~~Indicates Matter Stricken~~

Indicates New Matter

AMENDED

March 1, 2017

**H. 3516**

Introduced by Reps. Simrill, Lucas, White, G.M. Smith, Pope, Stringer, W. Newton, Bales, Clary, Cole, Delleney, Herbkersman, Hixon, Sandifer, Douglas, Knight, Erickson, Henegan, Ridgeway, Williams, Jefferson, Ott, Govan, Henderson, V.S. Moss, Martin, Spires, Funderburk, D.C. Moss, Brown, Whipper, Cobb‑Hunter, Felder, Bernstein, J.E. Smith, Clemmons, Clyburn, Daning, Cogswell, Davis, B. Newton, Anthony, Crosby, S. Rivers, Thigpen, Hosey, Murphy, Hardee, Weeks, King, Sottile and Anderson

S. Printed 3/1/17--H. [SEC 3/2/17 4:59 PM]

Read the first time January 18, 2017.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Amended by House Ways and Means on February 14, 2017**

**Updated for Revised Agency Response**

**State Expenditure**

The following sections would affect state expenses as follows:

**Section 5.** This section increases current biennial registration fees by $16. DMV’s revised response indicates non-recurring expenditures for this section will total $11,000 in FY 2017-18 for programming and system testing.

**Section 6.** This bill adds an infrastructure maintenance fee for in-state and out-of-state residents that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56. DMV expects expenditures of $53,000 for programming, system updates, and system testing in FY 2017-18.

**Section 7.** This section adds a biennial road use fee of $120 for alternative fuel vehicles and a $60 biennial road use fee for hybrid vehicles. DMV’s revised response indicates non-recurring expenditures for this section will total $124,000 in FY 2017-18 for programming, system updates, and system testing.

**Section 9.** This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019 in the same manner as the current motor carrier property tax. DOR currently administers the property tax for in-state carriers. This bill would add out-of-state carriers to the road use fee and transfer the program to DMV. Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $12 of the fee is retained by DOR for operating costs. This bill would change the distribution by sending the $12 fee to DMV.

**Department of Motor Vehicles.** DMV’s revised response indicates non-recurring expenditures for administration of the motor carrier fee program are expected to total at least $401,900 in FY 2018-19 based upon the latest estimates for the required programing, testing, and project management to set up this system within the agency. They also anticipate additional non-recurring expenditures above this amount for consulting with tax specialists with the knowledge of motor carrier property taxes and valuation to assist in designing and testing the system. Additional recurring expenditures for administering the program, producing forms and materials, processing fee submissions, and handling disputes are expected, but projected expenditures for conducting these functions are currently undetermined. The agency expects to hire four FTE’s to administer the program with estimated personnel expenditures of $157,500 per year including fringe benefits.

**Department of Revenue.** DOR does not anticipate a reduction in personnel expenditures from moving the administration of the motor carrier fee to DMV because the staff who administer this program have additional responsibilities for administration of other property tax assessments that remain with the agency.

**State Revenue**

The following sections would affect state revenue as follows:

**Section 1.** This section of the bill as amended creates the Infrastructure Maintenance Trust Fund to be used exclusively for the repairs, maintenance, and improvements to the existing transportation system. All interest income of the Infrastructure Maintenance Trust Fund must be credited to the fund.

**Section 2.** This section permits DOT the discretion to determine if transferring funds to other entities as required by provisions of law would best serve the transportation infrastructure needs of the state. If the department determines that the transfer would not best serve the state, they may delay the transfer indefinitely. This could potentially reallocate revenue if the department decides not to make a transfer to another entity.

**Section 3.** The bill increases the current $0.16 per gallon motor fuel user fee by $0.02 per gallon per year for five years for a total increase of $0.10 per gallon of fuel. The first increase will take effect July 1, 2017. The increased revenue as a result of this section must be credited to the Infrastructure Maintenance Trust Fund. Based on the latest information from the U.S. Department of Energy, increasing the current user fee from $0.16 to $0.18 would generate an additional $68,857,000 in FY 2017-18. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual revenue to the Infrastructure Maintenance Trust Fund by fiscal year for FY 2017-18 to FY 2020-22 is provided in the table below.

Fiscal Year Motor Fuel Net Impact on $0.0075

Fee Increase Environmental and

(Total of $0.10) Inspection Fee Revenue

FY 2017-18 $68,857,000 ($46,000)

FY 2018-19 $153,958,000 ($98,000)

FY 2019-20 $234,338,000 ($142,000)

FY 2020-21 $316,881,000 ($186,000)

FY 2021-22 $401,669,000 ($230,000)

As the user fee is increased in the first five years, we expect the demand for motor fuel to decline due to an increase in the relative overall price of motor fuel, which reduces the estimated number of gallons. Based upon an analysis of several academic studies, the demand elasticity for gasoline averages -0.2 in the short-run for the United States. The studies suggest that the long-run demand changes will be slightly more sensitive to price changes in gasoline as consumers seek out alternatives. Therefore, we used an elasticity of -0.2 in this analysis, meaning that a one percent increase in the price of gasoline would reduce the amount purchased by 0.2 percent.

In addition to affecting the Infrastructure Maintenance Trust Fund, the demand reduction in total gallons will lower the $0.0075 environmental and inspection fee anticipated revenue to the Department of Agriculture, DHEC, and DOT. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual reduction in revenue for each agency for FY 2017-18 to FY 2021-22 by agency is provided in the table below.

Environmental and Inspection Fee ($0.0075)

$0.0050 $0.0025

Fiscal Year

Department of 10% to the 90% to the Health Department of Department of

and Environmental Agriculture Transportation

Control (State Non-

Federal Aid Highway Fund)

FY 2017-18 ($31,000) ($2,000) ($14,000)

FY 2018-19 ($65,000) ($3,000) ($29,000)

FY 2019-20 ($95,000) ($5,000) ($43,000)

FY 2020-21 ($124,000) ($6,000) ($56,000)

FY 2021-22 ($153,000) ($8,000) ($69,000)

**Section 5.** The biennial registration fee for every passenger vehicle and every property-carrying vehicle with a gross weight of 6,000 pounds or less, excluding property carrying trucks, is increased by $16.00. The increase will apply to all individuals, including individuals 65 years of age or older and individuals who are handicapped pursuant to Section 56-3-620. Based upon DMV data, there will be approximately 3,179,000 vehicles subject to this additional fee in FY 2017-18. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. The estimated additional revenue from this fee increase is $12,731,000 for FY 2017-18. From each biennial registration fee collected pursuant to this section, $16.00 must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year Biennial Vehicle Registration Fee Increase

Total Additional Revenue

FY 2017-18 $12,731,000

FY 2018-19 $26,090,000

**Section 6.** This section creates a new infrastructure maintenance fee that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56 beginning July 1, 2017. The fee is 5 percent of the sales price up to $500 for a vehicle or item first registered in this state and $250 for new residents registering an out-of-state vehicle in South Carolina for the first time. This fee replaces the current 5 percent sales tax up to $300 for vehicles and items purchased in South Carolina required to be registered under Chapter 3 of Section 56. We assume that the majority of trailers are exempt under Section 56-3-120 and are captured under the permanent fee in Section 12-37-2860 instead. These trailers would remain subject to the sales tax.

Based on our current estimates for motor vehicles, motorcycles, motor carriers, and recreational vehicles, increasing the maximum fee for these items to $500 will generate $72,722,000 in additional revenue to the Infrastructure Maintenance Trust Fund in FY 2017-18.

Item Current Sales Tax Infrastructure Revenue Control ($300 cap) Fee($500 cap) Increase

Motor Vehicle $183,000,000 $253,300,000 $70,300,000

Motorcycle $2,208,000 $2,760,000 $552,000

Heavy Duty

Trucks $1,119,000 $1,866,000 $747,000

Recreational

Vehicle $1,684,000 $2,807,000 $1,123,000

Total $188,011,000 $260,733,000 $72,722,000

Currently, 80 percent of the current $300 fee is distributed to the State Highway Fund, but the remaining twenty percent is credited to the EIA Fund. This bill would transfer 80 percent of the total $188,011,000 generated by the current sales tax cap, or $150,409,000, from the State Highway Fund to the Infrastructure Maintenance Trust Fund. The remaining twenty percent of the current sales tax is credited to the EIA Fund. This EIA revenue would shift to the Infrastructure Maintenance Trust Fund, reallocating $37,602,000 in FY 2017-18.

Individuals registering a vehicle in South Carolina that was previously registered out-of-state will be subject to a $250 fee. The amendment exempts active duty military from this fee. DMV indicates that they cannot isolate the number of registrations occurring as a result of new residents moving into the state and registering an out-of-state vehicle for the first time. Data provided by DMV would include cars that were registered in another state, purchased by a dealer, and then sold in South Carolina. Therefore, we used the U.S. Census Bureau’s migration data as a proxy. The Census Bureau estimates annual in-migration for people moving into South Carolina to be 99,919. This is based upon the number of personal exemptions claimed on the 52,710 income tax records for people moving into South Carolina from 2014 to 2015. Reducing this figure by 19.7% to account for individuals under age 16 who would not be likely to register a vehicle, we expect 80,235 vehicles to be subject to the out-of-state $250 fee in FY 2017-18. The estimated additional revenue from this fee is $20,059,000 for FY 2017-18.

This analysis is based upon income tax returns for individuals who have changed their state of residence for income tax purposes. The estimate may include a small number of active duty military who changed their state of residence to South Carolina and would be exempt from the fee. However, this is not expected to have a significant impact on the revenue estimate.

In total, this section is expected to increase revenue to the Infrastructure Maintenance Trust Fund by $92,781,000 plus an additional $188,011,000 in revenue transferred from the State Highway Fund and EIA Fund for a total of $280,792,000 in FY 2017-18. The section will decrease State Highway Fund revenue by $150,409,000 and EIA revenue by $37,602,000 in FY 2017-18.

**Section 7.** This section creates a new registration fee for alternative fuel vehicles that are powered by fuels other than those subject to the motor fuel user fee. For vehicles powered exclusively by electricity, hydrogen, or another fuel not subject to the user fee, a biennial road user fee of $120.00 is added. Based upon data from DMV, we estimate 460 vehicles powered exclusively by alternate fuels will be subject to the $120.00 fee. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $14,000.

