



# MAKING ROADS A PRIORITY

## The Problem

South Carolina's transportation infrastructure, once the pride of our state and a driver of economic growth along our state's five interstate corridors, is in need of repair to once again become an economic driver for our manufacturing, agricultural, and tourism industries.

Currently, 46% of our primary road system is in poor condition and 1,600, or one-third of our bridges are structurally deficient or functionally obsolete and South Carolina has the additional challenge of owning the fourth largest state highway system in the nation. Every year, the Haley Administration has made proposals to address these challenges and in 2013, was proud to sign Act 98, which put over \$1 billion towards our roads without raising a single dollar in taxes. Despite this step in the right direction, next year alone South Carolina will need over \$75 million just to maintain our roads in their current condition. In ten years, this amount will rise to be almost \$200 million per year.

Our infrastructure challenges took a generation to develop and won't be fixed overnight, but the Haley Administration is committed to making continuing progress on our state's infrastructure. In her 2015 State of the State Address, Governor Haley has challenged us to do more, to stop the decline of South Carolina's roads and get us moving in the right direction.

## The Solution

Governor Haley's transportation plan works hand-in-glove with her tax reform proposal. Keeping her commitment to rejecting tax increases, the Governor proposes a tax and transportation reform plan that will realign revenue with spending priorities, provide a significant income tax cut for South Carolinians, and further diversify the funding streams that maintain our state's infrastructure. The Haley Plan:

- Promotes economic growth by cutting income taxes at all levels by 30% over the next 10 years.
- Adds ten cents to the state's gas tax over three years, offsetting a portion of the income tax savings with a priority on infrastructure spending.
- Dedicates motor vehicle sales taxes to roads, further diversifying funding streams for transportation.
- Restructures the South Carolina Department of Transportation and refocuses the agency on maintaining the roads we have first in an apolitical way.

This plan, a package deal, will invest \$3.5 billion in our roads over 10 years while dedicating almost \$5.6 billion in tax relief back into the pockets of our citizens. This is the real investment in infrastructure that South Carolina needs, and one that doesn't raise taxes and promotes economic growth.

## The Consequences

Starting in 2016, the Haley transportation plan will not only provide the SCDOT with enough resources to stop the decline of our roads and bridges, but will provide \$100 million more to immediately begin reversing our infrastructure's downward trend. Over ten years, this means almost \$2.2 billion invested over and above the \$1.3 billion it would cost to maintain roads in their current condition. This will move South Carolina forward, improving road conditions instead of managing decline, expanding traffic capacity in growing communities, and improving safety conditions statewide.



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The South Carolina Revenue and Fiscal Affairs office performed an analysis on Governor Haley's proposed transportation plan, and provided the following read funding revenue projections:

Year	Gas Tax	Vehicle Sales Tax	Total Road Funding
2016	\$ 114,032,728	\$ 61,400,000	\$ 175,432,728
2017	\$ 225,953,831	\$ 61,400,000	\$ 287,353,831
2018	\$ 339,207,897	\$ 54,800,000	\$ 394,007,897
2019	\$ 335,580,864	\$ 54,800,000	\$ 390,380,864
2020	\$ 332,858,163	\$ 54,800,000	\$ 387,658,163
2021	\$ 330,093,484	\$ 54,800,000	\$ 384,893,484
2022	\$ 326,890,922	\$ 54,800,000	\$ 381,690,922
2023	\$ 323,627,008	\$ 54,800,000	\$ 378,427,008
2024	\$ 319,959,799	\$ 54,800,000	\$ 374,759,799
2025	\$ 316,025,432	\$ 54,800,000	\$ 370,825,432
Total	\$ 2,964,230,128	\$ 561,200,000	\$ 3,525,430,128

The gas tax increase that offsets a portion of income tax savings is \$0.10 implemented over three years, starting in calendar year 2016. In addition, the transportation plan includes diverting the remaining half of the motor vehicle sales tax to transportation, holding the EIA fund harmless from this diversion. These combined plans provide \$175.4 million in additional revenue to infrastructure funding in the first year, and \$3.5 billion over the first decade of the plan's implementation. In no year does the increase in motor fuel user fee revenue exceed the total savings experienced by South Carolina's taxpayers due to the accompanying tax reform plan.



