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**ECONOMIC DEVELOPMENT**  
Raising South Carolina  
Above The Competition

# Another Big Year For Economic Development Incentives?

by Burnet R. Maybank, III

While it's early in the legislative session, a number of state tax and other economic development bills have been, or will be, introduced in the near future.

Several bills are currently pending, including those by President Pro Tempore Sen. Glenn McConnell and House Speaker Robert Harrell to provide state tax credits for businesses that install fire sprinkler systems. (Media coverage of the recent tragedy in Charleston revealed that one major deterrent to the installation of fire sprinklers in commercial establishments is very high local impact fees.)

The South Carolina Chamber of Commerce is supporting legislation to provide micro-loans and seed capital to small businesses. Such legislation will likely be funded in part by tax credits. Current similar incentives are geared towards medium- and large-size businesses.

The South Carolina Economic Developer's Association (SCEDA) is advocating increasing the Utility Tax Credit from \$300,000 to \$750,000 to provide greater dollars at the local level for public infrastructure. The SCEDA bill also will allow high tech companies with relatively few but high paying jobs to qualify for traditional tax incentives. SCEDA has also called for incentives for the aviation cluster by allowing corporate aircraft to qualify for traditional property tax incentives (at the county's option) as well as allowing aircraft service facilities to qualify for state tax incentives. The SCEDA bill also will simplify the transfer of fee-in-lieu when a manufacturing facility is sold.

Both SCEDA and the South Carolina Chamber have advocated property tax relief for warehouse and distribution facilities that are owned by manufacturers. (A warehouse facility owned by a manufacturer is subject to considerably higher property taxes than an identical facility owned by a commercial real estate developer or real estate investment trust.)

While there are certainly no easy answers, numerous business groups have expressed continued concern (if not alarm) over the unintended consequences of the recent property tax reform. This reform has not only continued the shift of the tax burden from homeowners to the business community, but also added a serious element of unfair competition in real estate segments that are sensitive to square-foot pricing, particularly multi-family housing and commercial rentals. In addition, tax rates for manufacturers in South Carolina were the highest in the nation last year and commercial taxes were the ninth highest. The new point-of-sale valuations have also caused turmoil for properties that have declined in value because of recent market conditions.

Sen. Chip Campsen, and others, will continue



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their push to qualify all forms of entities (particularly limited liability companies or LLCs) for traditional tax incentives. LLCs currently do not qualify for the Corporate Headquarters or Corporate Moratorium incentives. Several urban delegations (including Beaufort) have expressed interest in modifying the Corporate Headquarters incentive, which has been on the books for more than 20 years, but reportedly no corporation has ever met the requirements to use it.

The South Carolina Chamber and the Hospitality Association continue to express concern over the use of accommodation and hospitality taxes. These taxes, designed to promote tourism as well as subsidize the cost of services provided by local governments, have reportedly been diverted to other unintended purposes.

Interest has also been expressed in examining local business license taxes. Discussion has focused on providing an independent appeal to the Administrative Law Court (appeals currently go to City Council) as well as providing an allocation and apportionment formula similar to what is used for state corporate income taxes.

Gov. Mark Sanford announced in the State of the State Address that the Department of Commerce is working on its own tax incentives package. Details are few, but the Department of Commerce is expected to deal with issues of tax equity, as well as other issues.

The Ned Sloane litigation filed against the three major tax incentives bills that passed last year, will

be argued before the South Carolina Supreme Court in March. The suit argues the bills violated the One Subject requirement contained in the South Carolina Constitution, as well as Home Rule. The outcome of that suit could possibly cause certain provisions of these bills to be reintroduced.

Also pending by Sen. McConnell is a bill to broaden the state tax incentives for filming in South Carolina. The Carolina Film Alliance, along with local chambers of commerce in the Upstate and the Lowcountry, has been promoting legislation to match recent increases in film incentives by competing states. Proposals will include increasing the supplier and wage rebates, as well as placing these rebates into permanent law. (They are currently budget provisos.)



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