



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3505 Amended by House Education and Public Works
Transportation Subcommittee on February 17, 2021

Author: Simrill

Subject: Infrastructure Maintenance Fee and Road Use

Requestor: House Education and Public Works

RFA Analyst(s): Griffith

Impact Date: February 18, 2021

Fiscal Impact Summary

This bill will have no expenditure impact on the Department of Motor Vehicles (DMV) because the agency's computer system is already programmed to collect the infrastructure maintenance fee upon either the first titling of a motor vehicle or the first registration of the vehicle. However, should the bill not pass, the department expects an increase in General Fund expenditures of \$55,000 to bring the computer system into compliance with current law.

The Department of Motor Vehicles (DMV) estimates an average annual revenue increase to the state of \$4,729,415 from the collection of infrastructure maintenance fees (IMFs) from vehicles that are titled but not registered. This revenue will be distributed among Other Funds of DOT and to the Education Improvement Act (EIA) of 1984 Fund. However, the amount distributed to each is undetermined because the amount of IMF collected in a single transaction can vary from \$0-500.

Explanation of Fiscal Impact

Amended by House Education and Public Works Transportation Subcommittee on February 17, 2021 **State Expenditure**

This bill requires an owner of a vehicle or other item to pay an infrastructure maintenance fee (IMF) upon titling or registering the vehicle or other item. Currently, the fee is collected at the time of registration, but there is no fee or tax due at the time of titling. This bill also clarifies that if a person purchases a vehicle that he or she first leased and there is no change in the registrant, the fee is only owed once.

The infrastructure maintenance fee was created through Act 40 of 2017. DMV believes the intent of that act was to replace the payment of sales tax for vehicle purchases. However, the act only specified the collection of the IMF for vehicle registrations, thus creating a subset of the population who titled their vehicles but had to pay neither sales tax nor the IMF. Because of DMV's understanding of the intent of Act 40, the department's computer system, Phoenix, was never programmed to collect the fee at the time of registering, and the department has been using

a workaround to collect the fee only at registration of the vehicle. Phoenix was set to collect sales tax at the time of titling.

Therefore, if this bill passes, there will be no expenditure impact to the General Fund because Phoenix is already programmed to do what the bill requires. However, if the bill does not pass, the department reports that there will be a cost to bring Phoenix into compliance with current law. This process is estimated to take approximately six months, not including testing of the system. The department indicates that this change will use two external IT engineers working at about 250 hours each for \$110 per hour. Therefore, the cost of the bill not passing is approximately \$55,000.

State Revenue

The infrastructure maintenance fee (IMF) collected on a vehicle first registered in the state is distributed as follows:

- twenty percent (up to \$60) to the Education Improvement Act (EIA) of 1984 Fund,
- eighty percent (up to \$240) to the state-funded resurfacing program, which are Other Funds of DOT, and
- any remaining amount to the Infrastructure Maintenance Trust Fund, which are Other Funds of DOT.

The fee collected on a vehicle first registered in another state and subsequently registered in this state is \$250 and is distributed to the Safety Maintenance Account until December 31, 2022.

DMV reports that it collected the IMF on 67,586 and 67,325 title-only transactions in FY 2019 and 2020, respectively, and that the average amount paid in IMF per transaction was about \$72. Based on these numbers, the department anticipates an average annual revenue increase of \$4,729,415 from the collection of fees from vehicles that are titled but not registered. However, because the amount charged in IMF varies based on the purchase price, from whom the vehicle was bought or leased, and whether the vehicle is first titled or registered in another state, and because a member of the United States Armed Forces located in the state but who bought a vehicle in another state is exempt, the distribution of the total revenue is undetermined.

In regards to commercial motor vehicles (CMVs), current law requires the IMF to be paid upon each registration of a CMV. This means that the owner of a CMV is not required to pay the IMF upon titling, but if he/she leases the vehicle through a trucking company, the trucking company is required to pay the IMF upon registering the vehicle. This is true for every subsequent owner-operator relationship, meaning the IMF may be paid multiple times on a vehicle that has never changed owners. Because of the nuances of Act 40, which created the IMF, DMV operationalized the act by collecting the IMF only once per owner. Therefore, the passage of this bill will not decrease any revenue collected in IMF on commercial motor vehicles.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 12, 2021

State Expenditure

This bill requires an owner of a vehicle or other item to pay an infrastructure maintenance fee (IMF) upon titling or registering the vehicle or other item. Currently, the fee is collected at the time of registration, but there is no fee or tax due at the time of titling. This bill also clarifies that if a person purchases a vehicle that he or she first leased and there is no change in the registrant, the fee is only owed once.

The infrastructure maintenance fee was created through Act 40 of 2017. DMV believes the intent of that act was to replace the payment of sales tax for vehicle purchases. However, the act only specified the collection of the IMF for vehicle registrations, thus creating a subset of the population who titled their vehicles but had to pay neither sales tax nor the IMF. Because of DMV's understanding of the intent of Act 40, the department's computer system, Phoenix, was never programmed to collect the fee at the time of registering, and the department has been using a workaround to collect the fee only at registration of the vehicle. Phoenix was set to collect sales tax at the time of titling.

Therefore, if this bill passes, there will be no expenditure impact to the General Fund because Phoenix is already programmed to do what the bill requires. However, if the bill does not pass, the department reports that there will be a cost to bring Phoenix into compliance with current law. This process is estimated to take approximately six months, not including testing of the system. The department indicates that this change will use two external IT engineers working at about 250 hours each for \$110 per hour. Therefore, the cost of the bill not passing is approximately \$55,000.

State Revenue

The infrastructure maintenance fee (IMF) collected on a vehicle first registered in the state is distributed as follows:

- twenty percent (up to \$60) to the Education Improvement Act (EIA) of 1984 Fund,
- eighty percent (up to \$240) to the state-funded resurfacing program, which are Other Funds of DOT, and
- any remaining amount to the Infrastructure Maintenance Trust Fund, which are Other Funds of DOT.

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In regards to commercial motor vehicles (CMVs), current law requires the IMF to be paid upon each registration of a CMV. This means that the owner of a CMV is not required to pay the IMF upon titling, but if he/she leases the vehicle through a trucking company, the trucking company is required to pay the IMF upon registering the vehicle. This is true for every subsequent owner-operator relationship, meaning the IMF may be paid multiple times on a vehicle that has never changed owners. Because of the nuances of Act 40, which created the IMF, DMV operationalized the act by collecting the IMF only once per owner. Therefore, the passage of this bill will not decrease any revenue collected in IMF on commercial motor vehicles.

Local Expenditure

N/A

Local Revenue

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Frank A. Rainwater, Executive Director