ACT 40 OF 2017: REVENUE, REFORM & RELIEF

REVENUE

Transportation Accounts
Created the Infrastructure Maintenance Trust Fund (IMTF) to be used exclusively for repairs, maintenance, and improvements to the existing transportation system.

Motor Fuel User Fee Increase *(+$450M)*
Permanently increases the motor fuel user fee by 2¢ per gallon over six (6) years and credits all funds generated by the increase to the IMTF.

Inspection Fee Revenues to Non-Federal Aid Highway Fund *(+1M)*
Deletes the transmission of ten (10%) percent of the .25¢ per gallon inspection fee to the Department of Agriculture via the Department of Revenue, effectively crediting all the proceeds of the fee to the Non-Federal Aid Highway Fund.

Biennial Registration Fees *(+$31.7M)*
Increases biennial motor vehicle registration fees for passenger vehicles and property-carrying vehicles with gross weight of 6,000 lbs. or less by $16 and credits to the IMTF.

Alternative/Hybrid Vehicle Fees *(+$2.6M)*
Imposes a $60.00/$120.00 biennial road user fee on Alternative Fuel and Hybrid vehicles, respectively credited to the IMTF.

CTC-Funds Increase *($40M)*
Increases the C-Fund allocation to 3.99¢ over a four (4) year period starting July 1, 2018 at .3325¢ per year for use on the state highway system. Also increases the "donor bonus" for donor counties.

Infrastructure Maintenance Fee *(+$97M)*
Replaces current sales tax and increases cap for the "fee" to $500.00 or 5% for in-state and $250.00 for out-of-state motorists. SCDOT is to use 80% of the fee for the resurfacing program as well as for projects financed through the SCTIB mirroring ACT 275 of 2016 language, which this replaces. *(20% of the fee goes to hold the EIA harmless.)* Revenue total comes from $74.4M (in-state) and $22.7 M (out-of-state).

Sales Tax "Cap" on Motor Vehicles
Increases cap to $500.00 with 5% retained. Only applies to vehicles not subject to the infrastructure maintenance fee. *(Revenue totals are included in "maintenance fee" figures.)*

Road Use Fee on Motor Carriers
(+10.6M)
Beginning January 1, 2019, the current property taxes on interstate commercial vehicles over 26,000 lbs. will be rolled into the existing registration process. The fee is calculated using the current property tax formula. 75% of the revenues from the road use fee must be distributed to counties using the current property tax formula, the remaining 25% is to be deposited into the IMTF for expansion and improvements to existing mainline interstates.

REFORM

SCDOT Commission

- The seven (7) Commissioners serving from Congressional Districts are appointed by the Governor and submitted to the House and Senate to be reviewed* and sent to the legislative delegation** for approval with a majority, weighted vote by the delegation.
- Term Limits: no more than two (2) consecutive terms of four (4) years with a lifetime maximum of twelve (12) years serving.
- Increases the number of at-large appointments to two (2) with advice and consent of the General Assembly by a separate vote in both bodies.
- The at-large Commissioners must be transmitted through the Senate Transportation Committee for confirmation hearings before being referred to the full Senate for final confirmation.
- Removes legislative approval of the removal of a Commissioner by the Governor.
- Commissioners may not have any interest (direct or indirect) in contracts awarded during their tenure (or one (1) year after term ends).
- Abolishes the Joint Transportation Review Committee which was responsible for qualifying and screening candidates.
- Commission is removed from the day-to-day operations of the department; requires the Commission to hold at least six (6) meetings annually with one (1) week notice; and the publishing of reports online (including audits).

**The Commissioners referred to the Senate are subject to Senate rules and will be transmitted through the Senate Transportation Committee for screening.*

***The legislative delegation is defined as any legislators representing a portion of the district.*

SCDOT Accountability
Directs the SCDOT to prepare a Transportation Asset Management Plan (TAMP) that addresses funding and safety measures for rural roads.

RELIEF

Motor Fuel & Maintenance Tax Credit
Institutes a refundable credit against the resident's actual motor fuel user fee incurred as a result of the 2¢ per year increase or the amount spent on preventative maintenance, whichever is less. Sets guidelines for the maximum credit for all residents each year: $40M (2018); $65M (2019); $85M (2020); $110M (2021); $114M (2022). *(tax credit sunsets in 2022 with option to be reauthorized by the General Assembly in 2023.)* SCDOT is to transfer the amount required to the Department of Revenue (SCDOR) for the Safety Maintenance Account to offset the credit. SCDOT is to transfer funds derived from the maintenance fee imposed on out-of-state drivers first. Credits not claimed are reverted to SCDOT.

Earned Income Tax Credit
Institutes (after tax year 2017) a non-refundable individual income tax credit 125% of federal EITC to be phased-in through six equal installments of .2083 of a percent.

Two-Wage Earner Credit
Increases the current income limit for the two-wage earner credit to $50,000.00 (from $30,000.00) phased in through six equal installments of $3,333.00 starting with tax year 2018. As result, the maximum credit increases from $210.00 to $350.00.

Tuition Tax Credit
Increases the current refundable income tax credit for tuition at both four (4) and two (2) year institutions to 50%, not to exceed $1,500.00 at a cap of $40 M in 2018 and every year after that plus a cumulative amount equal to the percentage increase in the Higher Education Price index capped at 3% (credits reduced proportionally if the maximum amount claimed is exceeded).

Tax Relief for Manufacturing Property
Beginning tax years after 2017, phases-in over six (6) years a reduction in the property tax assessment ratio from 10.5% to an effective 9% (capped at $85M).

Transportation infrastructure investment will continue to be an issue as populations grow and needs evolve. Funding mechanisms must be able to accommodate these changes. When done right, long-term investments in infrastructure not only improve roads and bridges, but can be directly linked to successful economic development and job creation. Let's continue to move South Carolina forward.