



February 9, 2005

The Honorable Mark Sanford
Governor of South Carolina
P.O. Box 12267
Columbia, SC 29211

Dear Governor Sanford:

On behalf of the nearly 5,000 members of the National Taxpayers Union (NTU) in South Carolina and our 350,000 members nationwide, I write to offer our support for H. 3007, your proposal to cut the state income tax rate from 7 percent to 4.75 percent over the next 10 years. Although the national economy has rallied and many states are seeing significant revenue increases, too many of them have been using these unexpected revenues to fund aggressive spending agendas and expansions of government. Your modest plan would cut the income tax rate by .225 percent annually and would fully index each of the five income tax brackets so that taxpayers would no longer be hit with higher taxes due to rising levels of inflation.

South Carolina needs tax relief in order to generate economic growth. In fact, the state has the highest effective income tax rate in the southeast and the 5th highest average effective rate in the U.S. Since abundant economic research exists indicating that income taxes stifle growth more than any other form of taxation, it is no coincidence that South Carolina's unemployment rate is also higher than all but three other states.

The dire need for tax reform becomes even more apparent when South Carolina's economy is compared with Florida's, a state that has no income tax and is one of the nation's best economic performers. Between 1998 and 2002, South Carolina lost nearly 2 percent of its jobs while Florida's employment level rose nearly 10.5 percent. Now, Florida has a 4.5 percent unemployment rate that is well below the national average (5.2 percent) and nearly 50 percent lower than South Carolina's.

This tax relief is so essential to improving South Carolina's economy that it should be implemented regardless of economic growth levels, but if "triggers" are needed to make the cuts palatable to nervous members of the Legislature, so be it. Indeed, NTU urges you to consider going beyond reducing the income tax rate to 4.75 percent – a rate still higher than the national average – to make complete elimination of the state income tax a top priority, thus aligning South Carolina with fast-growing Florida.

NTU looks forward to working closely with you to lower South Carolina's income tax rate. Please feel free to contact us for additional information on the many negative economic effects of income taxes.

Sincerely,

Paul J. Gessing
Director of Government Affairs