For vehicles that use a combination of a motor fuel subject to the motor fuel user fee and another fuel source, the biennial road user fee is $60.00. We estimate that in FY 2017-18 there will be 44,000 vehicles that use a combination of fuels subject to the $60.00 fee. Since the increase begins January 1, 2018, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $660,000. The proposed biennial alternative fuel and hybrid vehicle fees will total $674,000 in FY 2017-18. All of the fees collected pursuant to this section must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Hybrid and Alternative Fuel Vehicle Fee Total Additional Fiscal Year Revenue

FY 2017-18 $674,000

FY 2018-19 $1,453,000

**Section 8.**  This section increases the maximum sales and use tax limitation on enumerated items from the current $300 per item to $500 per item beginning July 1, 2017. The revenue generated by increasing the maximum sales and use tax by an additional $200 per item would not be credited to the state public school building fund or the EIA fund as directed by current statute, but would instead be redirected to the Infrastructure Maintenance Trust Fund.

Additionally, motor vehicles, motorcycles, motor carriers, recreational vehicles, and trailers subject to the new infrastructure maintenance fee are exempt from the sales and use tax. The revenue increase attributable to the remaining items subject to the maximum sales and use tax cap is included in the table below. The increase in the sales and use tax cap by $200 per item would increase revenue to the Infrastructure Maintenance Trust Fund by an estimated $1,678,000 in FY 2017-18.

Item Current Proposed $500 Estimated

$300 Max Max Cap Revenue

Cap Increase

Aircraft $21,000 $34,000 $13,000

Boat $3,846,000 $4,807,000 $961,000

Self-propelled

light construction

equipment $663,000 $1,105,000 $442,000

Trailers $1,312,000 $1,574,000 $262,000

Total $5,842,000 $7,520,000 $1,678,000

**Section 9.** This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019. The valuation of the large commercial motor vehicles for the road use fee is to be determined in the same manner as currently prescribed for motor carriers. This section adds out-of-state apportioned carriers that currently do not pay property taxes to the road use fee. The road use fee for in-state carriers would remain the same as the current property tax amount.

In order to estimate the road use fee on out-of-state carriers, we calculate full-time equivalent (FTE) vehicles based upon the average in-state registration fee of $706 and the total out-of-state registration fees collected. This accounts for the apportionment of out-of-state vehicles based on mileage. For FY 2015-16, DMV reported total out-of-state vehicle registration collections of $7,802,991. Dividing the total fees by the estimated average fee results in an estimated 11,047 FTE out-of-state vehicles in FY 2015-16. We estimate that this will increase to approximately 12,012 out-of-state vehicles by FY 2018-19 based upon recent growth in fee collections. Using an approximate new vehicle value of $120,000 and multiplying this value by the estimated 12,012 vehicles results in a total value of $1,441,416,000. Based upon an average vehicle age of 6 years, the average value at the depreciated rate of 0.25 would be $360,354,000. As outlined in Section 12-43-220(g), this depreciated vehicle value is then assessed at 9.5 percent and multiplied by an equalization factor currently set at 80 percent by DOR.

Because the new fee is paid at the time of registration and may be paid quarterly, the actual distribution of the calendar year 2019 revenue may vary depending upon registration timing. Since the fee begins January 1, 2019, we assume for this analysis that the registrations will be evenly distributed across the year and that one-half of the full year’s fees will be paid from January through June of FY 2018-19. Additionally, the change in timing will accelerate fee collections for in-state carriers by six months compared to the current fee timing. Using an estimated statewide millage of 338.4, we estimate that one-half of total collections for road use fees will be $4,634,000 for out-of-state carriers. Based upon our latest analysis of collections for in-state motor carriers through the end of 2016, we estimate that total fees for in-state carriers will be approximately $25,115,000 for calendar year 2019. One-half of these fees will total approximately $12,558,000 in FY 2018-19. Total motor carrier fees for new collections and the one-time acceleration of in state fees will be approximately $17,192,000 in FY 2018-19.

Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $75 of the fee is distributed to local jurisdictions under Section 12-27-2870, and $12 is retained by DOR. This proposal would change the distribution by sending the $12 fee currently retained by DOR to DMV. The remaining $75 is to be combined with the revenue generated by the road use fee in Section 12-37-2850 and distributed based upon Sections 12-37-2865 and 12-37-2870. Based upon fee collections through calendar year 2016, we estimate total one-time registration fees will be approximately $703,000 in calendar year 2019. One-half of one-time registration fees will total approximately $352,000 in FY 2018-19. Of this amount, $48,000 will be reallocated from DOR to DMV for operations and $303,000 will be distributed based upon Section 12-37-2865 as outlined below.

Combining the projected motor carrier road use fees and one-time registration fee revenue for FY 2018-19 yields total revenue of $17,495,000 to be distributed under Section 12-37-2865. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Additionally, Subitem L(2) of Section 10 directs DMV to retain $400,000 in the first calendar year to offset programming costs. This leaves $17,095,000 for distribution under Section 122-37-2865. Counties will receive $12,821,000 in FY 2018-19 above the fees collected under our current property tax due to the fee acceleration. The remaining $4,274,000 will be credited to the Infrastructure Maintenance Trust Fund. These amount may vary, however, depending upon registration timing.

Revenue for FY 2019-20 will comprise a full year of fees. Based upon collections through calendar year 2016, we estimate that total motor carrier road use fees will be $25,343,000 for in-state carriers and $9,670,000 for out-of-state carriers, for a total of $35,013,000 in FY 2019-20. Fees for one-time registrations will yield an additional $606,000 to be distributed, while $97,000 will be retained by DMV. Adding the motor carrier fee amounts together yields total revenue of $35,619,000 to be distributed based upon Section 12-37-2865. Counties will receive $26,714,000 under the current distribution formula in Section 12-37-2870, and the remaining $8,905,000 will be credited to the Infrastructure Maintenance Trust Fund. This will increase county revenue by approximately $765,000 for FY 2019-20.

**Local Expenditure**

**Section 7.** This section adds a biennial road use fee for hybrid and alternative fuel vehicles. The Revenue and Fiscal Affairs Office contacted all forty-six county governments regarding the expenditure impact of this section of the bill. Florence and Horry Counties indicate that this bill will have no expenditure impact on their localities. Clarendon and Lancaster Counties indicate that this bill will have a minimal expenditure impact on their localities.

**Local Revenue**

**Section 9**. This section creates the motor carrier road use fee to replace the current motor carrier property tax beginning January 1, 2019. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Due to a change in timing for fee payments, this will increase local funding to counties by $12,821,000 in FY 2018-19. This amount may vary, however, depending upon registration timing. For FY 2019-20 county revenue will increase by approximately $765,000 for FY 2019-20 over the current estimate for motor carrier property tax revenue. For additional explanation of the revenue determination, see Section 9 under State Revenue.

**Introduced on January 18, 2017**

**State Expenditure**

The following sections would affect state expenses as follows:

**Sections 3, 4, and 5.** The expenditure impact associated with increasing biennial registration fees by $16, adding an infrastructure maintenance fee for in-state and out-of-state residents, and adding a biennial road use fee for hybrid and alternative fuel vehicles is pending, contingent upon a response from DMV.

**Section 7.** This section directs DMV to collect a road use fee on all commercial motor vehicles beginning on January 1, 2019 in the same manner as the current motor carrier property tax. DOR currently administers the property tax for in-state carriers. This bill would add out-of-state carriers to the road use fee and transfer the program to DMV. Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $12 of the fee is retained by DOR for operating costs. This bill would change the distribution by sending the $12 fee to DMV.

**Department of Motor Vehicles.** DMV expects non-recurring expenditures for administration of the motor carrier fee program to total $304,350 in FY 2018-19 based upon the latest estimates for the required programing, testing, and project management to set up this system within the agency. They also anticipate additional non-recurring expenditures above this amount for consulting with tax specialists with the knowledge of motor carrier property taxes and valuation to assist in designing and testing the system. Additional recurring expenditures for administering the program, producing forms and materials, processing fee submissions, and handling disputes are expected, but projected expenditures for conducting these functions are currently undetermined. The agency expects to hire two FTE’s to administer the program with estimated personnel expenditures of $84,000 per year including fringe benefits.

**Department of Revenue.** DOR does not anticipate a reduction in personnel expenditures from moving the administration of the motor carrier fee to DMV because the staff who administer this program have additional responsibilities for administration of other property tax assessments that remain with the agency.

**State Revenue**

The following sections would affect state revenue as follows:

**Section 1.** The bill increases the current $0.16 per gallon motor fuel user fee by $0.02 per gallon per year for five years for a total increase of $0.10 per gallon of fuel. The first increase will take effect July 1, 2017. The increased revenue as a result of this section must be credited to the State Highway Fund. Based on the latest information from the U.S. Department of Energy, increasing the current user fee from $0.16 to $0.18 would generate an additional $68,857,000 in FY 2017-18. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual revenue increase to the State Highway Fund by fiscal year for FY 2017-18 to FY 2020-22 is provided in the table below.

Fiscal Year Motor Fuel Fee Net Impact on $0.0075

Increase Environmental and

(Total of $0.10) Inspection Fee Revenue

FY 2017-18 $68,857,000 ($46,000)

FY 2018-19 $153,958,000 ($98,000)

FY 2019-20 $234,338,000 ($142,000)

FY 2020-21 $316,881,000 ($186,000)

FY 2021-22 $401,669,000 ($230,000)

As the user fee is increased in the first five years, we expect the demand for motor fuel to decline due to an increase in the relative overall price of motor fuel, which reduces the estimated number of gallons. Based upon an analysis of several academic studies, the demand elasticity for gasoline averages -0.2 in the short-run for the United States. The studies suggest that the long-run demand changes will be slightly more sensitive to price changes in gasoline as consumers seek out alternatives. Therefore, we used an elasticity of -0.2 in this analysis, meaning that a one percent increase in the price of gasoline would reduce the amount purchased by 0.2 percent.

In addition to affecting the State Highway Fund, the demand reduction in total gallons will lower the $0.0075 environmental and inspection fee anticipated revenue to the Department of Agriculture, DHEC, and DOT. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual reduction in revenue for each agency for FY 2017-18 to FY 2021-22 by agency is provided in the table below.

