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STATE ECONOMIC DEVELOPMENT AND TAX RANKINGS (2022)

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# State Economic Development and Tax Rankings

# Business Climate Rankings

# SITE SELECTION 2022 GOVERNOR'S CUP

South Carolina tenth for Projects by Capita

No. 1 in the South Atlantic Region

# Site Selection 2022 Prosperity Cup

## Top 10 States

2022	2021	State
1	1	North Carolina
T4	2	Georgia
2	3	Texas
7	4	Ohio
T4	T5	Indiana
6	T5	Kentucky
8	7	South Carolina
3	9	Tennessee
9	10	Michigan

# Site Selection's 2022 Top State Business Climate Rankings

- ▶ Business Tax Climate Rank: 31st
- ▶ Higher Ed R&D Expenditures: 29th
- ▶ Number of NCRCs: 3rd
- ▶ 2019 Workers' Comp Rate: 19th
- ▶ Industrial Power Cost: 12th
- ▶ Total Revenue as a share of Total Expenses: 10th
- ▶ GDP: 26th

NCRCs is rank in improvement in ACT National Career Readiness Certificates

# CHIEF EXECUTIVE

## 2022 BEST & WORST STATES FOR BUSINESS

State	2022	2021	Change
Texas	1	1	0
Florida	2	2	0
Tennessee	3	3	0
Arizona	4	10	6
North Carolina	5	4	-1
Indiana	6	5	-1
Ohio	7	7	0
Nevada	8	8	0
Georgia	11	9	-2
South Carolina	12	6	-6

# CHIEF EXECUTIVE

## 2022 BEST & WORST STATES FOR BUSINESS

SC was 12<sup>th</sup> in 2022, 6<sup>th</sup> in 2021, 8<sup>th</sup> in 2020 and 2019, tied for 3<sup>rd</sup> in 2018, 4<sup>th</sup> in 2017, 7<sup>th</sup> in 2016, 10<sup>th</sup> in 2015



# AREA DEVELOPMENT 2021 TOP STATES FOR DOING BUSINESS

SC places 3rd overall; SC is:

Tied for 4th, Overall cost of doing business

No 1, business incentives programs

9T, competitive labor climate

4th, Work Force Training

4T, Site Readiness Programs

4th, cooperative and responsive state government

1st, favorable general regulatory climate

6T Energy Availability and Costs

2nd, speed of permitting

5T, Logistics Infrastructure

4th, Available Real Estate

NR, Corporate Tax Structure (was tied for 8th in 2020)

# AREA DEVELOPMENT 2021 TOP STATES FOR DOING BUSINESS

## TOP STATES FOR DOING BUSINESS 2021

1. GEORGIA
2. TEXAS
3. TENNESSEE
4. SOUTH CAROLINA
5. NORTH CAROLINA

South Carolina was 3<sup>rd</sup> in 2020

# AREA DEVELOPMENT 2021 TOP STATES FOR DOING BUSINESS

## OVERALL COST OF DOING BUSINESS 2021

1. GEORGIA
- 2T. NORTH CAROLINA
- 2T. ALABAMA
- 4T. SOUTH CAROLINA
- 4T. TEXAS
6. TENNESSEE

South Carolina was 3T in 2020

# AREA DEVELOPMENT CORPORATE TAX ENVIRONMENT (2021)

1. Texas

2. Florida

3T. Nevada

3T. North Carolina

5. Tennessee

NR. South Carolina

South Carolina was 8<sup>th</sup> in  
2020

# AREA DEVELOPMENT BUSINESS INCENTIVES PROGRAMS (2021)

1. South Carolina

2. Georgia

3. Alabama

4. Tennessee

7T. North Carolina

- ▶ SC incentive packages target services and manufacturing – 3 discretionary grant funds (one of which is the Governor’s closing fund) are administered by the SC CCED to secure high-value projects on a case-by-case basis
- ▶ SC was 2<sup>nd</sup> in 2020

# AREA DEVELOPMENT

## COOPERATIVE & RESPONSIVE STATE GOV'T (2021)

1. Georgia
  2. Tennessee
  3. Indiana
  4. South Carolina
  5. North Carolina
- SC was 2<sup>nd</sup> in 2020

# AREA DEVELOPMENT

## FAVORABLE REGULATORY ENVIRONMENT (2021)

1. South Carolina
  2. Texas
  3. Georgia
  - 3T. Alabama
  5. Indiana
  - 10T. North Carolina
- SC was 2T in 2020

# AREA DEVELOPMENT SPEED OF PERMITTING (2021)

1. Alabama
  2. South Carolina
  3. Georgia
  4. Mississippi
  5. Texas
  8. North Carolina
- SC was 3<sup>rd</sup> in 2020



