

**REPORT OF THE
ECONOMIC DEVELOPMENT,
CAPITAL IMPROVEMENT &
OTHER TAXES SUBCOMMITTEE**

(Loftis, Cobb-Hunter, Stavrinakis, Lowe, & Long - Staff Contact: AJ Newton)

SENATE BILL 973

S. 973 -- Senators Cromer and Alexander: A BILL TO AMEND SECTION 38-7-20 OF THE 1976 CODE, RELATING TO THE IMPOSITION OF THE INSURANCE PREMIUM TAX, SO AS TO EXTEND THE DATE THAT CERTAIN REVENUE MUST BE SENT TO THE SOUTH CAROLINA FORESTRY COMMISSION TO 2027.

Summary of Bill:

The legislation extends the timeframe five additional years for which two and one-quarter percent of the annual insurance premium tax shall be allocated to the Forestry Commission for firefighting and firefighting equipment replacement. The measure was set to sunset in 2017 and this will extend it until 2022.

Estimated Revenue Impact:

The bill is not expected to affect the General Fund in FY16-17. It is expected to reduce General Fund insurance premium tax revenue by an estimated \$3,555,000 in FY17-18 and increase Other Fund revenue by the same amount in FY17-18..

Subcommittee Recommendation:

Favorable

Committee Recommendation:

Pending



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S.0973
Author: Cromer
Subject: Insurance Premium Tax
Requestor: House Ways and Means
RFA Analyst(s): Martin
Impact Date: May 17, 2016 - Updated for revised analysis and fiscal impact

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	(\$3,555,000)
Other and Federal	\$0	\$3,555,000
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

This bill, as updated, is not expected to affect General Fund insurance premium tax revenue in FY2016-17; but is expected to reduce General Fund insurance premium tax revenue by an estimated \$3,555,000 in FY2017-18. This bill, as amended, is expected to increase Other Fund revenue by an estimated \$3,555,000 in FY2017-18. This bill, as amended, would not affect Federal Fund revenue.

Explanation of Fiscal Impact

State Expenditure

This bill, as updated, would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the appropriate accounts as specified in the bill. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

State Revenue

Section 1. Currently, pursuant to Act 155 of 2013, Section 38-7-20(B) permits the transfer of two and one-quarter percent of General Fund insurance premium tax revenue to the South Carolina Forestry Commission. The transferred funds are used by the Forestry Commission for firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue remains in the General Fund. Additionally, this transfer does not affect the amount of revenue to be allocated to local fire departments.

Since the passage of Act 155 of 2013, the Board of Economic Advisors (BEA) has recognized the transfer of a portion of General Fund insurance premium tax revenue to the S.C. Forestry Commission in its official General Fund revenue forecast each year. The transfer will amount to an estimated \$3,304,679 in FY2016-17. This revenue transfer is scheduled to cease July 1, 2017, at which time, the BEA will no longer set aside insurance premium tax revenue to be transferred to the South Carolina Forestry Commission after FY2016-17.

This bill, as updated, would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2022. The current transfer of revenues would remain in effect for an additional five fiscal years through June 30, 2022. The transfer of two and one-quarter percent of insurance premium taxes will still occur; however, because the provisions of the amended bill first apply to the transfer of insurance premium tax revenue in FY2017-18, the transfer will amount to an estimated \$3,555,000 in FY2017-18. Since the BEA had planned for the transfer of insurance premium tax revenue to cease after June 30, 2017, this amended bill would cause a reduction in General Fund insurance premium tax revenue of an estimated \$3,555,000 in FY2017-18. There would also be a concomitant increase of \$3,555,000 in Other Fund revenue in FY2017-18.

Section 2. This act takes effect upon approval by the Governor.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Amendment (February 4, 2016) – By the Senate

State Expenditure

This bill would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the South Carolina Forestry Commission pursuant to Act 155 of 2013. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

State Revenue

This bill, as amended, would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2022. The current transfer of revenues would remain in effect for an additional five fiscal years through June 30, 2022.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Bill Filed January 13, 2016

State Expenditure

This bill would continue to be administered by the South Carolina Department of Insurance. The Department of Insurance would continue to administer revenue transfers to the South Carolina Forestry Commission pursuant to Act 155 of 2013. There will be no impact on the General Fund, Federal Funds, or Other Funds. The department can administer the legislative changes with existing resources.

State Revenue

Currently, pursuant to Act 155 of 2013, Section 38-7-20(B) permits the transfer of two and one-quarter percent of General Fund insurance premium tax revenue to the South Carolina Forestry Commission. The transferred funds are used by the Forestry Commission for firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue remains in the General Fund. Additionally, this transfer does not affect the amount of revenue to be allocated to local fire departments.

Since the passage of Act 155 of 2013, the Board of Economic Advisors (BEA) has recognized the transfer of a portion of General Fund insurance premium tax revenue to the S.C. Forestry Commission in its official General Fund revenue forecast each year. The transfer will amount to an estimated \$3,304,679 in FY2016-17. This revenue transfer is scheduled to cease July 1, 2017. This bill would extend the sunset date of the revenue transfer from through June 30, 2017 to June 30, 2027. The current transfer of revenues would remain in effect for an additional ten fiscal years through June 30, 2027. Since the BEA has already incorporated the revenue transfer into its revenue estimate and will continue to do so in the future, this bill would not affect the BEA's General Fund insurance premium tax revenue forecast in future fiscal years,

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

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2 **S. 973**
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4 Introduced by Senators Cromer and Alexander
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6 **A BILL**
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8 TO AMEND SECTION 38-7-20 OF THE 1976 CODE,
9 RELATING TO THE IMPOSITION OF THE INSURANCE
10 PREMIUM TAX, SO AS TO EXTEND THE DATE THAT
11 CERTAIN REVENUE MUST BE SENT TO THE SOUTH
12 CAROLINA FORESTRY COMMISSION TO 2027.

13 Amend Title To Conform
14

15 Be it enacted by the General Assembly of the State of South
16 Carolina:
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18 SECTION 1. Section 38-7-20 of the 1976 Code is amended to read:
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20 "Section 38-7-20. (A) In addition to all license fees and taxes
21 otherwise provided by law, there is levied upon each insurance
22 company licensed by the director or his designee an insurance
23 premium tax based upon total premiums, other than workers'
24 compensation insurance premiums, and annuity considerations,
25 written by the company in the State during each calendar year
26 ending on the thirty-first day of December. For life insurance, the
27 insurance premium tax levied herein is equal to three-fourths of one
28 percent of the total premiums written. For all other types of
29 insurance, the insurance premium tax levied in this section is equal
30 to one and one-fourth percent of the total premiums written. In
31 computing total premiums, return premiums on risks and dividends
32 paid or credited to policyholders are excluded.

33 (B) Effective July 1, 2013, through June 30, ~~2017~~ 2022, two and
34 one-quarter percent of the revenue of the premium taxes collected
35 pursuant to this section must be transferred to the South Carolina
36 Forestry Commission and used by that agency for firefighting and
37 firefighting equipment replacement. The remaining insurance
38 premium taxes collected pursuant to this section must be deposited
39 to the credit of the General Fund of the State."
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41 SECTION 2. This act takes effect upon approval by the Governor.
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