue**

Since the fifty percent limitation rule does not apply to the property tax credit for qualified textile mill revitalization expenses, this bill would have no impact on local revenue.



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Frank A. Rainwater, Executive Director



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**Bill Number:** H. 5011 Veto overridden on June 1, 2016  
**Author:** Clemmons  
**Subject:** Local Option Tourism Fee  
**Requestor:** House of Representatives  
**RFA Analyst(s):** Wren  
**Impact Date:** June 6, 2016

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**Estimate of Fiscal Impact**

	FY 2016-17	FY 2017-18
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	Undetermined	\$0

**Fiscal Impact Summary**

This bill would have no state expenditure or revenue impact on the General Fund, Federal Funds, or Other Funds.

Due to the permissive nature of this bill, the local revenue impact is undetermined.

**Explanation of Fiscal Impact**

**State Expenditure**

N/A

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

This bill adds Section 4-10-980, which states that the local option tourism development fee may be renewed and imposed within a municipality in the same manner as authorized for the initial imposition of the fee. Any reimposition of the fee is effective immediately upon the termination of the fee previously imposed.

The tourism development tax may only be imposed by a municipality located in a county where revenue from the state accommodations tax is at least \$14 million in a fiscal year. Based upon

the Department of Revenue's Information Letter #16-3, currently only Horry County meets this criteria. Therefore, only municipalities in Horry County may impose this tax, and Myrtle Beach is the only municipality that imposes the local option tourism development fee. The bill provides for the method by which a qualifying municipality may reimpose an existing fee. Upon expiration, the bill would allow for Myrtle Beach to reimpose the fee. However, this will be dependent upon the outcome of the required referendum. Due to the permissive nature of this bill, the local revenue impact is undetermined.



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**Bill Number:** H.5034                      As signed by the Governor on June 7, 2016  
**Author:** White  
**Subject:** Bingo Tax Revenue  
**Requestor:** Senate  
**RFA Analyst(s):** Martin and Kokolis  
**Impact Date:** June 18, 2016

**Estimate of Fiscal Impact**

	<b>FY 2016-17</b>	<b>FY 2017-18</b>
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	(\$1,821,901)	\$0
Other and Federal	\$1,681,167	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill, as amended, would reduce General Fund bingo tax revenue by an estimated \$1,821,901 in FY2016-17. This bill would also increase revenue designated for the Parks, Recreation, and Tourism Development Fund by an estimated \$1,681,167 in FY2016-17. This bill would not affect Federal Fund revenue.

**Explanation of Fiscal Impact**

**Explanation of Amendment (May 18, 2016) – By the Senate Finance Committee**

This House Ways & Means Committee amended Section 1 and Section 7, deleted Section 2, and added an unnumbered section to the Senate version of the bill filed on March 3, 2016. The amended bill is as follows:

**State Expenditure**

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

**State Revenue**

**Section 1.** This section would add Section 12-21-4320 to require the Department of Revenue to establish a bingo webpage on its own website to serve as a clearinghouse of information pertaining to the Bingo Tax Act. The website shall contain information on how bingo is operated in the state, information about bingo licenses, revenue rulings, violations, as well as a way to file

a complaint, and to ask questions about bingo. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 2.** This section was deleted in its entirety.

