



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H.3568 As amended by Senate Finance on May 20, 2015
 Author: G.R. Smith
 Requestor: Senate
 Date: May 21, 2015
 Subject: Sales tax exemptions
 RFA Analyst(s): Martin

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	N/A	N/A
Other and Federal	N/A	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	(\$341,240)	(\$682,480)
Other and Federal	(\$170,620)	(\$341,240)
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

This bill, as further amended, would reduce sales and use tax revenue by an estimated \$511,860 in FY2015-16. Of this total, General Fund revenue would be reduced by \$341,240, the E.I.A. fund would be reduced by \$85,310, and the Homestead Exemption Fund would be reduced by \$85,310 in FY2015-16. In FY2016-17, and each fiscal year thereafter, sales and use tax revenue would be reduced by an estimated \$1,023,720 annually. Of this total, General Fund revenue would be reduced by \$682,480, the E.I.A. would be reduced by \$170,620, and the Homestead Exemption Fund would be reduced by \$170,620 annually.

Explanation of Fiscal Impact

Explanation of Amendment (May 20, 2015) – By the Senate Finance Committee

State Expenditure

Since this legislation makes no substantive changes to existing programs or resources, the Department of Revenue can administer the legislative changes with existing resources.

State Revenue

This amendment would remove the phrase “area median income” and replace it with “county median income”. This change would require an individual or family in need to have an income less than eighty percent of the county median income in order for a non-profit entity to receive a sales and use tax exemption on the necessary building materials required to build, rehabilitate, or repair a home. This amendment would not affect General Fund revenue in FY2015-16.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Amendment (April 29, 2015) – By the House of Representatives**State Expenditure**

Since this legislation makes no substantive changes to existing programs or resources, the Department of Revenue can administer the legislative changes with existing resources.

State Revenue

This amendment would include an amendment to Section 12-36-2120(52) to strike “owned by or leased to the federal government or commercial air carriers” for those types of air carriers that would be eligible for a sales and use tax exemption on parts and supplies used by businesses that repair or recondition aircraft. This change would allow a sales and use tax exemption on all parts and supplies used to repair or recondition aircraft for all types of aircraft. This amendment would now include private general aviation aircraft previously excluded from the exemption.

Based on information from the General Aviation Manufacturer’s Association and the Federal Aviation Association, Washington, D.C., there are 2,855 general aviation aircraft registered and/or hangered in South Carolina. Multiplying 2,855 general aviation aircraft by an estimated \$4,400 annual maintenance expenditures and applying a six percent sales and use tax rate yields a reduction of sales and use tax revenue of an estimated \$753,720 annually.

Since the effective date of this bill is January 1, 2016, sales and use tax revenue would be reduced by one-half of a full fiscal year, or an estimated \$376,860 in FY2015-16. Of this total, General Fund revenue would be reduced by \$251,240, the E.I.A. would be reduced by \$62,810, and the Homestead Exemption Fund would be reduced by \$62,810 in FY2015-16. In FY2016-17, sales and use tax revenue would be reduced by an estimated \$753,720 annually. Of this total, General Fund revenue would be reduced by \$502,480, the E.I.A. would be reduced by \$125,620, and the Homestead Exemption Fund would be reduced by \$125,620 in FY2016-17, and each fiscal year thereafter.

Local Expenditure

N/A

Local Revenue

N/A

Explanation of Bill filed February 11, 2015**State Expenditure**

Since this legislation makes no substantive changes to existing programs or resources, the Department of Revenue can administer the legislative changes with existing resources.

State Revenue

This bill would amend Section 12-36-2120 allow a sales and use tax exemption for building materials purchased by a nonprofit tax exempt entity to build, rehabilitate, or repair a home for the benefit of an individual or family in need. This would include organizations such as Habitat for Humanity. This organization is organized and operated to build and sell single family houses to selected buyers to promote home ownership and build a sense of community. This is done through the assistance of thirty-four affiliates located throughout the state. The Board of Economic Advisors has been advised by Habitat for Humanity that their goal for 2016 is to complete 150 new single family homes statewide. At an estimated cost of materials of \$30,000 per home and applying a six percent sales tax rate, sales and use tax revenue would be reduced by an estimated \$270,000 annually.


Since the effective date of this bill is January 1, 2016, sales and use tax revenue would be reduced by one-half of a full fiscal year, or an estimated \$135,000 in FY2015-16. Of this total, General Fund revenue would be reduced by \$90,000, the E.I.A. would be reduced by \$22,500, and the Homestead Exemption Fund would be reduced by \$22,500 in FY2015-16. In FY2016-17, sales and use tax revenue would be reduced by an estimated \$270,000 annually. Of this total, General Fund revenue would be reduced by \$180,000, the E.I.A. would be reduced by \$45,000, and the Homestead Exemption Fund would be reduced by \$45,000 in FY2016-17, and each fiscal year thereafter.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director