

Statement of Estimated State and Local Revenue Impact

Date: April 24, 2013

Bill Number: S. 616

Authors: Leatherman

Committee Requesting Impact: Senate Finance

Bill Summary

A bill to amend Chapter 10, Title 4 of the 1976 Code, relating to local sales and use taxes, to enact the "Transportation Infrastructure Sales Tax Act", to provide that a county governing body may impose a one percent sales and use tax by ordinance, subject to a referendum, within the county area for road and bridge projects, for a limited amount of time, to provide for the selection of the projects to be undertaken, to provide for the referendum, to provide for the collection and distribution of the tax, and to provide for means tested matching by the Department of Transportation; to amend Section 12-28-2740, relating to county transportation committees, to provide that members of county and municipal governing bodies may not be appointed to serve on county transportation committees; to amend Section 57-3-615, relating to highway tolls, to provide that the Department of Transportation must conduct comprehensive congestion analyses on interstate highways and to permit tolls to be utilized to fund increased capacity on interstate highways, or segments of interstate highways, that exceed capacity limits of that highway, or segment of interstate highway; to amend Section 56-3-620, relating to registration fees for private passenger motor vehicles, to increase registration fees, to provide that twelve dollars from each fee shall be remitted to the State Highway Fund, and to establish the purpose for the fee; to amend Section 56-3-640, relating to vehicle registration fees for common carrier passengers, to increase registration fees, to provide that twelve dollars from each fee shall be remitted to the State Highway Fund, and to establish the purpose for the fee;... (Continued).

REVENUE IMPACT ^{1/}

State: This bill is expected to increase revenue for biennial vehicle registrations by \$19,000,000 starting in FY 2013-14. Additional revenue from the biennial registration fee for transport vehicles is estimated to be \$20,584,000 to be credited to the State Highway Fund for interstate highway transportation infrastructure projects. Total road use fee revenue for alternative fuel vehicles is estimated to be \$1,833,750 to be remitted to the State Highway Fund. The total additional annual revenue credited to the State Highway Fund is estimated to be \$41,417,750 starting in FY 2013-14. However, we have been advised by the Department of Motor Vehicles (DMV) that they need sufficient time to implement these fee changes. Depending upon the final enactment date, the annual revenues may be impacted. For each month of delayed implementation following the start of the fiscal year, the revenue impact will be reduced by 8%. Based upon FY 2013-14, \$12,080,168 of the new revenue would be required for matching local transportation infrastructure sales tax revenue if every county imposed the new sales tax in future years.

Revenue Source	FY 2013-14	Fund
Vehicle Registration Fee:	\$19,000,000	State Highway Fund
Transport Truck Registration Fee:	\$20,584,000	State Highway Fund: Infrastructure Projects
Alternative Fuel Vehicle Road Use Fee:	\$ 1,833,750	State Highway Fund
Total Revenue	\$41,417,750	State Highway Fund

Local: This bill would allow counties to adopt a 1% local transportation infrastructure sales

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tax. If all counties adopted the sales tax, total local revenue would increase by approximately \$596,613,651 based upon figures for FY 2013-14. Based upon the estimated 'C' fund distribution, total matching funds required from the State Highway Fund would be \$12,080,168, increasing local revenue by an estimated total of \$608,693,729 based upon FY 2013-14. Given the timing of the referendum and imposition of the tax, the first full year of collections would be FY 2014-15. We expect collections for FY 2014-15 would be comparable, subject to increases from inflation and changes in the economy.

Explanation of the Bill

Section 1: This section creates the Transportation Infrastructure Sales Tax Act to allow a county to impose a one percent sales and use tax by ordinance, subject to a referendum. As outlined in Section 4-10-1060(B), the tax authorized by this section would apply to all taxable sales excluding unprepared food items and items subject to the maximum tax in Chapter 36, Title 12 and is in addition to all other local sales and use taxes. The tax would go into effect May first following the referendum. Based upon the distribution of net taxable sales for FY 2011-12, we have estimated collections by county if every county adopted a 1% tax to be \$596,613,651 using sales tax estimates for FY 2013-14. Section 4-10-1100 directs that the Department of Transportation (DOT) must match the funds raised by the local option tax if the collections do not exceed two hundred percent of the 'C' fund distribution. Based upon the estimated 'C' fund distribution for FY 2013-14, if all counties imposed the local option tax, total matching funds required from the State Highway Fund would be \$12,080,168. Given the timing of the referendum and imposition of the tax, the first full year of collections would be FY 2014-15. We expect collections for FY 2014-15 would be comparable, subject to increases from inflation and changes in the economy.

Section 2: This section specifies that members of county or municipal governing bodies may not serve on the county transportation committee. There is no revenue impact.

