



Taxation impact to be considered on all levels

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OUR VIEW: Impact across the spectrum must be considered

Talk of tax reform is an annual event ahead of the Legislature's return in January.

[Gov. Mark Sanford](#) has consistently called for lowering the income tax by increasing the tax on cigarettes. He will not consent to the tobacco tax hike without the corresponding decrease.

Property tax changes have resulted in less revenue and inequities as differing rates are designed to prevent middle- and lower-income people from being taxed off land that grows in value.

Sales taxes have been used by both the state and local governments to raise money without raising income and property taxes. The recession has shown that relying on the sales tax can be risky as consumer spending reductions severely reduce revenue.

Whether another very difficult budget year in Columbia will produce real change in the tax structure is unclear, but against the backdrop of revenue problems, there are many considerations for the Taxation Realignment Commission studying the state's tax structure.

Not the least of them is the impact that taxation has on businesses and people across the economic spectrum. South Carolina Fair Share is making the case that low- and middle-income families in South Carolina pay a far higher share of their income in state and local taxes than do the richest families.

Citing a study by the Washington-based Institute on Taxation and Economic Policy, the group says the focus should be more than what is fair to business. It should be also what is fair to everyday South Carolinians.

"Our current tax structure isn't fair to low- and middle-income South Carolinians," said John Ruoff, program director of South Carolina Fair Share.

"South Carolina lawmakers may be forced to make difficult tax and spending decisions in the upcoming year," said Matthew Gardner, ITEP's executive director and lead author of the study titled "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States."

When all South Carolina taxes are totaled, the study found that:

* South Carolina families earning less than \$16,000 — the poorest fifth of South Carolina non-elderly taxpayers — pay 7.4 percent of their income in South Carolina state and local taxes on average.

* Middle-income South Carolina taxpayers — those earning between \$27,000 and \$44,000 — pay 7.9 percent of their income in South Carolina state and local taxes on average.

* The richest South Carolina taxpayers — with average incomes of \$1,076,900 — pay only 6.4 percent of their income in South Carolina state and local taxes on average.

"No one would ever design an income tax with lower tax rates for the best-off taxpayers," Gardner said. "But that is

exactly what South Carolina's tax system overall does: it allows the very wealthiest individuals to contribute less of their income, on average, than middle- and lower-income families must pay. In other words, South Carolina has an unfair, regressive tax system."

Garnder cites the regressive nature of sales and excise taxes, which have the poorest paying at the same rate as the wealthiest. The state's income tax is not enough to offset the unfair impact of these other taxes, he says.

"South Carolina lawmakers have a straightforward strategy available for addressing its woeful tax fairness record. Relying more heavily on income taxes, and less on regressive sales and excise taxes, could help make the South Carolina tax system substantially less unfair," Gardner said.

Don't expect the state to wholesale shift taxation away from sales and property taxes with reliance on the income tax. It is not politically feasible nor economically wise. But changes are likely and necessary, and as lawmakers weigh them, consideration of how taxation impacts those with lower incomes is particularly relevant in places such as The T&D Region.