**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 2‑1‑270 SO AS TO CREATE THE EXEMPTIONS REPEAL COMMITTEE, A JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF REPRESENTATIVES, TO REQUIRE THE OFFICE OF ECONOMIC RESEARCH TO DIVIDE THE SALES TAX EXEMPTIONS INTO FIVE GROUPS AND RANDOMLY SELECT AN ORDER FOR THE REPEAL OF ONE GROUP A YEAR UNTIL ALL GROUPS ARE REPEALED, TO PROVIDE THAT THE EXEMPTIONS REVIEW COMMITTEE SHALL HOLD HEARINGS ON THE EXEMPTIONS AND MAY AMEND THE CONTENTS OF SALES TAX EXEMPTION GROUPS AND THE ORDER FOR REPEAL, TO PROVIDE THE PROCEDURE BY WHICH THE GENERAL ASSEMBLY MAY ENACT THE RECOMMENDATIONS; BY ADDING SECTION 12‑36‑915 SO AS TO REDUCE THE STATE SALES TAX RATE FROM SIX PERCENT TO ONE AND ONE‑HALF PERCENT BY REDUCING THE RATE NINE‑TENTHS OF A PERCENT EACH YEAR FOR FIVE YEARS, TO PROVIDE THAT THE SOUTH CAROLINA EDUCATION IMPROVEMENT ACT OF 1984 FUND AND THE HOMESTEAD EXEMPTION FUND SHALL NOT RECEIVE LESS FUNDS THAN IT RECEIVED IN FISCAL YEAR 2011‑2012; BY ADDING SECTION 12‑36‑925 SO AS TO REDUCE THE STATE ACCOMMODATIONS TAX FROM SEVEN PERCENT TO TWO AND ONE‑HALF PERCENT BY REDUCING THE RATE NINE‑TENTHS OF A PERCENT EACH YEAR FOR FIVE YEARS, TO PROVIDE THAT THE FUNDS CREDITED TO POLITICAL SUBDIVISIONS FOR TOURISM RELATED PURPOSES SHALL NOT BE LESS THAN THE AMOUNT CREDITED IN FISCAL YEAR 2010‑2011; BY ADDING SECTION 4‑10‑15 SO AS TO PROVIDE THAT A LOCAL SALES AND USE TAX SHALL BE REDUCED CONCOMITANTLY IN THE SAME PERCENTAGE AMOUNTS AS THE STATE SALES TAX RATE; AND BY ADDING SECTION 12‑36‑2121 SO AS TO PROVIDE THAT THE SALES TAX EXEMPTIONS ONLY APPLY TO EIGHTY PERCENT OF THE GROSS PROCEEDS OF SALES, AND TO REDUCE THE PERCENTAGE BY TWENTY PERCENT ANNUALLY UNTIL THE SALES TAX EXEMPTIONS ARE REPEALED ON JULY 1, 2017; AND TO PROVIDE THAT THIS ACT, EXCEPT FOR SECTION 2‑1‑270 TAKES EFFECT IF THE GENERAL ASSEMBLY DOES NOT ENACT A JOINT RESOLUTION PURSUANT TO SECTION 2‑1‑270(E).

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

SECTION 1. Chapter 1, Title 2 of the 1976 Code is amended by adding:

“Section 2‑1‑270. (A) There is created the Exemptions Repeal Committee, a joint committee of the Senate and the House of Representatives. The committee shall be composed of eight members as follows: the Chairman of the Senate Finance Committee and three members of the Senate appointed by the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee and three members of the House appointed by the Chairman of the House Ways and Means Committee.

(B)(1) By February 15, 2012, the Office of Economic Research, Budget and Control Board, shall divide all sales tax exemptions contained in Section 12‑36‑2120 into five groups. The Office of Economic Research shall allocate the exemptions into groups so as to maximize diversity among the groups in terms of items and to have a similar revenue impact on the State.

(2) After formation of the five groups, the Office of Economic Research randomly shall select the order of each group within which the repeal of the exemptions within the groups will occur. The first group shall be repealed effective July 1, 2013, and each remaining group shall be repealed every July first thereafter until all five groupings have been repealed.

(C) Upon conclusion, the Office of Economic Research, Budget and Control Board, shall report the groupings to the Exemptions Repeal Committee, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee.

(D)(1) At any time following the report of the groupings pursuant to subsection (C), the Exemptions Review Committee shall hold public hearings on the contents of the exemption groups and the order of repeal. The committee shall accept testimony and written justification from any person, as defined in Section 12‑2‑20, seeking to have all or part of the exemptions removed from the group. The committee also shall accept testimony from any person regarding the order of repeal.

(2) After public evaluation, the committee may recommend that all or part of a group shall be excluded, and the committee may set forth a different order for repealing groups, but the order must be determined randomly. The committee shall submit its recommendations and the order for repeal to the General Assembly by January 15, 2013.

(E) The Exemption Review Committee’s report pursuant to subsection (D) must be forwarded to the Code Commissioner who must take steps to prepare the substance of the report to be enrolled and engrossed in the Code of Laws with the provisions of the report to take effect July 1, 2013, 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 in its entirety. The legislation containing the amendment to enact the recommendations of the report made by the committee must be introduced in both houses by the 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 committee 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 committee only may be adopted or concurred in by a two‑thirds majority of those present and voting in each respective legislative body.”

SECTION 2. A. Article 9, Chapter 36, Title 12 of the 1976 Code is amended by adding:

“Section 12‑36‑915. (A)(1) Notwithstanding any other provision of law, effective July 1, 2013, the rate of taxation set forth in this chapter, except for Section 12‑36‑920, shall be reduced from six percent to five and one‑tenth percent.

