

# TARGETED TAX BREAKS

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Instead of permanently lowering or eliminating corporate and income taxes and making South Carolina economically competitive, the General Assembly continues to push targeted tax breaks that benefit special interest groups. Yet the variety of these proposals suggest the obvious: a broad-based cut would be fairer, more efficient, and the best means of depoliticizing the tax code.

## In the Budget:

**Film Producers** — Proviso 39.10: Increases the payroll tax rebate for movie production companies from 15 percent to 20 percent and doubles the rebate (from 15 percent to 30 percent) on expenditures made by a motion picture production company in the state.

**Athletic Boosters** — Proviso 81.17: Establishes an admissions tax exemption for monies paid to nonprofit athletic booster organizations as part of season ticket purchases.

**Medical Industry** — Proviso 89.79: Retroactively exempts to January 1, 1999, the sales and use tax exemption on prescription medicines used to prevent respiratory syncytial virus. Likewise, proviso 89.86 suspends sales and use taxes on viscosupplementation therapies for FY09-2010. ... But why give tax breaks for these treatments and not others?

**Solar Power** — Proviso 89.114: Increases the solar power personal income tax credit from 25 percent to 30 percent. Also see S 10, H 3290, H 3676, H 3863

**Firearms** — Proviso 89.135: Creates a sales tax exemption weekend (November 27-28, 2009) for firearms purchases.

## Enacted Legislation:

**Builders** — H 3018: Provides a property tax exemption for a newly constructed detached single family home, shifting \$1.5 million in property taxes from one class of homeowners (primarily builders) to another. The General Assembly overrode the governor's veto of this legislation.

**Air Carriers** — H 3482: Exempts air carriers operating a hub terminal facility in South Carolina from paying the property tax on personal property, including aircraft.



*South Carolina State House*

### **Passed One Chamber:**

**Coastal Property** — S 573: Creates personal income tax credit for costs associated with making homes more resistant to high winds and flooding (passed Senate).

**Unemployed** — S 690: Creates a tax credit for employers who hire an unemployed person currently receiving unemployment benefits (passed Senate).

**Realtors** — H 3272: Caps the point of sale property tax at 15 percent, shifting lost revenue to other classes of property (passed House).

**Economic Development** — H 3722: Contains a variety of economic development tax exemptions: including those introduced elsewhere — e.g., S 717, S 728 and other bills (passed House and Senate; conference committee appointed).

### **Select Bills Referred to Committee:**

**Retailers** — S 67: Creates 50 percent income tax credit for purchase of a metal detector security system.

**Landlords/Low-Income Renters** — S 69: Provides an income or insurance premium tax credit for developing rental housing units for low-income tenants.

**Small Business** — S 150: Applies job creation tax moratorium to small businesses that pay state

income tax, including sole proprietorships, partnerships and limited liability companies.

**Conservationists** — S 154: Increases targeted tax credit for land conservation gifts, reducing General Fund revenue by \$5.6 million.

**Towing Companies** — S 349: Exempts towing companies from paying business license taxes unless they actually maintain an office within a specific corporate municipality.

**Health Care** — S 597: Grants a sales tax exemption for prescriptions related to macular degeneration, costing \$701,278 in revenue for FY09-2010.

**Disabled Firefighters** — S 599: Grants a property tax exemption for two privately owned vehicles to permanently disabled firefighters.

**Research Organizations** — S 717: Allows nonprofit organizations that invest at least \$20 million over three years on researching the impact of natural hazards to include machinery, raw materials, and electricity as property tax exemptions.

**Developers** — S 728: Permits insurance premium tax credits related to the rehabilitation of textile mill sites.

**Electricity Producers** — S 866: Exempts 85 percent of fair market value of facilities that generate electric power from property taxes.

**Refundable Tax Credit** — H 3010: Creates a 20 percent refundable state income tax credit for recipients of the federal Earned Income Tax Credit (EITC).

**Farmers** — H 3154: Limits property tax increases on certain types of agricultural land.

**Drycleaners** — H 3203: Clarifies and changes certain exemptions and regulations pertaining to drycleaning environmental surcharges.

**Small Business/Uninsured** — H 3210: Creates a state income tax credit (up to \$1,000 per employee) for small employers who provide health insurance.

**Renewable Energy Producers** — H 3290: Exempts all machinery and tools used to produce electricity from a renewable energy source from state sales tax.

**Seniors** — H 3332: Caps state income tax rate at 2 percent for taxable retirement income earned by individuals over age 65. But why not lower the income tax rate for everyone instead?

**Small Business** — H 3669: Allows a one-time tax credit to eligible employers who pay the increased minimum wage.

**Knowledge-Intensive Businesses** — H 3676: In addition to establishing an energy efficiency tax credit, this legislation extends the state jobs tax credit to “knowledge-intensive” businesses.

**Homebuilders** — H 3680: Exempts fire sprinkler systems in manufactured homes from sales tax.

**Venture Capitalists/Startups** — H 3870: Provides a state income tax credit for investments made via the Venture Capital Authority in “high growth-oriented business.”

**Biofuel Producers** — H 3997: Provides income tax credit of \$1 for each gallon of waste kitchen oil donated to a registered biodiesel fuel producer.