

South Carolina: Support for a gas tax increase on the rise



David M. Kall | Thursday, March 9, 2017

According to the American Petroleum Institute, the national average gas tax as of its January 1, 2017 quarterly update is 49.44 cents per gallon. This consists of the following:

- State excise taxes: 21.3 cents
- Other state taxes: 10.01 cents
- Federal excise taxes: 18.40 cents

South Carolina's gas tax is less than that, at 35.15 cents per gallon, because the Palmetto State's portion is so much lower than the national average:

- State excise taxes: 16.00 cents
- Other state taxes: 0.75 cents
- Federal excise taxes: 18.40 cents

A Tax Foundation map ranks South Carolina's tax rate of 16.75 cents per gallon at the second lowest gas tax in the nation. The states with the highest and lowest rates are these:

| Highest rate | | Lowest rate | |
|-------------------|-------------|-----------------------------|--------------------|
| # 1: Pennsylvania | 58.2 cents | # 50: Alaska | 12.25 cents |
| #2: Washington | 49.4 cents | # 49: South Carolina | 16.75 cents |
| # 3: Hawaii | 44.39 cents | # 48: Oklahoma | 17 cents |
| # 4: New York | 43.88 cents | # 47: Missouri | 17.3 cents |

South Carolina: Support for a gas tax increase on the rise

5: Michigan 40.44 cents # 46:Mississippi 18.79 cents

According to the think tank, for fiscal year 2013, gas taxes, tolls, and motor vehicle license fees covered just 41.4 percent of state and local road spending. Over time, this percentage has been dropping, in part because the tax rates are not indexed for inflation, and also because people are spending less on gas for their cars generally, due to increasing fuel efficiency. As has been covered in the media for quite some time, states continue to struggle to cover their infrastructure costs, resulting in road and bridge deterioration nationwide.

But in South Carolina, there now appears to be some support to change that. In January, lawmakers introduced [House Bill 3516](#), formally known as the Infrastructure and Economic Development Reform Act. The [current version](#), calls for the following, among other things:

1. Increase the gas tax by 2 cents per gallon each year for the next 5 years;
2. Increase the biennial motor vehicle registration fee by \$16;
3. Impose a biennial road use fee of \$120 for alternative fuel vehicles, and a \$60 biennial road use fee for hybrid vehicles;
4. Impose a 5 percent fee 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;
5. Impose a \$250 fee for vehicles previously registered in other states when registered in South Carolina.

HB 3516 creates the Infrastructure Maintenance Trust Fund, to be used exclusively for the repairs, maintenance, and improvements to the existing transportation system.

SCETV, South Carolina's public broadcasting network, reported that the House's legislation does not contain any corresponding tax relief, which was a condition that former Governor Nikki Haley required. The position of her replacement, Governor Henry McMaster, is unclear at this time, but he is on record as saying that "[w]e must examine all sources, all facts, and make a decision as to the best way to improve the roads, but raising taxes is the absolute last resort."

SCETV observed that the Senate's version, [Senate Bill 384](#), introduced on February 8, 2017, does contain tax relief, and would raise \$400 million annually, by way of these provisions:

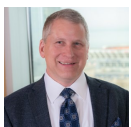
1. Increase gas tax by 2 cents a year for 4 years, for a total of 8 cents.
2. Increase the biennial vehicle registration fees by \$16 for taxpayers under 65 and by \$8 for taxpayers 65 and older.
3. Cap the sales tax on vehicles for those with a purchase price of \$30,000 or above to \$500, and maintain the current sales tax cap of \$300 for vehicles with a purchase price below \$30,000.
4. Impose a \$50 fee for alternative fuel/hybrid vehicles.
5. Establish new road-use fee on commercial vehicles used for carrying property, exempting farm vehicles, and defining commercial into "large" commercial and "small" commercial.

Funds would be deposited into the State Highway Fund, the State Non-Federal Aid Highway Fund, or the Rural Roads Fund. In addition, the Rural Roads Fund must be used solely for road and bridge maintenance within the rural counties of the state, using a needs-based methodology to distribute the funds in a manner to ensure that each rural county is guaranteed funding for repairs and maintenance.

The Herald noted that the South Carolina Department of Transportation estimates that it needs an added \$1 billion a year to repair the state's roads and bridges. Despite this high cost, business leaders are becoming increasingly vocal because many believe there is a new urgency. They say that the road conditions increase maintenance and fuel costs, which could cost South Carolina new jobs and economic development.

For example, the president of Michelin North America, based in Greenville, declared "we've seen the situation only get worse, and we really do believe, at this point, we're at the end of the road. If we do not come up with a solid plan this year that is sufficient and sustainable over the long term, we believe that, going forward, it's going to do significant damage to this state." Further, he threatened that the disrepair could cause his company to "pause in deciding whether to expand in the Palmetto State."

Another stakeholder, the chief executive of Nephron Pharmaceuticals, fussed, "[w]e don't need a 'Welcome to South Carolina' sign. We know we're here based on the condition of our roads."



David M. Kall

