

THE COMMUNITY LEADER'S LETTER

NEWS & VIEWS FOR SOUTH CAROLINA'S
GRASSROOTS LEADERS



'YES' OR 'NO' IN NOVEMBER 6 VOTE ON THE LOCAL OPTION SALES TAX?

If you want to figure how the adoption of the local option sales tax by the voters of your county will affect how much property tax you pay, see page 2.

This fall in the November elections, South Carolina citizens in all 46 counties will have an opportunity to vote on whether they want to substitute a local sales tax for a portion of the local property taxes. Dr. Holley Ulbrich, Alumni Professor of Economics at Clemson, is the author of a soon-to-be-released study of the tax system in South Carolina. In the interview below, she tells us some things voters should bear in mind as they decide how they will vote on this important question.

Q: Dr. Ulbrich, exactly what will South Carolina voters be deciding when they cast their ballots on the local option sales tax this November?

A: Voters will be asked to approve adding a one percent *local* sales tax in their county to the five percent state sales tax. If the local sales tax is approved, there will be a rollback in property taxes. The size of the rollback is based on the amount of sales tax generated. In the first year 63 percent of sales tax collections will be used to roll back property taxes. The percentage of collections used to roll back property taxes will increase gradually over five years until the percentage used for tax rollbacks is 71 percent. Some people will pay no county or municipal property taxes at all.

Q: What happens to the rest of the sales tax not used for property tax rollback?

A: It provides additional revenue for the counties and municipalities where it is raised to use to improve or expand services.

Q: What if it doesn't pass in my county?

A: It will probably come up again. In other states with local-option sales taxes, it has not been unusual for voters to turn down a local sales tax when it is first presented to them in a referendum, only to change their minds and approve a sales tax two or three years later.

Q: Will the rollback apply to all types of property taxes?

A: No. It applies only to property taxes levied for ordinary county and municipal purposes. It does not apply to school taxes or to property taxes levied for special purpose districts, because only county and municipal governments receive revenues from the

local sales tax.

Q: How do I find my tax savings?

A: It is a fairly complicated process because the amount of the rollback will vary from county to county and municipality to municipality. See page 2 for the procedure for figuring property tax savings.

Q: Some of the opponents of this local sales tax claim that it will give a windfall to business and industry. Is that true?

A: Adoption of the sales tax will result in some net shift of the tax burden away from business and industry. Most of the sales tax will be paid by consumers, not business and industry. Use of the term *windfall* suggests that the local sales tax will result in a huge savings for business and industry. It won't. The rollback is based on **appraised** value,

(Continued p 3)

In furtherance of Clemson University's land-grant mission, the Community & Economic Development Program at Clemson provides access for community leaders in South Carolina to expertise in all branches of knowledge on the University campus.

FINDING PROPERTY TAX CHANGES UNDER LOCAL OPTION SALES TAX

One question on the top of a person's mind when the local option sales tax is explained is: "How will such a tax change affect what I pay in taxes?" It's possible to figure that out by using the procedure in the box below. The South Carolina Tax Commission has computed a tax credit factor for each county and municipality based on projected sales tax revenues for each area. The factors are based on the best information currently available to the Tax Commission. These factors and an estimate of the additional sales tax you will pay if the local option tax is adopted are also listed below to enable you to compute the amount you will save under the property tax rollback. Remember that the rollback applies only to county and city taxes, not school taxes. In some cases the rollback will be greater than the county or city property taxes previously paid. Two weeks before the November 6 referendum on the local option sales tax, local governments are required to publish in the newspaper the anticipated credit against property taxes in the first year of implementation if the new sales tax is approved by voters.

TAX FACTORS

- Abbeville Co. .001726
- Abbeville .002458
- Calhoun Falls .003200
- Donalds .004357
- Due West .006437
- Honea Path .001889
- Lowndesville no millage
- Ware Shoals .001814
- Aiken Co. .001767
- Aiken .001378
- Burnetown no millage
- Jackson .002730
- Monetta no millage
- New Ellenton .003528
- North Augusta .001750
- Perry .009618
- Salley not available
- Wagener .003850
- Windsor no millage
- Allendale Co. .005120
- Allendale .005114
- Fairfax .006398
- Sycamore no millage
- Ulmer no millage
- Anderson Co. .001600
- Anderson .002023
- Belton .002808
- Clemson .001084
- Honea Path .002669
- Iva .003352
- Pelzer .001739
- Pendleton .002796
- Starr .003848
- West Pelzer .002688
- Williamston .002323
- Bamberg Co. .002690
- Bamberg .002333
- Denmark .003944
- Ehrhardt .001281
- Govan .003998
- Olar .003683
- Barnwell Co. .002040
- Barnwell not available
- Blackville not available
- Elko not available
- Hilda not available
- Kline not available
- Snelling not available
- Williston not available
- Beaufort Co. .000754
- Beaufort .000226
- Bluffton .000099
- Hilton Head Is. .000326
- Port Royal .000217
- Yemassee not available
- Berkeley Co. .000734
- Bonneau .001582
- Goose Creek .001761
- Hanahan .001107

