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**NEXSEN | PRUET**

**ED Fundamentals Seminar**

South Carolina Rankings

April 8, 2016

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# ROADMAP

- Recent Recognitions – Survey Based
- Recent Rankings – Data Based (Good / Fair / Ugly)
  - Good based on national ranking of 16<sup>th</sup> or better
  - Fair = between 17<sup>th</sup> and 32<sup>nd</sup> national ranking
  - Ugly = 33<sup>rd</sup> worst or higher national ranking
- Sources

# RECENT RECOGNITIONS – SURVEY BASED

- S.C. ranked 1<sup>st</sup> in the nation for attracting jobs through foreign investment in 2015
- S.C. won the Gold Shovel Award for 2015
- S.C. won the Project of the Year Award from the Area Development magazine in 2012, 2014, and 2015

# STATE ECONOMIC COMPETITIVENESS INDEX – THE GOOD (RICH STATES, POOR STATES 2015)

- 6<sup>th</sup> best in Greatest Net In-Migration (cumulative 2004 – 2013); behind Florida (#2), North Carolina (#3), and Georgia (#5)
- 9<sup>th</sup> by NY Times Analysis of # of Targeted Business Incentives; 2<sup>nd</sup> best out of SE states (only behind Tennessee)
- #42 overall in State & Local Tax Burden as a Percentage of State Income (50<sup>th</sup> being lowest tax burden and best; based on FY 2012); NC was 20<sup>th</sup>
- #9 in Top Marginal Corporate Income Tax Rate (5.00%)
- Good rankings for being a right-to-work state, having a state minimum wage meeting the federal floor, not levying an estate/inheritance tax, and having only 1 tax expenditure limit

## STATE ECONOMIC COMPETITIVENESS INDEX – THE FAIR (RICH STATES, POOR STATES 2015)

- #17 overall in State Fiscal Solvency (4<sup>th</sup> best in SE)
- #20 overall in State Economic Performance Rankings (2003-2013)
- #28 in Property Tax Burden (\$29.96 per \$1,000 of personal income)
- #19 in Sales Tax Burden (\$20.25 per \$1,000 of personal income)
- #18 in Remaining Tax Burden (\$16.77 per \$1,000 of personal income)

# STATE ECONOMIC COMPETITIVENESS INDEX – THE UGLY (RICH STATES, POOR STATES 2015)

- #32 in Overall State Economic Outlook Rankings for 2015 (#31 in 2014) and last among SE states (based on 15 x variables); whereas NC ranked #4 and 1<sup>st</sup> out of SE states
- #36 in Top Marginal Personal Income Tax Rate
- #36 in Recently Legislated Tax Changes
- #49 in Debt Service as a Share of Tax Revenue
- #39 in State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)
- #34 in Average Workers' Compensation Costs (\$2.00 per \$100 of payroll)
- #43 in Personal Income Tax Progressivity (\$16.14 per change in tax liability per \$1,000 of income)

# 2016 STATE BUSINESS TAX CLIMATE INDEX – SNAPSHOT AS OF JULY 1, 2015

- Good:
  - #16 in Corporate Tax Rank (NC was #7)
- Fair:
  - #19 in Sales Tax Rank (NC was #31)
  - #25 in Property Tax Rank (NC was #32)
- Ugly:
  - #36 Overall Rank (NC was #15)
  - #35 in Unemployment Insurance Tax Rate (NC was #11)
  - #41 in Individual Income Tax Rank (NC was #14)

# 50 STATE PROPERTY TAX COMPARISON STUDY – MINNESOTA CENTER FOR FISCAL EXCELLENCE 2014

- Comparison of effective property tax rates (total tax divided by total values) for four classes of property located in the largest city of each state, largest fifty cities in the United States, and a rural area for each state
- Selected cities for the rural analysis based on a rural-urban classification continuum developed by the U.S. Department of Agriculture
- Cities included in the rural analysis must be county seats with populations of 2,500 to 10,000 located outside of metropolitan statistical areas
- Study assumes that the “true market value” of each of several parcels is the same in all 124 locations studied
- 53<sup>rd</sup> is best; #1 is worst



# 50 STATE PROPERTY TAX COMPARISON STUDY – THE UGLY

- Columbia #2 in Ratio of Apartment Effective Tax Rates to Homestead Rates, Urban Cities in 2014; whereas Charlotte, NC was tied for #40
- Columbia #8 in Urban Commercial Property Taxes for Property Value of \$100,000 (Charlotte, NC was #42)
- Columbia #10 in Urban Commercial Property Taxes for Property Value of \$1M & \$25M (Charlotte, NC was #45)
- Columbia #1 in Urban Industrial Property Taxes for \$100,000 Property Value & 50% Personal Property; Charlotte was #39
- Columbia #1 in Urban Industrial Property Taxes for \$1M Property Value & 50% Personal Property; Charlotte was #42
- Columbia #1 in Urban Industrial Property Taxes for \$25M Property Value & 50% Personal Property; Charlotte was #42
- Columbia #10 in Urban Apartment Property Taxes for \$600K Property Value (CLT was #43)
- Mullins, SC was #1 for Rural Industrial Property Taxes with 50% Personal Property for \$100,000 & \$1M Property Values (Edenton, NC was #38 and #41)

