



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 3406 Amended by Senate Finance on May 2, 2017  
**Author:** G.M. Smith  
**Subject:** Maintenance Tax Imposed by Workers' Compensation Commission  
**Requestor:** Senate Finance  
**RFA Analyst(s):** Heineman  
**Impact Date:** May 3, 2017

**Estimate of Fiscal Impact**

	<b>FY 2017-18</b>	<b>FY 2018-19</b>
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$2,450,000
Other and Federal	\$0	\$2,450,000
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill as amended will have no expenditure impact on the General Fund, Federal Funds, or Other Funds. With the extension of the maintenance tax, we estimate that maintenance tax revenue would amount to \$4,900,000 in FY 2018-19. Of that amount, General Fund revenue would increase by \$2,450,000 and retained Other Funds of the commission would increase by \$2,450,000 to pay the salaries and expenses of the commission. Additionally, this bill as amended will have no change in revenue from codifying language contained in Proviso 109.7.

**Explanation of Fiscal Impact**

**Amended by Senate Finance on May 2, 2017**

**State Expenditure**

**Workers' Compensation Commission.** The commission indicates this bill will have no expenditure impact on the General Fund, Federal Funds, or Other Funds from extending the maintenance tax on self-insurers past July 1, 2018, for five years after the effective date of this act on July 1, 2017.

**Department of Revenue.** The department indicates this bill would not have an expenditure impact on the General Fund, Federal Funds, or Other Funds since the department already complies with the requirements of Proviso 109.7.

**State Revenue**

This bill as amended extends the maintenance tax imposed by the Workers' Compensation Commission (commission) on self-insurers past July 1, 2018, by removing the sunset provision

in Act 95 of 2013, which required the tax to terminate five years after its effective date of July 1, 2013. As amended, the maintenance tax is scheduled to expire on July 1, 2022.

Under current law, the commission assesses the tax at a rate of two and one-half percent of the actual cost of securing the payment of compensation as determined by the commission. The commission retains the greater of 50 percent or \$2,200,000 of the maintenance tax revenues and uses these funds to pay the salaries and expenses of the commission. The balance of the maintenance tax revenues must be remitted to the State Treasurer for credit to the General Fund. For interest assessed on late payments of the maintenance tax collected, 50 percent will be retained by the commission and the other 50 percent must be remitted to the State Treasurer for credit to the General Fund.

Based on data provided by the commission, \$4,870,208 in total maintenance taxes were received in FY 2015-16. Of that amount, \$2,448,353 was transferred to the General Fund, and the commission retained \$2,421,855. Under the current sunset provision, the General Fund and Other Funds of the commission would decline by \$2,450,000 each beginning in FY 2018-19. The November 2017 RFA General Fund revenue estimate for FY 2018-19 would reflect this reduction. The \$2,450,000 Other Funds revenue reduction for the agency represents approximately 36 percent of total funding for the agency. The commission has not determined how they would proceed with this level of budget reduction.

Workers' Compensation Commission Self Insurance Tax Revenues Activity Through FY 2012-13 – FY 2015-16 (Revised February 15, 2017)			
	Total Maintenance Tax Collected	Transferred to General Fund	Retained by Commission
FY13	\$4,830,244.00	\$4,830,244.00	\$0
FY14	\$4,845,266.00	\$2,422,633.00	\$2,422,633.00
FY15	\$4,745,831.00	\$2,400,467.00	\$2,345,364.00
FY16	\$4,870,208.00	\$2,448,353.00	\$2,421,855.00

Source: Workers' Compensation Commission

Additionally, the bill as amended codifies language contained in Proviso 109.7 to exempt from the admissions tax the amount of money a season ticket holder pays to a nonprofit athletic booster organization to receive the right to purchase athletic event tickets. According to the Department of Revenue (DOR), admissions tax collections from university and college athletic event ticket purchases was \$2,372,762 in FY 2015-16. Presently, the amount of money paid to the booster clubs for athletic event tickets are exempt from the admissions tax and these funds will remain exempt by codifying this proviso. Therefore, there will be no change in revenue.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Introduced on January 11, 2017**

**State Expenditure**

The Workers' Compensation Commission indicates this bill would have no expenditure impact on the General Fund, Federal Funds, or Other Funds.

**State Revenue**

This bill extends the maintenance tax imposed by the Workers' Compensation Commission (commission) on self-insurers past July 1, 2018, by removing the sunset provision in Act 95 of 2013, which requires the tax to terminate five years after its effective date of July 1, 2013. Under current law, the commission assesses the tax at a rate of two and one-half percent of the actual cost of securing the payment of compensation as determined by the commission. The commission retains the greater of 50 percent or \$2,200,000 of the maintenance tax revenues and uses these funds to pay the salaries and expenses of the commission. The balance of the maintenance tax revenues must be remitted to the State Treasurer for credit to the General Fund. For interest assessed on late payments of the maintenance tax collected, 50 percent will be retained by the commission and the other 50 percent must be remitted to the State Treasurer for credit to the General Fund.

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Given the repeal of the sunset provision as proposed in this legislation, we estimate that maintenance tax revenue would amount to \$4,900,000 in FY 2018-19. Of that amount, General Fund revenue would increase by \$2,450,000 and retained Other Funds of the commission would increase by \$2,450,000 to pay the salaries and expenses of the commission.

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Source: Workers' Compensation Commission

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director