

# Statement of Estimated State Revenue Impact

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**Date:** April 8, 2013

**Bill Number:** H.B. 3632

**Author:** G.M. Smith, White, Sandifer, J.R. Smith, Bannister and Lucas

**Committee Requesting Impact:** House Ways & Means

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## Bill Summary

A bill to amend Section 42-5-190, as amended, Code of Laws of South Carolina, 1976, relating to the maintenance tax imposed by the Workers' Compensation Commission on self insurers, so as to provide that the commission shall retain a portion of the annual maintenance tax revenue to pay the salaries and expenses of the commission and to provide that the commission shall retain one half of the interest charged on delinquent maintenance tax for the same purpose.

## REVENUE IMPACT <sup>1/</sup>

This bill is expected to reduce allocations to the state's General Fund from the maintenance tax on self insurers, as recorded within the Workers' Compensation Tax, by \$2,400,000 in FY 2013-14, and by a minimum of \$2,205,000 in subsequent fiscal years. These figures include a loss of approximately \$5,000, annually, in interest penalties assessed on self insurers. Conversely, the bill is expected to raise earmarked funds of the WCC by \$2,400,000 in FY 2013-14, and by a minimum of \$2,205,000 in subsequent fiscal years.

## Explanation

Beginning July 1, 2013 this bill authorizes the Workers' Compensation Commission (WCC) in every fiscal year to retain the greater amount of fifty percent or \$2,200,000 of the two and one-half percent maintenance tax imposed on self insurers in this State. It further provides that fifty percent of the total interest assessed from various penalties for late filing of taxes by self insurers must be retained by the WCC. Currently, all proceeds from both sources go to the general fund of the State and are reported within the self-insurance tax component of workers' compensation taxes; whereas funds to be retained by WCC are to be used to pay salaries and expenses of the commission.

Based on a review of agency data and historical accounts of the Office of the Comptroller General, we expect these proposed changes would raise earmarked funds of the WCC by a total of \$2,400,000 in FY2013-14, to include approximately \$5,000 in revenue from retention of interest penalties on tax delinquencies. In view of a consistent declining trend for self-insurance tax collections in recent fiscal years, we conservatively estimate the WCC would retain the minimum level of \$2,205,000, including retained interest, in subsequent fiscal years. The aforementioned shift would, conversely, reduce state General Fund revenue from self-insurance tax collections, recorded within the Workers' Compensation Tax, by a total of \$2,400,000 in FY 2013-14, and by a total of \$2,205,000 in subsequent fiscal years.



Frank A. Rainwater  
Chief Economist

**Analyst:** Di Biase

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