COMPUTING YOUR TAX CREDIT

Appraised Value of House _____

Plus Appraised Value of Car/s _____

Plus Appraised Value of Other Real & Personal Property _____

Equals Total Appraised Value (A) _____

County Tax Credit Factor (See List) _____

Plus City Tax Credit Factor _____

Equals Total Tax Credit Factor (B) _____

Multiply (A) By (B) For Tax Savings From Property Tax Rollback (C) _____

To adjust rollback for loss of income tax deduction if you itemize on your income tax, multiply (C) by .65. (D) _____

To Find Net Savings or Cost if the Local Option Tax is adopted, subtract the additional sales tax paid (See table below) from (D). _____

- Jamestown .000138
- Moncks Corner .000784
- St. Stephen .001438
- Summerville .001418
- Calhoun Co. .001343
- Cameron not available
- St. Matthews not available
- Charleston Co. .001487
- Charleston .001045
- Folly Beach .000630
- Hollywood no millage
- Isle of Palms .000238
- Kiawah Is. no millage
- Lincolnton .005309
- McClellanville .000893
- Meggett no millage
- Mt. Pleasant .001020
- N.Charleston .001415
- Ravenel .003300
- Seabrook Is. no millage
- Sullivan's Is. .000636
- Summervale .001418
- Cherokee Co. .001126
- Blacksburg .002286
- Gaffney .001779
- Chester Co. .001353
- Chester .002714
- Ft. Lawn .002189
- Great Falls .003340
- Lowrys no millage
- Richburg no millage
- Chesterfield Co. .000979
- Cheraw .001103
- Chesterfield .001928
- Jefferson .001356
- McBee .002805
- Manning .003349
- Paxville .004781
- Summerton .003212
- Turbeville .002514
- Colleton Co. .000882
- Cottageville .002555
- Edisto Beach .000054
- Lodge .003965
- Smoaks .004125
- Walterboro .002509
- Williams .006226
- Darlington Co. .001033
- Darlington .002012
- Hartsville .001890
- Lamar .002072
- Society Hill .005196
- Dillon Co. .001787
- Dillon .002584
- Lake View .002237
- Latta .005424
- Lake View .002237
- Harleyville .002122
- Reevesville .002898
- Ridgeville .007521
- St. George .001918
- Summerville .001418
- Edgefield Co. .002851
- Edgefield .003889
- Johnston .003927
- Trenton .001766
- Fairfield Co. .000768
- Ridgeway not available
- Winnsboro not available
- Florence Co. .001256
- Coward .002396
- Florence .001640
- Johnsonville .002096
- Lake City .002380
- Olanta .001730
- Pamplico .002274

