

Statement of Estimated State Revenue Impact

Date: February 12, 2013

Bill Number: H.B. 3114

Author: Spires

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

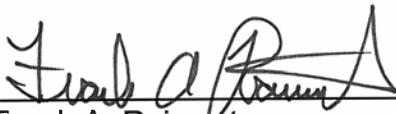
A bill to amend Section 12-36-2120, as amended, of the Code of Laws of South Carolina, 1976, relating to sales tax exemptions, so as to delete the exemption allowed for unprepared food items.

REVENUE IMPACT ^{1/}

This bill is expected to increase state sales and use tax revenue by an estimated \$466,600,000 in FY2013-14. Of this amount, General Fund sales and use tax revenue would be increased by an estimated \$373,280,000, and Education Improvement Act funds would be increased by an estimated \$93,320,000 in FY2013-14.

Explanation

This bill would delete Section 12-36-2120(75) to reinstate the state sales and use tax on unprepared food that lawfully may be purchased with United States Department of Agriculture food coupons. The elimination of the state sales and use tax on grocery store food was a two-step process. First, pursuant to passage of Act No. 388 of 2006, the state sales and use tax on unprepared food for home consumption was lowered from five percent to three percent beginning October 1, 2006. The following year, in Act No. 115 of 2007, the tax rate on the sale of unprepared food was wholly exempt beginning November 1, 2007. This bill would reinstate the state sales and use tax on grocery store food at a rate of five percent and would increase the state sales and use tax revenue by an estimated \$466,600,000 in FY2013-14. Of this amount, General Fund sales and use tax revenue would be increased by an estimated \$373,280,000, and Education Improvement Act funds would be increased by an estimated \$93,320,000 in FY2013-14. Pursuant to Section 12-36-1110, the additional one penny (the sixth penny) sales tax does not apply to the tax for transients (state accommodations tax), to items subject to the maximum sales and use tax (motor vehicles), or to the sale of unprepared food that is typically purchased in a grocery store. This bill, therefore, would not affect the Homestead Exemption Fund or the state reimbursements made to school districts for the school operating portion of local property taxes.



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^{1/} 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 of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.