SC INFORMATION LETTER #17-8

SUBJECT: South Carolina Infrastructure and Economic Development Reform Act

DATE: June 21, 2017

REFERENCE: Act No. 40 (Enacted May 10, 2017)

SC Revenue Procedure #09-3

SCOPE: An Information Letter is a written statement issued to the public to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

The General Assembly recently enacted the South Carolina Infrastructure and Economic Development Reform Act to address the needs of South Carolina’s transportation infrastructure system and to set the State on the path toward a first-class road network. The revenues from this act will provide the resources needed to build and maintain a safe highway system for the residents and businesses of South Carolina.

While the act increases the motor fuel user fee and the maximum tax on the purchase or lease of motor vehicles and certain trailers and semitrailers, it also provides property tax relief and income tax relief.

The purpose of this information letter is to provide information on tax changes under this act that will become effective July 1, 2017. As such, this information letter will only address the imposition of a new infrastructure maintenance fee upon the registration of a vehicle with the Department of Motor Vehicles, the changes in the motor fuel user fee and the motor carrier road tax, and the application of the sales and use tax to motor vehicles, trailers, semitrailers, and other items. The provisions of the act concerning income and property tax relief will be summarized when the Department issues its annual legislative summary later this summer.

Note: The Department does not typically summarize legislation that will be administered by another state agency. However, since the changes to the sales and use tax law are so intertwined with the new infrastructure maintenance fee that will be administered by the Department of Motor Vehicles, this information letter will summarize the new infrastructure maintenance fee.

The summary of the new infrastructure maintenance fee in this information letter has been reviewed and approved by the Department of Motor Vehicles.
House Bill 3516, Section 2 (Act No. 40)

**Motor Fuel User Fee - Increase in the Per Gallon Fee**

Code Section 12-28-310(A) imposes a user fee of sixteen cents per gallon on:

(1) all gasoline, gasohol, or blended fuels containing gasoline that are used or consumed for any purpose in this State; and

(2) all diesel fuel, substitute fuels, or alternative fuels, or blended fuels containing diesel fuel that are used or consumed in this State in producing or generating power for propelling motor vehicles.

Code Section 12-28-310(D) has been added so that beginning July 1, 2017, the user fee will increase by two cents a gallon each year for six years as follows:

<table>
<thead>
<tr>
<th>Date of Increase</th>
<th>New User Fee Rate Per Gallon</th>
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<tbody>
<tr>
<td>July 1, 2017</td>
<td>18 cents</td>
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<tr>
<td>July 1, 2018</td>
<td>20 cents</td>
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<tr>
<td>July 1, 2019</td>
<td>22 cents</td>
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<tr>
<td>July 1, 2020</td>
<td>24 cents</td>
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<tr>
<td>July 1, 2021</td>
<td>26 cents</td>
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<tr>
<td>July 1, 2022</td>
<td>28 cents</td>
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The inspection fee imposed under Code Section 12-28-2355(A) at the rate of one-quarter cent per gallon, and the environmental impact fee imposed under Code Section 12-28-2355(B) at the rate of one-half cent per gallon, did not change.

House Bill 3516, Section 3 (Act No. 40)

**Motor Carrier Road Tax - Increase in the Per Gallon Tax**

Code Section 56-11-410 imposes a road tax on every motor carrier of sixteen cents per gallon for the privilege of using the streets and highways of South Carolina. The road tax is calculated on the amount of gasoline or other motor fuel used by the motor carrier in its operations in South Carolina, provided the motor carrier is allowed a credit against the road tax for the South Carolina motor fuel user fee imposed by Code Section 12-28-310 and paid by the carrier for operations within and without South Carolina.
Code Section 56-11-410 has been amended to increase the road tax, beginning July 1, 2017, two cents a gallon each year for six years as follows:

<table>
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House Bill 3516, Section 10 (Act No. 40)

**Motor Fuel User Fee - Inventory Tax Repealed**

Code Section 12-28-530, which concerns the payment in certain circumstances of the motor fuel user fee on motor fuel inventories when there has been an increase in the user fee rate, has been repealed and will not apply to the increased user fee rate beginning July 1, 2017 or to any future increase in the user fee rate.

House Bill 3516, Section 5 (Act No. 40)

**New Infrastructure Maintenance Fee – SC Department of Motor Vehicles**

Code Section 56-3-627 has been added to impose a new infrastructure maintenance fee beginning July 1, 2017 to account for necessary road maintenance in South Carolina. This fee will be in addition to the registration fees imposed by Chapter 3 of Title 56.

The owner of each vehicle, trailer, semi-trailer or other item that must be registered pursuant to Chapter 3 of Title 56 must pay the infrastructure maintenance fee upon first registering the vehicle, trailer, semi-trailer or other item with the SC Department of Motor Vehicles. The SC Department of Motor Vehicles may not issue a registration until the fee has been collected.

