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A Win Win Win For South Carolina
By Governor Nikki R. Haley

There is an important economic convergence going on in South Carolina today.

On one side, we have a growing economy, with more of our people working than ever before, with unemployment down to rates we haven't seen in many years, with people moving from welfare-to-work by the tens of thousands, and with new companies moving in or starting up all the time.

How did we get here? There are several factors, including our business-friendly regulatory approach, our right-to-work laws, and our strong economic development and recruitment efforts. But there's no question that our tax system plays an important part in our economy too.

Our economic competitiveness as a state is in really good shape, but the nature of competition is that just when you think you're doing well, your competitors are gaining on you. In order to continue our state's remarkable progress, we must take further steps to improve our standing.

We are competing for jobs internationally, nationally, and regionally. How we compare with our neighboring states matters.

Some southeastern and southwestern states – Tennessee, Florida, and Texas – have no income tax at all. Georgia's tax is a full percent lower than ours, and just last year North Carolina cut theirs by two full points, to below even that.

In that environment, our state's 7% income tax rate stands out and puts us at a disadvantage. In order to keep the ball rolling in our economy, we must cut our income tax.

At the same time, we all know we have to improve our state's infrastructure.

We have a very real problem with the way our transportation dollars are spent. Our system screams out for reform and restructuring.

The current system, with commissioners representing Congressional Districts and selected by legislators, is the ultimate exercise in parochialism. Instead of fighting for the needs of all of South Carolina, they fight for the needs of their districts, which means they fight each other.

I don't necessarily blame them – until we make wholesale changes to the system, doing so is in their best interests. The problem is it is not in South Carolina's best interest. So I will not support more revenue for our roads and bridges until we restructure the Department of Transportation.

That said, deficient roads and highways are an economic issue. That's why we supported \$1 billion in new road funds last year, the biggest infrastructure investment in a generation. But we know that's not enough. We still have very substantial infrastructure revenue needs that have to be addressed.

We have studied every option.

Some have advocated raising the state gas tax. Yes, we do have the third-lowest gas tax in America. Gas prices are now down to their lowest level since 2009. Non-South Carolinians who visit our state would pay a portion of the tax. And we would boost the revenue stream that is dedicated to improving our roads and highways.

But there are also major problems with it. We have not gotten to where we are as a state, with our growing economy,

by raising taxes. Quite the opposite. As I've said many times, I will veto any straight-up increase in the gas tax. It's the wrong thing for South Carolina.

So here's the deal. Let's do three things at once that will be a win-win-win for South Carolina.

Let's cut our state income tax rate from 7% to 5% over the next decade. That's a nearly 30% reduction in state income taxes. Nationally, it will take us from 38th in income tax competitiveness to 13th. Regionally, it will put our rate back below those of North Carolina and Georgia.

It will be a massive draw for jobs and investment to come to our state. And it will put more money in the pockets of every South Carolinian, letting them keep more of what they earn. It will reward work, savings, and investment – all the things we need to do to make our state stronger and our people more prosperous.

Next, let's change the way we spend our infrastructure dollars and get rid of the legislatively elected transportation commission.

Finally, let's increase the gas tax by ten cents over the next three years, and let's dedicate that money entirely toward improving our roads. That will keep our gas tax below both Georgia and North Carolina, and we can do it without harming our economy, because when coupled with the 30% income tax cut, it still represents one of the largest tax cuts in South Carolina history.

If we do all of those things, we will have better roads and a stronger economic engine for our people. That's a win-win.