

**HISTORY AND IMPACT OF
BUSINESS LICENSE STABILIZATION ACT
WHAT DOES IT MEAN TO CITY OF BEAUFORT RESIDENTS AND BUSINESS OWNERS**

I. HISTORY

- a. **2015 Legislative Session** – House Bill 3490 introduced
 - i. February 26, 2015: Letter from Rep Quinn to City Managers
 - ii. Laid out concerns but pledged to support a compromise that would be fair and equitable.
 - iii. Promised that any reform would not hurt the City's and Town's in the State and their ability to operate.
- b. MASC (Municipal Association of South Carolina) develops Task Force to work with Legislators and State Chamber of Commerce to develop standardizations that would be fair and equitable.
- c. **2016 Legislative Session** - House Bill 4967 and 5109 introduced. HB 4967 did not take into consideration any progress the task force had achieved or the attempt by the City's to develop a compromise that would be fair and equitable to businesses without negatively affecting their services.
- d. HB 5109 was a bill that achieved that standardization and was closest to providing fair and equitable measures.
 - i. Legislative session ended before any positive movement of this Bill was achieved.
- e. **2017 Legislative Session** – House Bill 3650 introduced.
 - i. Like HB 4967, it ignored the work the Task Force had taken and achieved at reaching the fair and equitable measures.
 - ii. Standardizes many of the functions that HB 5109 indicated with several major differences that would be harmful to the function of the City revenues and operations/services.
 - iii. Many of the amendments are in support of financial benefits to Special Interest Groups.
 1. Large Industries and businesses would be provided financial exemptions that smaller businesses would not be eligible for.
 2. Increased business license rates to achieve revenue neutrality would be harmful to small business and in many cases put financial hardship on them and residents.
 - a. This was a pledge our state legislators vowed they would not do.
 3. Removes the control of local revenues to the State – violation of Home Rule.
 4. Places collection of revenues with the State. History of allowing the State to collect our local revenues has caused
 - a. shortfalls in State Accommodations Tax collection with no accountability from the State Agency to the City;
 - b. Local Fund that has been funded by the State at levels much lower that what the Cities are entitled to or promised.
 5. Each of these situations have pushed the financial burden on the operations of the City, its services and in turn the citizens and local businesses.
 6. The Secretary of State has no system in place to accomplish this, no history or knowledge in the case laws associated with operating a Business license system that is fair and equitable, and no personnel to operate.

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- a. Increase in State government operations.
- iv. The City of Beaufort has created an online payment portal, accepts a standard application, adheres to the standard rate classification and is considered business friendly.
 - 1. Why would we or our citizens want to relinquish that to the State who has a history of not supporting Cities.
 - a. Act 388 that caps property tax increases and places tax burden of our school districts on the 6% property owners.
 - b. Continued violation of Home Rule that places restrictions of Municipalities from implementing additional fees or charges for services.
 - c. Prevents Cities from participation in a local option sales tax program.
 - d. Does not perform adequate maintenance of State owned roads within the City, causing City resources to be used to maintain the safety of our roads without any funding coming from the State.
- v. City has invited our delegates over the course of the past 2 years to the City to learn more about the complexities associated with Business Licenses that are not being considered in this bill and to see the changes the City has made to become more business friendly. No invitation has been accepted.
- vi. The City's business license fee represents 0.17% of gross revenues reported by businesses operating in the City.
 - 1. Other tax systems within the State and Federal government represent 6% to 35% of your taxable revenues.

II. FINANCIAL IMPACT TO CITY OF BEAUFORT FROM HOUSE BILL 3650

- a. Conservative estimated shortfall to City if Bill is adopted - - \$1M (\$1,000,000)
 - i. Represents 5% of the City Revenue and 28% of the City Business License Revenue.
- b. Increased administrative burden to the City for collection practices - especially over the insurance, telecommunications and broker taxes that far exceed the 4% admin fee currently imposed by the MASC.
 - i. Cost of this administrative burden would be an additional \$120,000
- c. To recover the shortfall, it would take:
 - i. Amendment to the current Business License Ordinance removing all business license discounts.
 - ii. Increase of 13.72 mils to the property tax millage rate - 19% increase.
 - 1. On a \$100,000 property, this would equate to a City property tax increase of \$55 to a 4% property owner OR a \$82 increase to a 6% property owner.
 - 2. Increases would be restricted by Act 388, limited to CPI adjustment.
 - iii. A 62% to 75% increase to all rate class business license rates.
 - iv. Cutting public safety and public welfare services.
 - v. Adding a public safety fee or street maintenance fee to all property owners.