# AREA DEVELOPMENT SITE READINESS PROGRAM (2021)

1. Tennessee
  2. Georgia
  3. North Carolina
  - 4T. South Carolina
  - 4T. Ohio
- SC was 4T in 2020

# AREA DEVELOPMENT

## ENERGY AVAILABILITY & COSTS (2021)

1. Tennessee
  2. Georgia
  3. Texas
  4. North Carolina
  5. Washington
  - 6T. South Carolina
  - 6T. Kentucky
- SC was 6T in 2020

# AREA DEVELOPMENT

## COMPETITIVE LABOR ENVIRONMENT (2021)

1T. Georgia

1T. Texas

3. North Carolina

4. Florida

5T. Tennessee

5T. Virginia

9T. South Carolina

▶ For most companies, the #1 site selection concern is labor: availability and cost, skill level, training resources, and state support

▶ Common denominator for states with top-ranked workforces is strong network of universities and colleges (for example, Texan workforce is supported by nearly 40 public universities and 50 community college districts)

▶ SC was 7T in 2020

# AREA DEVELOPMENT

## LEADING WORKFORCE DEVELOPMENT PROGRAMS (2021)

1. Georgia

- ▶ Companies ask if location's workforce will have the training needed to perform the job (especially when it comes to STEM skills) – best programs in the South

2T. Louisiana

- ▶ GA's Quick Start program is #1 ranked workforce development program and has trained more than one million in 6,500 projects, many of them for large-scale manufacturing projects. Quick Start will even build state-of-the-art training facilities using identical equipment off site at a nearby technical college assuring company workers will be fully trained and ready to work once their new facility has been constructed

2T. Virginia

4. South Carolina

5. Alabama

- ▶ In 1961 SC launched readySC™. Today, it continues to design and implement customized training for new employees & works with existing employees to meet or maintain their certifications and credentials. Training resources are provided through SC's 16 technical colleges. The program has trained about 289,000 employees for more than 2,000 companies since its inception.

6T. North Carolina

- ▶ SC was 4T in 2020

# AREA DEVELOPMENT AVAILABLE REAL ESTATE (2021)

1T. Georgia

1T. Texas

3. North Carolina

4T. South Carolina

4T. Ohio

SC was 8T in 2020

# AREA DEVELOPMENT LOGISTICS & INFRASTRUCTURE (2021)

1. Texas
  2. Georgia
  - 3T. Tennessee
  - 3T. Indiana
  - 5T. South Carolina
  - 5T. Virginia
  9. North Carolina
- SC was 6T in 2020

# BUSINESS FACILITIES' 17<sup>TH</sup> ANNUAL RANKINGS (2021)

SC ranked:

10<sup>th</sup> in Manufacturing Output (% of GDP)

9<sup>th</sup> in Manufacturing Employment

6<sup>th</sup> Fastest Growing State; and

9<sup>th</sup> Automotive Manufacturing

3<sup>d</sup> FTZ Exports

SC dropped out of the top 10 for Best Business Climate (7<sup>th</sup> in 2019)

# BUSINESS FACILITIES' 16<sup>TH</sup> 2020 METRO AND GLOBAL RANKINGS REPORT

Lexington County was No. 3<sup>T</sup> in Job Growth Leaders

York County was No. 3<sup>T</sup> in Job Growth Leaders

Camp Hall was No. 7 for Industrial Parks

Dorchester County was No. 1 for FTZ (exports)

Spartanburg was No. 9 Mid-Sized MSAs

Spartanburg was No. 8 FTZ (imports)

Mt. Pleasant was No. 12 for fastest growing Metros (Mid-Sized)



# CNBC AMERICA'S TOP STATES FOR BUSINESS IN 2021

<u>South Carolina</u>	2021	2019
Overall:	39	34
Workforce:	16	28
Economy:	21	22
Infrastructure:	36	30
Cost of Doing Business:	31	24
Business Friendliness:	27	35
Access to Capital	30	26
Education	36	29
Technology & Innovation	36	26
Cost of Living	22	26

