



Rep. Jay Jordan



January 15, 2020

TO: Members of the South Carolina General Assembly

RE: H. 4431- Business License Tax Reform

Dear Members:

We, the undersigned representatives of the business community, urge you to support and quickly pass into law H. 4431, the Business License Tax Reform Act. The current system is complex, costly and lacks transparency. South Carolina businesses need reform now.

As of today, 231 municipalities and 9 counties, levy and collect a business license tax, with even more local governments moving toward levying this tax in the future. But less than one third of these municipalities use a uniform law and process to assess the tax, making compliance for businesses incredibly difficult. Dr. Russell Sobel, an economist at The Citadel, estimates that a business operating in 30 municipalities in the Charleston area will spend 120 hours, or 15 working days a year, complying with different renewal dates, applications, calculations and appeals. Mandatory standardization and an online payment portal used by all cities and counties is the key to solving these compliance burdens.

Municipalities calculate business license taxes using an antiquated method unique to South Carolina. While most states assess flat license fees, our state law allows cities to assess the tax based on a business's gross receipts instead of net income. Cities then use a complicated classification schedule and a proprietary formula developed by the Municipal Association of South Carolina to calculate the tax bill. This process must change to take profitability of businesses into account and do so in a fair and transparent way.

H. 4431 brings much-needed reform to the business license tax system. The bill requires a standard application form, renewal date, appeals procedure and class schedules and creates a central online payment portal administered by a governmental agency that ensures taxpayer data remains protected.

The bill also changes the tax base from gross to net revenue and stops third-party private companies from collecting and assessing business license taxes on a contingency fee basis. Importantly, H. 4431 does not limit a local government's ability to set rates.

For nearly a decade the business community – with small businesses leading the charge – have urged the General Assembly to simplify and standardize how local governments assess the business license tax. We ask the Governor and General Assembly to make this a priority in 2020 and pass H. 4431.

Sincerely,

SC Chamber of Commerce

SC Realtors

SC Farm Bureau

SC Manufacturers Alliance

SC Associated General Contractors

SC Retail Association

SC Home Builders Association

SC Forestry Association

National Federation of Independent Businesses

Palmetto Agribusiness Council

SC Restaurant and Lodging Association

Carolinas Ready Mixed Concrete Association

SC Department of Agriculture

SC Association of Heating and Air Conditioning

Equipment Leasing and Finance Association

Mechanical Contractors Association of SC

