



**SOUTH CAROLINA
REVENUE AND FISCAL AFFAIRS OFFICE**

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FRANK A. RAINWATER
Executive Director

November 30, 2017

Mr. David Garner
County Director
Abbeville County
903 West Greenwood St. Suite 2800
Abbeville, SC 29260

Dear Mr. Garner:

This letter is in response to your request for an estimate of the amount of revenue that would be generated from a 1% local capital projects sales tax beginning FY 2019-20 and ending FY 2026-27 for Abbeville County pursuant to S.C. Code of Laws §4-10-300. Since our initial letter, the Board of Economic Advisors has updated their forecast of statewide sales and use tax collections. Their update has adjusted our earlier estimate of the local option capital projects tax in Abbeville County for FY 2019-20.

Our estimate is based on the revenue generated from the existing local option sales and use tax. Since the tax base for these two local option taxes are similar, we would expect similar collections. With a new tax, however, there are additional risks associated with consumer price resistance and initial compliance issues that could affect collections. Please note also that our current expectation for the state is for continued growth. If there is any significant change in the economy, this estimate would be affected.

For FY 2016-17, Abbeville County generated \$1,657,179 in total collections from the current 1% local option sales tax based upon the latest data provided by the Department of Revenue. Based on this amount and our estimates of sales tax growth for the state, we expect the revenue from a new 1% local option capital projects tax in Abbeville County would total \$1,596,623 in FY 2019-20. Our projection for FY 2020-21 is based on the expected growth rate for sales and use taxes. Our projections for FY 2021-22 through FY 2026-27 reflect the historical ten-year average growth in South Carolina personal income. We feel over the longer term that growth in sales will trend toward the historical average of growth in personal income.

Mr. David Garner
November 30, 2017
Page 2

Unprepared food items would not be subject to the proposed local option capital projects sales tax, unlike the current local option sales tax, and this exemption is reflected in the estimate. Also reflected in the estimate is an anticipated reduction in collections from consumer response to the increased prices of goods from the additional sales tax.

Please note that start-up or compliance issues may impact this estimate and have not been taken into account. Hopefully, any such impact would be minimal, but we recommend budgeting a lower amount with the hope that more revenue will be collected in the first year.

Sincerely,



Frank A. Rainwater
Executive Director

FAR/ajm

Enclosure: 1

Abbeville County Local Capital Projects Sales Tax Estimate

Fiscal Year	Local Option Sales Tax Collections	Annual Percent Change	
2013-14	\$ 1,496,865	n/a	
2014-15	\$ 1,848,164	23.5%	
2015-16	\$ 1,734,579	-6.1%	
2016-17	\$ 1,657,179	-4.5%	
Estimates			
2017-18	\$ 1,740,038	5.0%	/1
2018-19	\$ 1,800,939	3.5%	/1
2019-20	\$ 1,878,380	4.3%	/1
Adjustments to Local Option Sales Tax Collections			
Elasticity	(\$93,919)	5%	/2
Food Exemption	(\$187,838)	10%	/3
Local Capital Projects Sales Tax Estimate (Adjusted)			
2019-20	\$ 1,596,623	n/a	
2020-21	\$ 1,663,681	4.2%	/1
2021-22	\$ 1,726,901	3.8%	/4
2022-23	\$ 1,792,523	3.8%	/4
2023-24	\$ 1,860,639	3.8%	/4
2024-25	\$ 1,931,343	3.8%	/4
2025-26	\$ 2,004,734	3.8%	/4
2026-27	\$ 2,080,914	3.8%	/4

Notes:

1/ Growth rates are based on state sales and use tax growth.

2/ Revenue from an additional tax is expected to be 5% lower than collections from the first local sales tax.

3/ Sales of unprepared food is exempt from the local capital projects sales tax. Based on a comparison of other counties with both a local option sales tax and a capital projects sales tax, the difference in revenue collections ranges between 5% to 16%. An average of 10% is used for this estimate.

4/ 10-year average SC personal income growth from FY 2007-08 to FY 2016-17.