# 50 STATE PROPERTY TAX COMPARISON STUDY – THE GOOD

- Columbia #47 in Urban Homestead Property Taxes for \$150,000 Property Value (CLT was #30)
- Columbia #44 in Urban Homestead Property Taxes for \$150,000 Property Value with assessment limits (CLT was #30)
- Columbia #47 in Urban Homestead Property Taxes for \$300,000 Property Value (CLT was #32)
- Columbia #44 in Urban Homestead Property Taxes for \$300,000 Property Value with assessment limits (CLT was #32)

# 50 STATE SMALL BUSINESS REGULATION INDEX – BY PACIFIC RESEARCH INSTITUTE (JULY 2015)

- Good:

- #14 in Burdens from State Regulatory Structures (NC was #31)
- #14 in Small Business Regulation Index Rankings Compared to Net Change in Small Business Establishments (NC was #31)
- Both SC & NC good ranking because don't require short-term disability insurance (along with 45 other states)

- Fair:

- #26 in State Unemployment Insurance Programs (NC was #30)

- Ugly:

- #35 in Annual Small Business Payroll Growth Relative to U.S. Average from 2002 - 2011 (NC was #33)
- #34 in in State Workers Compensation Programs (NC was #24)

# THE STATE TAX COSTS OF DOING BUSINESS - KPMG TAX FOUNDATION 2015 LOCATION MATTERS

- Fair:

- #30 for Mature Company Corporate HQs incentives (NC was #5)
- #26 for New Company Corporate HQs incentives (NC was #6)
- #20 for Mature Labor-Intensive Manufacturer incentives (NC was #19)
- #19 for New Labor-Intensive Manufacturer incentives (NC was #11)

- Ugly:

- #36 for Mature R&D Facility incentives (NC was #16)
- #32 for New R&D Facility incentives (NC was #20)
- #36 for Mature Retail incentives (NC was #5)
- #49 for New Retail incentives (NC was #10)
- #42 for Mature Capital-Intensive Manufacturer incentives (NC was #17)
- #46 for New Capital-Intensive Manufacturer incentives (NC was #35)
- #41 for Mature Call Center incentives (NC was #12)
- #31 for New Call Center incentives (NC was #20)
- #49 for Mature Distribution Center incentives (NC was #8)
- #50 (last) for New Distribution Center incentives (NC was #11)

# OTHER MISCELLANEOUS RANKINGS

- Good:

- #3 - best in the nation gas taxes (American Petroleum Institute State Motor Fuel Tax Rankings from 1/14/2016)
- #50 in nation for employees represented by organized labor (NC is #49) (Post & Courier article - <http://www.postandcourier.com/article/20160128/PC05/160129351/sc-union-membership-falls-in-x2019-15-now-lowest-rate-in-the-nation>)

- Fair:

- #29 in Kaufman Index for Startup Activity (measures rate of new entrepreneurs, opportunity share of new entrepreneurs, and startup density) and although S.C. still towards bottom half they improved from 2014 rankings where they were 46<sup>th</sup> (<http://www.kauffman.org/microsites/kauffman-index/rankings/state>)

- Ugly:

- #39 in Best & Worst States to Make a Living in 2015 (<http://www.money-rates.com/research-center/best-states-to-make-a-living/the-best-states-for-making-a-living-2015.html>); NC is 24<sup>th</sup>
  - SC normally fares poorly on this type of study because of the Tax Foundation's misunderstanding of SC's individual income taxes
  - 5 factors evaluated for rankings: 1) Average wages; 2) State tax rates; 3) Cost of living; 4) Unemployment rate; and 5) Incidents of workplace illness, injuries and fatalities

# SOURCES

- Sources:
  - S.C. Dep't of Commerce
  - Rich States, Poor States: Alec-Laffer State Economic Competitiveness Index (8<sup>th</sup> Edition – 2015) ([http://www.alec.org/app/uploads/2015/10/RSPS\\_8th\\_Edition-Final.pdf](http://www.alec.org/app/uploads/2015/10/RSPS_8th_Edition-Final.pdf))
  - Tax Foundation: 2016 State Business Tax Climate Index (<http://taxfoundation.org/article/2016-state-business-tax-climate-index>)
  - Lincoln Institute: 50-State Property Tax Comparison Study (April 2015) ([https://www.lincolninst.edu/pubs/3550\\_50-State-Property-Tax-Comparison-Study](https://www.lincolninst.edu/pubs/3550_50-State-Property-Tax-Comparison-Study))
  - Pacific Research Institute: 50-State Small Business Regulation Index (July 2015) ([https://www.pacificresearch.org/fileadmin/images/Studies\\_2015/SmBusinessIndex\\_UpdatedVersion2\\_web.pdf](https://www.pacificresearch.org/fileadmin/images/Studies_2015/SmBusinessIndex_UpdatedVersion2_web.pdf))
  - KPMG Tax Foundation Location Matters: The State Tax Costs of Doing Business (2015) (<http://taxfoundation.org/article/location-matters-2015>)

# ECONOMIC DEVELOPMENT FUNDAMENTALS SEMINAR

## SOUTH CAROLINA RANKINGS



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