

Statement of Estimated State Revenue Impact

Date: April 9, 2013

Bill Number: H. 3498

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Committee Requesting Impact: House Ways and Means

Bill Summary

A bill to amend Section 12-28-310, as amended, Code of Laws of South Carolina, 1976, relating to the user fee on gasoline and diesel fuel, so as to increase the fee to twenty-six cents a gallon, and to require the department to adjust the user fee twice a year based on the change in the wholesale price of motor fuel; to amend Section 56-11-410, relating to the road tax, so as to increase the road tax in the same manner as the user fee, and to change the manner in which it is referred; by adding Section 12-6-3755 so as to allow a refundable income tax credit for each vehicle registered to a taxpayer in this state that is licensed in this state; and to amend Section 12-28-2740, as amended, relating to the distribution of the user fee on gasoline and diesel fuel to counties, so as to increase amount distributed to three and one-half cents and to eliminate a nine and a half million dollar transfer to certain donor counties.

REVENUE IMPACT ^{1/}

The bill would increase the motor fuel fee to twenty-six cents per gallon adjusted to the changes in the wholesale prices of motor fuels beginning on July 1, 2013. We estimate the adjusted fee will be \$0.248 per gallon generating an additional \$295,229,550 in FY 2013-14. Of this revenue, county 'C' fund revenue will increase \$12,782,195, total DOT funds will increase by \$183,127,355, and \$99,320,000 will be sent to the General Fund for income tax credit reimbursement. In FY 2014-15 and FY 2015-16, the transfers to the General Fund for income tax credits will increase to \$204,050,000 and \$205,640,000 respectively when the income tax credit increases. The income tax credit expires after tax year 2015. In FY 2016-17, the revenue to DOT will increase by \$205,640,000 plus or minus any inflation for the expired income tax credits.

Explanation of the Bill

This bill would increase the current motor fuel user fee of sixteen cents per gallon to twenty-six cents per gallon. Beginning on July 1, 2013 the Department of Revenue will adjust the user fee semi-annually by the weighted average change in the refiner price of motor gasoline and diesel fuel for resale as published by the US Department of Energy. The data for the adjustment is based upon the 6 month period ending on March 31st for the July fee adjustment and September 30th for the January fee adjustment. Figures for the period ending March 31, 2013 are expected to be available in June 2013; therefore, we have based our calculations on the changes in fuel prices and gallons of motor fuel reported for the 4-month periods beginning April 2012 and October 2012. We estimate that the motor fuel fee will be \$0.248 starting on July 1, 2013. All estimates for FY 2013-14 are based upon the \$0.248 cent per gallon fee, however, the fee will be adjusted in January 2014, which may increase or decrease the revenue depending upon price changes. We estimate that total taxable motor fuel gallons will be 3,354,881,250. The income tax credit for motor vehicles is expected to

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mitigate the decrease in demand that would otherwise arise from the increase in the motor fuel fee. The additional motor fuel revenue for FY 2013-14 generated at the increased rate is estimated to be \$295,229,550 for total collections of \$832,010,550.

Additionally, the bill increases the portion of the revenue distributed to the 'C' fund for counties from two and sixty-six one hundredths to three and one-half cents per gallon of the user fee on gasoline. The three and one-half cents of gasoline would generate an additional \$22,282,195 in FY 2013-14. Also, this bill deletes Section 12-28-2740(H) that required the Department of Transportation to transfer \$9,500,000 from the state highway fund to the "C" fund donor counties. We estimate that the net impact on "C" fund revenue of these two changes will be an increase of \$12,782,195.

Section 3 provides a refundable income tax credit of \$26 in 2013 for every motor vehicle registered in the state. The tax credit amount is \$53 for 2014 and 2015. We estimate that in 2013 3,820,000 motor vehicles will be registered to taxpayers. This would result in a reduction of \$99,320,000 in individual and corporate income tax. This impact may be reduced slightly for individuals who do not file a tax return. The DOT is directed to transfer the total amount of credits claimed to the General Fund at an unspecified time. In FY 2014-15 and FY 2015-16, transfers from DOT to the General Fund for reimbursement of the income tax credits will increase to \$204,050,000 and \$205,640,000 respectively when the income tax credit increases to \$53 per motor vehicle. The income tax credit expires after tax year 2015. In FY 2016-17, the revenue to DOT will increase by \$205,640,000 plus or minus any inflation for the expired income tax credits.

FY 2013-14 Revenue Distribution	Current Law	Proposed Law (H.3498)	Net Impact
2.66 Cent of Gasoline to 'C' funds for Counties [12-28-2740(A)] / 3.5 Cents H.3498 [12-28-2740(A) amended]	\$ 70,560,285	\$ 92,842,480	\$ 22,282,195
DOT transfer from state highway fund to 'C' fund donor counties [12-28-2740(H)]	\$ 9,500,000	\$ 0	(\$ 9,500,000)
Net 'C' fund revenue	\$ 80,060,285	\$ 92,842,480	\$ 12,782,195
Remaining funds to state highway fund [12-28-2750]	\$ 170,489,067	\$ 443,436,421	\$ 272,947,355
DOT transfer from state highway fund to 'C' fund donor counties [12-28-2740(H)]	(\$ 9,500,000)	\$ 0	\$ 9,500,000
DOT transfer to General Fund for income tax credit reimbursement [H. 3498 12-6-3755(C)]	\$ 0	(\$ 99,320,000)	(\$ 99,320,000)
Net DOT funds	\$ 435,272,280	\$ 618,399,635	\$ 183,127,355



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¹¹ This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.