



COMPETITIVENESS UPDATE

April 29, 2011

No. 16

Governor Takes Lead on UI Relief

This week, Governor Nikki Haley's Administration announced its plan for providing Unemployment Insurance (UI) tax relief for employers across South Carolina, in what is now known as "Scenario 27." The governor's plan has three key components.

First, "Scenario 27" would cut the number of state benefit weeks from 26 to 20 weeks. The measure would provide all employers with 8 percent relief. In addition, with unemployed workers now able to collect up to 99 weeks of benefits, the plan would reduce the total number of weeks to 76. The South Carolina Chamber of Commerce believes the effort will encourage workers to reenter the workforce and begin filling the more than 50,000 jobs currently available across the state. More and more states are moving in this direction, with Michigan and Missouri also reducing the number of benefit weeks their states offer.

Second, "Scenario 27" would allow employers the option of whether or not their seasonal employees could collect unemployment benefits. Seasonal restrictions would allow for an additional 3 percent relief for all employers. Numerous states already

restrict the collection of seasonal benefits.

Third, the plan would bond a portion of the federal loan repayment for rate classes 13-20 in 2011 and 2012, issuing revenue bonds and allowing those employers eight years to pay back the bonds. This would provide 17 percent relief this year to those higher taxed employers. Numerous bond attorneys have said the state can issue revenue bonds for this purpose. Legislative leaders are diligently working to ensure this plan would not impact the state's AAA credit rating. Other states, such as Texas, have already enacted this option, while Georgia is in the process of bonding its entire federal obligation.

The South Carolina Chamber supports the Haley Administration's proposal that offers meaningful relief to employers in rate classes 13-20, up to 28 percent this year and 26 percent in 2012. Governor Haley's plan does not require additional interest-bearing borrowing, nor does it unfairly shift taxes between employers.

This week, the House unanimously passed H.3762, sponsored by House Ways and Means Chairman Dan Cooper (Anderson). The legislation would restrict

THUMBS UP
 THUMBS DOWN

Thumbs Up: To Governor Nikki Haley for taking the lead on providing a viable solution by offering employers meaningful relief on unemployment insurance bills.

seasonal benefits and change the new employer rate from class 13 to class 12 to remain competitive with neighboring states concerning job recruitment efforts. The bill also corrects what is dubbed "the anomaly," allowing approximately 2,700 businesses that had positive cash balances during the last seven years to move from rate classes 13-20 to rate class 12 for this year only.

In the Senate, S.478, legislation addressing a number of changes to UI tax rates, is currently on the contested calendar. With a limited number of weeks remaining in the legislative session and the Senate still faced with finalizing the budget, redistricting and tort reform, any UI proposal must have broad consensus.

Sales Tax Exemption Rejected

This week, by a vote of 47-71, the House rejected a plan to exempt Amazon from collecting the state's 6 percent sales tax at the point of purchase. Amazon released a statement immediately following the vote saying it would no longer move forward with its plans for a distribution center in South Carolina. Amazon's incentive package already included free land, reduced property taxes, job tax credits and the elimination of Sunday blue laws in Lexington County.

After being assessed a \$270 million tax bill by the state of Texas, in mid-April Amazon announced the closure of its distribution center there. However, the center has not closed but actually expanded hiring.

The South Carolina Chamber of Commerce believes the sales tax exemption is unfair to existing retail establishments that collect sales taxes at the point of purchase. The Chamber has long advocated for internet sales tax collections to broaden the tax base and lower tax rates. The Chamber also has consistently advocated against retail incentives. Some have argued that the state should fulfill their promise of a "good faith effort" to exempt Amazon because it could hurt future recruitment efforts. Historically, the state has only offered incentives that were within its authority or passed legislation before economic development deals were announced.

COMPETITIVENESS AGENDA

Description	Bill No.	Position	Status
Angel Investment Act	H.3779	Support	Passed House
Business License Fees	H.3472	Support	In House Ways and Means
Charter Schools	H.3241	Support	Passed House; On Senate Floor
Department of Administration	H.3066	Support	Passed House; On Senate Floor
Gov. Restructuring – Jointly Electing Gov./Lieut. Gov.	H.3152	Support	Passed House; In Senate Judiciary Committee
Gov. Restructuring – Superintendent of Education	H.3070	Support	Passed House; In Senate Judiciary Committee
Highway Funding	S.37/S.101	Support	In Senate Finance Committee
Regulatory Relief	S.420	Support	Passed Senate
Spending Limits	H.3368	Support	Passed House; In Senate Finance Committee
Tort Reform	H.3375	Oppose as amended	Passed House; On Senate Floor
WorkKeys Certificate	H.3043	Support	In House Education and Public Works Committee

Senate Must Move Forward on Tort Reform

With the Senate finalizing debate on the FY 2011-12 state budget, the business community is urging the body to move forward with debate on tort reform. The House passed a comprehensive tort reform bill in mid-February. Even though tort reform was set for Special Order in the Senate in mid-March, the Senate has only spent two days debating the legislation.

The Senate Judiciary Committee significantly watered down the House-passed legislation and passed

out a business-negative bill to the Senate floor. The business community is urging the adoption of the Martin/Peeler amendment, which would restore the legislation to its intended form.

South Carolina currently ranks 39th in the nation for fairness of its litigation environment, according to the U.S. Chamber of Commerce. In addition, a state's civil litigation climate is a main factor in economic development decisions.

In Other News...

This week, the Senate began debate on the **FY 2011-12 \$5.8 billion state spending plan**. The Senate worked Tuesday–Thursday but did not complete the budget process. The Senate will continue budget debates next week.