



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

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Bill Number: S. 0667  
 Author: Hayes  
 Requestor: Senate  
 Date: June 1, 2015  
 Subject: Boundary clarification between NC and SC  
 RFA Analyst(s): Jolliff, Dunbar, Fulmer, Martin, Shuford, Stein, Walling, and Wren

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### Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17
<b>State Expenditure</b>		
General Fund	Minimal	N/A
Other and Federal	N/A	N/A
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	N/A	N/A
Other and Federal	Minimal	N/A
<b>Local Expenditure</b>	N/A	N/A
<b>Local Revenue</b>	Minimal	N/A

#### Fiscal Impact Summary

The bill is expected to have a minimal impact to General Fund expenditures for the Commission on Higher Education that can be absorbed within current funding levels. Based upon the expected small number of residences affected, we anticipate that the bill may have a minimal impact on General Fund expenditures for funding to local school districts for impacted students. Additionally, the bill is expected to have a minimal impact on Other Fund and Federal Fund revenues for motor vehicle registrations and in-state tuition allowances.

The bill is expected to have a minimal impact on local revenues due to changes in property taxes for residences, motor vehicles, and commercial/agricultural property and state and federal funding for local school districts. The impacts are expected to be minimal based upon the small number of properties affected and will depend upon the number of properties ultimately moving into and out of the state.

### Explanation of Fiscal Impact

#### State Expenditure and State Revenue

This bill addresses the legal issues regarding the re-establishment of the boundary between South Carolina and North Carolina and specifies provisions for individuals and businesses moving between the two states as a result of the boundary clarification. The boundary clarification is expected to affect three businesses, approximately 12 residences, and agricultural property. The sections impacting state expenditures and revenues are as follows:

**Section 4.** This section would add Section 12-2-110 to specify that, for purposes of all South Carolina tax credits and other tax incentives, the definition of “new jobs” does not include any job created in South Carolina by employees whose work location is changed from North Carolina to South Carolina as a result of a change in the boundary between the two states. Also, there is no new investment created in South Carolina as a result of property that changes location from North Carolina to South Carolina as a result of a change in the boundary clarification. As the section specifically states that no new jobs or capital investment are created as a result of changing the boundary from North Carolina to South Carolina, this section, therefore, would not affect General Fund, Other Fund, or Federal Fund revenues.

**Section 5.** This section provides that individuals whose residency or taxpayers whose property or business location is considered to have changed from South Carolina to North Carolina solely as a result of the boundary clarification are not liable for any taxes or entitled to any refunds for periods prior to the boundary clarification date. In addition, taxpayers who sold products or services subject to South Carolina taxes to persons whose residence or location is changed as a result of the boundary clarification are not allowed a refund for any taxes paid prior to the boundary clarification. This section would not impact General Fund, Other Fund, or Federal Fund revenues.

**Section 6.** This section authorizes the Department of Revenue to compromise taxes that result in taxation in both South Carolina and North Carolina solely because of the boundary clarification. This section would not affect General Fund, Other Fund, or Federal Fund revenues since the department currently has this authority pursuant to Section 12-4-320.

**Section 7.** Residency and business property changes from North Carolina to South Carolina or from South Carolina to North Carolina as a result of the boundary clarification must be treated as though the individual moved to or from South Carolina on January 1, 2016. This mandates the administrative date of the change and would not impact General Fund, Other Fund, or Federal Fund revenues.

**Section 8.** This section would add Section 12-21-820 to provide if a South Carolina taxpayer that sells cigarettes and tobacco products becomes a North Carolina taxpayer as a result of the boundary clarification and possesses tax-paid cigarettes and tobacco products in inventory, then the retailer is entitled to a refund of South Carolina taxes paid. The wholesaler of South Carolina tax-paid cigarettes is not entitled to a refund as the result of the boundary clarification. Based on information from the South Carolina Revenue and Fiscal Affairs Office, Geodetic Survey section, there is one business, a gas station, that currently operates in South Carolina that will be allowed to continue to operate as a South Carolina business, even though it will technically be in North Carolina, because it sells fireworks and alcohol, both of which are illegal in North Carolina. Because the business will continue to operate as a South Carolina business, this section would have no revenue impact to the General Fund, Federal Funds, or Other Funds.