# 24/7 WALL STREET

## Best and Worse States for Business (2021)

### 26. South Carolina

- >2019 unemployment: 2.8% (9<sup>th</sup> lowest)
- >Pension funded ratio: 55.1% (7<sup>th</sup> lowest)
- >1 year GDP growth: +2.8% (10<sup>th</sup> highest)
- >Poverty rate: 13.8% (10<sup>th</sup> highest)
- >Moody's credit rating and outlook: Aaa/Stable

# RICH STATES POOR STATES

ALEC – Laffer State Economic  
14th Edition (2021)

Economic Performance Rank – SC No. 6 in 2021 (7<sup>th</sup> in 2020)

Economic Outlook Rank – 24<sup>th</sup> in 2021 (32<sup>nd</sup> in 2020)

<u>Variable</u>	<u>2021 Rank</u>	<u>2020 Rank</u>
State Growth Domestic Product	12	12
Top Marginal Personal Income Tax Rate	36	37
Top Marginal Corporate Income Tax Rate	13	13
Property Tax Burden	23	27
Sales Tax Burden	13	14
State Liability System Survey	37	37
Average Workers' Compensation Cost	32	38

1<sup>st</sup> is Best; 50<sup>th</sup> is Worse

# BALL STATE UNIVERSITY MANUFACTURING SCORECARD 2020

The Scorecard shows how each state ranks among its peers in several categories relevant to site selection consultants.

# BALL STATE UNIVERSITY

## MANUFACTURING SCORECARD 2020

Mfg Industry Health	Logistics Health	Human Capital	Workers Benefit Costs	Tax Climate	Global Reach
A	C-	F	C	C	A
Sector Diversification	Productivity and Innovation				
B	C				

# 2020 TOP REAL ESTATE MARKETS: AFFORDABLE ALTERNATIVES TO MEGAPRICEY CITIES

Columbia – No. 5

Medium Home Price - \$178,000

Home Price Change – -0.2%

Sales Change – -5.5%

Charleston – No. 9

Medium Home Price - \$270,000

Home Price Change - +1.9%

Sales Change - +1.2%

# UNIONIZATION

SC: No. 1, Lowest % of Labor Union Participants

SC had 47,000 members of Labor Unions in 2019, which was a 14.5% drop; Federal Bureau of Labor Statistics

Gallup Poll – 64% of Americans have favorable views of organized labor – 4<sup>th</sup> highest ranking in 50 years

# State Tax Rankings



# TAX FOUNDATION

## 2022 State Business Tax Climate Index Ranks and Component Tax Ranks

	Overall Rank	Corporate Tax	Individual Income Tax	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
South Carolina	31	5	33	31	36	27

State and Local Individual income tax collections per Capita: 34<sup>th</sup>

State and Local Tax Burden: 11<sup>th</sup>

Combined State and Local Sales tax rate: 18<sup>th</sup>

A rank of 1 is best, 50 is worse.

# LINCOLN INSTITUTE OF LAND POLICY

## June 2021 50-State Property Tax Comparison Study (Taxes Paid in 2020)

- ▶ Most recent 2021 Lincoln Institute 50-state Property Tax Comparison for taxes paid in 2020
- ▶ In study, compare both urban (largest city in each respective state) and rural areas and break down into 3 separate categories based on land & building value to compare state tax rates
- ▶ Ranking of 1<sup>st</sup> denotes highest tax rates, 53<sup>rd</sup> denotes lowest tax rates
- ▶ In 2018 study, the first time Charleston used because now largest city in SC instead of Columbia (this switch improved our rankings but 2017 & 2016 reveal high tax burden in Columbia area)

# Commercial Property Tax Rankings

# COMMERCIAL PROPERTY TAXES IN SC & NC - URBAN

South Carolina	2021 Ranking
Land and Building Value = \$1,000,000	27th

North Carolina	2021 Ranking
Land and Building Value = \$1,000,000	51st

- ▶ Based upon the largest city in each state – Charleston, SC / Charlotte, NC

Source: Lincoln Institute (2021); Ranking of 1<sup>st</sup> denotes highest tax rate, 53<sup>rd</sup> denotes lowest tax rate

# 2021 – URBAN - COMMERCIAL PROPERTY TAXES IN THE SOUTHEAST

State	Ranking
Tennessee (Nashville)	37th
South Carolina (Charleston)	27th
Georgia (Atlanta)	30st
Alabama (Birmingham)	33rd
North Carolina (Charlotte)	51st

- ▶ Effective Tax Rate for \$1 Million Valued Property (plus \$200k in fixtures) for the largest city in each state

