



News Release

For immediate release

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Beaufort City Council faces potential 19 percent revenue loss via proposed state law change

A bill under discussion in the S.C. legislature would, if passed, drastically cut local governments' abilities to provide services to residents, possibly including public safety services.

To learn more about House Bill H3490 and its impact on local business license revenues, the Beaufort City Council will hear from Scott Slatton of the Municipal Association of South Carolina during a Tuesday evening work session.

"This is clearly something that's on our radar. Anytime a bill gets traction that could reduce the City of Beaufort budget by more than \$3 million, that is a major problem," said Bill Prokop, interim city manager. "This isn't just something that affects Beaufort – the City of Myrtle Beach could lose \$18 million annually."

The South Carolina House of Representatives is reviewing House Bill **H3490** that would drastically change the way business license revenues are collected and distributed. The bill would reduce the revenues charged and shift the collection of those reduced fees to the state.

The proposed bill also would standardize business license fees. That means that a business generating \$25 million in gross revenues would pay the same \$100 fee as a much smaller business generating \$100,000 in gross revenues.

For the past three fiscal years, the City of Beaufort has collected 18 percent of its budget in business license fees in 2014-15, 19.6 percent in 2013-14 and 18.1 percent in 2012-13. Over that period, the average was 18.6 percent of the City of Beaufort's annual revenues came from business license fees.

If the bill became law and Beaufort lost the average 19 percent or \$3.45 million in annual revenues, the City Council would have four basic options:

- Increase property taxes (which are currently capped by state law)
- Institute new fees or increase current fees to cover the lost business license revenue
- Reduce city services to reflect the smaller budget. Public safety services – police and fire – would be protected as much as possible, but could also face reductions depending on the final outcome of the legislation and its impact on those revenues.
- Or a combination of the above.

The House bill would put a \$100 limit on how much each business would have to pay a local government for a business license. Currently the business license tax is proportional to the gross revenues generated by the business. Under the proposed legislation, all businesses would pay the same rate: A smaller business generating much less in gross revenues would pay a higher percentage than a business earning a much higher gross revenue amount.

For example, a business earning \$100,000 in gross revenue and paying the \$100 fee would be paying 0.1 percent for that license under the proposed law, but a business earning \$24 million in gross revenue and paying the \$100 fee would be paying 0.0004 percent.

In addition to the \$100 tax cap that could be collected by the SC Department of Revenue and then remitted to the local governments, the bill requires that a person is subject to only one business license tax.

Currently, businesses are supposed to pay business license fees in all the counties and municipalities where they do business. The bill also would prohibit municipalities from taxing businesses with addresses outside corporate limits and in unincorporated parts of counties.

The proposed law would be potentially disastrous to the City of Beaufort, considering the limited ways the City Council can raise revenues to support city services, said Kathy Todd, Beaufort’s finance director.

“We understand the desire to streamline the business license process, and we are working toward that here in the City of Beaufort,” she said. “We don’t think the answer to that problem is eliminating business license revenues from local government budgets.”

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