SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 1122 As signed by the Governor on June 6, 2016
Author:	Rankin
Subject:	Local Option Tourism Fee
Requestor:	Senate
RFA Analyst(s):	Dunbar and Wren
Impact Date:	July 5, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	$0	$0
Other and Federal	$0	$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	($371,850)	$0
Other and Federal	$0	$0
Local Expenditure	$0	$0
Local Revenue	($7,253)	$0

Fiscal Impact Summary
This bill would have no expenditure impact to the General Fund, Federal Funds, or Other Funds. The bill as amended is expected to reduce General Fund revenue by $371,850 from allowing an income tax credit for purchasing or installing an alternative fueling station. Motor carrier property tax revenue would be reduced by $7,253 from reducing the gross capitalized cost of alternative fueled vehicles by thirty percent. In sum, the bill as amended would reduce General Fund revenue by $371,850 and local revenue by $7,253 in FY 2016-17.

Explanation of Fiscal Impact

Explanation of Amendment by the House of Representatives on June 1, 2016
State Expenditure
N/A

State Revenue
Section 1 of the amended bill adds liquefied natural gas to the definition of alternative fuel and also adds alternative fuel to the definition of motor fuel. The Department of Revenue reports that liquefied natural gas is currently taxed at the motor fuel user fee rate of $0.1675 at the equivalent diesel gallon rate. Therefore, this section would have no impact on the General Fund, Federal Funds, or Other Funds.

This amendment also allows an income tax credit equal to twenty-five percent of the cost to the taxpayer of purchasing, constructing, and installing property that is used for distributing, dispensing, or storing alternative fuel. The credit may be taken in three annual installments beginning with the taxable year in which the property is placed in service. Based upon the most recent information from the U.S. Department of Energy's Alternative Fuels Data Center, there are currently fifty-six alternative fuel dispensing stations in South Carolina. Based upon data from the U.S. Department of Energy and the Natural Gas Vehicles for America Organization, the average cost of an alternative fuel station is $1,005,000. Applying the expected growth rate of alternative fuel vehicles in South Carolina to the number of alternative fueling stations would result in an additional six fueling stations at a total estimated cost of $6,030,000 in FY 2016-17. The unused portion of any unexpired credit may be carried forward for no more than ten succeeding taxable years. Any state agency or instrumentality, authority, or political subdivision, including municipalities may transfer any applicable credit. Based on the corporate income tax credit data from the Department of Revenue's FY 2013-14 Annual Report, we estimate that seventy-four percent of the earned credits will be used, with the remaining twenty-six percent carried forward. The corresponding reduction in income tax revenue from the twenty-five percent tax credit and the three-year installment requirement would be $371,850 in FY 2016-17.

Local Expenditure
N/A

Local Revenue
Section 2 of the amended bill amends the definition of gross capitalized cost so that the valuation basis of a motor vehicle fueled wholly or partially by natural gas or propane is comparable to that of a diesel or gasoline powered vehicle. The gross capitalized cost of a motor vehicle fueled wholly or partially with natural gas or propane is reduced by a dollar amount not to exceed thirty percent of its original value. The amendment applies only to vehicles acquired after 2015 and before 2026. Based upon collections from the South Carolina Department of Revenue, the total estimated motor carrier property tax revenue is $21,394,000 for FY 2016-17. This estimate reflects flat growth in assessed value for motor carrier property and our anticipation that fleet replacement is slowing compared to recent years. Based upon flat growth in vehicle value and assuming that the value of the existing fleet declines by ten percent for the annual depreciation allowance, ten percent of the estimated revenue, or $2,139,400, is for fleet replacement. Based upon data from the U.S. Department of Energy, 1.13 percent of motor carriers over 26,000 pounds are powered by alternative fuel. Multiplying the estimated $2,139,400 revenue for new vehicles by 1.13 percent yields an estimated $24,175 in motor carrier property tax revenue due to new alternative vehicles for FY 2016-17. Reducing the valuation basis of these vehicles by thirty percent would result in a $7,253 reduction in motor carrier local property tax revenue in FY 2016-17

Explanation of Amendment by the House Ways and Means Licenses, Fees, Insurance Tax and Other Charges Subcommittee on May 3, 2016
State Expenditure
N/A

State Revenue
N/A

Local Expenditure
N/A

Local Revenue
The bill as amended makes changes to Section 4-10-930(A), which states the provisions for imposing a local option tourism development fee. Currently, Subsection 1 allows for an ordinance adopted by a supermajority of the municipal council, which must be at least two-thirds of the members of a municipal council. Subsection 2 allows for imposition by a referendum called by a majority of the members of the municipal council and requires approval of a majority of qualified electors. The amendment deletes the first provision in Subsection 1 as stated above.

Also, the bill adds Section 4-10-980, which provides that the local option tourism development fee may be renewed and imposed within a municipality in the same manner as authorized for the initial imposition of the fee. Any reimposition of the fee is effective immediately upon the termination of the fee previously imposed. The impact of this section as detailed below is unchanged from the bill as filed on February 25, 2016.

The tourism development tax may only be imposed by a municipality located in a county where revenue from the state accommodations tax is at least $14 million in a fiscal year. Based upon the Department of Revenue's Information letter #16-3, currently only Horry County meets this criteria. Therefore, only municipalities in Horry County may impose this tax and Myrtle Beach is the only municipality that imposes the local option tourism development fee. The bill provides for the method by which a qualifying municipality may impose or reimpose an existing fee. However, this will be dependent upon the outcome of the required referendum. Due to the permissive nature of the bill as amended, the local revenue impact is undetermined.

Explanation of Bill Filed on February 25, 2016
State Expenditure
N/A

State Revenue
N/A

Local Expenditure
N/A

Local Revenue
This bill adds Section 4-10-980, which states that the local option tourism development fee may be renewed and imposed within a municipality in the same manner as authorized for the initial imposition of the fee. Any reimposition of the fee is effective immediately upon the termination of the fee previously imposed.

The tourism development tax may only be imposed by a municipality located in a county where revenue from the state accommodations tax is at least $14 million in a fiscal year. Based upon the Department of Revenue's Information letter #16-3, currently only Horry County meets this criteria. Therefore, only municipalities in Horry County may impose this tax and Myrtle Beach is the only municipality that imposes the local option tourism development fee. The bill provides for the method by which a qualifying municipality may reimpose an existing fee. Upon expiration, the bill would allow for Myrtle Beach to reimpose the fee. However, this will be dependent upon the outcome of the required referendum. Due to the permissive nature of this bill, the local revenue impact is undetermined.

Frank A. Rainwater, Executive Director