



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
 (803)734-0640 • RFA.SC.GOV/IMPACTS

Bill Number: S. 0406
 Author: Thurmond
 Requestor: Senate Finance
 Date: March 2, 2015
 Subject: Motor Fuels
 RFA Analyst(s): Dunbar, Fulmer, Shealy, and Shuford

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
State Expenditure		
General Fund	Minimal	N/A
Other and Federal	\$8,500	N/A
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	Undetermined	N/A
Other and Federal	Undetermined	N/A
Local Expenditure	N/A	N/A
Local Revenue	N/A	N/A

Fiscal Impact Summary

The Department of Transportation has indicated that the annual cost to Other Funds is \$8,500 due to the addition of one commissioner. The State Fiscal Accountability Authority and the Department of Revenue report there would be a minimal impact to the General Fund, which can be absorbed by the agencies.

The revenue impact of the motor fuel user fee surcharge and the associated refundable income tax credit is undetermined since the State Fiscal Accountability Authority has not calculated the amount of revenue necessary to fully fund new and continuing projects of the Department of Transportation.

Explanation of Fiscal Impact

State Expenditure

State Fiscal Accountability Authority. The agency indicates there would be minimal impact to the General Fund, which can be absorbed through existing resources. There would be no expenditure impact to Federal Funds or Other Funds.

Department of Transportation. The department reports that annual Other Fund expenditures will increase by \$8,500 due to the addition of one commissioner. There would be no expenditure impact to the General Fund or Federal Funds.

Department of Revenue. The department reports that there will be a minimal expenditure impact to adjust forms and instructions. This cost can be absorbed in current funding levels.

State Revenue

Senate Bill 406 adds Section 12-28-315, which imposes a motor fuel user fee surcharge to be calculated and established by the State Fiscal Accountability Authority and collected in the same manner and time as the motor fuel user fee. The surcharge will be levied on a per gallon basis in the amount necessary to meet the Department of Transportation’s funding requirements that are associated with undertaking new projects or to continue or complete existing projects for the fiscal year. The surcharge rate for a fiscal year shall go into effect on July first of the affected fiscal year. In all years following the first year, the surcharge may be adjusted by the authority on January first of the affected fiscal year. The authority may decline to increase the surcharge if an increase is not necessary to fund the department’s projects for that fiscal year, however, they may not increase the surcharge by more than ten cents from one fiscal year to the next.

The revenue impact from the surcharge will depend on the funding requirements of the Department of Transportation, as determined by the State Fiscal Accountability Authority. Since this funding amount and the associated surcharge is unknown, we provide the surcharge rates, based on the U.S. Department of Energy’s projected motor fuel consumption for FY 2015-16, that would generate revenue of \$100 to \$1,500 million for the department’s projects. These rates are outlined in the table below.

Motor Fuel Surcharge Rate	Total Motor Fuel User Fee	Estimated Total Motor Fuel Revenue	Estimated Motor Fuel Surcharge Revenue
\$0.029	\$0.189	\$653,372,000	\$100,000,000
\$0.073	\$0.233	\$803,372,000	\$250,000,000
\$0.147	\$0.307	\$1,053,372,000	\$500,000,000
\$0.222	\$0.382	\$1,303,372,000	\$750,000,000
\$0.297	\$0.457	\$1,553,372,000	\$1,000,000,000
\$0.449	\$0.609	\$2,053,372,000	\$1,500,000,000

The second section of the bill allows taxpayers a refundable tax credit for the amount of the motor fuel surcharge imposed in Section 12-28-315. Taxpayers are provided two ways to claim this credit. The first option allows taxpayers to claim a standard tax credit calculated annually by the Department of Revenue equal to the average amount paid in motor fuel surcharges by taxpayers during the previous year. The second option allows taxpayers to claim the actual amount of the motor fuel surcharges paid by the taxpayer. In order to claim the tax credit equal to the actual amount of surcharges paid, a taxpayer must complete a form prescribed by the Department of Revenue which sets forth the actual amount of surcharges paid, together with receipts or other documentation approved by the Department of Revenue. The revenue impact on General Fund individual and corporate income tax revenue from the credit will depend on the funding requirements of Department of Transportation that exceed the revenue from the current

motor fuel user fee. This annual amount, calculated by the State Fiscal Accountability Authority, has not been determined. However, the amount of the income tax credits may exceed the amount of the motor user fee surcharge for any fiscal year given that corporate taxpayers and individual income taxpayers with business income may claim the actual amount of the motor fuel surcharge if their accounting records indicate that their surcharge expenses are higher than the average standard credit set by the Department of Revenue. Additionally, taxpayers that drive fewer miles than average or have more fuel efficient vehicles that result in more miles per gallon than average may file for the standard tax credit even though their actual surcharges are less than the calculated standard tax credit amount. Out-of-state taxpayers can also claim the credit based on their receipts or records. In general, we anticipate that the amount of the motor fuel surcharge and the income tax credit will be approximately the same, with a possibility that the income tax credit may exceed the motor fuel user fee surcharge given the reasons above.

Section three of the bill stipulates that the Commission of the Department of Transportation must apply the revenue realized from the surcharge to the department's new and existing projects. General operating expenses of the Department of Transportation must be funded with the proceeds of the motor fuel user fee.

Section four of the bill amends Section 57-1-310 so that the Governor appoints two members to the Commission of the Department of Transportation instead of one member.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director