

Gas Tax Credit Still Unpopular, State Concedes

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By Rick Brundrett - The Nerve

Ats in 2019 The tax credit that S.C. lawmakers created in 2017 to offset the state gasoline tax hike has been relatively unpopular so far, records show.

And state revenue forecasters are now admitting it.

After two years of wrongly predicting that taxpayers would claim the maximum-allowed amount of income tax credits, the state Revenue and Fiscal Affairs Office (RFA) is predicting that taxpayers this year collectively will claim nearly \$60 million less than the cap set by law, according to a letter from RFA director Frank Rainwater to Hartley Powell, director of the S.C. Department of Revenue (DOR).

“This analysis projects an increase in taxpayers claiming the credit but at a much lower rate than in our previous estimates,” Rainwater said in the Sept. 25 letter, a copy of which was provided last week by the DOR to The Nerve.

The Nerve last year [revealed](#) that the RFA’s first official estimate was way off the mark.

The gas-tax-hike law that took effect July 1, 2017, raised the state gas tax by 12 cents per gallon over six years – a 75% jump from the base 16 cents – and increased other vehicle taxes and fees. Motorists are now paying 8 cents of the 12-cent hike.

Under the law, new residents registering out-of-state vehicles with the S.C. Department of Motor Vehicles must pay a \$250-per-vehicle “infrastructure maintenance fee.” Revenues from the fee are deposited in a special state account.

That fund is supposed to be used to offset gas tax credits claimed annually by state taxpayers, covering tax years 2018 through 2022. The eligible credit per taxpayer is equal to whichever is lesser: the total increase in gas taxes paid annually for each allowed vehicle, or yearly “preventative maintenance” costs, such as new tires or oil changes.

So why has the tax credit been unpopular so far with taxpayers? Here are some possible reasons, thanks primarily to lawmakers:

- The credit is available to no more than two qualifying private-passenger vehicles or motorcycles per taxpayer.
- The credit for additional gas taxes is lower in the first years, assuming the total number of gallons purchased annually remained the same.
- Taxpayers must keep fuel receipts or credit card statements to show the number of gallons of fuel purchased in South Carolina during the tax year, if claiming the credit for additional gas taxes.

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• Taxpayers have to fill out and attach a special form to their annual tax return.

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• The total amount of allowed credits statewide is capped for each of the five years of the credit.

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For tax year 2018, taxpayers filing a total of 82,448 returns claimed a collective \$2,009,421 in credits, or an average credit of \$24.37, according to DOR figures provided to The Nerve. In comparison, for tax year 2019, taxpayers filing a total of 79,862 returns claimed a collective \$3,435,974 in credits, or an average credit of \$43.02.

The RFA, however, officially predicted that taxpayers statewide would claim the maximum-allowed \$40 million and \$65 million in credits for tax years 2018 and 2019, respectively.

That means the RFA missed the mark by nearly \$38 million and \$61.5 million for 2018 and 2019, respectively. The gas-tax-hike law requires the RFA to make annual projections by Sept. 30.

In his Sept. 25 letter to the DOR, Rainwater predicted that 322,088 taxpayers this filing season will claim a total of \$25,161,515 in credits for tax year 2020, or an average credit of \$78.

But although the RFA projects more taxpayers will claim the credit compared to previous years, the estimated \$25.1 million in total claimed credits is \$59.8 million less than the \$85 million credit cap allowed by law for tax year 2020.

Based on the RFA's earlier rosy projections on claimed credits, the total amount of out-of-state vehicle registration fees deposited in the state "Safety Maintenance Account" fell far short of covering the estimated credits.

To make up the shortfall, the gas-tax-hike law requires the state Department of Transportation to transfer money to the DOR from the state "Infrastructure Maintenance Trust Fund" (IMTF), which is supposed to be used to fix the state's crumbling roads and bridges.

As of Jan. 31, DOT had transferred more than \$62 million to the DOR, according to state comptroller general records. If the RFA overestimates claimed credits, the DOR must return the overpayments; DOR repayments to the IMTF totaled \$100.4 million as of Jan. 31, comptroller general records show.

After the credits expire under the gas-tax-hike law, DOT expects to have an additional \$114 million annually by 2024, of which \$80 million would be used toward an interstate-widening program approved by the DOT Commission in 2018, as The Nerve [reported](#) then.

Of the remaining additional funds, \$15 million would be earmarked for bridge repairs. Another \$15 million would be used for unspecified road projects through a "matching program," and \$4 million is designated for "routine maintenance," according to DOT records.

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Meanwhile, DOT has been slowly completing major repaving or road construction projects statewide while sitting on a huge reserve of gas-tax-hike revenues, as The Nerve has repeatedly [pointed out](#).

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