

\$110 million budget surplus: Cash to go toward business tax breaks

1. BY JIM DAVENPORT

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COLUMBIA -- South Carolina's economy is seeing a burst of life and new state revenues are going to help employers with up to \$110 million in business tax breaks.

The Senate could give a \$5.9 billion spending plan the second of three readings today as debate enters a rare third week. Three months ago, legislators weren't sure they'd be able to come up with enough general fund revenue to cover the current \$5.3 billion budget.

But as the economy has shown signs of life, state general fund spending is growing again, thanks to an increase in the state's cigarette tax last year, replenished state rainy day accounts and increased income tax collections. And legislators are finding ways to spend that cash.

Last week, Senate Finance Committee Chairman Hugh Leatherman said the economy was growing fast enough that legislators could afford a \$110 million tax bailout for businesses burned by higher unemployment taxes.

South Carolina's unemployment system went broke in 2009 after exhausting its trust fund and has relied on federal loans to keep benefits paid. Employers getting the bills for repaying the loans have complained they're being asked to pay too much.

The move has critics, including Sue Berkowitz, executive director of the advocacy group South Carolina Appleseed Legal Justice Center. Instead of going to businesses, some of the money could be put into Medicaid programs that receive federal matching cash, she said.

Employers, Berkowitz said Tuesday, profited from 10 years of unemployment taxes that were set too low. "Now we're taking away from the mostly vulnerable people so that their rates go down," Berkowitz said.

Senate Minority Leader John Land agreed to the bailout plan but had other ideas about how the money should be spent. "I would love to have seen that \$100 million go to education," Land said. He notes that per student spending in public schools has fallen by more than \$500 during the past three years. He said he only went along with the business bailout because it was a one-time deal.

That bailout comes courtesy of the more than \$600 million legislators have added to the spending plan.

\$181 million from rainy day accounts.

About \$176 million from expected tax collection surpluses.

\$157 million from the cigarette tax they approved last year.

\$80 million from a tax law enforcement crackdown targeting out-of-state businesses.

Land said the tax collection surpluses are signs the state's economy is mending.