

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: April 1, 2009

Bill Number: S.B. 597

Authors: Setzler

Committee Requesting Impact: Senate Finance Committee

Bill Summary

To amend Section 12-36-2120, as amended, Code of Laws of South Carolina, 1976, relating to sales tax exemptions, so as to exempt prescription drugs injected into the eye for the treatment of macular degeneration.

REVENUE IMPACT ^{1/}

This bill is expected to reduce states sales and use tax revenues by \$701,278 in FY 2009-10. Of this total, \$467,519 will be a reduction in General Fund sales tax revenues, \$116,880 will be a reduction in EIA funds, and \$116,880 will be a reduction in Homestead Exemption funds for homeowner tax relief.

Explanation

This bill would amend Section 12-36-2120(28) to add a sales tax exemption to sales of prescription medications injected into the eye for the treatment of macular degeneration. Lucentis was identified as the only current prescription drug on the market that is injected into the eye for the treatment of macular degeneration. According to the 2008 annual report published by Genentech, the manufacturer of Lucentis, U.S. sales of Lucentis totaled \$875 million in 2008. Based upon historic sales data, it is estimated that sales of Lucentis will reach \$974 in FY2009-10. According to the National Eye Institute, it is estimated South Carolina macular degeneration cases comprise 1.2% of total cases in the U.S. Based upon this, we estimate South Carolina sales of prescription drugs injected into the eye for the treatment of macular degeneration to be \$11,688,000. Applying a six percent sales tax rate, we estimate that this exemption would reduce state sales and use tax revenues by \$701,278 in FY2009-10. Of this total, \$467,519 would be a reduction in General Fund sales tax revenues, \$116,880 would be a reduction in EIA funds, and \$116,880 would be a reduction in Homestead Exemption funds for homeowner tax relief.

/s/ William C. Gillespie

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Chief Economist

Analyst: Ball

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