



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H.4227
Author: Pope
Subject: Sales Tax Exemptions
Requestor: House Ways and Means
RFA Analyst(s): Martin
Impact Date: May 24, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$10,570,608	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill is not expected to affect state General Fund revenue in FY2016-17. This bill is expected to increase revenue designated for the General Reserve Fund by \$10,570,608 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

This bill has the intended effect of broadening the sales tax base by eliminating various sales and use tax exemptions and transferring an amount of revenue equal to that amount to the General Reserve Fund.

Section 1. This section would delete specific sales tax exemptions contained in Section 12-36-2120 and codify two budget provisos containing sales tax exemptions. The sales and use tax revenue generated by the repeal of specific exemptions would be credited to the General Reserve Fund. This section would repeal twenty (20) sales tax items from Section 12-36-2120 amounting to an increase in sales tax revenue by an estimated \$10,570,608 in FY2016-17. Items subject to a maximum sales tax cap limitation pursuant to Section 12-36-2110 are not affected by this bill.

Section 2. This section would repeal Section 12-36-2130 that allows specific exemptions from the use tax. The revenue expected to be raised by repealing Section 12-36-2130 is contained in the sales tax revenue estimate in Section 1.

Section 3. The revenue generated pursuant to this Act must be credited to the General Reserve Fund. The repeal of various sales and use tax exemptions contained in this bill would generate an increase in sales and use tax revenue of an estimated \$10,570,608 in FY2016-17. An amount of revenue equal to this amount would be transferred to the General Reserve Fund in FY2016-17. Since the revenue generated by this section would be passed through the General Fund to the General Reserve Fund, and the Board of Economic Advisors has not included this revenue in its revenue estimate, this section would not affect sales and use tax revenue in FY2016-17. This section would; however, increase the General Reserve Fund by \$10,570,608 in FY2016-17.

Section 4. This section reenacts the Joint Committee on Taxation as established by Act 334 of 2002, except for the provisions of Section 2-41-60, which contained specific reporting dates in 2006. This section requires the Joint Committee on Taxation to convene by September 1, 2015 to conduct a cost-benefit analysis on the sales tax exemptions contained in Section 12-36-2120. The committee shall submit a report detailing its findings to the Governor, the General Assembly, and be made available to the public. The committee shall review the sales tax exemptions as it deems necessary, but no later than every five years after the initial review.

Section 5. Except as otherwise provided, this act takes effect upon approval by the Governor.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director