

**The Maximum Sales Tax Cap on Motor Vehicle
Sales in South Carolina**

**Revenue Estimates from Changes in Sales Tax
Caps, Rates, and Exemptions**

Fiscal Year 2017-18



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Motor Vehicle Sales Tax

Summary

Statute: 12-36-2110

Date Enacted: 1984

Date of last changes: 1984 (capped at \$300)

Rate: the lessor of 5% of sale or \$300

Current Distribution: General Fund

Fiscal Year Estimated Collections 1/

FY18 \$ 183,000,000

FY18 Fiscal Impacts as a Result of Change in Current Law

Revenue Generated From Incremental Increases in Sales Tax Cap on Motor Vehicles With the Sales Tax Rate at 5 Percent

Sales Tax Cap (Dollars)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
\$400	\$220.8	\$37.8
\$600	\$281.5	\$98.5
\$800	\$325.6	\$142.6
\$1,000	\$354.6	\$171.6
\$1,200	\$373.2	\$190.2
\$1,400	\$385.0	\$202.0
\$1,600	\$392.7	\$209.7
\$1,800	\$397.3	\$214.3
\$2,000	\$400.0	\$217.0

Revenue Generated From Replacing the Sales Tax Cap on Motor Vehicles With a Sales Tax on Total Value of Vehicle

Sales Tax (Percent)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
1%	\$81.3	(\$101.7)
2%	\$162.6	(\$20.4)
3%	\$244.0	\$61.0
4%	\$325.3	\$142.3
5%	\$406.6	\$223.6
6%	\$487.9	\$304.9

Note: The \$300 sales tax cap is revenue neutral at 2.25% sales tax rate.

1/ Sales tax revenue on motor vehicles by vehicle value is not maintained by the Department of Revenue.

Note: All calculations made by the Board of Economic Advisors.

Sources of data: Wards Auto Group; Autodata Corporation; U.S. Dept. of Transportation; N.C. Dept. of Motor Vehicles.

Table 1

**Additional Revenue Generated From Incremental Increases In The Sales Tax Cap
On Motor Vehicles With the Sales Tax Rate at 5 Percent**

	Sales Tax Cap (Dollars)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
Present Cap	\$300	\$183.0	\$0.0
	\$400	\$220.8	\$37.8
	\$500	\$253.3	\$70.3
	\$600	\$281.5	\$98.5
	\$700	\$305.6	\$122.6
	\$800	\$325.6	\$142.6
	\$900	\$341.8	\$158.8
	\$1,000	\$354.6	\$171.6
	\$1,100	\$365.0	\$182.0
	\$1,200	\$373.2	\$190.2
	\$1,300	\$379.8	\$196.8
	\$1,400	\$385.0	\$202.0
	\$1,500	\$389.2	\$206.2
	\$1,600	\$392.7	\$209.7
	\$1,700	\$395.3	\$212.3
	\$1,800	\$397.3	\$214.3
	\$1,900	\$398.7	\$215.7
	\$2,000	\$400.0	\$217.0
	\$2,100	\$401.0	\$218.0
	\$2,200	\$401.8	\$218.8
	\$2,300	\$402.5	\$219.5
	\$2,400	\$403.1	\$220.1
	\$2,500	\$403.6	\$220.6

Notes: All calculations made by the Board of Economic Advisors. Estimates are subject to change based upon newly released data and forecasts.

Sources: Wards Automotive Group; Autodata Corporation, Motor Intelligence Division; U.S. Department of Transportation, Bureau of Transportation Statistics; N.C. Division of Motor Vehicles; S.C. Code of Laws, 1976.

Table 2

**Revenue Generated From Replacing the Sales Tax Cap
On Motor Vehicles With a Sales Tax On Total Value of Vehicle**

Sales Tax (Percent)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
1.0 %	\$81.3	(\$101.7)
1.5 %	\$122.0	(\$61.0)
2.0 %	\$162.6	(\$20.4)
2.5 %	\$203.3	\$20.3
3.0 %	\$244.0	\$61.0
3.5 %	\$284.6	\$101.6
4.0 %	\$325.3	\$142.3
4.5 %	\$365.9	\$182.9
5.0 %	\$406.6	\$223.6
5.5 %	\$447.2	\$264.2
6.0 %	\$487.9	\$304.9

Notes: All calculations made by the Board of Economic Advisors. Estimates are subject to change based upon newly released data and forecasts.

The \$300 sales tax cap currently amounts to an estimated \$183.0 million.
The \$300 sales tax cap is revenue neutral at 2.25% sales tax rate.

Sources: Wards Automotive Group; Autodata Corporation, Motor Intelligence Division;
U.S. Department of Transportation, Bureau of Transportation Statistics;
N.C. Division of Motor Vehicles; S.C. Code of Laws, 1976.