Environmental and Inspection Fee ($0.0075)

$0.0050 $0.0025

Fiscal Year

Department of 10% to the 90% to the

Health and Department of Department of

Environmental Agriculture Transportation Control (State Non- Federal Aid Highway Fund)

FY 2017-18 ($31,000) ($2,000) ($14,000)

FY 2018-19 ($65,000) ($3,000) ($29,000)

FY 2019-20 ($95,000) ($5,000) ($43,000)

FY 2020-21 ($124,000) ($6,000) ($56,000)

FY 2021-22 ($153,000) ($8,000) ($69,000)

**Section 3.** The biennial registration fee for every passenger vehicle and every property-carrying vehicle with a gross weight of 6,000 pounds or less, excluding property carrying trucks, is increased by $16.00. The increase will apply to all individuals, including individuals 65 years of age or older and individuals who are handicapped pursuant to Section 56-3-620. Based upon DMV data, there will be approximately 3,179,000 vehicles subject to this additional fee in FY 2017-18. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. The estimated additional revenue from this fee increase is $12,731,000 for FY 2017-18. From each biennial registration fee collected pursuant to this section, $16.00 must be credited to the State Highway Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year Biennial Vehicle Registration Fee Increase

Total Additional Revenue

FY 2017-18 $12,731,000

FY 2018-19 $26,090,000

**Section 4.** This section creates a new infrastructure maintenance fee that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56 beginning July 1, 2017. The fee is 5 percent of the sales price up to $500 for a vehicle or item first registered in this state and $250 for new residents registering an out-of-state vehicle in South Carolina for the first time. This fee replaces the current 5 percent sales tax up to $300 for vehicles and items purchased in South Carolina required to be registered under Chapter 3 of Section 56. We assume that the majority of trailers are exempt under Section 56-3-120 and are captured under the permanent fee in Section 12-37-2860 instead. These trailers would remain subject to the sales tax.

Based on our current estimates for motor vehicles, motorcycles, motor carriers, and recreational vehicles, increasing the maximum fee for these items to $500 will generate $72,722,000 in additional revenue to the State Highway Fund in FY 2017-18.

Item Current Sales InfrastructureFee Revenue Tax($300 cap) ($500 cap) Increase

Motor

Vehicle $183,000,000 $253,300,000 $70,300,000

Motorcycle $2,208,000 $2,760,000 $552,000

Heavy

Duty Trucks $1,119,000 $1,866,000 $747,000

Recreational

Vehicle $1,684,000 $2,807,000 $1,123,000

Total $188,011,000 $260,733,000 $72,722,000

Currently, 80 percent of the current $300 fee is distributed to the State Highway Fund, but the remaining twenty percent is credited to the EIA Fund. This EIA revenue would shift to the State Highway Fund, reallocating $37,602,000 in FY 2017-18.

With regard to the fee for registering an out-of-state vehicle in South Carolina, DMV indicates that they cannot isolate the number of registrations occurring as a result of new residents moving into the state and registering an out-of-state vehicle for the first time. Data provided by DMV would include cars that were registered in another state, purchased by a dealer, and then sold in South Carolina. Therefore, we used the U.S. Census Bureau’s migration data as a proxy. The Census Bureau estimates annual in-migration for people moving into South Carolina to be 99,919. This is based upon the number of personal exemptions claimed on the 52,710 income tax records for people moving into South Carolina from 2014 to 2015. Reducing this figure by 19.7% to account for individuals under age 16 who would not be likely to register a vehicle, we expect 80,235 vehicles to be subject to the out-of-state $250 fee in FY 2017-18. The estimated additional revenue from this fee increase is $20,059,000 for FY 2017-18. In total, this section is expected to increase revenue to the State Highway Fund by $130,383,000 and decrease EIA revenue by $37,602,000 in FY 2017-18.

**Section 5.** This section creates a new registration fee for alternative fuel vehicles that are powered by fuels other than those subject to the motor fuel user fee. For vehicles powered exclusively by electricity, hydrogen, or another fuel not subject to the user fee, a biennial road user fee of $120.00 is added. Based upon data from DMV, we estimate 460 vehicles powered exclusively by alternate fuels will be subject to the $120.00 fee. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $14,000.

For vehicles that use a combination of a motor fuel subject to the motor fuel user fee and another fuel source, the biennial road user fee is $60.00. We estimate that in FY 2017-18 there will be 44,000 vehicles that use a combination of fuels subject to the $60.00 fee. Since the increase begins January 1, 2018, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $660,000. The proposed biennial alternative fuel and hybrid vehicle fees will total $674,000 in FY 2017-18. All of the fees collected pursuant to this section must be credited to the State Highway Fund. The estimated annual revenue increase for FY 2017-18 to FY 2018-19 is provided in the table below.

Fiscal Year Hybrid and Alternative Fuel Vehicle Fee Total Additional Revenue

FY 2017-18 $674,000

FY 2018-19 $1,453,000

**Section 6.**  This section increases the maximum sales and use tax limitation on enumerated items from the current $300 per item to $500 per item beginning July 1, 2017. The revenue generated by increasing the maximum sales and use tax by an additional $200 per item would not be credited to the state public school building fund or the EIA fund as directed by current statute, but would instead be redirected to the State Highway Fund.

Additionally, motor vehicles, motorcycles, motor carriers, recreational vehicles, and trailers subject to the new infrastructure maintenance fee are exempt from the sales and use tax. The revenue increase attributable to the remaining items subject to the maximum sales and use tax cap is included in the table below. The increase in the sales and use tax cap by $200 per item would increase revenue to the State Highway Fund by an estimated $1,678,000 in FY 2017-18.

Item Current $300 Proposed $500 Estimated

Max Cap Max Cap Revenue

Increase

Aircraft $21,000 $34,000 $13,000

Boat $3,846,000 $4,807,000 $961,000

Self-propelled

light construction

equipment $663,000 $1,105,000 $442,000

Trailers $1,312,000 $1,574,000 $262,000

Total $5,842,000 $7,520,000 $1,678,000

**Section 7.** This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019. The valuation of the large commercial motor vehicles for the road use fee is to be determined in the same manner as currently prescribed for motor carriers. This section adds out-of-state apportioned carriers that currently do not pay property taxes to the road use fee. The road use fee for in-state carriers would remain the same as the current property tax amount.

In order to estimate the road use fee on out-of-state carriers, we calculate full-time equivalent (FTE) vehicles based upon the average in-state registration fee of $706 and the total out-of-state registration fees collected. This accounts for the apportionment of out-of-state vehicles based on mileage. For FY 2015-16, DMV reported total out-of-state vehicle registration collections of $7,802,991. Dividing the total fees by the estimated average fee results in an estimated 11,047 FTE out-of-state vehicles in FY 2015-16. We estimate that this will increase to approximately 12,012 out-of-state vehicles by FY 2018-19 based upon recent growth in fee collections. Using an approximate new vehicle value of $120,000 and multiplying this value by the estimated 12,012 vehicles results in a total value of $1,441,416,000. Based upon an average vehicle age of 6 years, the average value at the depreciated rate of 0.25 would be $360,354,000. As outlined in Section 12-43-220(g), this depreciated vehicle value is then assessed at 9.5 percent and multiplied by an equalization factor currently set at 80 percent by DOR.

Because the new fee is paid at the time of registration and may be paid quarterly, the actual distribution of the calendar year 2019 revenue may vary depending upon registration timing. Since the fee begins January 1, 2019, we assume for this analysis that the registrations will be evenly distributed across the year and that one-half of the full year’s fees will be paid from January through June of FY 2018-19. Additionally, the change in timing will accelerate fee collections for in-state carriers by six months compared to the current fee timing. Using an estimated statewide millage of 338.4, we estimate that one-half of total collections for road use fees will be $4,634,000 for out-of-state carriers. Based upon our latest analysis of collections for in-state motor carriers through the end of 2016, we estimate that total fees for in-state carriers will be approximately $25,115,000 for 2019. One-half of these fees will total approximately $12,558,000 in FY 2018-19. Total motor carrier fees for new collections and the one-time acceleration of in state fees will be approximately $17,192,000 in FY 2018-19.

Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $75 of the fee is distributed to local jurisdictions under Section 12-27-2870, and $12 is retained by DOR. This proposal would change the distribution by sending the $12 fee currently retained by DOR to DMV. The remaining $75 is to be combined with the revenue generated by the road use fee in Section 12-37-2850 and distributed based upon Sections 12-37-2865 and 12-37-2870. Based upon fee collections through calendar year 2016, we estimate total one-time registration fees will be approximately $703,000 in calendar year 2019. One-half of one-time registration fees will total approximately $352,000 in FY 2018-19. Of this amount, $48,000 will be reallocated from DOR to DMV for operations and $303,000 will be distributed based upon Sections 12-37-2865 as outlined below.

Combining the projected motor carrier road use fees and one-time registration fee revenue for FY 2018-19 yields total revenue of $17,495,000 to be distributed under Section 12-37-2865. Section 12-37-2865 directs that the first $26,500,000 of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the State Highway Fund to be used to finance expansion and improvements to existing mainline interstates. Additionally, Subitem L(2) of Section 10 directs DMV to retain $400,000 in the first calendar year to offset programming costs. This leaves $17,095,000 to be distributed to counties under Section 12-37-2870 in FY 2018-19. Based upon the change in timing, this will increase local funding to counties by $17,095,000 in FY 2018-19. This amount may vary, however, depending upon registration timing.

Revenue for FY 2019-20 will comprise a full year of fees. Based upon collections through calendar year 2016, we estimate that total motor carrier road use fees will be $25,343,000 for in-state carriers and $9,670,000 for out-of-state carriers, for a total of $35,013,000 in FY 2019-20. Fees for one-time registrations will yield an additional $606,000 to be distributed, while $97,000 will be retained by DMV. Adding the motor carrier fee amounts together yields total revenue of $35,619,000 to be distributed based upon Section 12-37-2865. Counties will receive $26,500,000 under the current distribution formula in Section 12-37-2870, and the remaining $9,119,000 will be credited to the State Highway Fund. This will increase county revenue by approximately $834,000 for FY 2019-20.

