



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3580
Author: Stringer
Requestor: House Ways and Means
Date: February 25, 2015
Subject: SC Infrastructure and Economic Development Reform Act
RFA Analyst(s): Jolliff, Dunbar, Martin, and Shealy

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17	FY 2017-18 to FY 2025-26
State Expenditure			
General Fund	N/A	N/A	
Other and Federal	(\$66,000)	N/A	
Full-Time Equivalent Position(s)	0.00	0.00	
State Revenue			
General Fund	(\$ 67,664,930)	(\$126,148,758)	See below
Other and Federal	\$ 108,893,629	\$ 160,618,304	See below
Local Expenditure	N/A	N/A	
Local Revenue	N/A	N/A	

Fiscal Impact Summary

The South Carolina Department of Transportation (SCDOT) estimates a savings of \$66,000 in Other Funds expenditures if the Commission governing SCDOT were to be dissolved.

The bill would reduce General Fund individual income tax revenue by \$6,264,930 in FY 2015-16 and \$126,148,758 in FY 2016-17. When fully implemented, General Fund income tax revenue will be reduced by a total of \$1,666,385,305 in FY 2025-26. General Fund sales and use tax revenue collections will be reduced by \$61,400,000 in FY 2015-16. The bill also increases Other Funds revenue due to the combined revenue impacts of the sales and use tax transfer, the increase in motor fuel fee revenue, and the decrease in environmental and inspection fee revenue by a net of \$108,893,629 in FY 2015-16. Other Funds revenue will increase by a total of \$160,666,103 in FY 2016-17, \$273,095,107 in FY 2017-18, and \$340,018,388 in FY 2018-19 from the motor fuel fee revenue increase and the environmental and inspection fee revenue decrease.

Explanation of Fiscal Impact

State Expenditure

Part II of the bill dissolves the Commission of the Department of Transportation. The South Carolina Department of Transportation (SCDOT) estimates a savings of \$66,000 in Other Funds

if the Commission governing SCDOT were to be dissolved. These savings are for operating expenses including supplies, per diem, postage, and travel.

State Revenue

Section 35. This section of the bill lowers the individual income tax marginal rates in Section 12-6-510 in increments of 0.2% per year for ten years beginning in tax year 2016. The estimated General Fund individual income tax revenue reduction by fiscal year is included in the table below. The tax year estimates provided in the attached detailed tables by income range are adjusted to a fiscal year basis by recognizing two quarters of reduced estimated tax payments for the first half of the tax year, or second half of the fiscal year. We anticipate that taxpayers will reduce their estimated tax payments in response to the tax reduction by five and one-quarter percent of the total tax year impact, and the remaining impact is reflected in the following fiscal year for the remaining estimated tax payments and refunds. The fiscal year estimates in later years will most likely vary from the estimates provided below when withholdings tables are adjusted by the General Assembly or the Department of Revenue or taxpayer behavior changes further in response to the tax reduction.

Fiscal Year	General Fund Individual Income Tax Revenue	Annual Additional General Fund Individual Income Tax Revenue
FY 2015-16	(\$6,264,930)	(\$6,264,930)
FY 2016-17	(\$126,148,758)	(\$119,883,828)
FY 2017-18	(\$256,584,325)	(\$130,435,568)
FY 2018-19	(\$398,338,445)	(\$141,754,120)
FY 2019-20	(\$552,024,140)	(\$153,685,695)
FY 2020-21	(\$718,471,095)	(\$166,446,955)
FY 2021-22	(\$898,505,620)	(\$180,034,525)
FY 2022-23	(\$1,093,264,163)	(\$194,758,543)
FY 2023-24	(\$1,307,667,829)	(\$214,403,666)
FY 2024-25	(\$1,529,085,690)	(\$221,417,861)
FY 2025-26	(\$1,666,385,305)	(\$137,299,615)

Sections 36 and 37. These sections of the bill increase the motor fuel user fee by ten cents over three years beginning January 1, 2016. The fee is increased to 19.33 cents on January 1, 2016, 22.66 cents per gallon on January 1, 2017, and 26.00 cents per gallon on January 1, 2018. The motor fuel user fee for January is remitted in February; therefore, the revenue collections in FY 2015-16 represent five months of a full fiscal year.

The additional revenue to the Department of Transportation is outlined in the table below, net of refunds required under the International Fuel Tax Agreement. This analysis also assumes a reduction in the demand for motor fuel due to the price increase, which reduces the number of gallons purchased. This will lower the \$0.0075 environmental and inspection fee revenue to the

Department of Agriculture, the Department of Health and Environmental Control, and the Department of Transportation as outlined below.

Fiscal Year	Estimated Additional Motor Fuel User Fee Revenue	Estimated Annual Additional Motor Fuel User Fee Revenue	Net Impact on \$0.0075 Environmental and Inspection Fee Revenue
FY 2015-16	\$47,513,637	\$47,513,637	(\$20,008)
FY 2016-17	\$160,666,103	\$113,152,467	(\$47,799)
FY 2017-18	\$273,142,441	\$112,476,337	(\$47,334)
FY 2018-19	\$340,045,871	\$66,903,429	(\$27,483)

Section 38. Currently, Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax in the General Fund. This does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in General Fund sales and use tax revenue of \$59,543,949 and a concomitant increase in State Non-Federal Aid Highway Fund revenue in FY 2013-14.

This bill would amend Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to the State Highway Fund. This transfer only affects the four percent component of the sales and use tax. This does not affect EIA Fund revenue collections. Based upon the latest data on automobile sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests automobile sales and use tax revenue of an estimated \$153,500,000 in FY 2015-16. Of this amount, fifty percent less the EIA hold harmless amount, or \$61,400,000, would be transferred to the State Non-Federal Aid Highway Fund in the Department of Transportation. This transfer would reduce General Fund sales and use tax revenue collections by \$61,400,000 and increase revenue to the State Highway Fund by \$61,400,000 in FY 2015-16. This transfer would affect the amount of appropriations available for other projects and programs in FY 2015-16.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director