FACT SHEET

South Carolina Policy Council
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County Tax Burdens on Local Business: Where Does Your County Rank?

Jumpstarting South Carolina's economy will require reforms at both the state and local levels. As many independent businesses know, local tax and licensure policies can impose serious burdens on new business creation and expansion. That being said, reforming local tax policies may be easier to implement than statewide reforms.

Unleashing Capitalism briefly discusses South Carolina's local business climates, using a measure referred to as tax quotients. A tax quotient is calculated as the amount of county revenue generated by county and local taxation, relative to the same measure for all counties in the United States.

A tax quotient greater than 1.0 implies the county has an above average reliance on tax collections – meaning the county has a negative tax climate for business. Alternatively, a county with a quotient less than 1.0 has a more competitive tax climate.

Let's look at some interesting points:

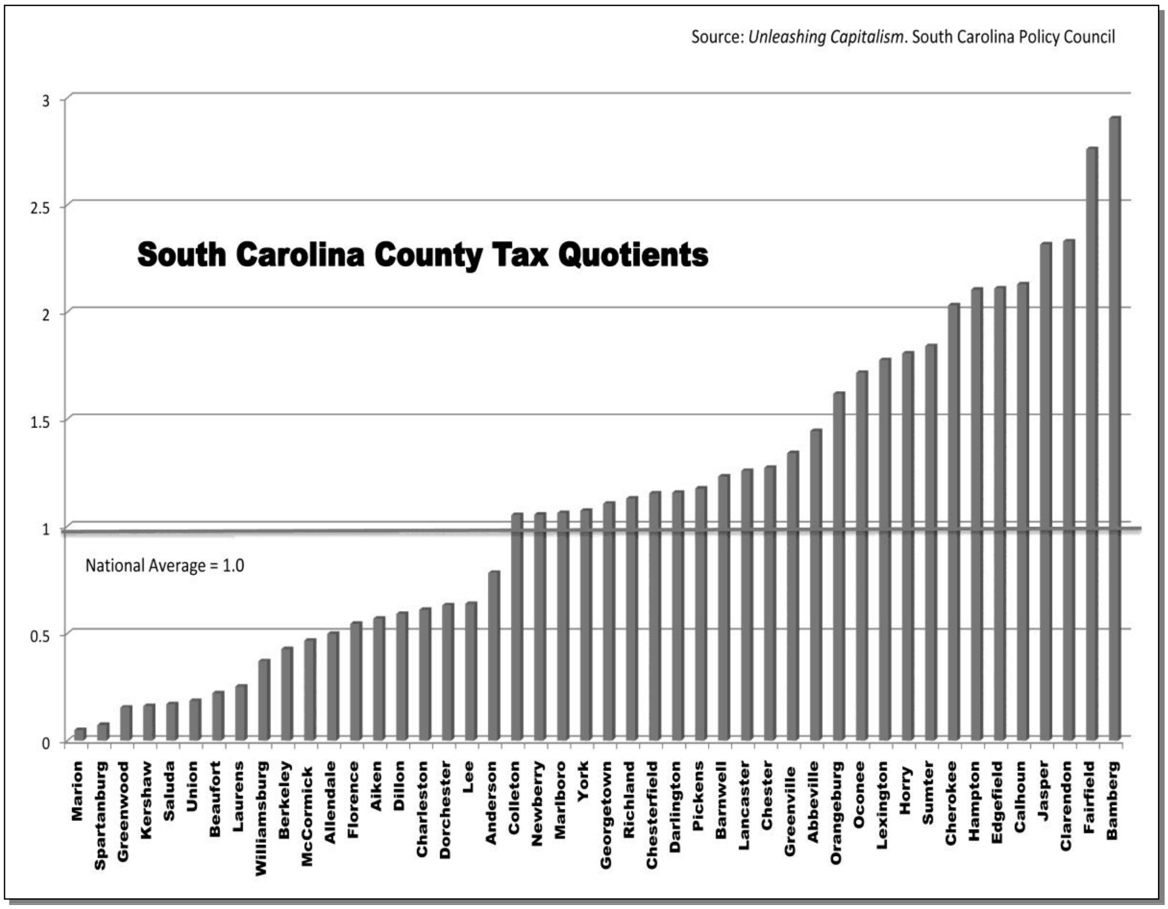
- Marion County boasts the lowest tax quotient (0.049) in the state.
- Bamberg County has the highest tax quotient (2.903) in South Carolina.
- The average tax quotient for all counties in South Carolina is 1.12. This is 12 percent higher than the national average of 1.0.
- More than half (27 out of 46) of South Carolina's counties have a quotient greater than 1.0 – that is, higher than the national average.
- The county with the lowest tax quotient in America is Oliver, North Dakota (0.0015).
- The county with the highest tax quotient is Haakon, South Dakota (5.7148).