**Local Revenue**

**Section 7**. This section creates the motor carrier road use fee to replace the current motor carrier property tax beginning January 1, 2019. Section 12-37-2865 directs that the first $26,500,000 of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the State Highway Fund to be used to finance expansion and improvements to existing mainline interstates. Due to a change in timing for fee payments, this will increase local funding to counties by $17,095,000 in FY 2018-19. This amount may vary, however, depending upon registration timing. For FY 2019-20 county revenue will increase by approximately $834,000 for FY 2019-20 over the current estimate for motor carrier property tax revenue. For additional explanation of the revenue determination, see Section 7 under State Revenue.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 12‑28‑310, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE MOTOR FUEL USER FEE, SO AS TO PHASE IN AN INCREASE OF TEN CENTS ON THE FEE OVER FIVE YEARS; TO AMEND SECTIONS 56‑11‑410 AND 56‑11‑450, BOTH RELATING TO THE ROAD TAX, SO AS TO INCREASE THE ROAD TAX IN THE SAME MANNER AS THE MOTOR FUEL USER FEE; TO AMEND SECTION 56‑3‑620, AS AMENDED, RELATING TO THE BIENNIAL REGISTRATION OF A MOTOR VEHICLE, SO AS TO INCREASE THE FEE FOR THE REGISTRATION; BY ADDING SECTION 56‑3‑627 SO AS TO REQUIRE EACH RESIDENT TO PAY AN INFRASTRUCTURE MAINTENANCE FEE UPON FIRST REGISTERING ANY VEHICLE AND CERTAIN OTHER ITEMS IN THIS STATE AND TO SPECIFY THE MANNER IN WHICH THE FEE IS CALCULATED, CREDITED, AND ADMINISTERED; BY ADDING SECTION 56‑3‑645 SO AS TO IMPOSE A ROAD USE FEE ON CERTAIN MOTOR VEHICLES THAT OPERATE ON FUEL THAT IS NOT SUBJECT TO THE MOTOR FUEL USER FEE; TO AMEND SECTION 12‑36‑2110, RELATING TO THE MAXIMUM SALES TAX, SO AS TO INCREASE THE MAXIMUM TAX ON CERTAIN ITEMS; TO AMEND SECTION 12‑36‑2120, AS AMENDED, RELATING TO EXEMPTIONS FROM THE STATE SALES TAX, SO AS TO EXEMPT ANY ITEM SUBJECT TO THE INFRASTRUCTURE MAINTENANCE FEE; TO AMEND SECTION 12‑36‑1710, RELATING TO THE CASUAL EXCISE TAX, SO AS TO PROVIDE THAT MOTOR VEHICLES AND MOTORCYCLES ARE NOT SUBJECT TO THE TAX; AND TO AMEND ARTICLE 23, CHAPTER 37, TITLE 12, RELATING TO MOTOR CARRIERS, SO AS TO DEFINE TERMS, TO PROVIDE THAT THE ARTICLE DOES NOT APPLY TO A SMALL COMMERCIAL VEHICLE, TO PROVIDE THAT CERTAIN VEHICLES ARE ASSESSED AND APPORTIONED BASED ON A ROAD USE FEE INSTEAD OF PROPERTY TAXES, TO PROVIDE THAT THE ROAD USE FEE IS DUE AT THE SAME TIME AS REGISTRATION FEES, TO PROVIDE FOR THE DISTRIBUTION OF THE ROAD USE FEE, AND TO EXEMPT CERTAIN SEMITRAILERS, TRAILERS, LARGE COMMERCIAL MOTOR VEHICLES, AND BUSES FROM AD VALOREM TAXATION.

Amend Title To Conform

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

SECTION 1. Section 57‑11‑20(A) of the 1976 Code is amended to read:

“(A)(1) All state revenues and state monies dedicated by statute to the operation of the department must be deposited into either the ‘State Highway Fund’, ~~or~~ the ‘State Non‑Federal Aid Highway Fund’ ,or the ‘Infrastructure Maintenance Trust Fund’. ~~Both~~ All funds must be held and managed by the State Treasurer separate and distinct from the general fund, except as to monies utilized by the State Treasurer for the payment of principal or interest on state highway bonds as provided by law. Interest income from the State Highway Fund must be deposited to the credit of the State Highway Fund. Interest income from the Non‑Federal Aid Highway Fund must be deposited to the credit of the Non‑Federal Aid Highway Fund. Interest income from the Infrastructure Maintenance Trust Fund must be deposited to the credit of the Infrastructure Maintenance Trust Fund. The commission may commit up to the maximum annual debt service provided in Article X, Section 13 of the South Carolina Constitution into a special fund to be used for the sole purpose of paying the principal and interest, as it comes due, on bonds issued for the construction or maintenance of state highways, or both. This special account will be designated as the State Highway Construction Debt Service Fund.

(2) The Infrastructure Maintenance Trust Fund must be used exclusively for the repairs, maintenance, and improvements to the existing transportation system.”

SECTION 2. Article 1, Chapter 1, Title 57 of the 1976 Code is amended by adding:

“Section 57‑1‑100. Notwithstanding any other provision of law requiring the Department of Transportation to transfer revenues to another entity, if the department determines that the transfer of funds is not prudent and the transfer would not best serve the transportation infrastructure needs of this State, then the department may delay the transfer indefinitely. However, the transfer may not be delayed if the funds are to be used to pay debt service on outstanding bond issuances.”

SECTION 3. Section 12‑28‑310 of the 1976 Code is amended by adding an appropriately lettered subsection to read:

“( ) On July 1, 2017, and each July first thereafter until after July 1, 2021, the department shall permanently increase the amount of the user fees imposed pursuant to subsection (A) by two cents, for a total of ten cents. All of the funds raised by the increase in the motor fuel user fee imposed by this subsection must be credited to the Infrastructure Maintenance Trust Fund.”

SECTION 4. A. Section 56‑11‑410 of the 1976 Code is amended to read:

“Section 56‑11‑410. (A) A road tax for the privilege of using the streets and highways in this State is imposed upon every motor carrier. The tax is equivalent to ~~sixteen cents a gallon~~ the user fee imposed pursuant to Section 12‑28‑310, calculated on the amount of gasoline or other motor fuel used by the motor carrier in its operations within this State. Except as credit for certain taxes as provided for in this chapter, taxes imposed on motor carriers by this chapter are in addition to taxes imposed upon the carriers by any other provision of law.

(B) Notwithstanding any other provision of law, all of the road tax funds collected in excess of sixteen cents a gallon after accounting for the credit provided in Section 56‑11‑450, must be credited to the Infrastructure Maintenance Trust Fund.”

B. Section 56‑11‑450(A) of the 1976 Code is amended to read:

“(A) Every motor carrier subject to the tax imposed under this chapter is entitled to a credit on the tax equivalent to ~~sixteen cents per gallon~~ the user fee imposed pursuant to Section 12‑28‑310 on all gasoline or other motor fuel purchased by the carrier within this State for use in operations either within or without this State and upon which gasoline or other motor fuel the tax imposed by the laws of this State has been paid by the carrier. Evidence of the payment of the tax in such form as may be required by or is satisfactory to the Department of Motor Vehicles must be furnished by each carrier claiming the credit.”

SECTION 5. A. Section 56‑3‑620 of the 1976 Code, as last amended by Act 353 of 2008, is further amended to read:

“Section 56‑3‑620. (A) For persons sixty‑five years of age or older or persons who are handicapped, as defined in Section 56‑3‑1950, the biennial registration fee for every private passenger motor vehicle, excluding trucks, is ~~twenty~~ thirty‑six dollars.

(B) ~~Beginning July 1, 1987,~~ For persons under the age of sixty‑five years the biennial registration fee for every private passenger motor vehicle, excluding trucks, is ~~twenty‑four~~ forty dollars.

(C) For persons sixty‑five years of age or older, the biennial registration fee for a property‑carrying vehicle with a gross weight of six thousand pounds or less is ~~thirty~~ forty‑six dollars.

(D) For persons who are sixty‑four years of age, the biennial registration fee for a private passenger motor vehicle, excluding trucks, is ~~twenty‑two~~ thirty‑eight dollars.

(E) Applicable truck fees, established by Section 56‑3‑660, are not negated by this section.

(F) Annual license plate validation stickers which are issued for nonpermanent license plates on certified South Carolina public law enforcement vehicles must be issued without charge.

(G) From each biennial registration and license fee collected, sixteen dollars must be credited to the Infrastructure Maintenance Trust Fund.”

B. This SECTION takes effect January 1, 2018.

SECTION 6. A. Article 5, Chapter 3, Title 56 of the 1976 Code is amended by adding:

“Section 56‑3‑627. (A) In order to account for the necessary road maintenance caused by each item traversing the roads of this State, in addition to the registration fees imposed by this chapter, the owner of each vehicle or other item that is required to be registered pursuant to this chapter must pay an infrastructure maintenance fee upon first registering the vehicle or other item. Also, the owner of each trailer or semi‑trailer must pay the fee upon first registering the trailer or semi‑trailer. The Department of Motor Vehicles may not issue a registration until the infrastructure maintenance fee has been collected. The infrastructure maintenance fee must be credited to the Infrastructure Maintenance Trust Fund.

(B) If upon purchasing or leasing the item from a dealer, the owner first registers the item in this State, then the fee equals five percent, not to exceed five hundred dollars, of the gross proceeds of sales, or sales price, as those terms are defined in Chapter 36, Title 12. If the dealer holds a South Carolina retail license or offers to license and register the item, then the dealer must collect the fee and remit it to the Department of Motor Vehicles.

(C)(1) If upon purchasing or leasing the item from a person other than a dealer, the owner first registers the item in this State, then the fee equals five percent, not to exceed five hundred dollars, of the fair market value of the item.

(2) Excluded from the fee imposed pursuant to this subsection are:

(a) items transferred:

(i) to members of the immediate family;

(ii) to a legal heir, legatee, or distributee;

(iii) from an individual to a partnership upon formation of a partnership, or from a stockholder to a corporation upon formation of a corporation;

(iv) to a licensed motor vehicle or motorcycle dealer for the purpose of resale;

(v) to a financial institution for the purpose of resale;

(vi) as a result of repossession to any other secured party, for the purpose of resale;

(b) the fair market value of an item transferred to the seller or secured party in partial payment;

(c) gross proceeds of transfers of items specifically exempted by Section 12‑36‑2120 from the sales or use tax;

(d) items where a sales or use tax has been paid on the transaction necessitating the transfer.

(3) The Department of Motor Vehicles shall require every applicant for a certificate of title to supply information it considers necessary as to the time of purchase, the purchase price, and other information relative to the determination of fair market value. If the fee is based upon total purchase price as defined in this subsection, the department shall require a submission of a bill of sale and the signature of the owner subject to the perjury statutes of this State.

(4) For purposes of this subsection:

(a) ‘Fair market value’ means the total purchase price less any trade‑in, or the valuation shown in a national publication of used values adopted by the department, less any trade‑in.

(b) ‘Immediate family’ means spouse, parents, children, sisters, brothers, grandparents, and grandchildren.

(c) ‘Total purchase price’ means the price of an item agreed upon by the buyer and seller with an allowance for a trade‑in, if applicable.

(D)(1) If upon purchasing or leasing the item, the owner first registers the item in another state, and subsequently registers the item in this State, then the fee equals two hundred fifty dollars.

(2) This subsection does not apply if the owner of the item is serving on active duty in the armed forces of the United States. The exclusion allowed by this item also extends to items owned by the spouse or dependent of a person serving on active duty in the armed forces of the United States.

(E)(1)(a) The Department of Motor Vehicles shall transfer eighty percent of every fee collected on motor vehicles pursuant to subsections (B) and (C), but not to exceed two hundred forty dollars, to the Department of Transportation to be allocated to the state‑funded resurfacing program. The Department of Transportation shall develop and implement a needs‑based methodology to distribute revenue within the state‑funded resurfacing program, which shall include consideration of pavement condition on a county‑by‑county basis, to ensure that each county in the State is guaranteed funding for resurfacing.

(b) The Department of Motor Vehicles shall transfer twenty percent of every fee collected on motor vehicles pursuant to subsections (B) and (C), but not to exceed sixty dollars, to the South Carolina Education Improvement Act of 1984 Fund.

