



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** S. 0473 Introduced on February 5, 2019  
**Author:** Grooms  
**Subject:** Insurance Coverage for Rented or Leased Vehicles  
**Requestor:** Senate Transportation  
**RFA Analyst(s):** Miller  
**Impact Date:** March 4, 2019

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### **Fiscal Impact Summary**

This bill will have no impact on the Department of Insurance (DOI) as there are no new or additional responsibilities required for DOI.

This bill may change the insurance premium tax revenue depending upon whether the shift from primary insurance coverage from the owner of a leased or rented vehicle to the operator of the leased or rented vehicle results in net higher premiums or lower premiums collected.

### **Explanation of Fiscal Impact**

#### **Introduced on February 5, 2019**

##### **State Expenditure**

This bill shifts the primary insurance coverage from the owner of a leased or rented vehicle to the operator of the leased or rented vehicle. This bill takes effect upon signing of the governor. This bill requires no new or additional responsibilities for the Department of Insurance (DOI). Therefore, there is no expenditure impact on DOI.

##### **State Revenue**

This bill shifts the primary insurance coverage from the owner of a leased or rented vehicle to the operator of the leased or rented vehicle. This bill takes effect upon signing of the governor. This shift in responsible insurance coverage may lower the insurance premiums for the owners of leased or rented vehicles and increase the premiums for the operators of these vehicles. If this shift results in a net decrease in collected premiums, the insurance premium revenue will decrease. If this shift results in a net increase in collected premiums, the insurance premium revenue will increase. The shift in premiums will not begin until January 2020, as insurance contracts are written on a calendar basis.

The premium tax is one and one quarter percent. Premium taxes are paid quarterly and are allocated as follows: one percent to the South Carolina Forestry Commission, one percent to the aid to fire district account within the State Treasury, one-fourth of one percent to the aid to emergency medical services regional councils within the Department of Health and Environmental Control (DHEC), and the remaining ninety-seven and three-fourths percent to the General Fund. Premium taxes are paid quarterly. The first three payments, paid in June, September, and December of the current year, are estimated using the prior year's actual tax liability. The final payment is made in March of the following year and is the difference between the actual premium tax liability owed in that year and the prior payments made.

Insurance companies may choose to pay more than their estimated quarterly payments to offset any anticipated increase in premium tax liability in the current year. However, RFA assumes no insurance company will choose to pay more than their estimated quarterly payments due to increased premiums from this bill. As the net change to premiums is unknown, the change to premium tax revenue is undetermined beginning in FY 2020-21.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director