Section 3: This section specifies that the DOT must perform regular congestion analyses on interstate highways and may administer a toll to finance projects to increase interstate capacity. We do not anticipate any revenue impact from this section in FY 2013-14.

Section 4: This section increases the biennial registration fees for all private passenger vehicles and trucks less than six thousand pounds by \$12. The additional revenue from the \$12 fee must be credited to the State Highway Fund and may be used for matching as required in Section 4-10-1100. We estimate that revenue from the registration fees will increase \$19,000,000 annually starting in FY 2013-14. However, we have been advised by the DMV that they need sufficient time to implement these changes. Depending upon the enactment date, annual revenue may be affected. For each month of delayed implementation following the start of the fiscal year, the revenue impact will be reduced by 8%.

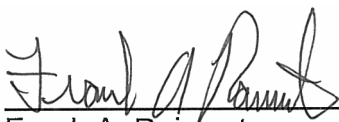
Section 5: This section increases the biennial registration fees in Section 56-3-640 for all common carrier passenger vehicles by \$12. The additional revenue from the \$12 fee must be credited to the State Highway Fund and may be used for matching as required in Section 4-10-1100. We estimate that the registration fees will increase approximately \$24,750 in FY 2013-14. We have been advised by the DMV that they need sufficient time to implement these fee changes. Depending upon the final enactment date, annual revenues may be impacted. For each month of delayed implementation following the start of the fiscal year, the revenue impact will be reduced by 8%.

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Section 6: This section allows the Department of Transportation to use any remaining funds from the \$12 additional biennial registration fees in sections 4 and 5 of the bill at their discretion after all matching funds required for Section 4-10-1100 have been issued. Based upon the timing of the referendum and subsequent imposition of any adopted local transportation infrastructure tax, we anticipate that the \$19,000,000 fee revenue generated in FY 2013-14 will be credited to the State Highway Fund since matching funds will not be required until FY 2014-15. Based upon figures for FY 2013-14, we estimate that of the total \$19,000,000 generated in additional fee revenue, \$12,080,168 would be required to fund matching if all counties imposed the sales tax, resulting in approximately \$6,919,832 in funds credited to the State Highway Fund in a typical year.

Section 7: This section increases the fees in Section 56-3-660 for all property transportation vehicles for which the fee is determined by the gross vehicle weight. All fees in this section are increased by one-third. We estimate that the additional annual revenue based upon the new fee structure will be \$20,584,000 for FY 2013-14. One-fourth of the total fee, or the total additional revenue, must be deposited in the State Highway Fund to be used for interstate highway transportation infrastructure projects. We have been advised by the DMV that they need sufficient time to implement these fee changes. Depending upon the final enactment date, annual revenues may be impacted. For each month of delayed implementation following the start of the fiscal year, the revenue impact will be reduced by 8%.

Section 8: This section adds Section 56-3-645 that creates a new registration fee for alternative fuel vehicles that are powered by fuels other than those subject to the motor fuel user fee. For vehicles powered exclusively by electricity, hydrogen or another fuel not subject to the user fee, a biennial road user fee of \$120 is added. We estimate 270,000 vehicles powered exclusively by alternate fuels will be registered in the US in FY 2013-14. Multiplying this figure by 1.5%, we estimate that 4,050 vehicles in SC will be subject to the \$120 fee. For FY 2013-14, one half of these biennial registration fees will be \$243,000. For vehicles that use a combination of a motor fuel subject to the motor fuel fee and another fuel source, the biennial road user fee is \$60. We estimate that in FY 2013-14 there will be 3,535,000 vehicles in the US that use a combination of fuels. Multiplying this figure by 1.5%, we estimate that 53,025 vehicles in SC will be subject to the \$60 fee. For FY 2013-14, one half of the biennial registration fees will be \$1,590,750. Total road use fee revenue for this section in FY 2013-14 is \$1,833,750 to be remitted to the State Highway Fund. We have been advised by the DMV that they need sufficient time to implement these fee changes. Depending upon the enactment date, annual revenues may be affected. For each month of delayed implementation following the start of the fiscal year, the revenue impact will be reduced by 8%.