(2) The Department of Transportation shall reduce the allocation to the state‑funded resurfacing program required in item (1) in proportion to the amounts transferred to the South Carolina Transportation Infrastructure Bank pursuant to subsection (F) and in proportion to the amounts required by the Department of Transportation to fund repairs, maintenance, and improvements to the existing transportation system.

(F)(1) The Department of Transportation shall identify bridge and road projects to be financed utilizing nontax revenue transferred to the bank by the Department of Transportation in an amount equal to the financing requirements related to projects selected pursuant to this section, provided that:

(a) Fifty million dollars in revenue utilized by the bank shall be used to finance bridge replacement, rehabilitation projects, and expansion and improvements on existing roads in the State Highway System.

(b) Funds in excess of fifty million dollars utilized by the bank shall be used to finance expansion and improvements to existing mainline interstates.

(2) Funds transferred to the bank pursuant to this section may not be used to finance projects approved by the bank before July 1, 2013. The bank shall submit all projects proposed to be financed pursuant to subsection (B) to the Joint Bond Review Committee as provided in Section 11‑43‑180, before approving a project for financing.

(3) Following consideration by the Joint Bond Review Committee, the bank shall approve the projects to be financed. Upon approval, the bank shall provide the Department of Transportation with written notice that identifies each project selected, the amount of nontax revenue that must be transferred to the bank for financing each project, a schedule for the transfers, and any other information necessary to carrying out the financing of each project.

(4) Upon receipt of the notice provided in item (3), the Department of Transportation shall transfer nontax revenue to the bank in the amounts and upon the schedule provided in the notice. The department shall take any other action identified in the notice that is necessary for financing each project.

(5) Projects financed utilizing funds transferred pursuant to this subsection shall not require a local match.

(G) The Secretary of Transportation shall apply funds supplanted by the operation of this section to prioritized bridge and resurfacing needs.

(H) Notwithstanding any other provision of this section, any transaction exempt pursuant to Section 12‑36‑2120(25), is also exempt from the infrastructure maintenance fee. ”

B. This SECTION takes effect on July 1, 2017.

SECTION 7. A. Chapter 3, Title 56 of the 1976 Code is amended by adding:

“Section 56‑3‑645. (A) In addition to the registration fees imposed by this chapter, the owner of motor vehicles that are powered:

(1) exclusively by electricity, hydrogen, or any fuel other than motor fuel, as defined in Section 12‑28‑110(39), that are not subject to motor fuel user fees imposed by Chapter 28, Title 12 shall pay a biennial road use fee of one hundred twenty dollars; and

(2) by a combination of motor fuel subject to motor fuel user fees imposed by Chapter 28, Title 12 and electricity, hydrogen, or any fuel other than motor fuel that is not subject to motor fuel user fees imposed by Chapter 28, Title 12 shall pay a biennial road use fee of sixty dollars.

(B) All of the fees collected pursuant to this section must be credited to the Infrastructure Maintenance Trust Fund.

(C) The Department of Motor Vehicles shall collect this fee at the same time as the vehicle subject to the fee is registered.”

B. This SECTION takes effect January 1, 2018.

SECTION 8. A. Section 12‑36‑2110(A) of the 1976 Code is amended to read:

“Section 12‑36‑2110. (A)(1) The maximum tax imposed by this chapter is three hundred dollars for each sale made after June 30, 1984, or lease executed, after August 31, 1985, of each:

~~(1)~~(a) aircraft, including unassembled aircraft which is to be assembled by the purchaser, but not items to be added to the unassembled aircraft;

~~(2)~~(b) motor vehicle;

~~(3)~~(c) motorcycle;

~~(4)~~(d) boat;

~~(5)~~(e) trailer or semitrailer, pulled by a truck tractor, as defined in Section 56‑3‑20, and horse trailers, but not including house trailers or campers as defined in Section 56‑3‑710 or a fire safety education trailer;

~~(6)~~(f) recreational vehicle, including tent campers, travel trailer, park model, park trailer, motor home, and fifth wheel; or

~~(7)~~(g) self‑propelled light construction equipment with compatible attachments limited to a maximum of one hundred sixty net engine horsepower.

(2) In the case of a lease, the total tax rate required by ~~law~~ this section applies on each payment until the total tax paid equals three hundred dollars. Nothing in this section prohibits a taxpayer from paying the total tax due at the time of execution of the lease, or with any payment under the lease. To qualify for the tax limitation provided by this section, a lease must be in writing and specifically state the term of, and remain in force for, a period in excess of ninety continuous days.

(3) Notwithstanding any other provision of this subsection, after June 30, 2017, the maximum tax imposed pursuant to this chapter on the sale, lease, or registration of an item enumerated in item (1) only applies to items not subject to the fee pursuant to Section 56‑3‑627.

(4) Notwithstanding any other provision of this subsection, after June 30, 2017, the maximum tax imposed pursuant to this chapter on the sale, lease, or registration of an item enumerated in item (1) is increased from three hundred dollars to five hundred dollars, mutatis mutandis. Notwithstanding Section 59‑21‑1010, or any other provision of law, any revenue resulting from the increase contained in this item must be credited to the Infrastructure Maintenance Trust Fund.

(5) Notwithstanding any other provision of law, revenues resulting from the maximum tax imposed pursuant to this chapter on the sale, lease, or registration of an item enumerated in item (1) which would be subject to the fee set forth in Section 56‑3‑627 but for the state in which it is registered, must be collected by and remitted to the Department of Motor Vehicles. Upon collection, the Department of Motor Vehicles must transfer all the revenues to the Infrastructure Maintenance Trust Fund.”

B. Section 12‑36‑2120 of the 1976 Code, as last amended by Act 256 of 2016, is further amended by adding an appropriately numbered item to read:

“( ) any item subject to the fee set forth in Section 56‑3‑627.”

C. Section 12‑36‑1710(A) through (D) of the 1976 Code is amended to read:

“(A) In addition to all other fees prescribed by law there is imposed an excise tax for the issuance of every certificate of title, or other proof of ownership, for every ~~motor vehicle, motorcycle,~~ boat, motor, or airplane, required to be registered, titled, or licensed. The tax is five percent of the fair market value of the ~~motor vehicle, motorcycle,~~ airplane, boat, and motor.

(B) Excluded from the tax are:

(1) ~~motor vehicles, motorcycles,~~ boats, motors, or airplanes:

(a) transferred to members of the immediate family;

(b) transferred to a legal heir, legatee, or distributee;

(c) transferred from an individual to a partnership upon formation of a partnership, or from a stockholder to a corporation upon formation of a corporation;

(d) transferred to a licensed motor vehicle or motorcycle dealer for the purpose of resale;

(e) transferred to a financial institution for the purpose of resale;

(f) transferred as a result of repossession to any other secured party, for the purpose of resale;

(2) the fair market value of a ~~motor vehicle, motorcycle,~~ boat, motor, or airplane, transferred to the seller or secured party in partial payment;

(3) gross proceeds of transfers of ~~motor vehicles, motorcycles, or~~ airplanes specifically exempted by Section 12‑36‑2120 from the sales or use tax;

(4) ~~motor vehicles, motorcycles,~~ boats, motors, or airplanes, where a sales or use tax has been paid on the transaction necessitating the transfer.

(C) ‘Fair market value’ means the total purchase price less any trade‑in, or the valuation shown in a national publication of used values adopted by the department, less any trade‑in.

(D) ‘Total purchase price’ means the price of a ~~motor vehicle, motorcycle,~~ boat, motor, or airplane agreed upon by the buyer and seller with an allowance for a trade‑in, if applicable.”

D. Section 12‑36‑2647 of the 1976 Code is repealed.

E. The Code Commissioner is directed to change or correct all references to the sales tax on vehicles and other such items to reflect the provisions of Section 56‑3‑627 as added by this act. References to the sales tax on vehicles and other such items in the 1976 Code or other provisions of law are considered to be and must be construed to mean appropriate references.

SECTION 9. A. Article 23, Chapter 37, Title 12 of the 1976 Code is amended to read:

“Article 23

Motor Carriers

Section 12‑37‑2810. As used in this article, unless the context requires otherwise:

(A) ‘Motor carrier’ means a person who owns, controls, operates, manages, or leases a commercial motor vehicle, or bus for the transportation of property or persons in intrastate or interstate commerce except for scheduled intercity bus service and farm vehicles using FM tags as allowed by the Department of Motor Vehicles. A motor carrier is defined further as being a South Carolina‑based International Registration Plan registrant or owning or leasing real property within this State used directly in the transportation of freight or persons.

(B) ‘Commercial motor vehicle’ means a motor propelled vehicle used for the transportation of property on a public highway ~~with a gross vehicle weight of greater than twenty‑six thousand pounds~~, except for farm vehicles using FM tags as allowed by the Department of Motor Vehicles.

(C) ‘Large commercial motor vehicle’ means a commercial motor vehicle with a gross vehicle weight of greater than twenty‑six thousand pounds that is registered under the International Registration Plan or used on a highway for the transportation of property.

(D) ‘Small commercial motor vehicle’ means a commercial motor vehicle with a gross vehicle weight of less than or equal to twenty‑six thousand pounds that is registered under the International Registration Plan or used on a highway for the transportation of property.

~~(C)~~(E) ‘Highway’ means all public roads, highways, streets, and ways in this State, whether within a municipality or outside of a municipality.

~~(D)~~(F) ‘Person’ means any individual, corporation, firm, partnership, company or association, and includes a guardian, trustee, executor, administrator, receiver, conservator, or a person acting in a fiduciary capacity.

~~(E)~~(G) ‘Semitrailers’ means every vehicle with or without motive power, other than a pole trailer, designed for carrying property and for being drawn by a motor vehicle and constructed so that a part of its weight and of its load rests upon or is carried by another vehicle.

~~(F)~~(H) ‘Trailers’ means every vehicle with or without motive power, other than a pole trailer, designed for carrying property and for being drawn by a motor vehicle and constructed so that no part of its weight rests upon the towing vehicle.

~~(G)~~(I) ‘Bus’ means every motor vehicle designed for carrying more than sixteen passengers and used for the transportation of persons, for compensation, other than a taxicab or intercity bus.

(J) ‘South Carolina apportionment factor’ means the ratio of miles operated by a fleet of vehicles in South Carolina to the miles operated by the fleet of vehicles everywhere, which is used to apportion the registration fees of the fleet under the International Registration Plan.

Section 12‑37‑2815. The provisions contained in this article do not apply to small commercial motor vehicles that must be licensed, registered, and pay ad valorem taxes as otherwise provided by law.

