

Statement of Estimated State Revenue Impact

Date: May 30, 2013

Bill Number: S.B. 597

Author: O'Dell

Committee Requesting Impact: Senate Finance Committee

Bill Summary

A bill to amend Section 12-36-2120, as amended, of the Code of Laws of South Carolina, 1976, relating to the sales tax exemption on injectable medications and biologics, so as to clarify the calculation by which the exemption takes effect.

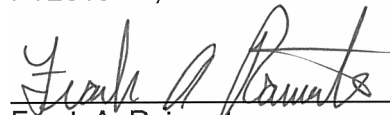
REVENUE IMPACT ^{1/}

If this bill is enacted before July 1, 2013, sales and use tax would be reduced by an estimated \$2,966,761, or fifty percent of the estimate for a full fiscal year, in FY2013-14, and further reduced by an estimated \$5,933,522 in FY2014-15. This bill would decrease General Fund sales and use tax by \$1,977,841, the EIA Fund by \$494,460, and the Homestead Exemption Fund by \$494,460 in FY2013-14.

Explanation

Act 235 of 2012 added Section 12-36-2120(80) to allow a sales and use tax exemption for injectable biologics medications administered by a physician in a physician's office or in a Center for Medicare of Medicaid Services (CMS) certified kidney dialysis facility. If the two percent growth rate trigger is met, sales and use tax would be reduced by an estimated \$2,966,761, or fifty percent of the estimate for a full fiscal year, in FY2013-14, and further reduced by an estimated \$5,933,522 in FY2014-15. We incorporated these reductions in the sales tax revenue categories in the November 8, 2012 General Fund revenue estimate. At that time the forecast growth rate for revenues was 2.2 percent for FY2013-14. After the February 15, 2013 Board of Economic Advisors (BEA) meeting, the forecast growth rate for revenues was 1.1 percent for FY2013-14. As a result, the sales tax exemption granted in Act 235 would not be permitted to take effect on July 1, 2013.

This bill would amend Section 12-36-2121(80) to change the requirement to meet the sales tax rate reduction by having the estimate of General Fund revenue, excluding trust funds, for the upcoming fiscal year, represent a growth rate of at least two percent above the General Fund revenue estimate contained in the Appropriations Act for the current fiscal year. Then the sales tax exemption on injectable biologics medications would be equal to fifty percent of the gross proceeds of sales beginning of the next July 1st following the statutorily-mandated meeting in February each year. Based on calculations made by the BEA, the annual Appropriations Act less amounts required to satisfy the Property Tax Relief Trust Fund, totaled \$6,113,341,302 in FY2012-13. The revised General Fund revenue estimate excluding trust funds, adopted on February 15, 2013, totaled \$6,345,740,399 in FY2013-14. This represents a growth rate of 3.8% in adjusted General Fund revenues in FY2013-14 over comparable figures in FY2012-13. If this bill is enacted before July 1, 2013, sales and use tax would be reduced by an estimated \$2,966,761, or fifty percent of the estimate for a full fiscal year, in FY2013-14, and further reduced by an estimated \$5,933,522 in FY2014-15.



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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.