**A** **BILL**

TO AMEND CHAPTER 41, TITLE 2, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE JOINT COMMITTEE ON TAXATION, SO AS TO REPLACE THAT COMMITTEE WITH THE TAX STUDY COMMISSION AND PROVIDE FOR ITS MEMBERSHIP AND DUTIES, TO PROVIDE THAT THE FIRST ORDER OF BUSINESS OF THIS TAX STUDY COMMISSION IS A REVIEW OF STATE SALES AND USE TAX EXEMPTIONS WHICH MUST BE SUBMITTED TO THE GENERAL ASSEMBLY AND THE GOVERNOR BEFORE THE BEGINNING OF THE 2010 SESSION OF THE GENERAL ASSEMBLY, TO REQUIRE THAT REVIEW TO CONTAIN SPECIFIC RECOMMENDATIONS WITH RESPECT TO EXEMPTIONS TO BE ELIMINATED OR REVISED AND A REDUCED STATE SALES AND USE TAX RATE TO PROVIDE REVENUE NEUTRALITY, TO PROVIDE FOR THE REPORTING AND IMPLEMENTATION OF THE COMMITTEE’S RECOMMENDATIONS AND AMENDMENTS ALLOWED TO THESE RECOMMENDATIONS AND THE MANNER IN WHICH THEY TAKE EFFECT; AND TO REPEAL CHAPTER 41 OF TITLE 2 ESTABLISHING THE TAX STUDY COMMISSION EFFECTIVE JULY 1, 2011, UNLESS THE GENERAL ASSEMBLY BY LAW EXTENDS THE COMMISSION’S EXISTENCE.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Chapter 41, Title 2 of the 1976 Code is amended to read:

“CHAPTER 41

~~Joint Committee on Taxation~~

Tax Study Commission

Section 2‑41‑10. There is established the ~~Joint Committee on Taxation~~ Tax Study Commission composed of ~~nine~~ fifteen members~~. The nine members must be appointed~~ as follows:

(1) ~~three Senators~~ five members appointed by the ~~Chairman of the Senate Finance Committee~~ President Pro Tempore of the Senate;

(2) ~~three~~ five members ~~of the House of Representatives~~ appointed by the ~~Chairman of the Ways and Means Committee~~ Speaker of the House of Representatives; and

(3) ~~three representatives of the business community, one being a certified public accountant,~~ five members appointed by the Governor.

~~Members of the Senate and House of Representatives serve exofficio. The committee chairman must be one of the legislative members and the vice‑chairman must be one of the business community members. Both officers are to be elected by the membership of the committee. The terms of members appointed by the Governor shall be coterminous with the term of the appointing Governor.~~ Members shall serve terms coterminous with their appointing authority. Vacancies must be filled in the manner of original appointment for the unexpired portion of the term. Members shall elect as officers from their number a chairman and vice chairman. Commission membership constitutes an office for purposes of the prohibition on dual office holding provided in Section 3, Article VI of the Constitution of this State.

Section 2‑41‑20. The ~~committee must~~ commission shall:

(1) make a detailed and careful study of the revenue laws of the State, together with all other laws of the State which have a bearing upon the study of the revenue laws, and to make recommendations to the General Assembly;

(2) provide for the revision of revenue laws so as to develop a more easily understandable and workable system of revenue laws for the State;

(3) recommend changes in the basic tax structure of the State and in the rates of taxation, together with predicted revenue effects of the charges together with proposed alternate sources of revenue, to the end that our revenue system may be stable and equitable, and yet so fair when compared with the tax structures of other states, that business enterprises and persons would be encouraged by the economic impact of the South Carolina revenue laws to move themselves and their business enterprises into the State;

(4) recommend study of alternate sources of revenue found in the tax structures of other states, and particularly in the other southeastern states, and to make a report of the economic impact of the South Carolina tax structure upon the business enterprises of various types of industry, as compared with those of other southeastern states; ~~and~~

(5) make recommendations for long‑range revenue planning and for future amendments of the revenue laws of South Carolina;

(6) review and evaluate tax legislation introduced or prepared for introduction in the General Assembly for the specific effects the enactment of such legislation would have on the state’s tax structure; and

(7) evaluate how proposed tax law changes relate to the adequacy, equity, and efficiency of the state’s tax structure.

