

From: Soura, Christian

To: Rainwater, Frank <Frank.Rainwater@ors.sc.gov>

CC: Shuford, Gordon <Gordon.Shuford@bea.sc.gov>

Date: 12/13/2012 5:42:42 PM

Subject: RE: Film and motor fuel Language

Attachments: (2012-12-13) Transportation Language (v02).docx

Based upon your comments on the transportation language, I made some notes in the attachment (and tracked changes).

On film incentives...we're going back and forth here on the proviso and how it interacts with the language, so we'll double-back on that one in the morning. Thanks again.

CLS

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From: Rainwater, Frank
Sent: Thursday, December 13, 2012 4:37 PM
To: Soura, Christian
Cc: Shuford, Gordon; Rainwater, Frank
Subject: FW: Film and motor fuel Language

Hi Christian,

The draft below is what we believe the impacts would be given our suggestions in the two provisos.

If you agree, send us the revised language on the two; in the meantime we can prepare the others if you like.

Let us know,

Frank

From: Shuford, Gordon
Sent: Thursday, December 13, 2012 4:26 PM
To: Rainwater, Frank
Subject: RE: Film and motor fuel Language

Frank:

Below are my comments on the four proposed statutory and proviso changes as requested by Christian. A more formal revenue impact advisory letter is being completed for your signature and should be completed soon. If the Governor's Office makes any amendments to the proposed amendments please update me with the modified language for the advisory letter.

1. The proposed statutory change to §12-62-50 (motion picture wage rebate, below) would have no revenue impact on General Fund individual income tax revenue. As amended, the Appropriation Act would designate where the \$10 million would be allocated. **However, we suggest that language in FY 2012-13 proviso 39.9 be deleted that allows PRT to receive and utilize unexpended funds from the wage rebate for the Destination Specific Tourism Program. Otherwise, the revenue decrease could exceed the current \$10 million level.**

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 the amount appropriated for this purpose, which shall not exceed ten million dollars, and which shall come from the state's general fund. 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.

In the General Fund:

Add \$7,000,000 in PRT, II. Programs and Services, G. Film Commission, Allocations to the Private Sector

The intent is that the remaining \$3M would fall back to the General Fund to be used for various purposes.

2. The following language would have no revenue impact on motor fuel tax revenue. Revenue allocated to Department of Natural Resources for the Water Resources Fund would decrease by \$3,400,000 in FY 2013-14. The proposed proviso language would increase Department of Transportation other funds by the same \$3,400,000 in FY 2013-14. No suggestions or comments to the language.

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.
3. The following amendment would have no revenue impact on impact on motor fuel tax revenue. We estimate that \$892,000, or 10% of the one-fourth cent a gallon fee, would be reallocated from the Department of Agriculture to the Department of Transportation.

However, §12-28-2355(C) states "Notwithstanding any other provision of law, of the fees collected pursuant to subsection (A) of this section, ten percent must be transmitted by the Department of Revenue to the Department of Agriculture beginning upon the effective date of this

act for use as provided in Section 39 41 70 and the remainder of the fees must be credited to the Department of Transportation State Non Federal Aid Highway Fund as provided in the following schedule:

Fees Collected After	General Fund of the State	Department of Transportation State Non Federal Aid Highway Fund
June 30, 2005	60 percent	40 percent
June 30, 2006	20 percent	80 percent
June 30, 2007	0 percent	100 percent."

We suggest that subsection (C) be deleted to clarify that the Department of Transportation receives these funds, not the Department of Agriculture.

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.
- 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 the charge of one-fourth cent per gallon assessed pursuant to SC Code 12-25-2355(A) to replace or repair load-restricted bridges.

4. The elimination of the tare allowance beginning in July 2013 would increase motor fuel tax revenue by \$2,500,000 in FY 2013-14. The additional revenue would be allocated under current statutes to Department of Transportation and the local county transportation funds. **If the intention is to allocate all these funds to the DOT additional language may be needed.**

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 \$2,500,000 to replace or repair load-restricted bridges.

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

Sincerely,
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