Table 3

**Additional Revenue Generated From Replacing the Sales Tax Cap
On Motor Vehicles With a Combination of Exempting
Vehicle Value and Adding a Sales Tax
(Figures are in Millions)**

Sales Tax (Percent)	Exemption of Vehicle Value (Dollars)					
	\$1,000	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000
6.0	\$300.5	\$354.0	\$182.5	\$105.7	\$17.3	(\$48.9)
5.0	\$219.9	\$181.1	\$121.6	\$57.6	(\$16.1)	(\$71.2)
4.0	\$139.3	\$108.3	\$60.7	\$9.5	(\$49.5)	(\$93.6)
3.0	\$58.7	\$35.5	(\$0.3)	(\$38.7)	(\$82.9)	(\$116.0)
2.0	(\$21.9)	(\$37.4)	(\$61.2)	(\$86.8)	(\$116.3)	(\$138.3)
1.0	(\$102.5)	(\$110.2)	(\$122.1)	(\$134.9)	(\$149.7)	(\$160.7)

Table 4

**Revenue Generated From Replacing the Sales Tax Cap
On Motor Vehicles With a Combination of Exempting
Vehicle Value and Adding a Sales Tax
(Figures are in Millions)**

Sales Tax (Percent)	Exemption of Vehicle Value (Dollars)					
	\$1,000	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000
6.0	\$483.5	\$537.0	\$365.5	\$288.7	\$200.3	\$134.1
5.0	\$402.9	\$364.1	\$304.6	\$240.6	\$166.9	\$111.8
4.0	\$322.3	\$291.3	\$243.7	\$192.5	\$133.5	\$89.4
3.0	\$241.7	\$218.5	\$182.7	\$144.3	\$100.1	\$67.0
2.0	\$161.1	\$145.6	\$121.8	\$96.2	\$66.7	\$44.7
1.0	\$80.5	\$72.8	\$60.9	\$48.1	\$33.3	\$22.3

Notes: All calculations made by the Board of Economic Advisors. Estimates are subject to change based upon newly released data and forecasts.

The \$300 sales tax cap currently amounts to an estimated \$183.0 million.

Sources: Wards Automotive Group; Autodata Corporation, Motor Intelligence Division;
U.S. Department of Transportation, Bureau of Transportation Statistics;
N.C. Division of Motor Vehicles; S.C. Code of Laws, 1976.

Table 5

Additional Revenue Generated From Removing the Sales Tax Cap on Motor Vehicles and Replace With Exempting Specific Value of the Motor Vehicle and Applying a 5 Percent Sales Tax to Any Remaining Value of the Motor Vehicle

(Figures are in Millions)

Exemption Value (Dollars)	Change in Current Sales Tax Revenue (Millions)
\$1,000	\$219.9
\$2,000	\$210.7
\$3,000	\$201.3
\$4,000	\$191.1
\$5,000	\$181.1
\$6,000	\$162.4
\$7,000	\$152.6
\$8,000	\$142.7
\$9,000	\$132.4
\$10,000	\$121.6
\$11,000	\$110.4
\$12,000	\$98.8
\$13,000	\$86.1
\$14,000	\$72.4
\$15,000	\$57.6
\$16,000	\$41.8
\$17,000	\$26.0
\$18,000	\$10.9
\$19,000	(\$3.2)
\$20,000	(\$16.1)
\$21,000	(\$28.1)
\$22,000	(\$40.2)
\$23,000	(\$51.2)
\$24,000	(\$61.7)
\$25,000	(\$71.2)

Note: All calculations made by the Board of Economic Advisors. Estimates are subject to change based upon newly released data and forecasts.

The \$300 sales tax cap currently amounts to an estimated \$183.0 million.

Sources: Wards Automotive Group; Autodata Corporation, Motor Intelligence Division; U.S. Department of Transportation, Bureau of Transportation Statistics; N.C. Division of Motor Vehicles; S.C. Code of Laws, 1976.

Comparison of the Sales Tax Paid on the Sale of a Motor Vehicle
South Carolina, North Carolina, and Georgia
Tax Year 2017
(Dollars)

State / Jurisdiction of Tax	(1)	(2)	(3)	(4)	(5)
	Tax Rate	Retail Price Paid for a Motor Vehicle 1/			
		\$6,000	\$16,000	\$36,000	\$56,000
South Carolina 2/					
State Tax 5/	5%	\$300	\$300	\$300	\$300
Local Tax 6/	0%	\$0	\$0	\$0	\$0
Total Tax		\$300	\$300	\$300	\$300
Effective Tax Rate (%) *		5.00	1.88	0.83	0.54
North Carolina 3/					
State Tax 7/	3%	\$180	\$480	\$1,080	\$1,680
Local Tax	0%	\$0	\$0	\$0	\$0
Total Tax		\$180	\$480	\$1,080	\$1,680
Effective Tax Rate (%) *		3.00	3.00	3.00	3.00
Georgia 4/					
State Tax 8/	7%	\$185	\$493	\$1,109	\$1,725
Local Tax 9/	3.92%	\$235	\$627	\$1,411	\$2,195
Total Tax		\$420	\$1,120	\$2,520	\$3,920
Effective Tax Rate (%) *		7.00	7.00	7.00	7.00

Notes: * Effective Tax Rate is the total tax collected divided by the retail price paid for a motor vehicle.

1/ Price paid for a new or used vehicle is not adjusted for trade-in allowance, manufacturer's rebates, or promotions.

