

From: Catherine McNicoll <CatherineMcNicoll@scstatehouse.gov>
To: Danny Varat <DannyVarat@scstatehouse.gov>
Date: 7/10/2017 3:29:33 PM
Subject: RE: Confidential: Tax Reform Proposal

Let me start with, that is a very complex tax bill and I have not dug deep into every facet, but the following are my notes on it generally.

- The Bill only deals with sales tax on goods and services, it does not deal with income tax or property tax.
- Neither the bill or plan is immediately clear about what services would be covered - mainly it's not clear whether services like plumbing would be services and if there would essentially be double tax on the supplies and then the service
- The Bill sets the tax at 6%, the plan sets it at 3%
- Bill includes exemptions from sales tax for business and investment purchases
 - The Plan is generally against exemptions
- Bill has credits and refunds for sales tax for specific business calculations - This takes away from the base contra to the Plan.
- Bill has Family Consumption Allowance - monthly sales tax rebate for qualified family. - Again this takes away from the base contra the Plan.

Overall, the complexity of the bill seems counter to the simplicity that the Plan was making the case for.

*Best Regards,
Catherine McNicoll
Director of Legal & Legislative Affairs
Lieutenant Governor's Office
CatherineMcNicoll@SCStatehouse.gov
803-734-5292 (phone)*

From: Danny Varat
Sent: Friday, July 07, 2017 4:59 PM
To: Catherine McNicoll
Subject: Re: Confidential: Tax Reform Proposal

Is it very different from this? If so, then how?

http://www.scstatehouse.gov/query.php?search=DOC&searchtext=fair%20tax&category=LEGISLATION&session=120&conid=8628039&result_pos=0&keyval=1200185&umrows=10

From: Catherine McNicoll
Sent: Friday, July 7, 2017 4:48 PM
To: Danny Varat
Subject: RE: Confidential: Tax Reform Proposal

Yes on the whole it's a good holistic approach but I think there are some components that I would want more information on.

- The marginal tax rate is not the best indicator of the effects of income tax
- I'm not sure they paint an accurate picture of the current state of property or sales taxes.

-For Instance about \$500M of the sales tax not collected because of exemptions was the exemption for prescriptions and prosthetics. Another \$400M was on unprepared food purchased with food stamps. Those two exemptions are about 1/3 of the total dollar amount of exemptions they are saying are bad.

- Also the number they have for missed sales tax on services seems to cover all services that could have been taxed which isn't the best approach if we are going to tax services.

-This advocates for a flat income tax rate and eliminating targeted credits and deductions (which runs counter to a tuition credit for school choice).

-This also seems to say there should be a statewide property tax.

-That services should be taxed in addition to goods (this could be harmful on mixed contracts where there may be sales tax on the goods used by a service professional such as a plumber or contractor). Also over concept of broaden base to lower the rate of sales tax, its problematic because it fails to recognize the policy reasons that you tax things differently.

Really this comes down to how you define fair.

-If you believe that it is fair for everyone to pay the same taxes regardless of their income or lot in life, then this plan would adjust taxes to better fit that ideal.

-If you believe that there should be social policy and progressivity to taxes then this plan is awful, except that it may help fix some areas where taxes have become effectively regressive.

Would their system be simpler, yes, but better depends on your definition. This would likely mean more taxes but they would change the way they are allocated across type and population.

Please let me know if you need anything else.

Best Regards,

Catherine McNicoll

Director of Legal & Legislative Affairs

Lieutenant Governor's Office

CatherineMcNicoll@SCStatehouse.gov

803-734-5292 (phone)

From: Danny Varat

Sent: Friday, July 07, 2017 4:09 PM

To: Catherine McNicoll <CatherineMcNicoll@scstatehouse.gov>

Subject: Fw: Confidential: Tax Reform Proposal

You ever get a chance to look at this?

From: Oran P. Smith <oranpsmith@gmail.com>

Sent: Friday, June 23, 2017 12:50 PM

To: Danny Varat

Subject: Re: Confidential: Tax Reform Proposal

Our funders are telling us that at this point they only want a handful of key leaders to be aware of it. I'm not used to that frankly. But...

Just some confidential, informal, non-binding feedback from you in a week or ten days would be great. Maybe an excuse for Immaculate.

On Jun 23, 2017 10:37 AM, "Danny Varat" <DannyVarat@scstatehouse.gov> wrote:

Thanks for the heads up. What's your time frame?

From: Oran P. Smith <oranpsmith@gmail.com>

Sent: Friday, June 23, 2017 10:19 AM

To: Danny Varat; Danny Varat

Subject: Confidential: Tax Reform Proposal

Confidential.

Danny:

Attached is the Executive Summary of a major tax reform proposal we have been crafting at Palmetto Promise Institute. Hundreds of hours from a noted economist have gone into it, with funding from several foundations and individuals. Only three or four folks outside of us have seen it.

It won't please everyone, but when released will be the only concrete proposal out there.

Love to get your thoughts.

Oran

Oran P. Smith