**Section 3.** This section would amend Section 12-21-3940(B) to extend the number of days the Department of Revenue has to approve or disapprove an application to conduct bingo games from thirty days to forty-five days. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 4.** This section would amend Section 12-21-3990(A)(6) to ensure that all devices are not “intentionally” changed, “obstructed”, or turned off “by the promoter” until the winners of a bingo game are verified. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 5.** This section would amend Section 12-21-4000(15) to increase the dollar amount of promotions that may be won during special events during a session from \$100 to \$200 in cash or merchandise. These prizes are in addition to the prizes offered players from the play of bingo and must not be paid out of the bingo account used for payouts during a bingo session. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 6.** This section would amend Section 12-21-4005 to include raffles as defined in Section 33-57-110 that is not considered within the scope of operation of a bingo game. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 7.** This section would amend Section 12-21-4090(C) for a licensed nonprofit organization which is responsible for the maintenance of special checking and savings accounts for bingo operations. Currently, if the organization runs a deficit in the bingo account, both the organization and the promoter may deposit a loan equal to fifty percent of the deficit. This section would allow the promoter to deposit one hundred percent of the deficit if the organization is unable to contribute to the deficit and agrees to this arrangement. The contribution may be considered either as a loan or a charitable donation to the organization from the promoter. Each loan must be authorized in writing and noted by an officer of the licensed nonprofit organization. The promoter may have recourse to these loans from the charitable bingo account. This section is not expected to affect General Fund revenue in FY2016-17.

This amended section would add language to ensure that “all expenses related to the charitable bingo operation must be paid from the operations bingo account”. This section would also amend Section 12-21-4090(D) to allow the withdrawal of funds from the bingo account to be made by electronic methods or by recurring online payments instead of only by preprinted, consecutively-numbered checks or withdrawal slips. All electronic payments must be authorized by a representative of the licensed nonprofit organization and promoter in writing. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 8.** Based upon the latest data from the Department of Revenue, there are currently 94 licensed bingo promoters operating bingo games throughout South Carolina, including the Catawba Indian tribe. The majority of licensed bingo games are sponsored by nonprofit volunteer organizations that operated bingo games for charitable purposes. The bingo industry generated \$108,496,615 in revenue during calendar year 2015. The Department of Revenue charges tax rates that vary from four cents to ten cents for each dollar of face value. Total bingo tax revenue amounted to \$7,623,947 during calendar year 2015. The Department of Revenue retains this revenue to be statutorily distributed as twenty-six percent to the sponsoring charity for which the bingo cards were purchased, and the remaining seventy-four percent is distributed pursuant to Section 12-21-4200 among a variety of state and local agencies and funds. The data indicates that charities received \$1,829,543 during calendar year 2015, and \$5,207,160 was allocated among various state and local programs.

This section would amend Section 12-21-4190(B) to reapportion the amount of retained bingo revenue as follows:

- Increase the amount of revenue distributed to the sponsoring charity from 26% to 28%
- Decrease the remaining amount of revenue distributed pursuant to Section 12-21-4200 from 74% to 72%

The total amount of retained bingo revenue and bingo tax revenue generated during calendar year remain unchanged. After reapportioning the retained bingo revenue as twenty-eight percent to the sponsoring charity for which the bingo cards were purchased, and the remaining seventy-two percent to be distributed among a variety of state and local agencies and funds, we find the following:

- The amount that charities receive would increase by an additional \$140,734 from \$1,829,543 to \$1,970,277 annually.
- The amount that various state and local programs receive would decrease by an additional \$140,734 from \$5,207,160 to \$5,066,426 annually.

Pursuant to Section 12-21-4200, bingo tax revenue is statutorily apportioned among several funding areas. The revenue designated to the Governor's Office Division on Aging for the Senior Centers Performance Improvement Fund and the funds that are subdivided among the state's forty-six county offices on aging would not be affected. Pursuant to Chapter 23 of Title 51, the change in the reapportionment percentage would affect the amount set aside for noncompetitive grants to eligible entities within each county area for planning and development for new parks and recreation facilities or renovation of existing facilities. The Parks, Recreation, and Tourism Development Fund would be reduced by an estimated \$31,493 in FY2016-17. Lastly, General Fund bingo tax revenue would be reduced by an estimated \$109,241 in FY2016-17.