Section 12‑37‑2820. (A) The Department of ~~Revenue~~ Motor Vehicles annually shall assess, equalize, and apportion the valuation of all large commercial motor vehicles and buses of motor carriers registered for use in this State under the International Registration Plan or otherwise pursuant to Section 56‑3‑190. The valuation must be based on fair market value for the motor vehicles and an assessment ratio of nine and one‑half percent as provided by Section 12‑43‑220(g). Fair market value is determined by depreciating the gross capitalized cost of each motor carrier’s large commercial motor vehicle~~,~~ or bus by an annual percentage depreciation allowance down to ten percent of the cost as follows:

(1) Year One ‑‑ .90

(2) Year Two ‑‑ .80

(3) Year Three ‑‑ .65

(4) Year Four ‑‑ .50

(5) Year Five ‑‑ .35

(6) Year Six ‑‑ .25

(7) Year Seven ‑‑ .20

(8) Year Eight ‑‑ .15

(9) Year Nine ‑‑ .10

(B) ‘Gross capitalized cost’, as used in this section, means the original cost upon acquisition for income tax purposes, not to include taxes, interest, or cab customizing.

Section 12‑37‑2830. The value of a motor carrier’s large commercial motor vehicles and buses subject to ~~property taxes~~ road use fees in this State must be determined ~~based on the ratio of total mileage operated within this State during the preceding calendar year to the total mileage of its fleet operated within and without this State during the same preceding calendar year~~ according to the South Carolina apportionment factor for the fleet of which the commercial vehicle is a part.

Section 12‑37‑2840. ~~(A)~~ ~~Motor carriers must file an annual property tax return with the Department of Revenue no later than June 30 for the preceding calendar year and remit one‑half of the tax due or the entire tax due as stated on the return. If the motor carrier fails to pay either one‑half of the tax due or the entire tax due as of June 30, the department must issue a proposed assessment for the entire tax to the motor carrier. The tax as shown in the proposed assessment must be paid in full by cashier’s check, money order, or cash within thirty days of the issuance of the proposed assessment, or the taxpayer may appeal the proposed assessment within thirty days using the procedures provided in subarticle 1, Article 5, Chapter 60 of this title.~~

~~(B)(1)~~ ~~If one‑half of the tax is remitted on or before June 30, the remaining one‑half of the tax due must be paid to the Department of Revenue on or before December 31 of that year. If the motor carrier fails to remit the remaining tax due pursuant to this section, the department shall issue a proposed assessment to the motor carrier.~~

~~(2)~~ ~~The tax shown in the proposed assessment must be paid in full by cashier’s check, money order, or cash or appealed within thirty days of the issuance of the proposed assessment. The taxpayer may appeal the proposed assessment using the procedures provided in subarticle 1, Article 5, Chapter 60 of this title.~~

~~(C)~~ ~~If a motor carrier fails to timely file the return as required by this section, the department shall issue a proposed assessment which assumes all mileage of the motor carrier’s fleet was driven within this State. A taxpayer may appeal this proposed assessment using the procedures provided in subarticle 1, Article 5, Chapter 60 of this title.~~

~~(D)~~ ~~A twenty‑five percent penalty must be added to the property tax due if the motor carrier fails to file a return or pay any tax due, including the one‑half of the tax due on June 30, as required by this section. The penalty must be applied the day after the date that the return was due to be filed or the tax was due to be paid. This penalty is instead of all other penalties and interest required by law, except those provided in Section 12‑54‑44.~~

~~(E)~~ ~~If the motor carrier fails to remit the tax due within thirty days of receipt of the proposed assessment and the taxpayer fails to appeal the proposed assessment as provided in subsection (B), the department shall assess the tax. Tax due pursuant to this section is subject to the collection procedures provided in Chapter 54, of this title, except that the penalty provisions of Section 12‑54‑43 do not apply~~ A motor carrier registering a large commercial motor vehicle or bus must pay the road use fee due on the vehicle at the time and in the manner the person pays the registration fees on the vehicle pursuant to Section 56‑3‑660. A person choosing to pay registration fees on a large commercial motor vehicle or bus in quarterly installments pursuant to Section 56‑3‑660 also must pay the road use fee on the vehicle in the same quarterly installments.

~~Section 12‑37‑2842.~~ ~~(A)~~ ~~The Department of Motor Vehicles, at the time of first registration by a motor carrier as defined in this article, shall notify the registrant of the Department of Revenue’s registration and filing requirements and supply the required registration forms.~~

~~(B)~~ ~~The motor carrier must register with the Department of Revenue within thirty days following the year in which the vehicle or bus was first registered for operation in South Carolina.~~

~~(C)~~ ~~A motor carrier must notify the Department of Revenue, on forms supplied by the department, of a motor vehicle or bus that is disposed of before December 31.~~

Section 12‑37‑2850. Beginning on January 1, 2019, the Department of ~~Revenue~~ Motor Vehicles shall assess annually the ~~taxes~~ road use fee due on large commercial motor vehicles and buses based on the value determined in Section 12‑37‑2820 and an average millage for all purposes statewide for the preceding calendar year and shall publish the average millage for the preceding year by ~~June 1~~ July first of each year. The Department of Revenue, in consultation with the Revenue and Fiscal Affairs Office, shall calculate the millage to be used to calculate the road use fee by June first of each year for the following calendar year. The ~~taxes~~ road use fee assessed must be paid to the Department of ~~Revenue no later than December 31 of each year and may be made in two equal installments~~ Motor Vehicles, in addition to the registration fees required pursuant to Sections 56‑3‑660 and 56‑3‑670, at the time and in the manner that the registration fees on the vehicle are paid pursuant to Sections 56‑3‑660 and 56‑3‑670. Distribution of the ~~taxes~~ fees paid must be made by the ~~State Treasurer’s~~ Office of the State Treasurer based on the distribution formula ~~contained~~ provided in ~~Section 12‑37‑2870~~ Sections 12‑37‑2865 and 12‑37‑2870.

Section 12‑37‑2860. (A) In addition to the property tax exemptions allowed pursuant to Section 12‑37‑220, one hundred percent of the fair market value of semitrailers and trailers as defined in Section 12‑37‑2810, and commonly used in combination with a large commercial motor vehicle, as defined pursuant to Section 12‑37‑2810, is exempt from property tax.

(B) Instead of ~~the~~ any property ~~taxes~~ tax and the registration requirements ~~contained~~ provided in Sections 56‑3‑110 and 56‑3‑700 on semitrailers and trailers of motor carriers as defined in Section 12‑37‑2810, and commonly used in combination with a large commercial motor vehicle, a one‑time fee payable to the Department of Motor Vehicles in the amount of eighty‑seven dollars is ~~due~~ imposed on all semitrailers and trailers currently registered and subsequently on each semitrailer and trailer before being placed in service.

(C) The fee imposed pursuant to subsection (B) and the registration requirements of this article are in lieu of any local road use fee, registration fees, or any other vehicle related fee imposed by a political subdivision of this State on a trailer or semitrailer.

~~(B)~~(D) Twelve dollars of the one‑time fee must be distributed to the Department of ~~Revenue~~ Motor Vehicles and may be retained by the Department of ~~Revenue~~ Motor Vehicles and expended in budgeted operations to record and administer the fee. The remaining seventy‑five dollars of the fee must be distributed based on the distribution formula ~~contained~~ provided in ~~Section~~ Sections 12‑37‑2865 and 12‑37‑2870, and must occur by the fifteenth day of the month following the month in which the fees are collected.

~~(C)~~ ~~The fee required by this section is due on or before March 31, 1998, for the initial registration.~~

~~(D)~~(E) The Department of Motor Vehicles shall design a permanent tag for display on the exterior of the rear of the trailer or semitrailer in a conspicuous place.

(F) If the apportioned registration fees of a large commercial motor vehicle or bus and the road use fees for large commercial motor vehicles required under this chapter are equal to or exceed four hundred dollars, the fees may be remitted to the Department of Motor Vehicles quarterly provided that each installment is made online. A motor carrier who fails to make a quarterly payment on a timely basis may no longer make installment payments and must remit to the department the balance of the fees owed for any previous calendar year before the Department of Motor Vehicles will renew registration for the current calendar year. A motor carrier that opts out of installment payments must make full payment of fees at the time of registration.

Section 12‑37‑2865. Seventy‑five percent of the revenues from the road use fee assessed pursuant to Section 12‑37‑2850, and the one‑time fee assessed pursuant to Section 12‑37‑2860 must be distributed by the State Treasurer as provided in Section 12‑37‑2870. Distributions must be made by the last day of the next month succeeding the month in which the fee is paid. The remaining twenty‑five percent must be credited to the Infrastructure Maintenance Trust Fund to be used to finance expansion and improvements to existing mainline interstates.

Section 12‑37‑2870. The distribution of the fee revenues required to be distributed pursuant to Section 12‑37‑2865(B) for each county must be determined on the ratio of total federal and state highway miles within each county during the preceding calendar year to the total federal and state highway miles within all counties of this State during the same preceding calendar year. The county must distribute the revenue from the payment‑in‑lieu of taxes received pursuant to this section within thirty days of its receipt to every governmental entity levying a property tax in the manner set forth below. For each governmental entity levying a property tax, the entire assessed value of the taxable property within its boundaries and the county area must be multiplied by the millage rate imposed by the governmental entity. That figure constitutes the numerator for that governmental entity. The total of the numerators for all property tax levying entities within the county area constitutes the denominator. The numerator for each governmental entity must be divided by the denominator. The resulting percentage must be multiplied by the ~~payment‑in‑lieu of tax~~ fee revenue received pursuant to this section and that amount distributed to the general fund of the appropriate governmental entity. The distribution of taxes and fees paid must be made by the last day of the next month succeeding the month in which the taxes and fees were paid.

Section 12‑37‑2880. (A) In addition to the property tax exemptions allowed pursuant to Section 12‑37‑220, one hundred percent of the fair market value of all large commercial motor vehicles and buses registered for use in this State under the International Registration Plan or otherwise pursuant to Section 56‑3‑190, is exempt from property tax and is instead subject to the road use fee imposed pursuant to this article.