Frank A. Rainwater
Chief Economist

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¹¹⁷ 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 or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

S. 616 LOCAL TRANSPORTATION INFRASTRUCTURE SALES TAX ESTIMATE

Simulation of Collections Based Upon FY 2013-14 Figures; Taxes if Adopted Effective May 1 of Following Year

COUNTY	FY 2011-12 NET TAXABLE SALES	% OF ALLOCATED NET TAXABLE SALES	FY 13-14 LOCAL 1% SALES TAX ESTIMATE	FY 13-14 'C' FUND APPORTIONMENT	FY 13-14 STATE HIGHWAY FUND MATCH
ABBEVILLE	\$72,257,684	0.16%	\$925,206	\$883,200	\$841,194
AIKEN	\$1,103,855,626	2.37%	\$14,134,056	\$2,421,900	
ALLENDALE	\$16,666,980	0.04%	\$213,408	\$579,600	\$945,792
ANDERSON	\$1,512,993,619	3.25%	\$19,372,765	\$2,449,500	
BAMBERG	\$62,767,168	0.13%	\$803,687	\$648,600	\$493,513
BARNWELL	\$103,415,904	0.22%	\$1,324,164	\$786,600	\$249,036
BEAUFORT	\$2,187,748,555	4.70%	\$28,012,504	\$1,538,700	
BERKELEY	\$1,451,378,769	3.11%	\$18,583,833	\$2,421,900	
CALHOUN	\$38,718,699	0.08%	\$495,764	\$607,200	\$718,636
CHARLESTON	\$6,098,380,967	13.09%	\$78,085,263	\$2,904,900	
CHEROKEE	\$424,632,843	0.91%	\$5,437,110	\$966,000	
CHESTER	\$184,957,373	0.40%	\$2,368,243	\$986,700	
CHESTERFIELD	\$124,055,360	0.27%	\$1,588,437	\$1,518,000	\$1,447,563
CLARENDON	\$137,429,751	0.29%	\$1,759,686	\$1,076,400	\$393,114
COLLETON	\$262,268,241	0.56%	\$3,358,151	\$1,497,300	
DARLINGTON	\$326,521,210	0.70%	\$4,180,863	\$1,221,300	
DILLON	\$154,937,466	0.33%	\$1,983,860	\$793,500	
DORCHESTER	\$624,931,277	1.34%	\$8,001,783	\$1,497,300	
EDGEFIELD	\$53,077,215	0.11%	\$679,615	\$862,500	\$1,045,385
FAIRFIELD	\$83,342,623	0.18%	\$1,067,141	\$1,007,400	\$947,659
FLORENCE	\$1,699,432,459	3.65%	\$21,759,977	\$1,911,300	
GEORGETOWN	\$544,807,035	1.17%	\$6,975,852	\$1,248,900	
GREENVILLE	\$5,904,036,860	12.67%	\$75,596,830	\$3,919,200	
GREENWOOD	\$558,556,801	1.20%	\$7,151,907	\$1,069,500	
HAMPTON	\$70,278,055	0.15%	\$899,859	\$807,300	\$714,741
HORRY	\$5,247,082,512	11.26%	\$67,185,015	\$3,036,000	
JASPER	\$310,545,067	0.67%	\$3,976,300	\$869,400	
KERSHAW	\$325,825,306	0.70%	\$4,171,952	\$1,414,500	
LANCASTER	\$461,721,242	0.99%	\$5,911,999	\$1,255,800	
LAURENS	\$301,589,108	0.65%	\$3,861,626	\$1,407,600	
LEE	\$38,093,763	0.08%	\$487,762	\$690,000	\$892,238
LEXINGTON	\$3,088,844,311	6.63%	\$39,550,369	\$2,718,600	
MARION	\$136,437,349	0.29%	\$1,746,979	\$883,200	\$19,421
MARLBORO	\$85,820,821	0.18%	\$1,098,872	\$876,300	\$653,728
MCCORMICK	\$29,530,867	0.06%	\$378,121	\$648,600	\$919,079
NEWBERRY	\$230,876,459	0.50%	\$2,956,202	\$1,117,800	
OCONEE	\$461,353,213	0.99%	\$5,907,287	\$1,407,600	
ORANGEBURG	\$627,560,039	1.35%	\$8,035,443	\$2,201,100	
PICKENS	\$860,649,906	1.85%	\$11,019,986	\$1,449,000	
RICHLAND	\$5,065,794,678	10.87%	\$64,863,758	\$3,450,000	
SALUDA	\$43,142,916	0.09%	\$552,413	\$841,800	\$1,131,187
SPARTANBURG	\$2,686,922,316	5.77%	\$34,404,055	\$3,070,500	
SUMTER	\$718,610,306	1.54%	\$9,201,274	\$1,573,200	
UNION	\$125,649,315	0.27%	\$1,608,847	\$841,800	\$74,753
WILLIAMSBURG	\$169,230,343	0.36%	\$2,166,870	\$1,380,000	\$593,130
YORK	\$1,778,201,361	3.82%	\$22,768,555	\$2,242,500	
TOTAL OF COUNTIES	\$46,594,929,736.73	100.00%	\$596,613,651	\$69,000,000	\$12,080,168
UNALLOCATED	\$7,710,127,362.00				
UNALLOCATED	5,062,457.64				
STATE TOTALS	\$54,310,119,556.37				