(2) Effective July 1, 2014, the rate of taxation set forth in this chapter, except for Section 12‑36‑920, shall be four and two‑tenths percent.

(3) Effective July 1, 2015, the rate of taxation set forth in this chapter, except for Section 12‑36‑920, shall be three and three‑tenths percent.

(4) Effective July 1, 2016, the rate of taxation set forth in this chapter, except for Section 12‑36‑920, shall be two and four‑tenths percent.

(5) Effective July 1, 2017, the rate of taxation set forth in this chapter, except for Section 12‑36‑920, shall be one and one‑half percent.

(B)(1) Notwithstanding any other provision of law, from the taxes imposed pursuant to this chapter, in any fiscal year, the amount credited to the South Carolina Education Improvement Act of 1984 Fund and the amount credited to the Homestead Exemption Fund, plus any amount paid from the general fund pursuant to Section 11‑11‑156(A)(6), shall not be less than the amount credited in Fiscal Year 2011‑2012.

(2) The amount credited pursuant to subsection (B) must be increased annually by a percentage amount equal to the percentage increase in tax revenues generated pursuant to this chapter in the preceding fiscal year.

(3) The balance of any remaining funds must be remitted to the State Treasurer to be credited to the state public school building fund for the purposes provided for in Article 3, Chapter 21, Title 59 and any sum above that amount must be placed to the credit of the general fund of the State and must be used for school purposes only.”

B. Notwithstanding any other provision of law, effective July 1, 2013, any reference to the state sales tax rate shall be to the sales tax rate as reduced by this section. This section does not apply to the tax imposed pursuant to Section 12‑36‑920.

C. This section takes effect on July 1, 2013, if the General Assembly does not enact a joint resolution pursuant to Section 2‑1‑270(E).

SECTION 3. A. Article 9, Chapter 36, Title 12 of the 1976 Code is amended by adding:

“Section 12‑36‑925. (A)(1) Notwithstanding any other provision of law, effective July 1, 2013, the rate of taxation set forth in Section 12‑36‑920 shall be six and one‑tenth percent.

(2) Effective July 1, 2014, the rate of taxation set forth in Section 12‑36‑920 shall be five and two‑tenths percent.

(3) Effective July 1, 2015, the rate of taxation set forth in Section 12‑36‑920 shall be four and three‑tenths percent.

(4) Effective July 1, 2016, the rate of taxation set forth in Section 12‑36‑920 shall be three and four‑tenths percent.

(5) Effective July 1, 2017, the rate of taxation set forth in Section 12‑36‑920 shall be two and one‑half percent.

(B)(1) Notwithstanding any other provision of law, from the taxes imposed pursuant to Section 12‑36‑920, in any fiscal year, the amount credited to the political subdivisions of the State in accordance with Chapter 4, Title 6, shall not be less than the amount credited in Fiscal Year 2011‑2012.

(2) The amount credited pursuant to subsection (B) must be increased annually by a percentage amount equal to the percentage increase in tax revenues generated pursuant to Section 12‑36‑920 in the preceding fiscal year.”

B. Notwithstanding any other provision of law, effective July 1, 2013, any reference to the state accommodations tax rate shall be to the accommodations tax rate as reduced by this section.

C. This section takes effect on July 1, 2013, if the General Assembly does not enact a joint resolution pursuant to Section 2‑1‑270(E).

SECTION 4. A. Article 1, Chapter 10, Title 4 of the 1976 Code is amended by adding:

“Section 4‑10‑15. Notwithstanding any other provision of law, effective July 1, 2013, any local sales tax imposed pursuant to this title or any local act imposing a local sales and use tax administered by the Department of Revenue prior to July 1, 2013, shall be reduced concomitantly by an equal relative percentage as the reduction in Section 12‑36‑915. Notwithstanding any other provision of law, effective July 1, 2013, the maximum percentage of any local sales tax imposed pursuant to this chapter after July 1, 2013, shall be reduced concomitantly by an equal relative percentage as the reduction in Section 12‑36‑910(A).”

B. This Section takes effect on July 1, 2013, if the General Assembly does not enact a joint resolution pursuant to Section 2‑1‑270(E).

SECTION 5. A. Article 21, Chapter 36, Title 12 of the 1976 Code is amended by adding:

“Section 12‑36‑2121. (A) Notwithstanding any other provision of law and to the extent allowed by the Constitution of this State and the United States Constitution:

(1) Effective July 1, 2013, the exemptions provided in Section 12‑36‑2120 only apply to eighty percent of the gross proceeds of sales.

(2) Effective July 1, 2014, the exemptions provided in Section 12‑36‑2120 only apply to sixty percent of the gross proceeds of sales.

(3) Effective July 1, 2015, the exemptions provided in Section 12‑36‑2120 only apply to forty percent of the gross proceeds of sales.

(4) Effective July 1, 2016, the exemptions provided in Section 12‑36‑2120 only apply to twenty percent of the gross proceeds of sales.

(5) Effective July 1, 2017, Section 12‑36‑2120 is repealed.

(B) This section only applies to the state sales tax imposed pursuant to Sections 12‑36‑910 and 12‑36‑1110.

(C) Any additional revenue generated by this section must be remitted to the State Treasurer to be credited to the state public school building fund for the purposes provided for in Article 3, Chapter 21, Title 59 and any sum above that amount must be placed to the credit of the general fund of the State and must be used for school purposes only.”

B. This Section takes effect on July 1, 2013, if the General Assembly does not enact a joint resolution pursuant to Section 2‑1‑270(E).

SECTION 6. Unless stated otherwise, this act takes effect upon approval by the Governor.

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