

Fast Facts: Our Killer Sales Tax

Why does South Carolina – a state with one of the lowest income levels in the nation – have one of the highest sales tax rates in the nation?

- At 6 percent, South Carolina has the 16th highest sales tax rate in the nation. That's far higher than the rates of neighboring North Carolina (4.75 percent, 36th in the nation) and Georgia (4 percent, 39th in the nation).
- Five states in the U.S. don't collect sales taxes at all. Each of those states' individual income tax rate is lower than South Carolina's.
- Florida has the same sales tax rate as South Carolina, 6 percent. South Dakota and Wyoming have a lower rate than we do: 4 percent. Texas's rate is just a little higher, at 6.25 percent. The difference between all these states and South Carolina? They don't have an individual income tax at all.
- South Carolina exempts more in sales tax than it collects.
- The state allows localities to levy an additional 1 percent tax (the so-called Local Option Sales Tax) in addition to the state's 6 percent. The additional tax has to be approved by voters. In addition to this local sales tax, some localities also levy a Hospitality tax (Richland County, for example, tacks on additional 2 percent).
- South Carolina's tax code is riddled with sales tax exemptions. There are special exemptions on hearing aids, coal, motor fuel, railcars, farm machinery, durable medical equipment, livestock, solid waste disposal bags, amusement park rides, prosthetic devices, hydrogen-powered vehicles, newspapers, insecticides, sweetgrass baskets, anything purchased by a major motion picture company, and many, many other items. These exemptions – carved into the tax code at the urging of lobbyists for companies and industries – ensure that the rate on non-exempted items stays high.
- A bill was introduced in 2011 that would have reduced the state rate to 1.5 percent by 2017 and, at the same time, phased out most exemptions. That bill didn't make it out of the Finance Committee. Had it passed, South Carolina would have had the lowest sales tax rate in the nation (not counting those states that have no sales tax).

Beginning Friday, South Carolinians will enjoy a sales tax-free weekend. But wouldn't it be better to lower the rate on everything, for everyone, and get rid of these gimmicky "tax holidays"?