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Indicates New Matter

COMMITTEE REPORT

May 30, 2012

**H. 4082**

Introduced by Reps. Vick, Edge, Hiott, Hayes, R.L. Brown, Jefferson, Bowers, Anthony, Skelton, Williams, McLeod, G.M. Smith, Weeks, Gilliard, Agnew, Horne, Funderburk, Tribble, Pinson, Clemmons and Neilson

S. Printed 5/30/12--S.

Read the first time May 1, 2012.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (H. 4082) to amend Section 38‑7‑20, as amended, Code of Laws of South Carolina, 1976, relating to the imposition of the insurance premium tax, so as to provide, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, SECTION 1, page 1, by striking line 42 and inserting:

/ (B) Effective July 1, 2013, through June 30, 2017, two and /

Amend the bill further, as and if amended, by striking SECTION 2 and inserting:

/ SECTION 2. This act takes effect July 1, 2013. /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This amended bill is expected to reduce general fund insurance premium tax revenue by an estimated $2,872,661 in FY2012-13, and increase funds allocated to the South Carolina Forestry Commission by an estimated $2,872,661 in FY2012-13.

**Explanation of Amendment (April 19, 2012) – By the House Ways & Means Committee**

The tax imposed by Section 38-7-20(B) is designated for deposit to the state’s general fund. This amended bill would amend Section 38-7-20(B) to permit the transfer of two and one-quarter percent of general fund insurance premium tax revenue to be transferred to the South Carolina Forestry Commission. The transferred funds would be used by the Forestry Commission for firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue would remain in the general fund. Based on the general fund revenue estimate made by the Board of Economic Advisors on February 15, 2012, general fund insurance tax revenue less worker’s compensation insurance premiums, annuity considerations, and insurance tax credits taken against insurance premium taxes yields an estimated $127,673,817 in FY2012-13. Multiplying this amount by two and one-quarter percent would transfer an estimated $2,872,661 to the South Carolina Forestry Commission from the general fund in FY2012-13. This transfer does not affect the amount of revenue to be allocated to local fire departments. This amendment includes a sunset date. This amended bill would take effect July 1, 2012 and expire June 30, 2017 unless extended by the General Assembly. This transfer does not affect the amount of revenue to be allocated to local fire departments.

**Explanation of Updated Revenue Impact Statement (March 26, 2012)**

The tax imposed by Section 38-7-20(B) is designated for deposit to the state’s general fund. This bill would amend Section 38-7-20(B) to permit the transfer of seven percent of general fund insurance premium tax revenue to be transferred to the South Carolina Forestry Commission. The transferred funds would be used by the Forestry Commission for firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue would remain in the general fund. Based on the general fund revenue estimate made by the Board of Economic Advisors on February 15, 2012, general fund insurance tax revenue less worker’s compensation insurance premiums, annuity considerations, and insurance tax credits taken against insurance premium taxes yields an estimated $127,673,817 in FY2012-13. Multiplying this amount by seven percent would transfer an estimated $8,937,167 to the South Carolina Forestry Commission from the general fund in FY2012-13. This transfer does not affect the amount of revenue to be allocated to local fire departments.

**Explanation of Bill filed April 13, 2011**

This bill would amend Section 38-7-20(B) to permit the transfer of seven percent of general fund insurance premium tax revenue to be transferred to the South Carolina Forestry Commission. The transferred funds would be used by the Forestry Commission for firefighting, firefighting replacement equipment, and forest industry economic enhancement. The remaining insurance premium tax revenue would remain in the general fund. Based on the general fund revenue estimate made by the Board of Economic Advisors on February 9, 2011, general fund insurance tax revenue less insurance tax credits taken against insurance premium taxes yields an estimated $155,665,683 in FY2011-12. Multiplying this amount by seven percent would transfer an estimated $10,896,598 to the South Carolina Forestry Commission from the general fund in FY2011-12.

*Approved By:*

Frank A. Rainwater

Board of Economic Advisors

1/ This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

**A** **BILL**

TO AMEND SECTION 38‑7‑20, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE IMPOSITION OF THE INSURANCE PREMIUM TAX, SO AS TO PROVIDE THAT SEVEN PERCENT OF THE ANNUAL REVENUE OF THIS TAX MUST BE TRANSFERRED TO THE SOUTH CAROLINA FORESTRY COMMISSION AND USED BY IT FOR FIREFIGHTING AND FIREFIGHTING EQUIPMENT REPLACEMENT AND FOREST INDUSTRY ECONOMIC ENHANCEMENT.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 38‑7‑20 of the 1976 Code, as last amended by Act 73 of 2003, is further amended to read:

“Section 38‑7‑20.(A) In addition to all license fees and taxes otherwise provided by law, there is levied upon each insurance company licensed by the director or his designee an insurance premium tax based upon total premiums, other than workers’ compensation insurance premiums, and annuity considerations, written by the company in the State during each calendar year ending on the thirty‑first day of December. For life insurance, the insurance premium tax levied herein is equal to three‑fourths of one percent of the total premiums written. For all other types of insurance, the insurance premium tax levied in this section is equal to one and one‑fourth percent of the total premiums written. In computing total premiums, return premiums on risks and dividends paid or credited to policyholders are excluded.

(B) Effective July 1, 2012, through June 30, 2017, two and one‑quarter percent of the revenue of the premium taxes collected pursuant to this section must be transferred to the South Carolina Forestry Commission and used by that agency for firefighting and firefighting equipment replacement. The remaining insurance premium taxes collected ~~by the director or his designee~~ pursuant to this section must be deposited ~~by him in~~ to the credit of the general fund of the State.”

SECTION 2. This act takes effect July 1, 2012.

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