



December 16, 2008

Mr. Jeff Margarite
The Stallings Group
3756 Lavista Rd. Suite 200
Tucker, GA 30084

Dear Jeff:

Thank you for your call concerning the Point of Sale legislation that passed in South Carolina during our 2006 legislative session. As I stated in our conversation, I believe this legislation is the worst piece of tax policy that has been passed in South Carolina in the last 30 years. Without a doubt, as soon as states figure out the potential impact to businesses, South Carolina will have a hard time recruiting industry to the state.

Before the Point of Sale Act was passed, South Carolina's manufacturing property taxes were the highest in the nation and our commercial taxes were the sixth highest. With the anticipated increase in value at the point of sale and the pressures from millage increases from local governments, South Carolina will continue to distance itself from other states from a tax standpoint.

Rather than trying to write a paragraph about each issue, the following bullets apply to our Point of Sale Act.

- The inequity that is created due to valuation has queered hundreds of deals in South Carolina to the point that closings did not occur. Our realtors and appraisers are screaming "bloody murder" about how point of sale is stopping transactions. This is particularly true in the apartment complex area where additional taxes due to increase in valuation can not be passed on.
- The number of sales is decreasing because of the churning activity in the real estate market. Although some of this can be attributed to the economy, significant increases in valuation in high growth areas extended the average churn years from 7 years anticipated to in excess of 10.
- Many business entities have experienced significant increases without making business decisions themselves, i.e.: many small manufacturers that lease property suffered the unintended consequences of revaluation upon sale by the owner of the property.
- In South Carolina, we anticipate a 20 to 30 percent cost shift from residential property to business property resulting from the point of sale provisions.

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- During the debate in South Carolina our Realtors Association did not get engaged because of differing opinions between different areas of the state and its effect on property sales. A lot of realtors felt like the property tax limits would spur sales but it has not happened. Our realtors are now trying to get the law changed so that there is no point of sale change at the time of the transaction.

In closing, I would suggest that your group fervently oppose this legislation. You do not have to look much further than Florida to see what is happening as a result of their implementation of a similar law. We are finding already that our major investors are contemplating not investing any more in personal property in this state due to the cost shift. In addition, I would suggest you contact Mark Wilson at the Florida Chamber of Commerce to discuss the impact of the number of headquarters that are leaving Florida. Once this legislation is put in place, it is almost impossible to retract and will be devastating, in my opinion, to your businesses in Georgia.

I hope this information is helpful to you. If I can be of further assistance or if you would like me to participate in a conference call during your meeting, I would be glad to do so.

Sincerely,

Otis B. Rawl, Jr.
President and CEO

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