

January 5, 2010

The Honorable Hugh K. Leatherman, Sr., Chairman  
Senate Finance Committee  
111 Gressette Building  
Columbia, South Carolina 29201

Dear Senator Leatherman:

I respectfully request that you give consideration to extending the deadline for submission of TRAC's final report from March 15, 2010 to November 15, 2010. While we have made significant strides in our study of the state's tax system, progress which I outline below, it has become clear that the in-depth level of analysis sought by the commission, expected by the legislature, and deserving of taxpayers, will invariably be compromised by a March deadline that rapidly approaches.

Rest assured, our commission and staff have been hard at work during the interim, and will have convened (to include our January scheduled meeting), at no expense to the taxpayer, six times since our initial meeting in September. We've received insight and analysis from nearly a dozen state, regional, and national tax experts so far, and have compiled reams of data relevant to our state's current tax structure, and how it might be modernized to more appropriately reflect a 21<sup>st</sup> century economy, all while remaining mindful of our commission's ultimate purpose: Creation of a tax structure that enhances the state's reputation as an "...optimum competitor in efforts to attract business and individuals to locate, live, work and invest...".

As evidence of the commission's attention to detail, and as a demonstration of the time we feel required to study (and offer) true reform, our entire focus since September has been a review of the state sales tax. Specifically, we've undertaken an exhaustive and in-depth analysis of each sales tax exclusion, exemption and/or cap (which now value more than \$2.5

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Billion annually), as well as related issues including taxation of services, e-commerce, and the “streamlining” of sales tax generally. We plan to conclude our review of the sales tax at our January meeting, where we will review the various “local option” taxes to include accommodations and hospitality taxes as well. As required by statute, we will also be accepting testimony about the “Fair Tax” at that time.

However, as there is still much work to do, we anticipate transitioning in January from our study of the state sales tax to a review of the state’s income tax (both individual and corporate), moving then to local taxation (including property tax to the extent allowed by TRAC’s enabling legislation), and following that, we’ll conclude with a study of “other funds” as required by statute.

As you know, the original legislation provided a “phased” approach to TRAC’s work, calling for TRAC to issue a series of reports (the first of which related to sales tax exemptions) rather than issuance of a single report as now required of TRAC under the bill as it ultimately passed. That said, I am confident we could provide the General Assembly our findings and recommendations regarding the state sales tax structure by March 15, 2010, if doing so would be helpful to the General Assembly.

Thank you in advance for your attention to this request. I look forward to receiving your response at your soonest convenience. In the meantime, please know that we will continue the important work you have entrusted to TRAC on behalf of the citizens and taxpayers of South Carolina.

Sincerely,



Burnett R. Maybank, III, Chairman  
South Carolina Taxation Realignment Commission

BRM/chp

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