Statement of Estimated State Revenue Impact

Date: April 4, 2013

Bill Number: H.B. 3522

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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 various exemptions; to provide that the revenue generated by this act must be credited to the General Reserve Fund; to reenact the Joint Committee on Taxation to provide a cost benefit analysis on the sales tax exemptions; and to repeal Section 12-36-2130 relating to the state sales tax.

REVENUE IMPACT [1/]

This bill is expected to increase state General Fund sales and use tax revenue by an estimated $10,570,608 in FY2013-14, after which, an amount equal to the repeal of specific sales and use tax exemptions amounting to an estimated $10,570,608 would be required to be deposited in the General Reserve Fund in FY2013-14.

Explanation

This bill would delete specific sales and use tax exemptions from Section 12-36-2120 and repeal Section 12-36-2130 pertaining to the use tax. These changes would affect an estimated $10,570,608 of sales and use tax revenue in FY2013-14. Items subject to a maximum sales tax cap limitation pursuant to Section 12-36-2110 are not affected by this bill. This bill has the intended effect of broadening the sales tax base by eliminating various sales and use tax exemptions, and depositing an amount equal to the repeal of these specific sales and use tax exemptions, or an estimated $10,570,608, in the General Reserve Fund in FY2013-14. This bill is not revenue neutral.

Section 1. This section would delete various sales tax exemptions contained in Section 12-36-2120 and Section 12-36-2130, and direct the revenue generated to the General Reserve Fund. This bill would repeal twenty-two sales tax items from Section 12-36-2120 amounting to an increase in sales tax revenue by an estimated $10,570,608 in FY2013-14. Of this amount, General Fund revenue would be increased by $7,047,107, the Education Improvement Act Fund would be increased by $1,761,772, and the Homestead Exemption Fund would be increased by $1,761,772 in FY2013-14. This section takes effect July 1, 2013.

Section 2. This section would repeal Section 12-36-2130 that allows specific exemptions from the use tax, such as, purchases made by museums and exhibition rentals purchased or leased from sources outside of the state. Most museums exhibits and objects are obtained as "loans" from other museums or private donors and are not directly purchased by the museum. The repeal of this code section would increase sales and use tax revenue by an estimated $36,000 in FY2013-14. Of this amount, General Fund revenue would be increased by $24,000, the Education Improvement Act Fund would be increased by $6,000, and the Homestead Exemption Fund would be increased by $6,000 in FY2013-14.

Section 3. This section requires that the revenue generated pursuant to this Act must be credited to the General Reserve Fund in FY2013-14.

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, 2012 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 five years after the initial review.

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

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Analyst: Martin

[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.