



January 14, 2019

To: Members of the South Carolina Senate  
From: Americans for Tax Reform

Dear Senator,

As you convene in Columbia for the new legislative session, I write to urge you and your colleagues to use the coming year to enact reforms that will help grow the South Carolina economy and protect taxpayers.

While there are many opportunities to improve South Carolina's tax and regulatory climate, it's important to first do no harm. As such, I urge that you reject any and all efforts to raise taxes, especially at a time when **the Palmetto State is great need of rate-reducing tax reform** of the sort recently enacted in North Carolina. South Carolina's existing tax code is uncompetitive, with rates that are too high. Fortunately, your counterparts in North Carolina have enacted a series of fiscal reforms that provide a model for how to do pro-growth, rate-reducing tax reform in a responsible manner.

The experience in North Carolina demonstrates just how much progress can be made in a short period of time. As recently as five years ago, North Carolina had higher personal and corporate income tax rates than those in South Carolina. Thanks to the enactment of rate-reducing tax reform in 2013 and 2015 based on revenue triggers, North Carolina now has the nation's lowest corporate tax rate and the lowest state income tax rate in the region when not counting the zero income tax states of Tennessee and Florida.

North Carolina taxpayers received their latest in a series of income tax cuts on January 1st of this year, when another round of personal and corporate rate reductions took effect. North Carolina's experience with tax reform demonstrates how **it is possible to simultaneously provide relief for taxpayers, increase teacher pay, realize budget surpluses, and grow the state rainy day fund.**

North Carolina isn't the only nearby state that has been a national leader in passing rate-reducing tax reform. Tennessee, which has long had the advantage of being one of nine states with no income tax, recently repealed its state death tax, and is phasing out its tax on investment income. The Volunteer State isn't letting off the gas when it comes to make that state even more competitive. The new governor there, Governor-elect Bill Lee, has made clear that providing tax relief for employers will be a high priority in his new administrative. It would behoove South Carolina lawmakers and the state's economy to do likewise in 2019.

### **Tax Reform Needed In South Carolina Now More Than Ever**

It's no coincidence that the U.S. has reclaimed the number one spot on the World Economic Forum's Global Competitiveness Index following enactment of federal tax reform that significantly cut federal income tax rates, both personal and corporate. It's clear that many investors, CEOs, and site selectors are bullish on the U.S. relative to other potential destinations for their capital.

Yet once business owners or investors make the decision to bring new capital or create jobs in the U.S., either by relocating or expanding operations stateside, they then have 50 choices before them when it comes to which state to choose. That's why it is more important than ever for legislators in

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Columbia to do everything they can to make South Carolina a more attractive place to invest, do business, live, and raise a family.

### **Individual Tax Relief Benefits Households and Small Businesses**

South Carolina is sandwiched between two states that both have lower state income tax rates, and just beyond those bordering states are the two zero income tax economic powerhouses of Florida and Tennessee. Passing tax reform that reduces and flattens the state's personal income tax rate will ensure that South Carolina remains not just regionally competitive, but also nationally and globally competitive.

In addition to providing needed relief to Palmetto State families, **personal income tax relief would also increase the job-creating capacity of thousands of small businesses across the state.**

According to IRS data, more than 357,000 sole proprietors alone in South Carolina file under the individual income tax system. When factoring in S-Corps and partnerships, thousands more South Carolina small businesses would also benefit from a reduction in the personal income tax rate.

### **Corporate Tax Relief Benefits Everyone**

In recent years non-partisan federal government scorekeepers acknowledged for the first time ever that corporate taxes, and corporate tax hikes like those proposed by congressional Democrats, are borne in part by workers. The Congressional Joint Committee on Taxation (JCT) announced in an October 2013 study that the JCT would henceforth be reporting the affect that corporate taxes and corporate tax changes have on both labor and capital. Prior to that 2013 change, JCT models assumed that the burden of corporate taxes was borne entirely by the owners of capital (stocks, bonds, mutual funds, IRAs and so on).

That move by the JCT five years ago followed similar model adjustments by the Treasury Department and the Congressional Budget Office that account for the share of corporate taxes borne by labor. Interestingly enough, it was during the Obama administration, which enacted trillions of dollars in higher taxes, that key non-partisan fiscal scorekeepers began to formally recognize that corporate taxes are paid for, in part, by workers in the form of lower pay, fewer benefits, and reduced job opportunities. As such, **by reducing the state corporate tax rate, you and your colleagues would benefit shareholders and workers alike.**

Your constituents are counting on you to protect their pocketbooks. I urge you and your colleagues to make 2019 the year that South Carolina passes rate-reducing, pro-growth tax reform. I thank you for your public service. If you have any questions or if ATR can be of assistance, don't hesitate to contact me or Patrick Gleason, ATR's vice president of state affairs, at [pgleason@atr.org](mailto:pgleason@atr.org) or 202-785-0266.

Sincerely,



Grover G. Norquist  
President  
Americans for Tax Reform