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Study: Middle incomes hit hard

S.C. taxes favor wealthy, group says

By GINA SMITH

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South Carolina's tax code hits middle-income and low-income families much harder than the wealthy, according to a new study released Thursday by S.C. Fair Share.

The Columbia-based nonpartisan organization hopes its findings will be considered by lawmakers as they head into the 2010 legislative session and will be considered by members of the Taxation Realignment Commission, a group of S.C. business people, as they conduct a review the state's tax structure.

Among the study's findings:

- Middle-income South Carolinians, those earning between \$27,000 and \$44,000, are the hardest hit. They pay 7.9 percent of their income in state and local taxes on average.
- The poorest South Carolinians, those earning less than \$16,000, pay 7.4 percent in state and local taxes.
- Meanwhile, the state's wealthiest, with average incomes of \$1,076,900, pay 6.4 percent.

The primary reason for the disparity, according to the study, is South Carolina's reliance on regressive sales taxes and excise taxes as well as property taxes.

John Ruoff, program director of S.C. Fair Share, said progressive taxes, including the income tax, should be relied upon more.

"Those who earn more should pay more," Ruoff said. "You do that with more reliance on income taxes and less reliance on sales tax."

Bernie Maybank, chairman of TRAC and former director of the S.C. Department of Revenue, said South Carolina has a good mix of progressive and regressive taxes.

"If you look at it from the state's perspective, you don't want to rely too much on any one source," he said. "We are fairly diversified."

And while the wealthy may pay a smaller percentage in taxes, they pay far more in real dollars.

"It's inevitable that a guy who owns a million dollar house and makes a million dollars is going to pay less proportionately," he said.

Maybank said he disagrees that South Carolina's income tax is progressive.

"We do have income tax brackets, but we are flat because the top bracket (of 7 percent) hits at a low level," he said. "You really can't call South Carolina very progressive when the top bracket kicks in for nearly everyone."

Maybank is referring to the fact that South Carolinians pay 7 percent in income tax if they earn at least \$13,700 in taxable income annually.

Debates on how to alter the state's tax code will continue in 2010.

TRAC's 11 members are meeting regularly and scheduled to deliver their evaluation of the tax system, including a review of tax exemptions, to the General Assembly in March.

Everything will be up for debate except the controversial Act 388. Lawmakers who set up TRAC excluded it from being evaluated.

The 2006 law eliminated school operating taxes on owner-occupied homes, replacing it with a statewide, 1-cent

increase in sales tax.

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