(B) The ~~ad valorem taxes authorized~~ road use fee imposed by this article ~~are~~ is in lieu of all ~~other~~ ad valorem taxes upon ~~the~~ large commercial motor vehicles or buses ~~of motor carriers~~, and any road use or other vehicle‑related fees imposed by a political subdivision of this State if registered for use in this State under the International Registration Plan. ~~The fee‑in‑lieu of property taxes and registration requirements authorized by this article are in lieu of all other ad valorem taxes upon trailers and semitrailers of motor carriers.~~

~~Section 12‑37‑2890.~~ ~~(A)~~ ~~Upon request by the Department of Revenue, and after the time period for all appeals of tax due is exhausted, the Department of Motor Vehicles shall suspend the driver’s license and vehicle registration of a person that fails to file or pay a motor carrier property tax on a vehicle, pursuant to this article. The request to suspend must be an electronic notification from the Department of Revenue to the Department of Motor Vehicles. Before notification is sent to the Department of Motor Vehicles, the Department of Revenue shall notify the delinquent taxpayer by certified letter of the pending suspension and of the steps necessary to prevent the suspension from being entered on the taxpayer’s driving and registration records. The department shall allow thirty days for payment of taxes before notifying the Department of Motor Vehicles to suspend the driver’s license and vehicle registration.~~

~~(B)~~ ~~Notwithstanding the provisions of Sections 56‑1‑460 and 56‑9‑500, a charge of driving under suspension when the suspension is solely for failure to file or pay a motor carrier property tax or the reinstatement fee required for the property tax does not require proof of financial responsibility. A person is not subject to a custodial arrest solely for being under suspension pursuant to this section. Upon conviction of a violation of this section, the taxpayer is subject to:~~

~~(1)~~ ~~for a first offense a fine not to exceed fifty dollars;~~

~~(2)~~ ~~for a second offense a fine not to exceed two hundred fifty dollars; and~~

~~(3)~~ ~~for a third or subsequent offense under this section, the penalty is a fine not to exceed five hundred dollars or imprisonment not to exceed thirty days, or both.~~

~~(C)~~ ~~Notwithstanding the provisions of subsections (A) and (B) of this section or the provisions of Section 56‑1‑460, a charge of driving under suspension issued solely as a result of this section must be dismissed if the taxpayer provides proof on the taxpayer’s court date that the personal property taxes on the vehicle which resulted in the charge being issued have been paid.~~

~~(D)~~ ~~Before the reinstatement of a driver’s license or vehicle registration suspended due to a violation of this section, a fee of fifty dollars must be paid to the Department of Motor Vehicles. The Department of Motor Vehicles may retain revenues generated by payment of the reinstatement fees pursuant to this section for use in defraying costs associated with suspension and reinstatement actions pursuant to this section Fees collected in excess of actual departmental direct costs related to suspension and reinstatement actions pursuant to this section must be deposited to the credit of the general fund of the State at the end of each fiscal year.~~”

B. Section 56‑3‑376 of the 1976 Code is amended to read:

“Section 56‑3‑376. (A) All vehicles except those vehicles designated in Section 56‑3‑780 are designated as distinct classifications and must be assigned an annual registration period as follows:

(1) Classification (1). Vehicles for which the biennial registration fee is one‑hundred sixty dollars or more. The Department of Motor Vehicles may register and license a vehicle for which the biennial registration fee is one‑hundred sixty dollars or more or for a semiannual or one‑half year upon application to the department by the owner and the payment of one‑fourth of the specified biennial fee. Biennial registrations and licenses expire at midnight on the last day of the twenty‑fourth month for the period for which they were issued. Semiannual or half‑year registrations and licenses expire at midnight of the sixth month for the period for which they were issued and no person shall drive, move, or operate a vehicle upon a highway after the expiration of the registration and license until the vehicle is registered and licensed for the then current period. Trucks, truck tractors, or road tractors with an empty or unloaded weight of over five thousand pounds or less, or gross vehicle weight of eight thousand pounds or less also must be placed in this classification but may not be registered for less than a full biennial period.

(2) Classification (2). Other vehicles. All other vehicles except those vehicles described in classification (1) and (3) of this section are assigned a staggered biennial registration which expires on the last day of the month for the period for which they were issued.

(3) Classification (3). Large commercial motor vehicles and buses registered by motor carriers, as defined in Section 12‑37‑2810, are assigned a staggered annual registration which expires on the last day of the month for the period for which they were issued.

(B) Notwithstanding the registration periods provided in this section, upon appropriate notice, the department may revise the established renewal dates to allow renewals to be assigned an expiration date pursuant to a staggered monthly basis.”

C. Section 56‑3‑120(5) of the 1976 Code is amended to read:

“(5) a trailer or semitrailer ~~of a motor carrier~~ commonly used in combination with a large commercial motor vehicle, as defined in Section 12‑37‑2810, for which trailer or semitrailer the ~~fee‑in‑lieu of taxes and registration requirements has been paid~~ fee imposed pursuant to Section 12‑37‑2860 is paid and applicable registration requirements provided pursuant to Article 23, Chapter 37, Title 12, are met, and a distinctive permanent plate has been issued pursuant to Section 12‑37‑2860.”

D. Section 56‑3‑610 of the 1976 Code is amended to read:

“Section 56‑3‑610. (A) Except as provided in subsection (B), the owner of every motor vehicle, trailer, semitrailer, pole trailer, and special mobile equipment vehicle required to be registered and licensed under this chapter shall pay to the Department of Motor Vehicles at the time of registering and licensing the vehicle and biennially after that time registration and license fees as set forth in this article.

(B) A large commercial motor vehicle or bus on which is imposed the road use fee provided pursuant to Article 23, Chapter 37, Title 12 is required to be registered and licensed annually pursuant to this chapter and the scheduled fees adjusted as provided pursuant to Section 56‑3‑660(E).”

E. Section 56‑3‑660(A) of the 1976 Code is amended to read:

“Section 56‑3‑660. (A) The determination of gross vehicle weight to register and license self‑propelled property carrying vehicles is the empty weight of the vehicle or combination of vehicles and the heaviest load to be transported by the vehicle or combination of vehicles as declared by the registered owner. All determinations of weight must be made in units of one thousand pounds or major fraction of one thousand pounds. The declared gross vehicle weight applies to all self‑propelled property carrying vehicles operating in tandem with trailers or semitrailers except that the gross weight of a trailer or semitrailer is not required to be included when the operation is to be in tandem with a self‑propelled property carrying vehicle licensed for six thousand pounds or less gross weight, and the gross vehicle weight of the combination does not exceed nine thousand pounds. The Department of Motor Vehicles may register and license a ~~vehicle of this classification~~ small commercial motor vehicle, as defined in Section 12‑37‑2810, for which the biennial registration and license fee is one‑hundred and sixty dollars or more for an annual or one‑year period beginning on April first and ending on March thirty‑first of the next year upon application to the department by the owner and the payment of one‑half the specified biennial fee or for a semiannual or one‑half year beginning on April first and ending on September thirtieth of the same year upon application to the department by the owner and the payment of the appropriate fees. The registration and license fee for small commercial motor vehicles ~~in this classification~~ which are registered for the remaining twenty‑four months or less of the twenty‑four month biennial period or for the eleven months or less of the twelve‑month year ending on March thirty‑first or the remaining five months or less for the one‑half period ending on September thirtieth is the proportionate part of the specified biennial fee for the remainder of the twenty‑four month period or year or one‑half year based on one twenty‑fourth of the specified twenty‑four‑month fee for each month or part of a month remaining in the biennial registration period or license year or one‑half year. ~~No~~ An proportionate fee may not be reduced lower than ten dollars. A person making application for a registration and license for a motor vehicle of this classification shall declare the true unloaded or empty weight of the vehicle.”

F. Section 56‑3‑660 of the 1976 Code is amended by adding an appropriately lettered subsection to read:

“( ) Fees for licensing and registration, and fees imposed pursuant to Article 23, Chapter 37, Title 12, may be credited or prorated as prescribed by the Department of Motor Vehicles.”

G. Section 56‑3‑660(E) of the 1976 Code is amended to read:

“(E) The department may register ~~an apportionable~~ a large commercial motor vehicle, as defined in Section 12‑37‑2810, for the payment of one‑half of this State’s portion of the license and road fee for a vehicle whose portion of the license and road fee owed to this State exceeds ~~eight~~ four hundred dollars. The department may require any information necessary to complete the transaction.”

H. Section 58‑23‑620 of the 1976 Code is amended to read:

“Section 58‑23‑620. (A) ~~No city, town,~~ A municipality or county in this State ~~shall~~ may not impose a license fee or license tax upon a holder of a certificate A or a certificate B, and ~~no city, town,~~ a municipality or county ~~shall~~ may not impose a license fee or license tax on the holder of a certificate E or a certificate F, Certificate of Compliance, or a common or contract motor carrier of property, except the ~~city or town~~ municipality of ~~such~~ the carrier’s residence or the location of ~~his~~ the carrier’s principal place of business. However, the fee required of a holder of a certificate C is in addition to any license tax or license fee charged by a municipality.

(B) If a municipality or county imposes a license fee or license tax pursuant to subsection (A), the fee or tax in the case of any certificate holder or common or contract motor carrier of property which operates its vehicles both within and without this State, must be apportioned in the ratio that the miles traveled by the vehicles operated by the certificate holder in this State bears to miles traveled by those vehicles in all states.”

I. Article 21, Chapter 37, Title 12 of the 1976 Code is amended by adding:

“Section 12‑37‑2600. Motor carriers, as defined in Section 12‑37‑2810, are exempt from ad valorem taxes imposed pursuant to this chapter on large commercial motor vehicles and buses.”

J. Section 12‑37‑2610 of the 1976 Code, as last amended by Act 87 of 2015, is further amended to read:

“Section 12‑37‑2610. The tax year for licensed motor vehicles begins with the last day of the month in which a registration required by Section 56‑3‑110 is issued and ends on the last day of the month in which the registration expires or is due to expire. ~~No~~ A registration may not be issued for motor vehicles until the ad valorem tax is paid for the year for which the registration is to be issued. ~~Motor vehicles registered under the International Registration Plan may pay ad valorem property taxes on a semiannual basis~~ Large commercial motor vehicles and buses, as defined in Section 12‑37‑2810, must pay road use fees pursuant to Article 23, Chapter 37, Title 12 in lieu of ad valorem property taxes. The provisions of this section do not apply to the transfer of motor vehicle registrations as specified in Section 12‑37‑2675 or to sales of motor vehicles by a licensed motor vehicle dealer. Notice of the sales must be furnished to the Department of Motor Vehicles by the dealer, along with other documents necessary for the registration and licensing of the vehicle concerned. The notice must be received by the Department of Motor Vehicles as a prerequisite to the registration and licensing of the vehicle and must include the name and address of the purchaser, the vehicle identification number, and the year and model of the vehicle. The notice must be an original and one copy, and the copy must be provided by the department to the auditor of the county in which the vehicle is taxable. All ad valorem taxes on a vehicle are due and payable one hundred twenty days from the date of purchase. The notice and the time in which to pay the tax applies to motor vehicles that are serviced and delivered by a licensed motor vehicle dealer for the benefit of an out‑of‑state dealer.”