- Quinby .001760
- Scranton .006549
- Timmonsville .002495
- Georgetown Co. .000763
- Andrews .005815
- Georgetown .003203
- Pawleys Island .000090
- Greenville Co. .001382
- City View .005742
- Fountain Inn .000372
- Greenville .001391
- Greer .002072
- Mauldin .001156
- Simpsonville .001917
- Travelers Rest .001988
- Woodside no millage
- Greenwood Co. .001277
- Greenwood .001833
- Hodges .002110
- Ninety Six .001055
- Troy .012824
- Ware Shoals .001814
- Hampton Co. .002275
- Brunson not available
- Estill not available
- Fairfax not available
- Furman not available
- Gifford not available
- Hampton not available
- Luray not available
- Scotia not available
- Varnville not available
- Yemassee not available
- Horry Co. .001251
- Atlantic Beach .001633
- Aynor .005084
- Briarcliffe Acres .000785
- Conway .004822
- Loris .004663
- Myrtle Beach .000999
- N. Myrtle Beach .000632
- Surfside Beach .000880
- Jasper Co. .002637
- Hardeeville .004497
- Ridgeland .008468
- Kershaw Co. .000916
- Bethune .002654
- Camden .002418
- Elgin .002073
- Lancaster Co. .001333
- Heath Springs not available
- Kershaw .004389
- Lancaster .003149
- Laurens Co. .000859
- Clinton .001720
- Cross Hill .002732
- Fountain Inn .002427
- Gray Court .002512
- Laurens .001202
- Ware Shoals .001814
- Waterloo not available
- Lee Co. .002940
- Bishopville .007056
- Lynchburg .014656
- Lexington Co. .001313
- Batesburg not available
- Branchville not available
- Cope not available
- Cordova not available
- Gaston not available
- Gilbert not available
- Irmo not available
- Leesville not available
- Lexington not available
- Pelion not available
- Pine Ridge not available
- S.Congaree not available
- Springdale not available
- Summit not available
- Swansea not available
- West Columbia .002403
- McCormick Co. .005543
- McCormick .019866
- Mt. Carmel .078228
- Parksville .011109
- Plum Branch .004048
- Marion Co. .001422
- Marion .001660
- Mullins .001599
- Nichols .001047
- Sellers .004667
- Marlboro Co. .002389
- Bennettsville .002179
- Blenheim not available
- Clio not available
- McColl no millage
- Tatum .003543
- Newberry Co. .001141
- Chappells no millage
- Little Mountain .001300
- Newberry .001711
- Peak no millage
- Pomaria .002425
- Prosperity .001430
- Silverstreet no millage
- Whitmire .002502
- Oconee Co. .000685
- Salem .002016
- Seneca .002000
- Walhalla .002297
- Westminster .002416
- West Union .001206
- Orangeburg Co. .001250
- Lyman .002335
- Bowman not available
- Pacolet .003588
- Branchville not available
- Pacolet Mills .005926
- Cope not available
- Spartanburg .001224
- Cordova not available
- Wellford .004544
- Elloree not available
- Woodruff .004024
- Eutawville not available
- Sumter Co. .002650
- Holly Hill not available
- Mayesville .004131
- Livingston not available
- Pinewood .004536
- Neeses not available
- Sumter .001972
- North not available
- Union Co. .001507
- Norway not available
- Carlisle .003099
- Orangeburg not available
- Jonesville .003545
- Rowesville not available
- Lockhart no millage
- Santee not available
- Union .002443
- Springfield not available
- Williamsburg Co. .001454
- Vance not available
- Andrews .005815
- Woodford not available
- Greeleyville .009095
- Pickens Co. .001298
- Hemingway .001840
- Central .002060
- Kingstree .005156
- Clemson .001084
- Lane .009189
- Easley .001534
- Stuckey no millage
- Liberty .001739
- York Co. .000599
- Norris .003340
- Clover .001848
- Pickens .002097
- Fort Mill .001255
- Six Mile .002107
- Hickory Grove .001358
- Richland Co. .002442
- McConnells .002759
- Arcadia Lakes no millage
- Rock Hill .001383
- Blythehood .001199
- Sharon .002359
- Columbia .002386
- Smryna .001965
- Eastover .006153
- Tega Cay .000612
- Forest Acres .001175
- York .001524

ADDITIONAL SALES TAX PAID BY A FAMILY IF THE ONE CENT LOCAL OPTION SALES TAX IS ADOPTED

Family Income	Tax Pd	Family Income	Tax Pd	Family Income	Tax Pd
Up to 9,999	48.20	30,000 to 34,999	101.60	60,000 to 69,999	151.60
10,000 to 14,999	58.30	35,000 to 39,999	110.40	70,000 to 79,999	164.80
15,000 to 19,999	71.00	40,000 to 44,999	118.70	80,000 to 89,999	177.20
20,000 to 24,999	82.00	45,000 to 49,999	126.50	90,000 to 99,999	188.90
25,000 to 29,999	92.10	50,000 to 59,999	137.80	Over 100,000	220.00

MORE Q & A ON LOCAL OPTION SALES TAX

(From p 1)

not **assessed** value. Property with higher assessment ratios, such as manufacturing concerns, actually receive proportionally less benefit from the tax rollback than property with lower assessment ratios such as residential and agricultural property.

Q: Another argument used against the sales tax is that it is regressive. What does that mean?

A: It means that low-income persons pay a greater proportion of their incomes in sales tax than do middle and upper income persons. There is no question that the sales tax is regressive. But so is the property tax, at least the way it works in South Carolina. It is not at all clear that substituting a sales tax for a portion of the property tax will make the total tax system in South Carolina more regressive. In fact, such a substitution might actually make the overall South Carolina tax system less regressive.

Q: But won't most South Carolinians end up paying more taxes if a local option sales tax passes?