# TAX REFORM

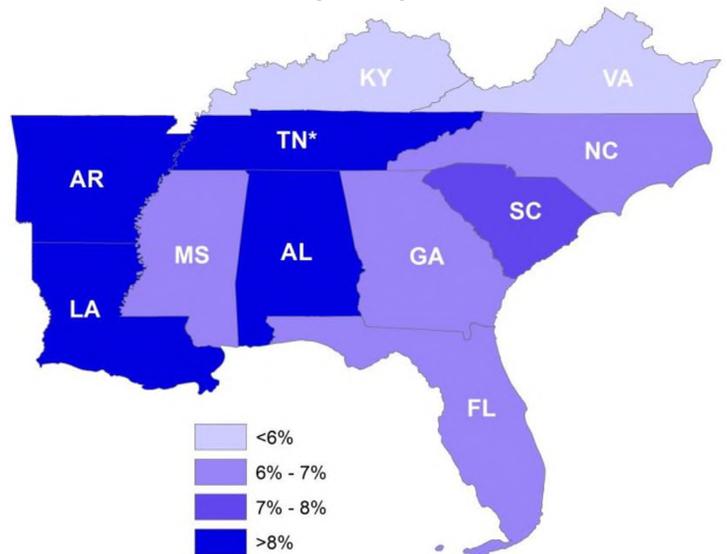
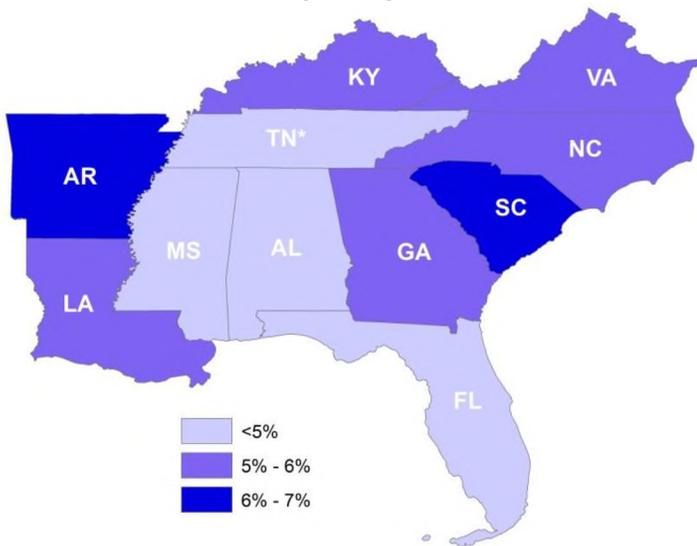
## The Problem:

South Carolina has worked hard for a generation to become one of the most business-friendly states in the southeast and the nation. We have fought to remain a right-to-work state, provide intensive business development services through the South Carolina Department of Commerce and local alliances, and have streamlined permitting processes at all state agencies.

Despite this, South Carolina’s tax code has left us with among the highest income tax rates in the nation and the highest in the southeast. Although eleven states have higher top marginal income tax rates than South Carolina, and sixteen have higher average sales tax rates, only two have both higher income and sales taxes – California and New York.

### Southeastern State Income Tax Rates (2014)

### Southeastern Average Sales Tax Rates (2014)



\*Source: Tax Foundation, State Taxes

## The Solution:

In her 2015 State of the State address, Governor Haley set forth a plan that will both reform our state’s transportation system and address one of the largest challenges of our current tax system – cutting our income taxes by 30%.

## Consequences:

- We go from having the highest marginal income tax rates in the Southeast to the 3<sup>rd</sup> lowest in our region and will join the bottom-half of states in terms of income tax rates.
- We return \$8.5 billion to income tax payers over 10 years and not a single filer will pay more.
- South Carolina taxpayers experience a net savings every year of the plan, and will see \$5.6 billion in net savings over a decade.

The South Carolina Revenue and Fiscal Affairs Office performed an analysis of Governor Haley’s proposed tax reform plan and provided revenue estimates. The table below includes those revenue estimates and provides a net savings to taxpayers annually, when considered with the related transportation funding proposal.



# TAX REFORM

Tax Year	Cumulative Rate Reduction	Individual Income Tax Savings	Net Savings to Taxpayers
2016	0.2 %	\$ (119,332,000)	\$ (5,299,272)
2017	0.4 %	\$ (249,175,000)	\$ (23,221,169)
2018	0.6 %	\$ (390,305,000)	\$ (51,097,103)
2019	0.8 %	\$ (543,323,000)	\$ (207,742,136)
2020	1.0 %	\$ (709,059,000)	\$ (376,200,837)
2021	1.2 %	\$ (888,337,000)	\$ (558,243,516)
2022	1.4 %	\$ (1,082,025,000)	\$ (755,134,078)
2023	1.6 %	\$ (1,296,104,300)	\$ (972,477,292)
2024	1.8 %	\$ (1,516,362,000)	\$ (1,196,402,201)
2025	2.0 %	\$ (1,758,718,000)	\$ (1,442,692,568)
Totals	2.0 %	\$ (8,552,740,300)	\$ (5,588,510,172)

The individual income tax reduction plan phases each bracket of South Carolina's individual income tax a total of two percentage points in equal intervals over ten years, as follows:

Bracket	Tax Year 2015		Tax Year 2025	
	1	\$0 - \$2,940	0 %	\$0 - \$3,390
2	\$2,940 - \$5,880	3 %	\$3,390 - \$6,780	1 %
3	\$5,880 - \$8,820	4 %	\$6,780 - \$10,170	2 %
4	\$8,820 - \$11,760	5 %	\$10,170 - \$13,560	3 %
5	\$11,760 - \$14,700	6 %	\$13,560 - \$16,950	4 %
6	>\$14,700	7 %	>\$16,950	5 %

Under this plan, every South Carolinian that currently pays income tax will receive an annual benefit, and no taxpayer will pay more in income tax.