



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0397	Introduced on January 12, 2021
Author:	Harpoottian	
Subject:	Railroad Privilege Tax	
Requestor:	Senate Finance	
RFA Analyst(s):	Payne	
Impact Date:	March 30, 2021	

Fiscal Impact Summary

This bill removes caps and the methodology on business license tax assessments and collections by municipalities from railroad companies doing intrastate business within municipal limits. It is estimated this bill may increase the local revenues of the various municipalities that assess business license taxes on railroad companies by an undetermined amount because the tax assessments will no longer be capped and municipalities may assess license taxes in a manner consistent with their other business license taxes.

Explanation of Fiscal Impact

Introduced on January 12, 2021

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

This bill amends Section 12-23-210 to remove limits on the amount of business license tax a municipality may assess and collect from a railroad company doing intrastate business within municipal limits. Currently, business license taxes assessed and collected from railroad companies by municipalities are capped at an amount based on the population of the municipality. These caps range from \$10 annually for a town with two hundred and fifty people or less, up to the annual amount for towns with more than ten thousand inhabitants, which is \$25 for the first one thousand inhabitants, and \$35 for each additional one thousand inhabitants. There is additionally a total cap such that that no municipality may assess or collect a license tax exceeding \$2,000 annually.

It is anticipated that the provisions of the bill would permit municipalities to assess business license taxes on railroad companies in a manner consistent with their business licensing process

for companies of other industries. Pursuant to Act 176 of 2020, the municipalities of this state will adopt a standardized business license tax schedule beginning with the 2022 business license tax year. The standardized business license tax schedule for 2022 has been developed by the Municipal Association of South Carolina (MASC) and approved by the director of the Revenue and Fiscal Affairs Office. The 2022 tax schedule was developed using the latest available nationwide Internal Revenue Service (IRS) statistics for the calculation of profitability of businesses and using the business classification codes of the latest North American Industry Classification System (NAICS). MASC is required to recalculate the tax schedule every odd year for implementation in the subsequent even year.

According to the NAICS coding system, railroad companies are classified in the 48-49 industry sectors for transportation and warehousing. For the 2022 tax schedule, transportation and warehousing is in class two of seven, based on the latest IRS profitability data available. In using this tax schedule, individual municipalities will establish their own tiered tax rates for each of the seven classes, where companies in class one will pay the lowest rate, and class seven will pay the highest.

While Act 176 established the use of the standardized business license tax schedule, it also allows for municipalities, upon finding of a rational basis explained and approved through an ordinance, to either establish additional industry specific sub-classes or enter into a special agreement with a taxpayer to assess business license taxes.

Due to the uncertainty as to how the various municipalities of this state will assess business license taxes for railroad companies in their jurisdiction, RFA is unable to determine the total amount of license tax that will be collected. However, RFA does anticipate that the provisions of this bill may increase the total revenue collected by municipalities for railroad company business license taxes. Therefore, it is estimated this bill may increase the local revenues of the various municipalities that assess business license taxes on railroad companies by an undetermined amount because the tax assessments will no longer be capped and municipalities may assess license taxes in a manner consistent with their other business license taxes.



Frank A. Rainwater, Executive Director