

Statement of Estimated State Revenue Impact

Date: June 8, 2011

Bill Number: S.B. 683

Author: Reese

Committee Requesting Impact: Senate Finance Committee

Bill Summary

A bill to amend Section 12-36-2120, as amended, of the Code of Laws of South Carolina, 1976, relating to sales tax exemptions, so as to exempt a new or used motor vehicle that is purchased from a licensed dealer with a fuel economy of at least forty miles per gallon; and to amend Section 12-37-220, as amended, relating to property tax exemptions, so as to exempt the first year of property tax on a new or used motor vehicle that is purchased from a licensed dealer with a fuel economy of at least forty miles per gallon.

REVENUE IMPACT ^{1/}

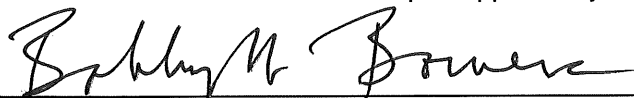
This bill would decrease state and local revenue by an estimated \$5,151,120 in FY2011-12. Section 1 of this bill is expected to reduce state sales tax revenue by an estimated \$2,513,006 in FY2011-12. Of this amount, General Fund sales tax revenue would be reduced by \$1,675,338, EIA funds would be reduced by \$418,834, and the Homestead Exemption Fund would be reduced by \$418,834 in FY2011-12. Section 2 of this bill is expected to reduce local government personal property tax revenue by an estimated \$2,638,114 in FY2011-12.

Explanation

Section 1. This bill would amend Section 12-36-2120 to allow the purchaser a sales tax exemption of a new or used motor vehicle purchased or leased from a licensed dealer in this State. The sales tax exemption is equal to the sales tax required to be remitted to a licensed dealer pursuant to Section 12-36-2110. The amount of the sales tax exemption may not exceed the \$300 maximum sales tax cap on the purchase or lease of a motor vehicle. The motor vehicle must have a combined city and highway fuel economy of at least forty miles per gallon as determined by the U.S. Environmental Protection Agency. The only motor vehicles that meet this criterion are the Toyota Prius, the Honda Civic Hybrid, and the Honda Insight. According to Ward's Automotive, 169,226 new models were sold nationally during 2010. An estimated 2,538 of these new fuel efficient vehicles were sold in South Carolina in 2010. Multiplying 2,538 new car sales by a sales tax exemption of \$300 per motor vehicle and adjusting for used car sales, yields a reduction in sales tax revenue of an estimated \$2,513,006 in FY2011-12.

Section 2. This bill would also amend Section 12-37-220(B) to allow the purchaser of a new or used motor vehicle purchased or leased from a licensed dealer in this State that has a combined city and highway fuel economy of a least forty miles per gall as determined by the U.S. Environmental Protection Agency a personal property tax exemption on the vehicle. The exemption applies for the first full year on which the property taxes are due on the qualifying motor vehicle. Multiplying 2,538 new car sales by a fair market price per motor vehicle as listed by Kelley Blue Book and adjusting for used car sales and applying a six percent assessment ratio and an average millage rate of 0.300, yields a reduction in local government personal property tax revenue of an estimated \$2,638,114 in FY2011-12.

Section 3. This act takes effect upon approval by the Governor.



Bobby M. Bowers
Director

Analyst: Martin

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