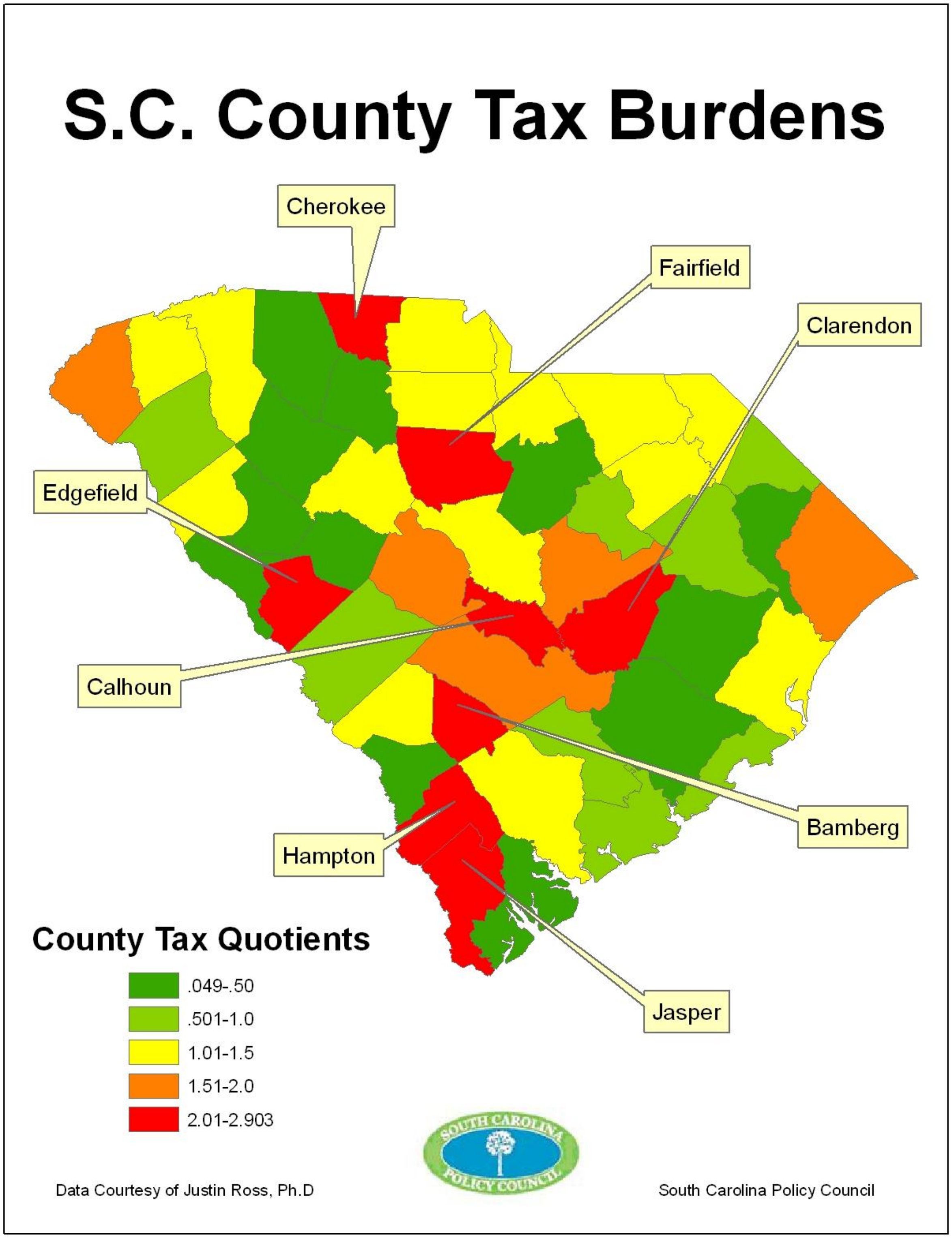
According to *Unleashing Capitalism*, a 1 percent increase in county tax quotient is associated with a -0.07 percent decline in the reported number of business establishments and a -0.02 percent decline in employment.

Still, the impact of high local taxes must be weighed against other factors, such as education levels, natural resources and tax rates in neighboring counties. All things being equal, if a group of counties have a tax quotient of 1.5, a comparably high rate may not prove as much of a disincentive to firms wishing to relocate to that region. But if one county has a very high tax quotient – and is surrounded by counties with low tax quotients – this can compound job losses, shrinking tax revenue even further.

The tax quotient data used here was provided by economist and Indiana University Professor Dr. Justin Ross and relies on census data from 2009. While business climates vary greatly among municipalities within the same county, this dataset aggregates municipal data up to the county level. For the purpose of examining how tax differentials vary geographically within South Carolina, as well as their impact on employment and number of business establishments, the county level is an appropriate unit.

See how your county stacks up:




S.C. County Tax Burdens
Cherokee
Fairfield
Clarendon
Edgefield
Calhoun
Bamberg
Hampton
Jasper
County Tax Quotients
.049-.50
.501-1.0
1.01-1.5
1.51-2.0
2.01-2.903
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Data Courtesy of Justin Ross, Ph.D
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