Source: Lincoln Institute (2021); Ranking of 1<sup>st</sup> denotes highest tax rate, 53<sup>rd</sup> denotes lowest tax rate

# 2021 – RURAL - COMMERCIAL PROPERTY TAXES IN SOUTH CAROLINA

South Carolina (Mullins – Marion Cnty)	2020 Ranking
Land and Building Value = \$100,000	2nd
Land and Building Value = \$1,000,000	4th
Land and Building Value = \$25,000,000	4th

North Carolina (Edenton – Chowan Cnty)	2020 Ranking
Land and Building Value = \$100,000	38th
Land and Building Value = \$1,000,000	38th
Land and Building Value = \$25,000,000	38th

- ▶ Based upon a rural city in each state – Mullins, SC (Marion County) / Edenton, NC (Chowan County)

Source: Lincoln Institute (2021); Ranking of 1<sup>st</sup> denotes highest tax rate, 53<sup>rd</sup> denotes lowest tax rate

# Industrial Property Tax Rankings

# 2021 – URBAN - INDUSTRIAL PROPERTY TAXES IN SOUTH CAROLINA

- ▶ Industrial (M&E is 60% of Parcel Value) in Charleston

\$1 million	6 <sup>th</sup>

Source: Lincoln Institute (2021); Ranking of 1<sup>st</sup> denotes highest tax rate, 53<sup>rd</sup> denotes lowest tax rate



# 2021 – URBAN - INDUSTRIAL PROPERTY TAXES IN THE SOUTHEAST

State	Ranking
South Carolina (Charleston)	6 <sup>th</sup>
Georgia (Atlanta)	23 <sup>th</sup>
Alabama (Birmingham)	33 <sup>rd</sup>
Tennessee (Nashville)	29 <sup>th</sup>
North Carolina (Charlotte)	47 <sup>th</sup>

- ▶ Effective Tax Rate for \$1 Million Valued Property (plus \$1M in Personal Property) for the largest city in each state

Source: Lincoln Institute (2021); Ranking of 1<sup>st</sup> indicates the highest tax rate, 53<sup>rd</sup> indicates lowest

# 2017 – URBAN - INDUSTRIAL PROPERTY TAXES IN THE SOUTHEAST

State	Ranking
South Carolina (Columbia)	1 <sup>st</sup> (4.202%)
Tennessee (Memphis)	4 <sup>th</sup> (2.635%)
Georgia (Atlanta)	24 <sup>th</sup> (1.518%)
Alabama (Birmingham)	40 <sup>th</sup> (1.160%)
North Carolina (Charlotte)	43 <sup>rd</sup> (0.947%)

- ▶ Effective Tax Rate for \$1 Million Valued Property (plus \$200k in fixtures) for the largest city in each state – assumes Personal Property = 50% of total parcel value
- ▶ Lincoln Study has six classifications (depending upon real estate and M&E Cap X) for manufacturers – Columbia is number 1 in all six!

Source: Lincoln Institute (2017); Ranking of 1<sup>st</sup> indicates the highest tax rate, 53<sup>rd</sup> indicates lowest

# 2021 – RURAL - INDUSTRIAL PROPERTY TAXES IN SOUTH CAROLINA

South Carolina Mullins – Marion County	2020 Ranking
Land and Building Value = \$100,000	1 <sup>st</sup>
Land and Building Value = \$1,000,000	1 <sup>st</sup>
Land and Building Value = \$25,000,000	1 <sup>st</sup>

Source: Lincoln Institute (2021); Ranking of 1<sup>st</sup> denotes highest tax rate, 53<sup>rd</sup> denotes lowest tax rate

# COMMERCIAL PROPERTY TAXES IN SOUTH CAROLINA – URBAN AND RURAL - 2021

## Apartments

Charleston: 19<sup>th</sup>

Mullins: 4<sup>th</sup>

SC's ranking in 2019 was 25<sup>th</sup> highest and this was the largest drop in the rankings in the country for apartments. Lincoln Institute said this was a result of the growing underassessment of apartments (resulting from Act 388).