**Section 9.** This section provides that if property changes locations from North Carolina to South Carolina as a result of the boundary clarification and a deed is filed in South Carolina, no state or county deed recording fees may be charged. Since deed recording fees may not be charged for properties affected by the boundary clarification, this section of the bill will have no impact on

General Fund, Federal Fund, or Other Funds revenue. Additionally, there would be no local revenue impact on county governments that are affected by the boundary clarification.

**Section 10.** This section would add Section 12-28-350 to provide if a South Carolina retailer that sells motor fuel whose business location changes from South Carolina to North Carolina as a result of the boundary clarification is allowed a refund of South Carolina motor fuel taxes or user fees if North Carolina requires the retailer to pay the North Carolina motor fuel or user fees on that same fuel. Based on information from the South Carolina Revenue and Fiscal Affairs Office, Geodetic Survey section, there is one business, a gas station, that currently operates in South Carolina that North Carolina will allow to continue to operate as a South Carolina business, even though it will technically be in North Carolina, because it sells fireworks and alcohol, both of which are illegal in North Carolina. Because the business will continue to operate as a South Carolina business, this section would have no revenue impact to the General Fund, Federal Funds, or Other Funds.

**Section 11.** This section would add Section 12-36-2695 to require any business that collects and pays sales and use taxes or admissions taxes whose business changes from North Carolina to South Carolina as a result of the boundary clarification to obtain a South Carolina retail license or admission tax license for that location before January 1, 2016, and begin collecting and paying SC sales and use taxes or admissions taxes. Based on information from the South Carolina Revenue and Fiscal Affairs Office, Geodetic Survey section, there is one business, a gas station, that currently operates in South Carolina that North Carolina will allow to continue to operate as a South Carolina business, even though it will technically be in North Carolina. Since this business will continue to operate as a South Carolina business, there would be no change in the collection of South Carolina sales and use taxes. Therefore, this section would not impact General Fund, Other Fund, or Federal Fund revenues.

**Section 13.** This section specifies that individuals and businesses whose residency transfers to South Carolina must register any vehicles and pay personal property taxes. The section also makes provisions for providing refunds on personal property taxes for persons whose residency or business location changes to North Carolina on a pro-rated basis. The impact on motor vehicles registration fees will depend upon the number of vehicles that move into or out of South Carolina. Based upon the small number of properties affected, we anticipate that the impact on Other Fund revenue will be minimal.

**Section 18.** Section 18 of the bill requires the Department of Health and Environmental Control (DHEC), in issuing any permit to an impacted location (i.e., a location previously in North Carolina that now falls under the jurisdiction of DHEC), to provide the permit applicant with a reasonable time-frame for coming into compliance with South Carolina laws, rules, and regulations. The Department of Health and Environmental Control reports that this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**Section 19.** This section allows Medicaid service providers outside South Carolina in adjacent areas within twenty-five miles of the border to continue to provide medically necessary services after January 1, 2016, to South Carolina Medicaid recipients. This would not impact General Fund, Other Fund, or Federal Fund expenditures or revenues.

**Section 21.** This section allows individuals whose residence is determined to be located in North Carolina to enroll their children residing with them in the South Carolina district in which the property was previously believed to be located as long as the family maintains residence on that same property. The State Department of Education indicates there is no expenditure impact to the department. Based upon the expected small number of residences impacted, we anticipate that this section may have a minimal impact on General Fund expenditures for funding to school districts for the affected students.