A: Yes, that is right, in most cases. But whether they approve the local sales tax or not, most South Carolinians will end up paying more taxes because the costs local governments incur in providing essential services keep going up. Federal revenue sharing has been discontinued and local governments, increasingly, are on their own in finding ways to pay for the services they pro-

vide. So it really is not a question of whether we pay more taxes. The question is whether all the increase in local taxes will be in the form of property taxes or whether new tax burdens will be divided between property and sales taxes.

Q: Are you saying that one way to hold down future increases in property tax is to approve the local sales tax?

A: Yes. Local governments in South Carolina are required to operate with balanced budgets. Currently, the property tax is the only major revenue source available to our local governments which can be used to balance the budgets. So as costs go up, local governments either must reduce services or raise property taxes.

Q: After the rollback is in effect, what is to keep local governments from turning around and raising property taxes again?

A: By law a rollback equal to 71 percent of the sales tax revenues is permanent. However, there is nothing to prevent a millage rate increase except the power of the ballot box. There will be no legal prohibition on county and municipal councils increasing property tax rates even after the sales tax is in place. However, after the rollback, elected officials will be raising taxes from a lower base, and elected officials are often reluctant to increase tax rates because voters may turn them out

in the next election.

Q: Is the sales tax better than the property tax?

A: No tax is perfect, but the sales tax does have some advantages. It is broader than the property tax in that it forces persons who may own little or no real property to bear more of the burden of supporting local government. A sales tax is also probably more convenient to pay because it is paid in small sums throughout the year, whereas property taxes are paid in one big lump sum at the end of the year. But perhaps the strongest argument for the sales tax is that it will give local governments a source of revenue that grows along with growth in the community. Because of lags in assessment, property tax revenues tend to grow more slowly than sales tax revenues, which grow as population and income grow.

Q: How do the two taxes compare when it comes to new businesses?

A: Suppose a new industrial plant is being built in the county. The construction workers (and later additional plant workers) come into the county and create demand for county services. But the plant will not go on the tax books and begin paying property taxes until it goes into operation. In fact, because of the special tax break we give new industry in South Carolina, the new industry will not pay any county taxes for the first five years it is in operation. During that time, the county may be

(Continued p 4)

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James Hite, Interim Program Coordinator
Ada Lou Steirer, Research Associate

Persons wishing to be added to the newsletter mailing list or seeking help or information about the program may call 803 656-4700 or write to the address on p.4. Feel free to reprint information found in the newsletter; however, please cite the newsletter as the source.



THE COMMUNITY LEADER'S LETTER

MORE Q & A ON LOCAL OPTION SALES TAX

(From p 3)

Counties raising more than \$5 million will contribute up to 5 cents of each dollar raised to a special fund for redistribution to counties raising less than \$2 million.

Counties receiving revenue from this fund (if they adopt the local option sales tax) are Abbeville, Allendale, Bamberg, Barnwell, Calhoun, Chester, Clarendon, Dillon, Edgefield, Fairfield, Hampton, Jasper, Lee, Marion, Marlboro, McCormick, Newberry, Saluda, and Union.

Counties contributing to the fund are Aiken, Anderson, Beaufort, Berkeley, Charleston, Florence, Greenville, Horry, Lexington, Orangeburg, Pickens, Richland, Spartanburg, Sumter, and York.

All other counties, called neutral counties, will neither contribute to the special fund nor receive money from it.

hardpressed to find the revenue needed to support the additional services required by growth flowing from the plant. With a local sales tax, the construction and other workers at the plant will begin contributing to the county's treasury immediately every time they make a local purchase. So a local sales tax would allow local governments to partially escape from always having to be playing catch up with growth.

Q: Are there any other arguments for the sales tax that South Carolinians ought to consider?

A: Yes. Some of the sales tax will be paid by non-South Carolinians who happen to be passing through — tourists and business travelers. In some counties that do not see many tourist or business travelers, the amount may be so small as to be insignificant. But every cent paid by outsiders is a cent local property owners do not have to pay. In some counties, particularly those with major tourist centers, counties along interstate highways, and those with major cities attracting business travelers, out-

siders will make a substantial contribution to the costs of local government services that they are not making right now.

Q: Won't most of the revenues go to the coastal counties and the counties with large cities, like Richland and Greenville?

A: Most of the projected revenue will be raised in the larger counties. Preliminary estimates are that 15 counties will generate more than \$5 million each in revenue. But, because residents of rural counties typically shop in urban counties, urban counties will have to contribute to a fund that will guarantee at least \$2 million to 19 rural counties. The other 12 counties are expected to receive from \$2 to \$5 million a year each, so they don't contribute to the fund or get funds.

Q: Must rural counties approve the local-option sales tax in order to receive revenue from this special fund?