Source: Lincoln Institute (2021); Ranking of 1<sup>st</sup> denotes highest tax rate, 53<sup>rd</sup> denotes lowest tax rate

# COMMERCIAL PROPERTY TAXES IN SOUTH CAROLINA – URBAN - 2021

Taxes on Commercial vs. Primary Residence

SC: 4<sup>th</sup>

Apartment vs. Primary Residence

SC: 1<sup>st</sup>

Source: Lincoln Institute (2021); Ranking of 1<sup>st</sup> denotes highest tax rate, 53<sup>rd</sup> denotes lowest tax rate

# 2021 – RURAL - INDUSTRIAL PROPERTY TAXES IN THE SOUTHEAST

State	Ranking
South Carolina (Mullins)	1 <sup>st</sup>
Georgia (Fitzgerald)	12 <sup>th</sup>
Tennessee (Savannah)	36 <sup>th</sup>
North Carolina (Edenton)	35 <sup>th</sup>
Alabama (Monroeville)	48 <sup>th</sup>

- ▶ Effective Tax Rate for \$1 Million Valued Property (land and building) with M&E equal to 50% of total parcel value

Source: Lincoln Institute (2021); Ranking of 1<sup>st</sup> indicates the highest tax rate, 53<sup>rd</sup> indicates lowest

# Residential Property Tax Rankings

# 2021 – URBAN PRIMARY RESIDENCE (HOMESTEAD) CHARLESTON

Tax Rate: 52<sup>nd</sup>

Tax Bill: 46<sup>th</sup>

Primary Residence with Assessment Limits (max. of 15% increase)

Tax Rate: 52<sup>nd</sup>

Tax Bill: 46<sup>th</sup>

Difference in Property Taxes between new Home and Home owned for average duration: 23%

Source: Lincoln Institute (2021); Ranking of 1<sup>st</sup> denotes highest tax rate, 53<sup>rd</sup> denotes lowest tax rate



# 2021 – RURAL PRIMARY RESIDENCE MULLINS

Tax Rate: 35<sup>th</sup>

Tax Bill: 45<sup>th</sup>

Source: Lincoln Institute (2021); Ranking of 1<sup>st</sup> denotes highest tax rate, 53<sup>rd</sup> denotes lowest tax rate

# Rankings of Various Industries

## Tax Foundation Location Matters 2021

South Carolina's single sales factor apportionment and lack of a throwback rule work to the benefit of many of the firms in our study, as does the state's relatively modest corporate income tax rate. However, the state imposes some of the highest effective property tax rates in the country, due in significant part to high property taxes on equipment, and its service sourcing rules which penalize some firms. A capital stock (franchise) tax also adds to overall tax costs.

## Tax Foundation Location Matters 2021

The state's lightest tax costs are on labor-intensive manufacturing firms. The new firm ranks 10th overall with an effective rate of 7.5 percent, while the mature firm ranks 23rd with an effective rate of 10 percent. These firms benefit from a low income tax burden attributable to single sales factor apportionment, the lack of a throwback rule, and generous incentives available to the new firm. They are hindered, however, by extremely high property tax burdens despite a particularly generous property tax abatement available for 20 years of operations. All other firm types in our study except the new corporate headquarters experience above-average tax burdens in South Carolina, often by significant margins.

## Tax Foundation Location Matters 2021

The new distribution center experiences a heavy tax burden with an effective tax rate of 61.5 percent, just shy of double the median rate for this firm type nationwide. The mature distribution center's 48.6 percent tax rate is among the 10 highest in the nation for that firm type, due in large part to its property tax burden, and to the fact that the state's sourcing rules for service income expose 100 percent of the firm's income to in-state taxation. High property taxes also plague data centers, where the new data center pays an effective tax rate of over 40 percent, more than double the rate on mature operations.

## Tax Foundation Location Matters 2021

Substantial inequities exist across firm types, ranging from 7.5 percent for the new labor-intensive manufacturing operation to 61.5 percent for the new distribution center. South Carolina is one of 15 states which still imposes a capital stock tax (called the Corporate License Fee), and one of 13 that requires business taxpayers to remit both corporate income taxes and capital stock taxes, rather than just the higher of the burdens.

## Tax Foundation Location Matters 2021

### Table of Effective Tax Rates in South Carolina

Firm Type	Mature Firm Rank	Mature Firm Rate	New Firm Rank	New Firm Rate
Corporate Headquarters	37	19.3%	25	15.9%
R&D Firm	48	17.5%	46	21.7%
Technology Center	46	17.0%	39	22.6%
Data Center	49	19.1%	42	40.4%
Shared Services Center	43	30.4%	28	29.2%
Distribution Center	41	48.6%	43	61.5%
Capital-Intensive Manufacturer	45	20.5%	39	22.2%
Labor-Intensive Manufacturer	23	10.0%	10	7.5%