



**SOUTH CAROLINA
REVENUE AND FISCAL AFFAIRS OFFICE**

CHAD WALLDORF, Chairman
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FRANK A. RAINWATER
Executive Director

January 5, 2016

The Honorable Nikki Haley, Governor
Office of the Governor
1205 Pendleton Street
Columbia, SC 29201

Dear Governor Haley,

This letter is in response to a request made on your behalf by staff for a revenue impact of transferring the additional one-half of the sales tax collected from the sale of automobiles from the state General Fund to the Department of Transportation.

Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax in the General Fund. This does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in General Fund sales and use tax revenue of \$60,947,394 and a concomitant increase in State Non-Federal Aid Highway Fund revenue in FY2014-15.

Based upon the latest data on automobile sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests automobile sales and use tax revenue of an estimated \$164,200,000 in FY2016-17. Of this amount, fifty percent less the EIA hold harmless amount, or \$65,680,000, would be transferred to the State Non-Federal Aid Highway Fund in the Department of Transportation. If the remaining fifty percent were to be transferred for like purposes, General Fund sales and use tax would be reduced by an additional \$65,680,000 and the State Non-Federal Aid Highway Fund would be increased by an additional \$65,680,000 in FY2016-17. These estimates are subject to change based upon newly released data and forecasts. It may also be important to note that automobile sales are at a relative peak period and future expectations are that sales will remain stable or even decline in the next few years.

If we may be of any further assistance, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank A. Rainwater". The signature is fluid and cursive, with the first name "Frank" and last name "Rainwater" clearly distinguishable.

Frank A. Rainwater
Executive Director

FAR/rwm
Encl.

cc: Joshua Baker, Budget Director
David M. Glaccum, Policy Advisor