2/ South Carolina collects a sales tax on the sale or lease of a motor vehicle equal to the lesser of 5% up to \$300 per vehicle. Additional local option or municipal option sales taxes are not permitted by law.

3/ North Carolina collects a 3% Highway Use Tax on vehicles in lieu of a state sales tax. The tax is assessed each time a title is transferred. The maximum tax for a commercial vehicle with a weight greater than 26,000 is \$1,000. The maximum tax for a recreational vehicle that is not subject to the \$1,000 maximum tax is \$1,500 per title.

4/ Georgia collects a 7% sales tax on the fair market value of a motor vehicle. For tax year 2017, the state tax rate is 44.0% of 7% and the local tax rate is 56.0% of 7% sales tax. This allocation will change each tax year until 2022. The City of Atlanta imposes an additional 1% municipal-option sales tax, but it is not permitted on the sale of motor vehicles.

5/ SC Code of Laws, Section 12-36-2110(A)(2)

6/ SC Code of Laws, Section 12-36-1110

7/ General Statutes of North Carolina, G.S. 105-187.2 and G.S. 105-187.3(a)

8/ Official Code of Georgia, O.C.G.A., Section 48-5C-1(b)(1)(B)(ii)(III)

9/ Official Code of Georgia, O.C.G.A., Section 48-5C-1(b)(1)(B)(vii)

Sources: South Carolina Code of Laws, South Carolina Department of Revenue, General Statutes of North Carolina, North Carolina Department of Revenue, Official Code of Georgia, Georgia Department of Revenue.

Adjusting the Maximum Sales Tax Cap on Motor Vehicles for Inflation

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Calendar Year	Sales Tax Cap on Cars	CPI-U (1982-84=100)	CPI-U New Vehicles (1982-84=100)	CPI-U Used Cars and Trucks (1982-84=100)	Sales Tax Cap on Cars Adjusted for CPI-U	Sales Tax Cap on Cars Adjusted for CPI-U New Vehicles	Sales Tax Cap on Cars Adjusted for CPI-U Used Cars and Trucks
1984	\$300	103.9	102.6	112.5	\$300.00	\$300.00	\$300.00
1985	\$300	107.6	106.1	113.7	\$310.68	\$310.23	\$303.20
1986	\$300	109.6	110.6	108.8	\$316.46	\$323.39	\$290.13
1987	\$300	113.6	114.4	113.1	\$328.01	\$334.50	\$301.60
1988	\$300	118.3	116.5	118.0	\$341.58	\$340.64	\$314.67
1989	\$300	124.0	119.2	120.4	\$358.04	\$348.54	\$321.07
1990	\$300	130.7	121.4	117.6	\$377.38	\$354.97	\$313.60
1991	\$300	136.2	126.0	118.1	\$393.26	\$368.42	\$314.93
1992	\$300	140.3	129.2	123.2	\$405.10	\$377.78	\$328.53
1993	\$300	144.5	132.7	133.9	\$417.23	\$388.01	\$357.07
1994	\$300	148.2	137.6	141.7	\$427.91	\$402.34	\$377.87
1995	\$300	152.4	141.0	156.5	\$440.04	\$412.28	\$417.33
1996	\$300	156.9	143.7	157.0	\$453.03	\$420.18	\$418.67
1997	\$300	160.5	144.3	151.1	\$463.43	\$421.93	\$402.93
1998	\$300	163.0	143.4	150.6	\$470.64	\$419.30	\$401.60
1999	\$300	166.6	142.9	152.0	\$481.04	\$417.84	\$405.33
2000	\$300	172.2	142.8	155.8	\$497.21	\$417.54	\$415.47
2001	\$300	177.1	142.1	158.7	\$511.36	\$415.50	\$423.20
2002	\$300	179.9	140.0	152.0	\$519.44	\$409.36	\$405.33
2003	\$300	184.0	137.9	142.9	\$531.28	\$403.22	\$381.07
2004	\$300	188.9	137.1	133.3	\$545.43	\$400.88	\$355.47
2005	\$300	195.3	137.9	139.4	\$563.91	\$403.22	\$371.73
2006	\$300	201.6	137.6	140.0	\$582.10	\$402.34	\$373.33
2007	\$300	207.342	136.254	135.747	\$598.68	\$398.40	\$361.99
2008	\$300	215.303	134.194	133.951	\$621.66	\$392.38	\$357.20
2009	\$300	214.537	135.623	126.973	\$619.45	\$396.56	\$338.59
2010	\$300	218.056	138.005	143.128	\$629.61	\$403.52	\$381.67
2011	\$300	224.939	141.883	149.011	\$649.49	\$414.86	\$397.36
2012	\$300	229.594	144.232	150.330	\$662.93	\$421.73	\$400.88
2013	\$300	232.957	145.783	149.887	\$672.64	\$426.27	\$399.70
2014	\$300	236.736	146.275	149.094	\$683.55	\$427.70	\$397.58
2015	\$300	237.017	147.135	147.120	\$684.36	\$430.22	\$392.32

Note: All calculations made by the Board of Economic Advisors.

Sources: U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C.; S.C. Code of Law, 1976.