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SC INFORMATION LETTER #89-18

TO: Vicki Jinnette
Public Information Officer

FROM: Jerry B. Knight, Manager
Tax Policy and Procedures Department

DATE: June 19, 1989

SUBJECT: Fuel Ethanol

REFERENCE: S.C. Code Ann. Section 12-27-430 (1), (3) and (6) (1988 Supp.)

AUTHORITY: S.C. Code Ann. Section 12-3-140 (1976)
SC Revenue Procedure #87-3

SCOPE: An Information Letter is a temporary document issued for the purpose of disseminating general tax information and to respond to technical questions from within the Commission which are not related to a specific set of facts.

The code sections pertaining to the special incentive for fuel ethanol blends have been amended as follows:

(1) Fuel ethanol means one hundred ninety-eight proof ethanol denatured in conformity with Bureau of Alcohol, Tobacco and Firearms regulations and distilled in a facility whose principal (over fifty percent) feed stock is wood, corn and its by-products, cereal grain, and its by-products, potatoes and their by-products, sugar beets and their by-products, or turnips and their by-products, all of which must be grown in this State.

(3) Effective July 1, 1988, the tax on fuel ethanol blends is nine cents a gallon until January 1, 1989, and ten cents a gallon until June 30, 1992 December 31, 1990, or until loss of revenues reaches twenty million dollars and at such time all gas incentives must be removed and the tax on fuel ethanol blends must be at the prevailing tax rate a gallon.

Paragraph (6) has been repealed, in its entirety.

To summarize, "corn and its by-products" has been added to the list of feedstock items from which qualifying fuel ethanol may be distilled. Also, effective October 15, 1989, all feedstock items "must be grown in this State".

Also, the phase out date for the incentive has been moved up to December 31, 1990. The maximum revenue loss amount remains at \$20 million.