**Unnumbered Section.** Currently, pursuant to Section 12-21-4200, the Department of Parks Recreation and Tourism receives 20.8 percent of bingo revenue remaining after the distribution to the sponsoring charities pursuant to Section 12-21-4190(2). This unnumbered section would

amend Section 12-21-4200(2) so that the Department of Parks Recreation and Tourism would receive 20.8 percent of the annual revenue derived from the provision of Section 12-21-4190(2), or two and one-half million dollars each fiscal year, whichever is greater. Currently, the Parks, Recreation, and Tourism Development Fund is receiving far less than \$2,500,000 annually. The only way to increase the share of bingo tax revenue to be transferred to the Department of Parks, Recreation, and Tourism Development Fund is by reducing the share of bingo tax revenue designated for other accounts. The only unrestricted account remaining is the state General Fund. Based upon the latest data from the Department of Revenue, this amendment would require the Department of Parks, Recreation, and Tourism Development Fund to receive a minimum of \$2,500,000 annually, and will reduce the amount of bingo tax revenue designated for the state General Fund by an estimate \$1,712,660 in FY2016-17.

Collectively, this amended bill would increase the amount of bingo tax revenue designated for the Department of Parks, Recreation, and Tourism Development Fund by an estimated \$1,681,167 in FY2016-17, and decrease the amount of bingo tax revenue designated for the state General Fund by an estimate \$1,821,901 in FY2016-17.

**Section 9.** This act takes effect upon approval by the Governor.

#### **Explanation of Bill Filed March 3, 2016**

##### **State Expenditure**

The Department of Revenue indicates that there will be no expenditure impact to the General Fund, Federal Funds, or Other Funds from this bill. The Department can administer the legislative changes with existing resources.

##### **State Revenue**

**Section 1.** This section would add Section 12-21-4320 to require the Department of Revenue to establish a bingo webpage on its own website to serve as a clearinghouse of information pertaining to the Bingo Tax Act. The website shall contain information on how bingo is operated in the state, bingo licenses, revenue rulings, violations, meeting minutes, as well as a way to file a complaint, ask questions about bingo, and the posting of answers to those questions. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 2.** This section would amend Section 12-21-3920(17) to redefine a “building” as any structure used or intended for supporting or sheltering any use or occupancy designated by a separate address, provided the structure does not include any interior access to another area where bingo is played. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 3.** This section would amend Section 12-21-3940(B) to extend the number of days the Department of Revenue has to approve or disapprove an application to conduct bingo games from thirty days to forty-five days. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 4.** This section would amend Section 12-21-3990(A)(6) to ensure that all devices are not “intentionally” changed, “obstructed”, or turned off “by the promoter” until the winners of a

bingo game are verified. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 5.** This section would amend Section 12-21-4000(15) to increase the dollar amount of promotions that may be won during special events during a session from \$100 to \$200 in cash or merchandise. These prizes are in addition to the prizes offered players from the play of bingo and must not be paid out of the bingo account used for payouts during a bingo session. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 6.** This section would amend Section 12-21-4005 to include raffles as defined in Section 33-57-110 that is not considered within the scope of operation of a bingo game. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 7.** This section would amend Section 12-21-4090(C) for a licensed nonprofit organization which is responsible for the maintenance of special checking and savings accounts for bingo operations. Currently, if the organization runs a deficit in the bingo account, both the organization and the promoter may deposit a loan equal to fifty percent of the deficit. This section would allow the promoter to deposit one hundred percent of the deficit if the organization is unable to contribute to the deficit and agrees to this arrangement. The contribution may be considered either as a loan or a charitable donation to the organization from the promoter. Each loan must be authorized in writing and noted by an officer of the licensed nonprofit organization. The promoter may have recourse to these loans from the charitable bingo account. This section is not expected to affect General Fund revenue in FY2016-17.

This section would also amend Section 12-21-4090(D) to allow the withdrawal of funds from the bingo account to be made by electronic methods or by recurring online payments instead of only by preprinted, consecutively-numbered checks or withdrawal slips. All electronic payments must be authorized by a representative of the licensed nonprofit organization and promoter in writing. This section is not expected to affect General Fund revenue in FY2016-17.

