



**SOUTH CAROLINA
REVENUE AND FISCAL AFFAIRS OFFICE**

CHAD WALLDORF, Chairman
HOWELL CLYBORNE, JR.
EMERSON F. GOWER, JR.

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 increasing the diesel gasoline tax rate by one-cent per year for each of the next five years. After the fifth year, there would be no additional annual increases in the diesel gasoline tax rate.

Based upon data received from the S.C. Department of Transportation on current motor fuel user fee tax collections, the U.S. Department of Energy, Energy Information Administration on motor gasoline and distillate fuel demand projections by calendar year, and the Revenue and Fiscal Affairs Office's price elasticity of demand estimate for motor fuels, a one-cent increase in the diesel gasoline tax rate from 16-cents per gallon to 17-cents per gallon would generate an additional estimated \$9,967,660 in FY2015-16. After five years of increasing the diesel gasoline tax rate by increments of one-cent per year, diesel gasoline tax revenue would be increased by an estimated \$45,315,527 by FY2019-20. After FY2019-20, when the tax rate remains unchanged, any marginal increases in revenues are the result of changes in demand for gasoline. A table describing the annual and cumulative diesel gasoline tax revenues for the next ten fiscal years has been provided.

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

Special Fuel (Diesel) Tax

Estimating the additional revenue collected from increasing the Special Fuel Tax

Fiscal Year	% CHG in Demand 1/	Estimated Special Fuel Gallons	User Fee	Estimated Revenue	Total Estimated Additional Revenue	Total Additional Revenue Cumulative
2014-15	3.4%	720,988,049	\$0.16	\$115,358,088		
2015-16	2.3%	737,210,280	\$0.17	\$125,325,748	\$9,967,660	\$9,967,660
2016-17	1.7%	749,684,481	\$0.18	\$134,943,207	\$9,617,459	\$19,585,119
2017-18	0.9%	756,644,661	\$0.19	\$143,762,485	\$8,819,279	\$28,404,398
2018-19	0.6%	760,915,669	\$0.20	\$152,183,134	\$8,420,648	\$36,825,046
2019-20	0.6%	765,112,452	\$0.21	\$160,673,615	\$8,490,481	\$45,315,527
2020-21	0.7%	770,156,195	\$0.21	\$161,732,801	\$1,059,186	\$46,374,713
2021-22	0.7%	775,864,851	\$0.21	\$162,931,619	\$1,198,818	\$47,573,531
2022-23	0.8%	781,788,067	\$0.21	\$164,175,494	\$1,243,875	\$48,817,406
2023-24	0.7%	787,347,110	\$0.21	\$165,342,893	\$1,167,399	\$49,984,805
2024-25	0.7%	792,791,455	\$0.21	\$166,486,206	\$1,143,312	\$51,128,118

Note: 1/ Percent changes in demand are based on the U.S. Energy Information Administration's (EIA) Annual Energy Outlook 2014 report for fiscal years 2016-17 through 2024-25. Fiscal year 2015-16's percent change in demand is based on 2/ Demand for special fuels is assumed to decrease by .05% for each 1 cent increase in the user fee