COMMITTEE REPORT

March 31, 2009

**H. 3415**

Introduced by Reps. Harrell, Cato, Cooper, Duncan, Harrison, Owens, Sandifer, White, Bingham, Scott, Erickson, Herbkersman, T.R. Young, G.R. Smith, Huggins, Bedingfield, A.D. Young, Pinson, Lucas, E.H. Pitts, Crawford, Allison, Barfield, Brady, Chalk, Daning, Delleney, Edge, Frye, Hamilton, Hearn, Horne, Long, Merrill, Parker, Rice, Sellers, Skelton, G.M. Smith, J.R. Smith, Spires, Stringer, Thompson, Toole, Viers, Willis and Wylie

S. Printed 3/31/09--H.

Read the first time February 3, 2009.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Joint Resolution (H. 3415) to establish the South Carolina Taxation Realignment Commission; to provide for the commission’s membership, powers, duties, and responsibilities; to provide that the commission, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the joint resolution, as and if amended, by striking all after the enacting words and inserting:

/ (A) There is created the South Carolina Taxation Realignment Commission to be comprised of seventeen members appointed as follows:

(1) two members appointed by the Governor;

(2) two members appointed by the President Pro Tempore of the Senate;

(3) two members appointed by the Speaker of the House of Representatives;

(4) two members appointed by the Chairman of the Senate Finance Committee;

(5) two members appointed by the Chairman of the House Ways and Means Committee;

(6) three members of the Senate to serve ex officio, to be appointed by the President Pro Tempore of the Senate;

(7) three members of the House to serve ex officio, to be appointed by the Speaker of the House of Representatives;

(8) the Director of the Department of Revenue to serve ex officio.

The members appointed pursuant to items (1) through (5) above must not be members of the General Assembly and must have substantial academic or professional experience or specialization in one or more areas of public finance, government budgeting and administration, tax administration, economics, accounting, or tax law.

The members appointed pursuant to items (1) through (7) above shall serve at the pleasure of their appointing authority.

All vacancies must be filled in the manner of original appointment.

(B) The members of the commission:

(1) shall meet as soon as practicable after appointment and organize by electing one of their number as chairman and such other officers as the commission considers necessary. Thereafter, the commission shall meet as necessary to fulfill the duties required by this joint resolution at the call of the chairman or by a majority of the members. A quorum consists of a majority of its members. The commission may engage or employ staff or consultants as may be necessary and prudent to assist the commission in the performance of its duties and responsibilities, the cost of which must receive the prior approval of the President Pro Tempore of the Senate and the Speaker of the House of Representatives. Any staff or consultants must possess an academic background or substantial career experience in one or more fields including, but not limited to, economics, government budgeting and administration, urban and regional economic development, economic forecasting, or state and local public finance;

(2) shall serve without compensation and are ineligible for the usual mileage, subsistence, and per diem allowed by law for members of boards, committees, and commissions. Other expenses incurred by the commission must be paid equally from approved accounts of each house subject to the approval of the respective Operations and Management Committees; and

(3) unless authorized by a further or subsequent enactment, conclude the commission’s business by January 1, 2011, at which time the commission is dissolved. The General Assembly may extend the dates by which the commission shall submit reports required by this joint resolution.

(C) The duties of the commission are to:

(1) develop criteria for assessing the effectiveness of the current tax system structure, as well as the likely systemic impact of any proposed changes effecting tax revenues and report the criteria to the General Assembly within six months of the effective date of this joint resolution, provided that all such criteria must be designed with an emphasis on the systemic balance of the state’s revenue structure from the standpoint of adequacy, equity, and efficiency and with the goal of maintaining and enhancing the State as an optimum competitor in efforts to attract businesses and individuals to locate, live, work, and invest in the State;

(2) no later than December 1, 2009, prepare and deliver a report and recommendation to the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee setting forth the sales tax exemptions or limitations to be retained, modified or repealed, including the text of an amendment to the provisions of Article 21, Chapter 36, Title 12 of the 1976 Code, that effectuates the recommendations contained in the commission’s report; and

(3) study and recommend to the General Assembly changes regarding the assessment of state taxes levied and other provisions affecting state revenue to fund the operation and responsibilities of state government. The commission’s study must be a detailed, comprehensive, and careful evaluation of the state’s tax system structure, to include all revenue laws of the State together with all other laws of the State which have a bearing on the study of the revenue laws and the results of the study and any legislative recommendations must be delivered no later than December 1, 2010. Any recommendations by the commission must consider and include in the discretion of the commission changes to: (1) taxes levied by any local taxing entity except for sales taxes on items exempt from state sales tax pursuant to Section 12‑36‑2120, and (2) the property tax system of this State regulated by the general law and the constitution and property tax relief provided by the General Assembly.

(D) The chairman of the Ways and Means Committee and the chairman of the Senate Finance Committee must receive the report required by subsection (C)(2) and subsequently shall introduce legislation solely concerning the contents of the report.

An amendment that seeks to add, delete, or substantively change a recommendation or other provision affecting state revenue included in any legislation recommended by the commission only may be adopted or concurred in by a majority roll-call vote of those present and voting in each respective house.

(E) Further legislative recommendations made by the commission must be introduced in both houses by Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee respectively.

SECTION 2. This joint resolution takes effect upon approval by the Governor. /

Renumber sections to conform.

Amend title to conform.

DANIEL T. COOPER for Committee.

