



**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 estimates of the revenue generated from incremental changes in the maximum sales tax cap on the sale or lease of motor vehicles in South Carolina. Pursuant to Section 12-36-2110, the maximum amount of sales tax that may be collected from the sale of a motor vehicle is the lesser of five percent of the sale or lease of the motor vehicle or \$300 per vehicle. I have enclosed several tables that describe various amounts of estimated sales and use tax that could be collected under a variety of changes to the maximum sales tax cap on the sale or lease of motor vehicles. 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 blue ink that reads "Frank A. Rainwater".

Frank A. Rainwater
Executive Director

FAR/rwm
Encl.

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

Motor Vehicle Sales Tax

Summary

Statute: 12-36-2110

Date Enacted: 1984

Date of last changes: 1984 (capped at \$300)

Rate: the lessor of 5% of sale or \$300

Current Distribution: General Fund

Fiscal Year Estimated Collections 1/

FY16 \$ 153,500,000

FY16 Fiscal Impacts as a Result of Change in Current Law

Revenue Generated From Incremental Increases in Sales Tax Cap on Motor Vehicles With the Sales Tax Rate at 5 Percent

Sales Tax Cap (Dollars)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
\$400	\$185.1	\$31.6
\$600	\$236.0	\$82.5
\$800	\$273.0	\$119.5
\$1,000	\$297.3	\$143.8
\$1,200	\$312.9	\$159.4
\$1,400	\$322.8	\$169.3
\$1,600	\$329.2	\$175.7
\$1,800	\$333.0	\$179.5
\$2,000	\$335.3	\$181.8

Revenue Generated From Replacing the Sales Tax Cap on Motor Vehicles With a Sales Tax on Total Value of Vehicle

Sales Tax (Percent)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
1%	\$68.2	(\$85.3)
2%	\$136.3	(\$17.2)
3%	\$204.5	\$51.0
4%	\$272.7	\$119.2
5%	\$340.8	\$187.3
6%	\$409.0	\$255.5

Note: The \$300 sales tax cap is revenue neutral at 2.225% sales tax rate.

1/ Sales tax revenue on motor vehicles by vehicle value is not maintained by the Department of Revenue.

Note: All calculations made by the Board of Economic Advisors.

Sources of data: Wards Auto Group; Autodata Corporation; U.S. Dept. of Transportation; N.C. Dept. of Motor Vehicles.

Table 1

**Additional Revenue Generated From Incremental Increases In The Sales Tax Cap
On Motor Vehicles With the Sales Tax Rate at 5 Percent**

	Sales Tax Cap (Dollars)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
Present Cap	\$300	\$153.5	\$0.0
	\$400	\$185.1	\$31.6
	\$500	\$212.4	\$58.9
	\$600	\$236.0	\$82.5
	\$700	\$256.2	\$102.7
	\$800	\$273.0	\$119.5
	\$900	\$286.5	\$133.0
	\$1,000	\$297.3	\$143.8
	\$1,100	\$306.0	\$152.5
	\$1,200	\$312.9	\$159.4
	\$1,300	\$318.4	\$164.9
	\$1,400	\$322.8	\$169.3
	\$1,500	\$326.3	\$172.8
	\$1,600	\$329.2	\$175.7
	\$1,700	\$331.4	\$177.9
	\$1,800	\$333.0	\$179.5
	\$1,900	\$334.3	\$180.8
	\$2,000	\$335.3	\$181.8
	\$2,100	\$336.2	\$182.7
	\$2,200	\$336.9	\$183.4
	\$2,300	\$337.4	\$183.9
	\$2,400	\$337.9	\$184.4
	\$2,500	\$338.3	\$184.8

Notes: All calculations made by the Board of Economic Advisors. Estimates are subject to change based upon newly released data and forecasts.

Sources: Wards Automotive Group; Autodata Corporation, Motor Intelligence Division;
U.S. Department of Transportation, Bureau of Transportation Statistics;
N.C. Division of Motor Vehicles; S.C. Code of Laws, 1976.

Table 2

**Revenue Generated From Replacing the Sales Tax Cap
On Motor Vehicles With a Sales Tax On Total Value of Vehicle**

Sales Tax (Percent)	Estimated Tax Collections (Millions)	Additional Tax Collections (Millions)
1.0 %	\$68.2	(\$85.3)
1.5 %	\$102.3	(\$51.2)
2.0 %	\$136.3	(\$17.2)
2.5 %	\$170.4	\$16.9
3.0 %	\$204.5	\$51.0
3.5 %	\$238.6	\$85.1
4.0 %	\$272.7	\$119.2
4.5 %	\$306.8	\$153.3
5.0 %	\$340.8	\$187.3
5.5 %	\$374.9	\$221.4
6.0 %	\$409.0	\$255.5

Notes: All calculations made by the Board of Economic Advisors. Estimates are subject to change based upon newly released data and forecasts.

