



**SOUTH CAROLINA
REVENUE AND FISCAL AFFAIRS OFFICE**

CHAD WALLDORF, Chairman
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FRANK A. RAINWATER
Executive Director

September 8, 2014

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

Dear Governor Haley,

This letter is in response to a request made on your behalf by staff for the revenue impact of phasing out the maximum sales tax limitation on automobiles while exempting a portion of a vehicle's value based on a prescribed schedule over a five year period.

Beginning in FY2015-16, the maximum sales and use tax limitation would be increased from the current \$300 per vehicle to \$600 per vehicle. Also, the first \$1,000 of vehicle value, net of any trade-in value, would be excluded. 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 \$233,000,000 in FY2015-16. Of this amount, fifty percent less the EIA hold harmless amount, or \$93,200,000, 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 \$93,200,000 and the State Non-Federal Aid Highway Fund would be increased by an additional \$93,200,000 in FY2015-16.

Over the next four fiscal years, the maximum sales and use tax cap is increased until the maximum sales tax cap is eliminated by FY2019-20. Also, the exclusion is increased by \$1,000 each year until FY2019-20 when it reaches the first \$5,000 of vehicle value, net of any trade-in. A table describing the annual and cumulative transfer amounts for the next ten fiscal years has been provided. Revenue estimates in future periods utilize the latest historical ten-year average of automobile sales. 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,



Frank A. Rainwater
Executive Director

FAR/rwm
Encl.

cc: Christian Soura, Deputy Chief of Staff
Joshua Baker, Budget Director

**Estimated Sales and Use Tax Collections From the Sale of Automobiles
By Varying Maximum Caps and Exclusion Amounts
Fiscal Years 2013-14 to 2024-25**

Fiscal Year	Max Cap	Amount of Exclusion	Total Revenue	Annual Transfer to DOT		Cumulative Transfer to DOT	
				Current Law 1/	Proposed	Current Law 1/	Proposed
FY2013-14 a/	\$300	\$0		\$59,543,949		\$59,543,949	
FY2014-15 e/	\$300	\$0	\$153,500,000	\$61,400,000		\$120,943,949	
FY2015-16 e/	\$600	\$1,000	\$233,000,000	\$93,200,000	\$93,200,000	\$214,143,949	\$93,200,000
FY2016-17 e/	\$1,000	\$2,000	\$286,500,000	\$114,600,000	\$114,600,000	\$328,743,949	\$207,800,000
FY2017-18 f/	\$1,500	\$3,000	\$307,600,000	\$123,040,000	\$123,040,000	\$451,783,949	\$330,840,000
FY2018-19 f/	\$2,000	\$4,000	\$275,000,000	\$110,000,000	\$110,000,000	\$561,783,949	\$440,840,000
FY2019-20 f/	\$0	\$5,000	\$272,300,000	\$108,920,000	\$108,920,000	\$670,703,949	\$549,760,000
FY2020-21 f/	\$0	\$5,000	\$272,300,000	\$108,920,000	\$108,920,000	\$779,623,949	\$658,680,000
FY2021-22 f/	\$0	\$5,000	\$272,300,000	\$108,920,000	\$108,920,000	\$888,543,949	\$767,600,000
FY2022-23 f/	\$0	\$5,000	\$272,300,000	\$108,920,000	\$108,920,000	\$997,463,949	\$876,520,000
FY2023-24 f/	\$0	\$5,000	\$272,300,000	\$108,920,000	\$108,920,000	\$1,106,383,949	\$985,440,000
FY2024-25 f/	\$0	\$5,000	\$272,300,000	\$108,920,000	\$108,920,000	\$1,215,303,949	\$1,094,360,000
Total				\$1,215,303,949	\$1,094,360,000		

Notes: All calculations made by the Board of Economic Advisors
1/ Act 98 of 2013 - one-half of sales tax from automobiles to be transferred to DOT.
a/ actual
e/ estimated
f/ forecast - Based on latest 10-year average of automobile sales
Estimates are subject to change based upon newly released data and forecasts.

Source: Board of Economic Advisors

BEA/RWM/09/03/14