Section 2‑41‑30. The ~~committee~~ commission may:

(1) hold public hearings;

(2) receive testimony of any employees of the State or any other witnesses who may assist the ~~committee~~ commission in its duties; and

(3) call for assistance in the performance of its duties from any employees or agencies of the State or any of its political subdivisions.

Section 2‑41‑40. The ~~committee~~ commission may adopt by majority vote rules not inconsistent with this chapter it considers proper with respect to matters relating to the discharge of its duties under this chapter.

Section 2‑41‑50. Professional and clerical services for the ~~committee~~ commission must be made available from the staffs of the General Assembly, the State Budget and Control Board, the Department of Revenue, and other state agencies and institutions as the commission determines appropriate.

Section 2‑41‑60. The ~~committee must~~ commission shall make continuing reports and recommendations to the General Assembly and the Governor ~~by June 30, 2006, at which time the committee will be dissolved~~ with respect to its duties. These findings and recommendations must be published and made available to the public.

Section 2‑41‑70. The members of the ~~committee~~ commission are entitled to receive the per diem, mileage, and subsistence as is allowed by law for members of boards, committees, and commissions when engaged in the exercise of their duties as members of the ~~committee~~ commission. These expenses must be paid from approved accounts of their respective appointing authority. All other costs and expenses of the ~~committee~~ commission must be paid in equal proportion by the Senate, the House of Representatives, and the Office of the Governor, but only after the expenditures have been approved in advance by the President Pro Tempore of the Senate, the Speaker of the House, and the Governor.”

SECTION 2. Notwithstanding the provisions of Section 2‑41‑20 of the 1976 Code as amended in this act, the first order of business for the Tax Study Commission established by this act is to review all exemptions currently allowed in the South Carolina Sale and Use Tax Act and make a report and recommendations of the review to the General Assembly and the Governor before the beginning of the 2010 session of the General Assembly. The report and recommendations must include specific recommendations with respect to the elimination or revision of current exemptions and if the commission recommends such eliminations and revisions, it also shall include in its report a reduced state sales and use tax rate adjusted to the nearest tenth of a percent to remain revenue neutral when applied to the increased sales and use tax base resulting from the report’s approval by the General Assembly. The report must include and the commission is directed to draft and recommend conforming changes to the South Carolina Sales and Use Tax Act to implement its recommendations. If the recommendations and conforming changes in the South Carolina Sales and Use Tax Act are approved by the General Assembly by joint resolution, the recommendations and conforming changes in the South Carolina Sales and Use Tax Act take effect as specified in the recommendations and conforming changes. If the General Assembly enacts a joint resolution to approve the recommendations and conforming changes in the South Carolina Sales and Use Tax Act, the recommendations and conforming changes in local statutory laws are deemed to be incorporated into the joint resolution by reference and are considered to be enacted by the General Assembly as part of the joint resolution. If the recommendations and conforming changes in the South Carolina Sales and Use Tax Act are disapproved by the General Assembly by joint resolution, the recommendations and conforming changes in the South Carolina Sales and Use Tax Act do not take effect. If the General Assembly, by joint resolution, fails to approve or disapprove the recommendations and conforming changes to the South Carolina Sales and Use Tax Act by July 1, 2010, the recommendations and conforming changes in the South Carolina Sales and Use Tax Act do not take effect. Amendments to the recommendations and proposed conforming changes in the South Carolina Sales and Use Tax Act may not be made by the General Assembly while under consideration for approval or disapproval except with respect to the rate of the state sales and use tax included in the report, which the General Assembly may amend only for the purpose of maintaining the revenue neutrality of the recommendations with respect to exemptions or which the General Assembly may amend to reduce sales and use tax revenues. The General Assembly may not amend the rate for the purpose of increasing state sales and use tax revenues. The General Assembly by concurrent resolution may request the commission to withdraw its recommendations and conforming changes and resubmit them with revisions.

SECTION 3. Chapter 41, Title 2 of the 1976 Code establishing the Tax Study Commission is repealed effective July 1, 2011, unless the General Assembly enacts legislation before that date extending the existence of the commission. The Joint Committee on Taxation established pursuant to the former provisions of Chapter 41, Title 2 of the 1976 Code, is abolished on the effective date of this act.

SECTION 4. This act takes effect upon approval by the Governor.

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