A: Yes, only those rural counties where voters approve a local sales tax will benefit from the

special fund. But, of course, the urban counties must also approve the tax in order for there to be any money in the special fund.

Q: It sounds like the issues are not clear-cut. How does one go about sorting out all the pros and cons of this local sales tax?

A: The requirement for a property tax rollback and the provision for urban counties to share revenues with rural counties complicate the issues considerably. The situation will be different in each county. Generally, a local sales tax would seem most attractive in counties with tourism and travel-related businesses and in those with major shopping centers. But rural counties that stand to benefit from redistribution from the special fund also have a strong incentive to adopt the local sales tax. Overall, the biggest benefit from the local sales tax is diversification of local government revenue. Yet against that benefit are the problems that the sales tax is regressive and that it may shift some of the local tax burden from industrial property to households.

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COMMUNITY
AND
ECONOMIC DEVELOPMENT PROGRAM

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WHAT ASSISTANCE IS MOST NEEDED FROM CLEMSON UNIVERSITY?

Please take the time to answer the following questions regarding what types of technical assistance from Clemson University you believe would be most helpful to you as a South Carolina community leader.

PART I. Your Position

1. The category that best describes me is (check only one):

- | | |
|--|--|
| <input type="checkbox"/> a. concerned private citizen | <input type="checkbox"/> d. other elected official |
| <input type="checkbox"/> b. elected municipal official | <input type="checkbox"/> e. appointed official |
| <input type="checkbox"/> c. elected county official | <input type="checkbox"/> f. government employee |

2. I live in a (check all that apply):

- | |
|---|
| <input type="checkbox"/> a. metro area (county with city of 50,000 or suburbs of such a city) |
| <input type="checkbox"/> b. medium size city (city of 10,000 to 50,000) |
| <input type="checkbox"/> c. small city (city of 5,000 to 10,000) |
| <input type="checkbox"/> d. small town or village (place of less than 5,000) |
| <input type="checkbox"/> e. unincorporated area of a county |
| <input type="checkbox"/> f. rural county with no large or medium size city |

3. In the past, I have made use of the programs of the Clemson Extension service:

- | |
|--|
| <input type="checkbox"/> a. on a frequent basis (several times a year) |
| <input type="checkbox"/> b. occasionally (once a year or less) |
| <input type="checkbox"/> c. rarely (once or twice in recent years) |
| <input type="checkbox"/> d. never had any contact with Extension in recent years |
| <input type="checkbox"/> e. never had any contact with Extension at all |

PART II. Perception of Community and Economic Development Problems

1. From my perspective, the following are serious community and economic development problems in my area (check all that apply). In my judgment, the MOST SERIOUS problem is the one that I have circled (circle only one).

- | | |
|---|---|
| <input type="checkbox"/> a. failure of public education | <input type="checkbox"/> i. racial tension or misunderstanding |
| <input type="checkbox"/> b. rising taxes | <input type="checkbox"/> j. lack of leadership |
| <input type="checkbox"/> c. environmental decay | <input type="checkbox"/> k. unemployment and lack of jobs |
| <input type="checkbox"/> d. access to & cost of health care | <input type="checkbox"/> l. inadequate recreational & cultural activities |
| <input type="checkbox"/> e. breakdown of families | <input type="checkbox"/> m. roads and public transportation |
| <input type="checkbox"/> f. increased crime | <input type="checkbox"/> n. other (please list: _____) |
| <input type="checkbox"/> g. inefficiency in government | |
| <input type="checkbox"/> h. affordable housing | |

(Questionnaire continues on other side.)

2. Below are listed some areas where Clemson University possesses expertise that might be useful to community leaders. Check all those areas that you perceive would have been useful in helping to address ACTUAL problems your community has faced in recent years.

- _____ a. city and regional planning
- _____ b. economic impact analysis
- _____ c . impacts of development on taxes & government expenditures
- _____ d. governmental organization and performance
- _____ e. economic growth and development
- _____ f. water & sewer systems operations
- _____ g. streets, roads & bridges maintenance
- _____ h. solid & toxic waste management
- _____ i. protection of ecologic systems
- _____ j. forestry (including urban forestry)
- _____ k. human nutrition
- _____ l. recreational planning and parks administration
- _____ m. tourism promotion and management
- _____ n. retirement community development
- _____ o. educational finance & administration
- _____ p. architecture and site selection
- _____ q. landscape architecture
- _____ r. population projections
- _____ s. leadership training
- _____ t. historical surveys
- _____ u. community needs assessments
- _____ v. control of insect pests

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