



LEGISLATIVE UPDATE 3/3/06

Smith Testifies before Senate Finance Taxation Sub-Committee

Executive Director Smith addressed the Senate Finance Taxation Sub-Committee on **H.4449**, the House Sales Tax Reform Bill. As written, the bill holds harmless current bonded indebtedness of political sub-divisions but what impact would the proposed legislation have on future indebtedness and fee income to meet service needs? The legislation, a comprehensive property tax bill with assessment procedures is intended to decrease the tax burden on the home owner but may have the opposite effect in reality.

In testimony by proponents and opponents of the bill before the sub-committee, the proposal to replace property tax with a two cents sales tax will restructure and transfer the tax burden from the home owner to commerce and industry. South Carolina will not be competitive with its neighbors in the recruitment of industry to develop the states economy. Today, South Carolina has one of the highest tax burdens in the country on commerce and industry. As written this proposed legislation would only increase the burden.

Because the legislation also provides for caps on revenue collection, change of assessment procedures and referenda on taxing, a great deal of the political subdivision's financial stability would be questioned during the two year implementation period. The most affected, may be districts containing pockets of high growth service demands in slow growth rural areas outside major cities of the state, that are not able to meet the scrutiny of bond companies. The bonding institutions like and require stability and soundness to insure financing.

A Senator noted that sales tax collections are not reliable and would go up and down depending upon the economy but more importantly this bill would not do away with property taxes as perceived by the general public. Freezing the assessment on high value property will result in an increased tax burden on lower value properties because the bill does not reduce total taxes, but transfers the burden to different groups in the tax pie.

If the property tax proposal is passed as written, the home owner will still have property taxes and an additional two cents sales tax. The Senate Sub-Committee indicated they would develop their approach but address the assessment issue and funding of education.

Eminent Domain Debate to Begin Next Week

Debate on a House Bill **H.4502** that deals with the right to eminent domain will be debated on the House Floor next week. Under the current House Bill, the State's colleges, **utilities** and the S.C. Ports Authority would lose much or all of their power to condemn property for public benefit. The bill as written would also require local governments to compensate in some zoning instances. It seems that some House Members are using the bill as a vehicle to move other property-related issues. Representative Harry Cato, Chairman of the LCI Committee is expected to propose an amendment to leave utilities power of condemnation at the status quo. If you have a concern with this legislation please contact your House Member.