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COMMITTEE REPORT

May 19, 2016

**S. 973**

Introduced by Senators Cromer and Alexander

S. Printed 5/19/16--H.

Read the first time April 12, 2016.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (S. 973) 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, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, SECTION 1, page 1, by striking Section 38‑7‑20(B) in its entirety, and inserting:

/ (B) Effective July 1, 2013, through June 30, ~~2017~~ 2030, ~~two and one‑quarter percent~~ of the revenue of the premium taxes collected pursuant to this section:

(1) one percent must be transferred to the South Carolina Forestry Commission and used by that agency for firefighting and firefighting equipment replacement;

(2) one percent must be transferred to the aid to fire districts account within the State Treasury and distributed for firefighting equipment replacement in the same manner as described in Section 23‑9‑410;

(3) one quarter of one percent must be transferred to the aid to emergency medical services regional councils within the Department of Health and Environmental Control and used for grants to fund emergency medical technician and paramedic training; and

(4) ~~The~~ the remaining insurance premium taxes collected pursuant to this section must be deposited to the credit of the general fund of the State. /

Amend further by striking SECTION 2 in its entirety and inserting:

/ SECTION 2. This act takes effect on July 1, 2017, and first applies to Fiscal Year 2017‑2018. /

Renumber sections to conform.

Amend title to conform.

W. BRIAN WHITE for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**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 Reve**n**ue**

**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.

**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 Reve**n**ue**

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.

**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 Reve**n**ue**

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.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**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.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 38‑7‑20 of the 1976 Code is amended to read:

“Section 38‑7‑20. (A) In addition to all license fees and taxes otherwise provided by law, there is levied upon each insurance company licensed by the director or his designee an insurance premium tax based upon total premiums, other than workers’ compensation insurance premiums, and annuity considerations, written by the company in the State during each calendar year ending on the thirty‑first day of December. For life insurance, the insurance premium tax levied herein is equal to three‑fourths of one percent of the total premiums written. For all other types of insurance, the insurance premium tax levied in this section is equal to one and one‑fourth percent of the total premiums written. In computing total premiums, return premiums on risks and dividends paid or credited to policyholders are excluded.

(B) Effective July 1, 2013, through June 30, ~~2017~~ 2022, two and one‑quarter percent of the revenue of the premium taxes collected pursuant to this section must be transferred to the South Carolina Forestry Commission and used by that agency for firefighting and firefighting equipment replacement. The remaining insurance premium taxes collected pursuant to this section must be deposited to the credit of the General Fund of the State.”

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

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