



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0488 Signed by Governor on May 19, 2017
Author: Grooms
Subject: Dealer License and Demonstration Plates
Requestor: Senate
RFA Analyst(s): Wren
Impact Date: May 22, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	Undetermined	\$0
Other and Federal	Undetermined	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

The bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds for issuance of the additional dealer license plates. The bill will increase Other Funds revenue from fees on the additional dealer license plates. The plate fees would increase the Department of Motor Vehicles Other Fund revenue by approximately \$60 and the State Highway Fund of the State Transportation Infrastructure Bank Other Fund revenue by approximately \$500. We anticipate that the additional number of dealer license plates may negatively impact the number of vehicles rented and thereby reduce sales tax revenue. However, the amount of reduced sales tax revenue is undetermined due to a lack of data. Any reduction in property tax revenue of local governments is expected to be minimal.

Explanation of Fiscal Impact

Signed by Governor on May 19, 2017

State Expenditure

The bill requires the Department of Motor Vehicles (DMV) to allow the use of dealer license plates by a person whose vehicle is being serviced by a dealership within certain guidelines, lowers the initial threshold for receiving the first two dealer tags from twenty to fifteen vehicles sold, and allows a dealer participating in a manufacturer’s program to be issued two additional plates for each fifteen vehicles sold beyond the initial twenty car sales.

Department of Motor Vehicles. The agency indicates that the issuance of additional dealer license plates can be managed within existing appropriations. Therefore, this bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue

The bill allows motor vehicle dealers to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. In reviewing DMV data on the eligibility and issuance of dealer license plates, new car dealers who are likely to be eligible for the expanded use or eligible for additional plates are not currently receiving the maximum number allowed by law. Therefore, we expect any increase in the number of additional plates to be minimal. According to DMV data, dealers that sell over 100 cars a year are, on average, eligible for seven plates but only receive an average of four plates. Only eleven percent of dealers that sell 100 or more cars per year receive the maximum number of allowed dealer plates. To the extent that current or new dealer license plates are used for cars being serviced, it may reduce sales tax and rental car fee revenue due to fewer rentals. Sufficient data is not available to estimate this reduction, but it is expected to be minimal.

The provision lowering the initial threshold for two dealer license plates from twenty to fifteen is estimated to affect fourteen licensed dealers. Although this provision applies to all licensed dealers, lower volume car dealers are the ones effected. Dealers with sales of twenty or more already qualify for two plates and the graduated schedule for additional plates beyond twenty is unchanged. In reviewing DMV data, we estimate fourteen licensed dealers would be affected. Currently, these dealers are not eligible for dealer plates. We expect approximately twenty-eight more dealer plates to be issued due to this provision. Pursuant to Section 56-3-2320, the fee for a dealer license plate is \$20. Of the \$20 fee, \$2 is credited to DMV to be used for the production and issuance of new license plates, and the remaining \$18 is credited to the State Highway Fund of the State Transportation Infrastructure Bank. Therefore, we estimate that this bill will increase Other Funds revenue for DMV by approximately \$60 and \$500 for the State Highway Fund of the State Transportation Infrastructure Bank.

The bill also allows dealers participating in a manufacturer's program to receive two additional dealer license plates for each fifteen vehicles sold beyond the initial twenty sales. In reviewing DMV data on the eligibility and issuance of dealer license plates, new car dealers who are likely to be eligible for additional plates are not currently receiving the maximum number allowed by law. Therefore, we expect any increase in the number of additional plates to be minimal. According to DMV data, dealers that sell over 100 cars a year are, on average, eligible for seven dealer plates but only receive an average of four plates. Only eleven percent of dealers that sell 100 or more cars per year receive the maximum number of allowed dealer plates. Therefore, dealers with this sales volume are not taking advantage of the current maximum number of plates, and we expect this provision to minimally impact the number of issued dealer license plates.

The increased number of dealer license plates would allow dealers to provide a vehicle with a dealer license plate to an individual whose vehicle is being serviced or repaired by the dealership. This would reduce the demand for rental cars by the individuals whose vehicles are being serviced. This shift in who provides an alternative vehicle to the individual whose vehicle is being serviced reduces sales tax revenue that is generated from rental vehicles. The sales tax on rental vehicles is 6 percent. Of the 6 percent, 4 percent is allocated to the General Fund, 1 percent to EIA, and 1 percent to Homestead Exemption. Sufficient data is not available to determine the reduction in sales tax revenue as a result of fewer vehicle rentals due to an increase

in the number of dealer license plates. Therefore, the reduction in revenue to the General Fund, EIA, and Homestead Exemption is undetermined.

Local Expenditure

N/A

Local Revenue

To the extent that the provisions of this bill generate additional dealer license places, property tax revenue of local governments may be reduced. However, we expect any reduction in property tax revenue to be minimal.



Frank A. Rainwater, Executive Director