The \$300 sales tax cap currently amounts to an estimated \$153.5 million.
The \$300 sales tax cap is revenue neutral at 2.225% sales tax rate.

Sources: Wards Automotive Group; Autodata Corporation, Motor Intelligence Division;
U.S. Department of Transportation, Bureau of Transportation Statistics;
N.C. Division of Motor Vehicles; S.C. Code of Laws, 1976.

Table 3

**Additional Revenue Generated From Replacing the Sales Tax Cap
On Motor Vehicles With a Combination of Exempting
Vehicle Value and Adding a Sales Tax
(Figures are in Millions)**

Sales Tax (Percent)	Exemption of Vehicle Value (Dollars)				
	\$1,000	\$5,000	\$10,000	\$15,000	\$20,000
6.0	\$251.9	\$212.9	\$153.0	\$88.6	\$14.5
5.0	\$184.4	\$151.8	\$101.9	\$48.4	(\$13.5)
4.0	\$116.8	\$90.8	\$50.9	\$7.9	(\$41.5)
3.0	\$49.2	\$29.7	(\$0.2)	(\$32.4)	(\$69.5)
2.0	(\$18.3)	(\$31.3)	(\$51.3)	(\$72.8)	(\$97.2)
1.0	(\$85.9)	(\$92.4)	(\$102.4)	(\$113.1)	(\$125.5)
					\$25,000
					(\$41.0)
					(\$59.7)
					(\$78.5)
					(\$97.2)
					(\$116.0)
					(\$134.7)

Table 4

**Revenue Generated From Replacing the Sales Tax Cap
On Motor Vehicles With a Combination of Exempting
Vehicle Value and Adding a Sales Tax
(Figures are in Millions)**

Sales Tax (Percent)	Exemption of Vehicle Value (Dollars)				
	\$1,000	\$5,000	\$10,000	\$15,000	\$20,000
6.0	\$405.4	\$366.4	\$306.5	\$242.1	\$168.0
5.0	\$337.9	\$305.3	\$255.4	\$201.9	\$140.0
4.0	\$270.3	\$244.3	\$204.4	\$161.4	\$112.0
3.0	\$202.7	\$183.2	\$153.3	\$121.1	\$84.0
2.0	\$135.2	\$122.2	\$102.2	\$80.7	\$56.0
1.0	\$67.6	\$61.1	\$51.1	\$40.4	\$28.0
					\$25,000
					\$112.5
					\$93.8
					\$75.0
					\$56.3
					\$37.5
					\$18.8

Notes: All calculations made by the Board of Economic Advisors. Estimates are subject to change based upon newly released data and forecasts.

The \$300 sales tax cap currently amounts to an estimated \$153.5 million.

Sources: Wards Automotive Group; Autodata Corporation, Motor Intelligence Division;
U.S. Department of Transportation, Bureau of Transportation Statistics;
N.C. Division of Motor Vehicles; S. C. Code of Laws, 1976.

Table 5

**Additional Revenue Generated From Removing the Sales Tax Cap on Motor Vehicles
and Replace With Exempting Specific Value of the Motor Vehicle and Applying a
5 Percent Sales Tax to Any Remaining Value of the Motor Vehicle**

(Figures are in Millions)

Exemption Value (Dollars)	Change in Current Sales Tax Revenue (Millions)
\$1,000	\$184.4
\$2,000	\$176.6
\$3,000	\$168.7
\$4,000	\$160.2
\$5,000	\$151.8
\$6,000	\$136.2
\$7,000	\$127.9
\$8,000	\$119.6
\$9,000	\$111.0
\$10,000	\$101.9
\$11,000	\$92.5
\$12,000	\$82.8
\$13,000	\$72.2
\$14,000	\$60.7
\$15,000	\$48.3
\$16,000	\$35.1
\$17,000	\$21.8
\$18,000	\$9.1
\$19,000	(\$2.6)
\$20,000	(\$13.5)
\$21,000	(\$23.6)
\$22,000	(\$33.7)
\$23,000	(\$43.0)
\$24,000	(\$51.7)
\$25,000	(\$59.7)

Note: All calculations made by the Board of Economic Advisors. Estimates are subject to change based upon newly released data and forecasts.

The \$300 sales tax cap currently amounts to an estimated \$153.5 million.

Sources: Wards Automotive Group; Autodata Corporation, Motor Intelligence Division;
U.S. Department of Transportation, Bureau of Transportation Statistics;
N.C. Division of Motor Vehicles; S.C. Code of Laws, 1976.