**Section 22.** This section directs public institutions of higher education in South Carolina to provide up to ten years of in-state tuition pricing for any resident and their dependents residing on South Carolina property affected by the boundary clarification and continue to reside on that property. Additionally, this section directs the institutions to provide up to two years of in-state tuition pricing for North Carolina residents and their dependents affected by the boundary changes without satisfying the twelve-month resident requirement. The two year period can be extended if the resident shows intent of establishing permanent domicile in South Carolina. The Commission on Higher Education reports this would have minimal impact to General Fund expenditures that could be absorbed with the current level of funding. Based upon the expected small number of residences impacted, we anticipate that this section may have a minimal impact on Other Funds and Federal Funds revenue for in-state tuition allowances.

### **Local Expenditures and Revenues**

The sections impacting local expenditures and revenues are as follows:

**Section 9.** Section 9 provides that if property changes locations from North Carolina to South Carolina as a result of the boundary clarification and a deed is filed in South Carolina, no state or county deed recording fees may be charged. Since deed recording fees may not be charged for properties affected by the boundary clarification, this portion of the bill will have no revenue impact on the General Fund, Federal Funds, or Other Funds. Additionally, there would be no revenue impact on county governments that are affected by the boundary clarification.

**Section 12.** This section outlines the valuation of real property for inclusion on property tax rolls, exempts agricultural property moving between states from roll-back taxes, and specifies that taxpayers must apply for any applicable tax exemptions. The impact on local property tax revenue is indeterminable and may increase or decrease depending upon the value of the property that moves into and out of South Carolina. The impact is, however, expected to be minimal based upon the small number of properties affected.

**Section 13.** This section specifies that individuals and businesses whose residency transfers to South Carolina must register any vehicles and pay personal property taxes. The section also makes provisions for providing refunds on personal property taxes for persons whose residency or business location changes to North Carolina on a pro-rated basis. The impact on motor vehicles registration fees and the impact on local property tax revenue is indeterminable and may increase or decrease depending upon the value of the property that moves into South Carolina and any refunds due. The impact is, however, expected to be minimal based upon the small number of properties affected.

**Section 14.** This section allows a person impacted by the boundary clarification who is now required to register a personal motor vehicle in South Carolina to receive a property tax rebate from the county for the difference in the property taxes paid if the taxes would have been less in North Carolina. The individual may receive the rebate for two years. The impact on local property tax revenues will depend on the number of motor vehicles impacted by the boundary clarification. However, we anticipate that the impact will be minimal based upon the small number of properties impacted.

**Section 15.** This section changes the lien date for nonbusiness personal property, other than motor vehicles, affected by the boundary clarification to January 1, 2016, for 2016 only. This change is not expected to impact local expenditures or revenues.

**Section 17.** Section 17 provides that the registers of deeds or the clerks of courts in the affected counties shall file the Notice of State Boundary Clarification in the record for all affected lands. The notice must be properly indexed, including the correct order of indexing, in the same manner as any instrument conveying or encumbering real property. Additionally, the registers of deeds or clerks of courts must inform attorneys and others using their offices of the requirements of this section. The information may be provided by clerks and registers by those means that they would normally utilize to provide general notices to users of their services such as postings on their web pages. The Revenue and Fiscal Affairs Office contacted the affected counties (Cherokee, Chesterfield, Dillon, Greenville, Horry, Lancaster, Marlboro, Oconee, Pickens, Spartanburg, and York) regarding the expenditure impact of this section of the bill and received no responses. Although no responses were received, any notices and requirements for county clerks and registers resulting from this bill can be placed on county websites. Therefore, we expect no local expenditure impact as a result of this bill.

**Section 21.** This section allows individuals whose residence is determined to be located in North Carolina to enroll their children residing with them in the South Carolina district in which the property was previously believed to be located as long as the family maintains residence on that same property. The local school district affected would be able to claim the student attending their schools and receive applicable state and federal funding. This section may have a minimal impact on local revenue for state and federal funds for the affected students.



Frank A. Rainwater, Executive Director