K. The first paragraph of Section 12‑37‑2650 of the 1976 Code is amended to read:

“The auditor shall prepare a tax notice of all vehicles owned by the same person and licensed at the same time for each tax year within the two‑year licensing period. A notice must describe the motor vehicle by name, model, and identification number. The notice must set forth the assessed value of the vehicle, the millage, the taxes due on each vehicle, and the license period or tax year. The notice must be delivered to the county treasurer who must collect or receive payment of the taxes. One copy of the notice must be in the form of a bill or statement for the taxes due on the motor vehicle and, when practical, the treasurer shall mail that copy to the owner or person having control of the vehicle. When the tax and all other charges included on the tax bill have been paid, the treasurer shall issue the taxpayer a paid receipt. The receipt or a copy may be delivered by the taxpayer to the Department of Motor Vehicles with the application for the motor vehicle registration. A record of the payment of the tax must be retained by the treasurer. The auditor shall maintain a separate duplicate for motor vehicles. ~~No~~ A registration may not be issued by the Department of Motor Vehicles unless the application is accompanied by the receipt, a copy of the notification required by Section 12‑37‑2610 or notice from the county treasurer, by other means satisfactory to the Department of Motor Vehicles, of payment of the tax. ~~Motor vehicles registered under the International Registration Plan may pay ad valorem property taxes on a semiannual basis, and a proportional receipt must be issued by the treasurer subject to penalties in Section 12‑37‑2730.~~ Large commercial motor vehicles and buses, as defined in Section 12‑37‑2810, must pay road use fees pursuant to Article 23, Chapter 37, Title 12 in lieu of ad valorem property taxes. The treasurer, tax collector, or other official charged with the collection of ad valorem property taxes in each county may delegate the collection of motor vehicle taxes to banks or banking institutions, if each institution assigns, hypothecates, or pledges to the county, as security for the collection, federal funds or federal, state, or municipal securities in an amount adequate to prevent any loss to the county from any cause. Each institution shall remit the taxes collected daily to the county official charged with the collections. The receipt given to the taxpayer, in addition to the information required in this section and by Section 12‑45‑70, must contain the name and office of the treasurer or tax collector of the county and must also show the name of the banking institution to which payment was made.”

L. (1) Notwithstanding any provision to the contrary within this SECTION, a person who registers a vehicle for use in this State pursuant to Article 23, Chapter 37, Title 12, as amended by this act, must register his vehicle during calendar year 2019 and is required to pay the road fees calculated based on the fair market value of the vehicle as specified in Sections 12‑37‑2820 and 12‑37‑2850 at the time the vehicle’s registration fees are paid.

(2) Notwithstanding the provisions in Section 12‑37‑2865(B) and (C), as contained in this SECTION, to the contrary, during calendar year 2019 the first four hundred thousand dollars of fee revenue collected pursuant to Section 12‑37‑2865 must be retained by the Department of Motor Vehicles to defray programming costs.

(3) The initial millage required by Section 12‑37‑2850 must be calculated on or before June 1, 2018.

M. This SECTION takes effect January 1, 2019, except that the Department of Revenue, in consultation with the Revenue and Fiscal Affairs Office, shall calculate the millage to be used to calculate the road use fee provided in Section 12‑37‑2850 by July 1, 2018.

SECTION 10. A. Section 57‑1‑310 through Section 57‑1‑330 of the 1976 Code, as last amended by Act 275 of 2016, are further amended to read:

“Section 57‑1‑310. (A) The congressional districts of this State are constituted and created Department of Transportation Districts of the State, designated by numbers corresponding to the numbers of the respective congressional districts. The Commission of the Department of Transportation shall be composed of one member from each transportation district and one member from the State at large, all appointed by the Governor, upon the advice and consent of the ~~Senate~~ General Assembly~~, subject to the provisions of Section 57‑1‑325~~. In making appointments to the commission, the Governor shall take into account race, gender, and other demographic factors, such as residence in rural or urban areas, so as to represent, to the greatest extent possible, all segments of the population of the State; however, consideration of these factors in making an appointment in no way creates a cause of action or basis for an employee grievance for a person appointed or for a person who fails to be appointed.

(B) ~~The at‑large appointment made by the Governor must be transmitted to the Joint Transportation Review Committee.~~

~~(C)~~ The qualifications that each commission member must possess, include, but are not limited to:

(1) a baccalaureate or more advanced degree from:

(a) a recognized institution of higher learning requiring face‑to‑face contact between its students and instructors prior to completion of the academic program;

(b) an institution of higher learning that has been accredited by a regional or national accrediting body; or

(c) an institution of higher learning chartered before 1962; or

(2) a background of at least five years in any combination of the following fields of expertise:

(a) transportation;

(b) construction;

(c) finance;

(d) law;

(e) environmental issues;

(f) management; or

(g) engineering.

(D) A member of the General Assembly or member of his immediate family may not be appointed to the commission while the member is serving in the General Assembly; nor shall a member of the General Assembly or a member of his immediate family be appointed to the commission for a period of four years after the member either:

(1) ceases to be a member of the General Assembly; or

(2) fails to file for election to the General Assembly in accordance with Section 7‑11‑15.

Section 57‑1‑320. A county within a Department of Transportation district may not have a resident commission member for more than eight consecutive years and in no event shall any two persons from the same county serve as a commission member simultaneously.

~~Section 57‑1‑325.~~ ~~(A) The Governor shall submit his transportation district appointees to the Senate and the House of Representatives for referral to the appropriate legislative delegation. Legislative delegation for these purposes means legislators residing in the congressional district corresponding to the transportation district of the appointee.~~

~~(B) Upon receipt of a referral, the legislative delegation shall meet to approve or disapprove the Governor’s appointee. The legislative delegation shall report its findings to the House of Representatives, the Senate, and the Governor. If the legislative delegation approves the Governor’s appointee, the appointment shall be referred to the Joint Transportation Review Committee. If the delegation disapproves the appointee, the Governor shall make another appointment. If the legislative delegation fails to approve of the Governor’s appointee within forty‑five days of the appointee’s referral to the delegation, the appointee is deemed to have been disapproved.~~

Section 57‑1‑330. (A) All commission members are appointed to serve at the pleasure of the Governor ~~to a term of office of four years which expires on February fifteenth of the appropriate year~~. However, a commission member may not serve more than ~~two~~ eight consecutive ~~terms~~ full years, and may not serve more than twelve years, regardless of when the ~~term was~~ years were served so long as four full years have passed since the commissioner last served. ~~Commissioners shall continue to serve until their successors are appointed and confirmed, provided that a commissioner only may serve in a hold‑over capacity for a period not to exceed six months.~~ If either the eight consecutive year limit or the twelve total years limit is met, a vacancy occurs, and the commissioner may not serve in a hold over capacity. Any vacancy occurring in the office of commissioner shall be filled by appointment in the manner provided in this article ~~for the unexpired term only~~. Except for the at‑large member, a person is not eligible to serve as a commission member who is not a resident of that district at the time of his appointment. Failure by such commission member to maintain residency in the district for which he is appointed shall result in the forfeiture of his office.

(B) The at‑large commission member may be appointed from any county in the State unless another commission member is serving from that county. Failure by the at‑large commission member to maintain residence in the State shall result in a forfeiture of his office.

~~Commission members may be removed from office at the discretion of the Governor subject to the prior approval of the appropriate legislative delegation.~~

B . Article 7, Chapter 1, Title 57 of the 1976 Code is repealed.

C. This SECTION takes effect July 1, 2017, except that the members of the Commission of the Department of Transportation serving on June 30, 2017, shall continue to serve until their current term expires, and until their successor is appointed and confirmed. If a vacancy occurs in the seat of a member serving on June 30, 2017, before the member’s term otherwise expires, the vacancy must be filled in the manner specified in Chapter 1, Title 57 of the 1976 Code, as amended by this act, and the member filling the vacancy shall serve until the term expires. Commissioners serving on June 30, 2017, and anyone serving for the remainder of their term do not serve at the pleasure of the Governor. The members serving on June 30, 2017, if otherwise eligible, may be reappointed pursuant to Section 57‑1‑310, as amended by this act.

SECTION 11. The General Assembly finds that all the provisions contained in this act relate to one subject as required by Section 17, Article III of the South Carolina Constitution in that each provision relates directly to or in conjunction with other sections to the subject of infrastructure financing and oversight.

The General Assembly further finds that a common purpose or relationship exists among the sections, representing a potential plurality but not disunity of topics, notwithstanding that reasonable minds might differ in identifying more than one topic contained in the act.

SECTION 12. The repeal or amendment by this act of any law, whether temporary or permanent or civil or criminal, does not affect pending actions, rights, duties, or liabilities founded thereon, or alter, discharge, release or extinguish any penalty, forfeiture, or liability incurred under the repealed or amended law, unless the repealed or amended provision shall so expressly provide. After the effective date of this act, all laws repealed or amended by this act must be taken and treated as remaining in full force and effect for the purpose of sustaining any pending or vested right, civil action, special proceeding, criminal prosecution, or appeal existing as of the effective date of this act, and for the enforcement of rights, duties, penalties, forfeitures, and liabilities as they stood under the repealed or amended laws.

SECTION 13. If any section, subsection, paragraph, subparagraph, sentence, clause, phrase, or word of this act is for any reason held to be unconstitutional or invalid, such holding shall not affect the constitutionality or validity of the remaining portions of this act, the General Assembly hereby declaring that it would have passed this act, and each and every section, subsection, paragraph, subparagraph, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more other sections, subsections, paragraphs, subparagraphs, sentences, clauses, phrases, or words hereof may be declared to be unconstitutional, invalid, or otherwise ineffective.

SECTION 14. The first paragraph in Section 12‑28‑2355(C), before the first colon, is amended to read:

“(C) Notwithstanding any other provision of law, ~~of~~ the fees collected pursuant to subsection (A) ~~of this section, ten percent must be transmitted by the Department of Revenue to the Department of Agriculture beginning upon the effective date of this act for use as provided in Section 39‑41‑70 and the remainder of the fees~~ must be credited to the Department of Transportation State Non‑Federal Aid Highway Fund as provided in the following schedule:”

SECTION 15. Section 12‑28‑2740 of the 1976 Code is amended by adding an appropriately numbered subsection at the end to read:

“( ) Notwithstanding the provisions of subsection (A), on July 1, 2018, and each July first thereafter until after July 1, 2021, the amount of proceeds of the user fee on gasoline only as levied for in this chapter that must be deposited with the State Treasurer and expended for the purposes of this section must be increased by .3325 cents a gallon, until such time as the total amount equals three and ninety‑nine one‑hundredths cents a gallon. Any increase in proceeds resulting from the provisions of this subsection must be used exclusively for the repairs, maintenance, and improvements to the state secondary highway system.”

SECTION 16. Except where specified otherwise, this act takes effect July 1, 2017.

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