

Statement of Estimated State Revenue Impact

Date: May 17, 2013

Bill Number: S.B. 424

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Committee Requesting Impact: Senate Judiciary

Bill Summary

A bill to amend Section 42-5-190, Code of Laws of South Carolina, 1976, relating to tax on self-insurers, so as to provide that the Workers' Compensation Commission shall retain a portion of all assessments paid by self-insurers with the remainder to be deposited with the State Treasurer and to provide that the Workers' Compensation Commission shall retain a portion of any penalties assessed with the remainder to be remitted to the General Fund.

REVENUE IMPACT ^{1/}

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

This bill authorizes the Workers' Compensation Commission (WCC) to retain fifty percent or no less than \$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.



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^{1/} 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).