



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 4049 Introduced on March 23, 2017
Author: Brown
Subject: Sales Tax Revolving Fund for Teacher Grant Program
Requestor: House Ways and Means
RFA Analyst(s): Kokolis and Shuford
Impact Date: April 26, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	\$39,547	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.45	0.00
State Revenue		
General Fund	Undetermined	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	See Below	\$0

Fiscal Impact Summary

This bill will have an expenditure impact to the General Fund of \$39,547 in FY 2017-18 for the Department of Education to fund a partial FTE to coordinate the program. Due to the unknown demand for this voluntary tax option, the amount of revenue generated for the grant program and the revenue impact on taxpayer discounts added for timely filed sales tax returns is undetermined.

Explanation of Fiscal Impact

Introduced on March 23, 2017

State Expenditure

This bill creates a teacher grant program to provide school districts an additional teacher in those classrooms where two teachers are most needed. Funding for the grant program is derived from monthly, quarterly, or other period sales tax returns where the taxpayer, on a voluntary basis, rounds the amount of tax due upward to the nearest whole dollar. The revenue raised by this provision must be used to fund the teacher grant program.

Department of Revenue. The department would have to adjust sales tax returns to include a box for taxpayers to opt out of rounding up the tax due and places for participating taxpayers to report the amount of original and rounded up taxes. The department must also amend the reporting form to include necessary instructions and explanations. The department indicates it can accomplish these form changes with minimal expenditure impact.

Department of Education. This bill requires the department to promulgate regulations setting forth the requirements for school district grants and to operate the grant program. In making aid determinations, the department, through regulations, must establish a priority system where school districts with the most critical needs shall receive priority for the grants. The department indicates that the requirements of this bill would increase General Fund expenditures by \$39,575 in FY 2017-18 and recurring expenditures would amount to \$37,968 in FY 2018-19 and each year thereafter. The expenditures include 0.45 FTE for an Education Associate salary, employer fringe, operating supplies, and one-time expenses. This associate would assist in developing regulations and operate the grant program by reviewing applications from approximately 1,200 schools and determining grants based on the critical needs priority system developed by the department.

State Revenue

This bill would allow taxpayers holding a retail sales tax license to voluntarily round the amount of tax due upward to the nearest whole dollar. The revenue raised by this provision must be used to fund the teacher grant program. The amount of additional sales tax revenue generated by this provision of the bill is undetermined given the voluntary taxpayer decision of rounding up the amount of tax remitted. RFA has no data or technique to estimate reliably the amount of additional sales tax from these taxpayers' voluntary actions.

As a framework for discussion, Department of Revenue statistics report that there are approximately 110,000 sales tax licenses, of which 89,000 report tax due on the returns. Approximately eighty percent of these returns are monthly filers. We estimate that the 89,000 returns multiplied by the number of returns filed per year results in 915,000 potential returns that a taxpayer could voluntarily round up to the nearest dollar. At an average of \$0.50 per return, this suggests that \$457,500 could be remitted to the Department of Education for the proposed teacher grant program. However, this assumes 100 percent participation by all sales tax license holders. As stated earlier, RFA has no data or technique to estimate reliably the amount of additional sales tax from these taxpayers' voluntary actions. Consequently, the amount of revenue generated by this provision of the bill is undetermined.

An additional revenue impact may include a small increase in the taxpayer discount allowed when a sales tax return is filed timely. Since the additional amount of sales tax from the rounding upward provision of the bill are considered sales tax due, retailers will either receive a larger discount than they would have previously qualified for, or reach the maximum discount allowed sooner. If the taxpayer would qualify for the maximum discount of \$3,100 or \$10,000 without the rounding upward provision, then the bill would have no revenue affect. If the retailer remitting the sales tax would not reach the maximum discount, then the amount of discounts allowed for returns filed timely may increase by an undetermined amount. The revenue impact is undetermined since RFA has no data or technique to estimate reliably the amount of additional sales tax from the retailers' voluntary actions. Presently, approximately 69,800 of the 110,000 sale tax license holders receive a discount on their tax liabilities, which amounted to \$29,200,000 in FY 2014-15.

Local Expenditure

N/A

Local Revenue

This bill requires the Department of Education to promulgate regulations setting forth the requirements for school district grants. If the regulation process were to begin immediately upon enactment of the bill, the earliest a regulation would be in place would be during the next legislative session that begins in January 2018. Grants would most likely begin for the 2018-2019 school year. Teachers at the lowest level of the state salary schedule currently earn \$30,113 per year, without benefits. While the grant program provides funding for additional teacher compensation, it is silent on benefits. Therefore, benefits for each additional teacher provided through the grant program would increase school district expenditures by \$17,978 in FY 2018-19. School districts would net approximately \$12,135 in revenue per teacher grant. The Department of Education further indicates that districts may pay lead teachers \$1,500 stipends for mentoring and training the associate teachers that are funded through the grant program.



Frank A. Rainwater, Executive Director