

SC Taxation Re-Alignment Commission (TRAC)

MINUTES

Friday, October 22, 2010 at 10:00 AM

Room 105 Gressette Building

I. Welcome

In attendance:

- Kenneth Cosgrove
- Jack Shuler
- Jimmy Addison
- Ray Stevens
- Bob Steelman
- Brian Moody
- Don Weaver
- Ken Wingate

Not in attendance:

- Ben Kochenower
- Charles Way

II. Adoption of Proposed Agenda

Commissioner Shuler moved to adopt the proposed agenda, Commissioner Weaver seconded the motion. The agenda was adopted via voice vote.

III. Adoption of Minutes from Previous Meeting

Commissioner Addison moved to adopt the minutes from the previous meeting, Commissioner Stevens seconded the motion. The minutes were adopted via voice vote and will be placed on the TRAC website immediately following adjournment.

IV. Vote on:

a. Individual Income Tax

Craig Parks explains that the motion will have to include the amended report and details changes within the report.

Commissioner Cosgrove moves to adopt the Individual Income Tax Report, Commissioner Wingate seconds the motion. The Individual Income Tax Report is approved without objection.

b. "Other Funds"

The report gives the 'Other Funds Oversight Committee' criteria on how to evaluate 'other funds' within agencies. The report also recommends that this committee be permanently created through statute.

Examples of criterion: What is the relative price of the good or service in comparison to the good or service received by the consumer? Are the amounts and uses of those funds readily available for the General Assembly to review? How does the fee compare to other applicable states and services?

Commissioner Weaver inquires whether the committee will be comprised only by members of the General Assembly. Also, will the committee's scope include federal funds? The committee will only be members of the General Assembly and will not include federal funds.

Commissioner Moody asks if the general consensus among law makers is that other funds have spiraled out of control among agencies. The Chairman explains that other funds have completely eclipsed the amount collected in the general fund and are being used to fill budget gaps.

Commissioner Wingate moves to adopt the proposal, Commissioner Weaver seconds the motion. The 'Other Funds' report is approved without objection.

- V. Receipt of Draft Proposals
  - a. Receive "Fair Tax" report
  - b. Receive Soft Drink Tax report
  - c. Receive Conformity report
  - d. Receive Property Tax report

VI. Review of Property Tax Draft Proposal

The Chairman explains the Property Tax report with the section by section summary that will be placed on the internet following the meeting.

Commissioner Steelman requests an explanation of the timeshare exemption that is repealed with this report. The Chairman explains the business personal property exemption as it stands now and how it would be subject to taxation under amendment. If personal property is strictly residential, personal property would be exempt.

Commissioner Steelman has a suggestion for FILOT and will resend suggestion through email to Commission.

Commissioner Addison requests a walkthrough of Commissioner Steelman's proposal. He details the requirement grid and explains that there will be uniformity across all counties

and this will not be optional. The exemption would qualify to larger commercial property investments.

Commissioner Weaver requests the logic in removing the advantage of taking away discretion of local counties for property investments. The rate is set based on millage at the time the lease is signed and applied to new companies or large industrial projects. This would end competition among counties. Commissioner Steelman believes it will be better for business in SC to stop counties from competing with each other.

Commissioner Shuler makes comments regarding the new agriculture use thresholds. He believes it would be hard for some farmers to reach the threshold. It hinges on the number of acres. \$5,000 is too high.

Commissioner Weaver agrees and moves to lower threshold from \$5,000 to \$2500. Commissioner Stevens concurs.

Commissioner Shuler explains that farmers on limited income are not filing a Schedule F. He inquires if there would be other options from this such as registering as a farmer.

Commissioner Wingate also does not like the stipulation that states 'may require applicant to file schedule F.'

Commissioner Weaver also requests for alternatives to filing a Schedule F, perhaps a Schedule C.

Commissioner Addison: Inquires if there is any way to place additional scrutiny on water front lots. Georgia has a value limit.

**VII. Other Business**

Craig Parks briefly runs through South Carolina's business tax rankings which are positive. The PowerPoint presentation will be placed on the TRAC website following today's meeting.

**VIII. Adjournment**

Meeting adjourned at 10:58