The infrastructure maintenance fee is remitted to the SC Department of Motor Vehicles and is imposed under three circumstances as follows:

◆ **Purchases or Leases from a Dealer**

The infrastructure maintenance fee is imposed when the owner first registers a vehicle, trailer, semi-trailer or other item required to be registered under Chapter 3 of Title 56 that was purchased or leased from a dealer. The fee is the lesser of:
5% of gross proceeds of sale, or sales price (as those terms are defined in Chapter 36 of Title 12); or

$500.

If the dealer has 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.

Purchases or Leases from a Person Other than a Dealer

The infrastructure maintenance fee is imposed when the owner first registers a vehicle, trailer, semi-trailer or other item required to be registered under Chapter 3 of Title 56 that was purchased or leased from a person other than a dealer, such as an individual or a business that is not licensed as a dealer. The fee is the lesser of:

- 5% of fair market value; or
- $500.

Code Section 56-3-627(C)(2) excludes from the infrastructure maintenance fee the following purchases and leases from non-dealers:

- Items transferred to members of the immediate family;
- Items transferred to legal heirs, legatees, and distributees;
- Certain transactions involving the formation of a partnership or corporation;
- Items transferred to licensed dealers, financial institutions and secured parties (as a result of repossession) for resale;
- Items transferred to a seller or secured party as a partial payment;
- Transactions exempt from the sales and use tax; and
- Transfers where a sales or use tax has been previously paid on the transaction necessitating the transfer.

Vehicles First Registered Out-of-State and Later Registered in South Carolina by the Same Owner

The infrastructure maintenance fee is imposed when a vehicle, trailer, semi-trailer or other item required to be registered under Chapter 3 of Title 56 was first registered in another state by the owner and is subsequently registered for the first time in South Carolina by the same owner. This fee is $250.

For example, if a person living in Georgia purchased a motor vehicle and first registered it with the Georgia Department of Motor Vehicles, then that person would owe the $250 Infrastructure Maintenance Fee if that person subsequently moved to South Carolina and registered that same motor vehicle with the South Carolina Department of Motor Vehicles.

The $250 fee for a vehicle registered out-of-state and later registered in South Carolina does not apply if the owner of the item is serving on active duty in the armed forces of the United States. The $250 fee also does not apply to a spouse or dependent of a person serving on active duty in the armed forces of the United States.
House Bill 3516, Section 7B (Act No. 40)

Exemption from the Sales and Use Tax – Items Subject to the New Infrastructure Maintenance Fee

Code Section 12-36-2120 has been amended to add an exemption from state and local sales and use tax for the gross proceeds of sales, or sales price, of any item subject to the infrastructure maintenance fee imposed under Code Section 56-3-627.

House Bill 3516, Section 7A (Act No. 40)

Sales to Nonresidents – Sales Tax on Certain Transactions Remitted to the SC Department of Motor Vehicles

Beginning July 1, 2017, the Infrastructure Maintenance Fee applies to vehicles, trailers, semi-trailers or other items required to be registered with the South Carolina Department of Motor Vehicles under Chapter 3 of Title 56. It does not apply to the sale of vehicles, trailers, semi-trailers or other items sold to persons that will register and use such items in another state.

If a person purchases a vehicle, trailer, semi-trailer or other item in South Carolina to be registered and used in another state (e.g., a nonresident) the sales and use tax applies, unless otherwise exempt.

Code Section 12-36-2110(A)(5) has been added to provide that the sales tax due on the sale of items subject to a maximum tax under Code Section 12-36-2110(A)(1) that will be registered in another state must now be collected by and remitted to the SC Department of Motor Vehicles, not the SC Department of Revenue.

House Bill 3516, Section 7A (Act No. 40)

Maximum Sales and Use Tax

The maximum sales and use tax imposed in Code Section 12-36-2110(A)(1) has increased from $300 to $500 beginning July 1, 2017. This increase applies to each sale or lease of each:

- aircraft, including unassembled aircraft which is to be assembled by the purchaser, but not items to be added to the unassembled aircraft;
- motor vehicle;
- motorcycle;
- boat;
• trailer or semitrailer, pulled by a truck tractor, as defined in Code Section 56-3-20, and horse trailers, but not including house trailers or campers as defined in Code Section 56-3-710;

• fire safety education trailer;

• recreational vehicle, including tent camper, travel trailer, park model, park trailer, motor home, and fifth wheel; or

• self-propelled light construction equipment with compatible attachments limited to a maximum of one hundred sixty net engine horsepower.

However, the maximum tax imposed under Code Section 12-36-2110(C) for musical instruments and office equipment purchased by a religious organization remains $300. The maximum tax imposed under Code Section 12-36-2110(B) for certain energy efficient manufactured homes remains the same as well.

House Bill 3516, Section 7C (Act No. 40)

Casual Excise Tax

Since motor vehicles and motorcycles are subject to the new infrastructure maintenance fee remitted to the Department of Motor Vehicles, Code Section 12-36-1710 – which imposes a casual excise tax on the issuance of a certificate of title or other proof of ownership on certain items – has been amended to remove motor vehicles and motorcycles. The casual excise tax now only applies to boats, boat motors, and airplanes.