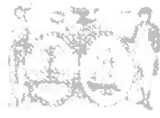


STATE OF SOUTH CAROLINA

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REMBERT DENNIS BUILDING
1000 ASSEMBLY STREET, SUITE 459
COLUMBIA, SOUTH CAROLINA 29201
(803) 734-3805

December 14, 2012

The Honorable Nikki R. Haley, Governor
State of South Carolina
State House, 1st Floor
Columbia, SC 29211

Dear Governor Haley:

This letter is in response to a request by your staff regarding the revenue impact of amending §12-28-960(C) to mandate that beginning July 1, 2013, no tare allowance for thermal shrinkage and measurement differences occurring after the removal of motor fuel from the terminal. The tare allowance is equal to two and sixty-five one-hundredths percent of the \$0.16 motor fuel user fee. The amount of tare allowance cannot exceed \$2,000 a month for each motor fuel purchaser, importer, and supplier. Based on historical tare refund requests we estimate that this proposed amendment would increase motor fuel tax revenue by \$2,500,000 in FY 2013-14. Other statutes would allocate this additional revenue to the Department of Transportation and the local county transportation funds.

The proposed budget proviso accompanying this statute change would require the Department of Transportation to allocate the additional \$2,500,000 of motor fuel user fees received by the State due to the suspension of tare allowances to replacing or repairing load-restricted bridges.

The proposed statutory amendment and budget proviso we based our revenue impact on is attached.

If I may be of further assistance, please advise.

Sincerely,

Frank A. Rainwater

FAR/gos

Eliminate the tare allowance to prevent motor fuels taxes from being diverted away from transportation services.

- **Amend §12-28-960(C):**
 - **(C) Every licensed importer and supplier making sales of user fee-paid motor fuel to persons other than eligible purchasers is entitled to the tare allowance provided by subsection (A) by way of a credit against user fee remittances due to the State payable by the person. The total amount of tare allowance claimed by the person may not exceed two thousand dollars for any month. No tare allowance shall be granted on or after July 1, 2013.**
 - **This amendment shall take effect on July 1, 2013.**
- **This revision would make \$2.5M of fuel tax receipts available for reallocation to other transportation needs.**
- **This change could be accompanied by a proviso to reallocate those funds:**
 - **In the current fiscal year, the Department of Transportation shall use the \$2,500,000 of additional user fee remittances received by the State due to the suspension of tare allowances on or after July 1, 2013 for purposes of replacing or repairing load-restricted bridges.**

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December 14, 2012

The Honorable Nikki R. Haley, Governor
State of South Carolina
State House, 1st Floor
Columbia, SC 29211

Dear Governor Haley:

This letter is in response to a request by your staff regarding the revenue impact of amending §12-28-2355(A) to mandate that beginning July 1, 2013, the one-fourth cent per gallon petroleum product inspection fee will be deposited into the Department of Transportation State Non-Federal Aid Highway Fund. This amendment would also delete §12-28-2355(C) which allocates ten percent of the one-fourth cent per gallon petroleum inspection fee to Department of Agriculture for use as provided in §39-41-70. This proposed amendment would have no effect on total motor fuel tax revenue. Based on historical allocations and expected growth in motor fuel tax revenue, we estimate that revenue allocated to the Department of Agriculture would decrease by \$892,000 in FY 2013-14.

The proposed budget proviso accompanying this statute change would allocate in FY 2013-14 ten percent of one-fourth cent per gallon petroleum inspection fee to the Department of Transportation. The proposed proviso language would increase Department of Transportation other funds by the same \$892,000 in FY 2013-14.

The proposed statutory amendment and budget proviso we based our revenue impact on is attached.

If I may be of further assistance, please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Frank A. Rainwater".

Frank A. Rainwater

FAR/gos

Shift funding source for the Department of Agriculture's petroleum product inspections from 10% of \$0.0025/gallon to a dedicated line in the General Fund.

- Amend §12-28-2355:
 - (A) For the purpose of providing funds for inspecting, testing, and analyzing petroleum products and for general state purposes, there must be paid to the state, for deposit into the Department of Transportation State Non-Federal Aid Highway Fund, department a charge of one-fourth cent a gallon, which liability arises at the same time and is payable by the same person as the motor fuel user fee imposed under this chapter as if the petroleum product were motor fuel subject to the user fee under this chapter. Upon approval of the department, a surety bond is acceptable as monthly prepayments pending monthly reports and payments. Determination of acceptable bonding must be based on distribution, location of terminal facilities, and handling through other bonded suppliers.
 - The argument is that the state would still be collecting the charge in order to fund those services...but the charge would be credited to transportation uses, while the Department of Agriculture would get a comparable appropriation from the General Fund instead.
 - This amendment shall take effect July 1, 2013.
- Delete §12-28-2355(C).
- This revision would make \$892k of fuel tax receipts available for reallocation to other transportation needs.
- A new GF appropriation within the Department of Agriculture would need to be established at that level.
- This change could be accompanied by a proviso to reallocate those funds:
 - In the current fiscal year, the Department of Transportation shall use an amount equivalent to ten percent of the charge of the one-fourth cent per gallon assessed pursuant to SC Code 12-25-2355(A) to replace or repair load-restricted bridges.