**A** **JOINT RESOLUTION**

TO ESTABLISH THE SOUTH CAROLINA TAXATION REALIGNMENT COMMISSION; TO PROVIDE FOR THE COMMISSION’S MEMBERSHIP, POWERS, DUTIES, AND RESPONSIBILITIES; TO PROVIDE THAT THE COMMISSION MUST CONDUCT A COMPREHENSIVE STUDY OF THE STATE’S TAX SYSTEM INCLUDING ITS SALES TAX AND EXEMPTIONS STRUCTURE AND SUBMIT A REPORT OF ITS RECOMMENDED CHANGES TO FURTHER THE GOAL OF MAINTAINING AND ENHANCING THE STATE AS AN OPTIMUM COMPETITOR IN THE EFFORT TO ATTRACT BUSINESSES AND INDIVIDUALS TO LOCATE, LIVE, WORK, AND INVEST IN THE STATE; AND TO PROVIDE FOR PROCEDURES GOVERNING THE CONSIDERATION OF LEGISLATION RESULTING FROM THE COMMISSION’S RECOMMENDATIONS.

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

SECTION 1. (A) There is created the South Carolina Taxation Realignment Commission to be comprised of seventeen members appointed as follows:

(1) two members appointed by the Governor;

(2) two members appointed by the President Pro Tempore of the Senate;

(3) two members appointed by the Speaker of the House of Representatives;

(4) two members appointed by the Chairman of the Senate Finance Committee;

(5) two members appointed by the Chairman of the House Ways and Means Committee;

(6) three members of the Senate to serve ex officio, to be appointed by the President Pro Tempore of the Senate;

(7) three members of the House to serve ex officio, to be appointed by the Speaker of the House of Representatives;

(8) the Director of the Department of Revenue to serve ex officio.

The members appointed pursuant to items (1) through (5) above may not be members of the General Assembly and must have substantial academic or professional experience or specialization in one or more areas of public finance, government budgeting and administration, tax administration, economics, accounting, or tax law.

The members appointed pursuant to items (1) through (7) above shall serve at the pleasure of their appointing authority.

All vacancies shall be filled in the manner of original appointment.

(B) The members of the commission:

(1) must meet as soon as practicable after appointment and organize itself by electing one of its members as chairman and such other officers as the commission may consider necessary. Thereafter, the commission must meet as necessary to fulfill the duties required by this joint resolution at the call of the chairman or by a majority of the members. A quorum consists of a majority of its members. The commission may engage or employ staff or consultants as may be necessary and prudent to assist the commission in the performance of its duties and responsibilities, the cost of which must receive the prior approval of the President Pro Tempore of the Senate and the Speaker of the House of Representatives. Any staff or consultants must possess an academic background or substantial career experience in one or more fields including, but not limited to, economics, government budgeting and administration, urban and regional economic development, economic forecasting, or state and local public finance;

(2) shall serve without compensation, but nonlegislative members are allowed the usual per diem and mileage as provided by law for members of boards, commissions, and committees while on official business to be paid by the member’s appointing entity. Members of the General Assembly shall be paid the mileage and subsistence to which members of the General Assembly are entitled while on official business of the commission. Staffs of the Senate Finance Committee and the House Ways and Means Committee shall be available to assist the commission in its work. Any other expenses incurred by the commission shall be paid equally from each respective house approved account subject to the prior approval of the President Pro Tempore of the Senate and the Speaker of the House of Representatives; and

(3) unless authorized by a further or subsequent enactment, conclude the commission’s business by January 1, 2011, at which time the commission shall be dissolved. The General Assembly may extend the dates by which the commission must submit reports required by this joint resolution.

(C) The duties of the commission shall be to:

(1) develop criteria for assessing the effectiveness of the current tax system structure, as well as the likely systemic impact of any proposed changes effecting tax revenues and report the criteria to the General Assembly within six months of the effective date of this joint resolution, provided that all such criteria must be designed with an emphasis on the systemic balance of the state’s revenue structure from the standpoint of adequacy, equity, and efficiency and with the goal of maintaining and enhancing the State as an optimum competitor in efforts to attract businesses and individuals to locate, live, work, and invest in the State;

(2) no later than December 1, 2009, prepare and deliver a report and recommendation to the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee setting forth the sales tax exemptions or limitations to be retained, modified or repealed, including the text of an amendment to the provisions of Article 21, Chapter 36, Title 12, that effectuates the recommendations contained in the commission’s report; and

(3) study and recommend to the General Assembly changes regarding the assessment of state taxes levied and other provisions affecting state revenue to fund the operation and responsibilities of state government. The commission’s study must be a detailed, comprehensive, and careful evaluation of the state’s tax system structure, to include all revenue laws of the State together with all other laws of the State which have a bearing on the study of the revenue laws and the results of the study and any legislative recommendations must be delivered no later than December 1, 2010. Any recommendations by the commission must consider and include in the discretion of the commission changes to: (1) taxes levied by any local taxing entity except for sales taxes on items exempt from state sales tax pursuant to Section 12‑36‑2120, and (2) the property tax system of this State regulated by the general law and the constitution and property tax relief provided by the General Assembly.

(D) The text of the amending language required in subsection (C)(2) must be delivered to the Code Commissioner who must take steps to prepare the substance of the amendment to be enrolled and engrossed in the Code of Laws with the provisions of the amendment to take effect January 1, 2011, if the report is approved by enactment of a joint resolution which deals exclusively with the single subject and question of approval of the report and the associated amendment, in its entirety. The legislation containing the amendment to enact the recommendations of the report made by the commission must be introduced in both houses by Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee. An amendment is germane to legislation recommended by the commission only if the amendment seeks to make a technical change necessary to effectuate the purpose of the particular provision to be amended. An amendment that seeks to add, delete, or substantively change a recommendation or other provision affecting state revenue included in any legislation recommended by the commission may only be adopted or concurred in by a three-fourths majority vote of those present and voting in each respective house.

(E) Further legislative recommendations made by the commission must be introduced in both houses by Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee respectively.

SECTION 2. This act takes effect upon approval by the Governor.

‑‑‑‑XX‑‑‑‑