

Comprehensive Tax Reform

OUR POSITION:

SUPPORT INCLUSION OF ACT 388 IN THE WORK OF THE TAX REALIGNMENT COMMISSION

Background

State funding for public education has shifted from stable sources of revenue to erratic, less reliable forms. In particular Act 388, passed by the state legislature in 2006, has severely harmed funding for our public schools. It eliminated property taxes on owner-occupied homes for school operations and replaced this stable source of funding with a one-cent increase in the state sales tax—revenue that is less reliable. It also resulted in a smaller tax base for generating local funding for our schools and shifted the tax burden for school operations to commercial property.

In 2009, chambers of commerce, education groups and others supported the establishment of a commission to review the state's tax structure and make recommendations for comprehensive tax reform. The groups asked that the commission be independent (not include legislators), be allowed to review all state taxes and streams of revenue, and that the recommendations of the commission be presented as a package for one up-or-down vote by the state legislature.

The State Tax Realignment Commission (TRAC)

Last year the state legislature established the South Carolina Tax Realignment Commission (TRAC), a temporary and independent commission comprised entirely of non-legislators with responsibilities that include –

- Assessing the effectiveness of the state's current tax structure
- Making recommendations to the Legislature regarding necessary changes to that structure
- Ensuring that these recommendations will create a "balanced" state tax structure so that the system is "adequate, equitable and efficient."

However, under the law establishing the commission -

- It is not allowed to include Act 388 in its review or recommendations for changes.
- The legislature is not required to act on any of the Commission's recommendations.

Current Status

- TRAC began its work in September 2009. Its initial recommendations are due later this year.
- Part way into its work, the Commission requested that they be allowed to include Act 388 in their work. Leadership in the State Senate denied that request.
- On February 25th, the House passed resolution H.4585 to include Act 388 in the work of the Commission. The bill is now before the Senate Finance Committee.