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December 14, 2012

The Honorable Nikki R. Haley, Governor
State of South Carolina
State House, 1st Floor
Columbia, SC 29211

Dear Governor Haley:

This letter is in response to a request by your staff regarding the revenue impact of amending §12-28-2730(A) to mandate that beginning July 1, 2013, the Water Resources Fund administered by the Department of Natural Resources will no longer receive a direct allocation of one percent of the thirteen cents gasoline user fee. The amendment further states that the fund will receive appropriations from the General Fund beginning in FY 2013-14. This proposed amendment would have no effect on total motor fuel tax revenue. Based on historical allocations and expected growth in motor fuel tax revenue, we estimate that revenue allocated to the Department of Natural Resources for the Water Resources Fund would decrease by \$3,400,000 in FY 2013-14.

The proposed budget proviso accompanying this statute change would allocate in FY 2013-14 one percent of the thirteen cents gasoline user fee to the Department of Transportation. The proposed proviso language would increase Department of Transportation other funds by the same \$3,400,000 in FY 2013-14.

The proposed statutory amendment and budget proviso we based our revenue impact on is attached.

If I may be of further assistance, please advise.

Sincerely,

A handwritten signature in dark ink, appearing to read "Frank A. Rainwater".

Frank A. Rainwater

FAR/gos

Shift funding source for the Water Resources Fund from 1% of the first \$0.13/gallon to a dedicated line in the General Fund.

- Amend §12-28-2730(A):
 - (A) **There is established a special fund, to be known as the Water Resources Fund, which shall be administered by the Department of Natural Resources. Until June 30, 2013, one** One percent of the proceeds from thirteen cents of the gasoline user fee imposed pursuant to this chapter must be transmitted to the Department of Natural Resources for a special water recreational resources fund of the State. **Beginning July 1, 2013, this fund shall receive appropriations from the General Fund.** All balances in the fund must be carried forward annually so that no part of it reverts to any other fund.
 - This amendment shall take effect July 1, 2013.
- This revision would make \$3.4M of fuel tax receipts available for reallocation to other transportation needs.
- A new GF appropriation within DNR would need to be established at that level or slightly lower.
- This change could be accompanied by a proviso to reallocate those funds:
 - **In the current fiscal year, one percent of the proceeds from thirteen cents of the gasoline user fee imposed pursuant to Chapter 28, Title 12 shall be used by the Department of Transportation to replace or repair load-restricted bridges.**

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December 14, 2012

The Honorable Nikki R. Haley, Governor
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State House, 1st Floor
Columbia, SC 29211

Dear Governor Haley:

This letter is in response to a request by your staff regarding the revenue impact of amending §12-62-50(A)(1) to mandate that the wage rebate to motion picture production companies from income tax withholdings may not exceed the amounts provided for in the annual appropriations act. Currently, the wage rebates are limited to \$10,000,000 annually from the state's General Fund. In recent years, annual Appropriation Act provisos have allocated the unused portion of the \$10,000,000 wage rebate limitation to the Department of Parks, Recreation and Tourism for the Destination Specific Tourism Program. The General Fund income tax revenue impact of this amendment will depend on if the amount appropriated in the annual Appropriation Act differs from the current \$10,000,000 limitation.

The proposed budget proviso accompanying this statute change would allow the Department of Parks, Recreation and Tourism to carry forward unexpended funds from the wage rebate program and expend these funds for wage rebates in the future.

The proposed statutory amendment and budget proviso we based our revenue impact on is attached.

If I may be of further assistance, please advise.

Sincerely,

A handwritten signature in dark ink, appearing to read "Frank A. Rainwater".

Frank A. Rainwater

FAR/gos

Amend 12-62-50

A)(1) The South Carolina Film Commission may rebate to a motion picture production company a portion of the South Carolina payroll of the employment of persons subject to South Carolina income tax withholdings in connection with production of a motion picture. The rebate may not exceed fifteen percent of the total aggregate South Carolina payroll for persons subject to South Carolina income tax withholdings employed in connection with the production when total production costs in South Carolina equal or exceed one million dollars during the taxable year. The rebates in total may not annually exceed ten million dollars and shall come from the state's general fund **the amounts provided for in the annual appropriations act. Unexpended funds appropriated for the motion picture incentive wage rebate may be carried forward into subsequent fiscal years and expended for the same purpose.** For purposes of this section, "total aggregate payroll" does not include the salary of an employee whose salary is equal to or greater than one million dollars for each motion picture.

Amend proviso 39.9 to read

39.9. (PRT: Destination Specific Tourism and Marketing Transfer) ~~From the funds set aside pursuant to the Motion Picture Incentive Wage Rebate, for Fiscal Year 2012-13~~ **For the current fiscal year, unexpended funds allocated for the Motion Picture Incentive Wage Rebate program may be** carried forward from the prior fiscal year ~~shall be transferred from the Department of Revenue to the Department of Parks, Recreation and Tourism and utilized for the Destination Specific Tourism Program~~ **and expended for the same purpose.** From the funds set aside pursuant to the Motion Picture Incentive Supplier Rebate, for Fiscal Year 2012-13 unexpended funds carried forward from the prior fiscal year shall be transferred from the Department of Revenue to the Department of Parks, Recreation and Tourism and utilized for Marketing. These funds shall be carried forward from the prior fiscal year into the current fiscal year and be expended for the same purpose.