

Statement of Estimated State Revenue Impact

Date: March 9, 2011 (Revised from March 8, 2011 fiscal impact)

Bill Number: H.B. 3747 (as amended on March 3, 2011 by the House Ways & Means Sales and Income Tax Subcommittee)

Author: Cooper

Committee Requesting Impact: House Ways and Means Committee

Bill Summary

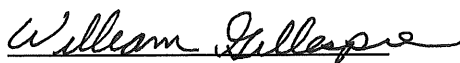
To amend Section 12-36-2120, as amended, Code of Laws of South Carolina, 1976, relating to sales tax exemptions, so as to exempt biologics administered by a physician in a physician's office.

REVENUE IMPACT ^{1/}

This bill, as amended, would have no impact on General Fund revenues in FY2011-12. This bill, as amended, would reduce state sales tax revenue by \$4,572,333 in FY2012-13. Of this total, \$3,048,223 will be a reduction in General Fund sales and use tax revenue, \$762,056 will be a reduction in EIA funds, and \$762,056 will be a reduction in homestead exemption funds for homeowner tax relief. This bill, as amended, would reduce state sales tax revenue by \$5,652,740 in FY2013-14. Of this total, \$3,768,493 will be a reduction in General Fund sales and use tax revenue, \$942,123 will be a reduction in EIA funds, and \$942,123 will be a reduction in homestead exemption funds for homeowner tax relief.

Explanation of Amendment – by the House Ways & Means Sales and Income Tax Subcommittee

This bill, as amended, would amend Section 12-36-2120 by adding a sales tax exemption for biologics administered by a physician in physician's office. Beginning July 1, 2012, fifty percent of sales of biologics administered by a physician in a physician's office will be exempt from the state sales tax. One hundred percent of sales of biologics administered by a physician in a physician's office would then be exempt from the state sales tax effective July 1, 2013. This bill defines biologics as products that are used in the prevention, treatment, or cure of a disease or condition of human beings and that are produced using living organisms, materials derived from living organisms, or cellular, subcellular, or molecular components of living organisms. Based upon global biologic sales of \$75 million in 2007 as reported by IMS Health, a nationally recognized consulting firm regarding pharmaceutical sales data, and applying a five-year historical growth rate, it is estimated that sales of biologics to physicians' offices in South Carolina will be \$152,411,140 in FY2012-13. Applying fifty percent of gross proceeds and a six percent sales tax rate, we estimate that this bill would reduce state sales tax revenue by \$4,572,333 in FY2012-13. Of this total, \$3,048,223 will be a reduction in General Fund sales and use tax revenue, \$762,056 will be a reduction in EIA funds, and \$762,056 will be a reduction in homestead exemption funds for homeowner tax relief. For FY2013-14, it is estimated that sales of biologics to physicians' offices in South Carolina will be \$188,424,676. Applying fifty percent of gross proceeds and a six percent sales tax rate, we estimate that this bill would reduce states sales tax revenue by \$5,652,740 in FY2013-14. Of this total, \$3,768,493 will be a reduction in General Fund sales and use tax revenue, \$942,123 will be a reduction in EIA funds, and \$942,123 will be a reduction in homestead exemption funds for homeowner tax relief.



William C. Gillespie, Ph.D.
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.