



AMERICANS FOR TAX REFORM

Grover G. Norquist

President

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Dear South Carolina legislator:

I am writing to you on behalf of more than 1000 members of Americans for Tax Reform in South Carolina, and all South Carolina taxpayers, to encourage you to support Gov. Mark Sanford (R)'s proposed cut in the income tax. **At the same time, I urge you not to diminish the benefits of this tax cut by decoupling from the federal tax code and passing a *de facto* death tax increase.**

President Bush's three tax cuts over the last three years have begun to revitalize America's economy, boosting investment and producing a 6.1 percent GDP growth rate over the last six months. But South Carolina has lagged behind the nation – with the lowest job creation figure and the lowest small business creation figures in the Southeast. **Much of this lag can be attributed to South Carolina having the highest income tax rate in the Southeast at 7 percent.**

Gov. Sanford has taken a page out of the President's winning playbook by proposing a cut in the income tax rate, from 7 percent to 4.75 percent over the next decade. Since most small businesses pay this rate rather than the corporate tax rate, this proposal represents a huge tax cut on small businesses. And since small business creates 75 percent of new jobs, Gov. Sanford's proposal will restart the engine of job growth.

The House Ways and Means Committee must be praised for passing this important reform. However, the same committee is in danger of diminishing the positive effects of the tax cut by raising the death tax. The state tax code is coupled with the federal code, and will automatically incur a reduction of the estate tax as a result of the Bush tax cuts. But Provisio 73.4 of the FY 2004-2005 Appropriations Act as reported by the House Ways and Means Committee would delay this scheduled reduction – **a *de facto* tax increase!**

Combining the planned income tax cut with a death tax hike reduces the benefit to South Carolina. The death tax burdens families at a time when they are least able to cope. And it destroys small businesses, forcing accumulated capital to be sold off and employees to lose their jobs in order for survivors to pay off a greedy government.

Further, South Carolina should have no need for new sources of revenue. With the turnaround in the national economy, state revenue collections are increasing. **As businesses are just beginning to start hiring and investing, and as families are just beginning to rebuild their savings, now is the worst time to raise the death tax burden on families and small businesses.**

Gov. Mark Sanford is on the right track with his tax cuts. But raising the death tax is a reversion to 1970's era tax-and-spend stagnation. I urge you to make South Carolina a competitive, high-growth state in the 21st Century and resist the temptation to raise the death tax.

Onward,

Grover G. Norquist