**Section 8.** Based upon the latest data from the Department of Revenue, there are currently 94 licensed bingo promoters operating bingo games throughout South Carolina, including the Catawba Indian tribe. The majority of licensed bingo games are sponsored by nonprofit volunteer organizations that operated bingo games for charitable purposes. The bingo industry generated \$108,496,615 in revenue during calendar year 2015. The Department of Revenue charges tax rates that vary from four cents to ten cents for each dollar of face value. Total bingo tax revenue amounted to \$7,623,947 during calendar year 2015. The Department of Revenue retains this revenue to be statutorily distributed as twenty-six percent to the sponsoring charity for which the bingo cards were purchased, and the remaining seventy-four percent is distributed pursuant to Section 12-21-4200 among a variety of state and local agencies and funds. The data indicates that charities received \$1,829,543 during calendar year 2015, and \$5,207,160 was allocated among various state and local programs.

This section would amend Section 12-21-4190(B) to reapportion the amount of retained bingo revenue as follows:

- Increase the amount of revenue distributed to the sponsoring charity from 26% to 28%
- Decrease the remaining amount of revenue distributed pursuant to Section 12-21-4200 from 74% to 72%

The total amount of retained bingo revenue and bingo tax revenue generated during calendar year remain unchanged. After reapportioning the retained bingo revenue as twenty-eight percent to the sponsoring charity for which the bingo cards were purchased, and the remaining seventy-two percent to be distributed among a variety of state and local agencies and funds, we find the following:

- The amount that charities receive would increase by an additional \$140,734 from \$1,829,543 to \$1,970,277 annually.
- The amount that various state and local programs receive would decrease by an additional \$140,734 from \$5,207,160 to \$5,066,426 annually.

Pursuant to Section 12-21-4200, bingo tax revenue is statutorily apportioned among several funding areas. The revenue designated to the Governor's Office Division on Aging for the Senior Centers Performance Improvement Fund and the funds that are subdivided among the state's forty-six county offices on aging would not be affected. Pursuant to Chapter 23 of Title 51, the change in the reapportionment percentage would affect the amount set aside for noncompetitive grants to eligible entities within each county area for planning and development for new parks and recreation facilities or renovation of existing facilities. The Parks, Recreation, and Tourism Development Fund would be reduced by an estimated \$31,493 in FY2016-17. Lastly, General Fund bingo tax revenue would be reduced by an estimated \$109,241 in FY2016-17.

**Section 9.** This act takes effect upon approval by the Governor.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director

## **Provisos Contained in the FY2016-17 Appropriations Act**

The following provisions of law were ratified in the FY2016-17 Appropriations Act. The listing contains the proviso section and title, the estimated revenue impact on General Fund revenue in FY2016-17, and the text of the proviso.

### **Section / Title: 57.8. (JUD: Supreme Court Bar Admissions)**

**Revenue Impact: (\$67,368) in FY2016-17**

**Proviso Text:** Any funds collected from the Supreme Court Bar Admissions Office may be deposited into an escrow account with the State Treasurer's Office. The department is authorized to receive, expend, retain, and carry forward these funds.

### **Section / Title: 57.19. (JUD: Appellate Court Fee)**

**Revenue Impact: (\$150,000) in FY2016-17**

**Proviso Text:** The Judicial Department shall retain the funds collected as required by the SC Appellate Court Rules. The department is authorized to receive, expend, retain, and carry forward these funds which shall be used by the department.

### **Section / Title: 117.142. (GP: Retail Facilities Revitalization Act Repeal Suspension)**

**Revenue Impact: (\$268,500) in FY2016-17**

**Proviso Text:** The repeal of Chapter 34 of Title 6 of the 1976 Code as specified in Act 285 of 2006 as to sites for which written notification of election of mode of credit has been provided to the Department of Revenue prior to July 1, 2016 and for which a building permit has been issued prior to July 1, 2016, is suspended for Fiscal Year 2016-17.