



EXECUTIVE SUMMARY

South Carolina Policy Council

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The Sembler Retail Incentive Deal: An Economic Analysis

When the General Assembly convenes for the 2010 session, it will address a targeted tax incentives package ([H 3722](#)) that contains a variety of special-interest giveaways that failed to pass on their own merits. Among the items included in the bill are property tax exemptions for a select research organization studying the impact of natural hazards (cf. S 717) as well as insurance premium tax credits for developers of textile mill sites (cf. S 728). The largest on the table is a proposal to give a \$132 million sales tax break to The Sembler Company, an Atlanta-based mall developer seeking to build a new retail complex in Jasper County.

An attached economic analysis by Dr. Peter Calcagno of the College of Charleston, shows why the Sembler deal is a bad investment for taxpayers:

No evidence of net new jobs.

Advocates of the Sembler deal argue the new mall will create 2,500 jobs. What they don't tell you is that many of these jobs will draw employees from existing retail and other positions. While some of those vacant positions may be filled by the unemployed, others may be eliminated entirely because the state is putting other retailers at a competitive disadvantage by subsidizing one select mall developer. Existing firms may be forced to eliminate workers or, in some cases, close entirely. Several [economic studies have found](#) that targeted, firm-level tax incentives do not actually result in the creation of new jobs.

No long-term economic benefits.

Targeted tax breaks for any one industry or company are always a bad idea, but they are particularly ineffective when extended to retailers. As economist Michael Hicks has shown, such incentives will not increase long-term employment in Jasper and surrounding counties. In fact, Hicks found that job creation from the establishment of new retail sites disappears after three months. Needless to say, many of the jobs stemming from the proposed Sembler deal will be part-time, temporary and low-paying.

An unfair deal for existing South Carolina businesses and taxpayers.

Homegrown South Carolina retailers struggling to survive in this tough economy will be most hurt by the Sembler deal. While their competition gets a tax break, these firms are stuck paying the full rate. The real problem here is that South Carolina's overall tax structure is not competitive with other states. South Carolina has the 16th highest sales tax in the nation—no wonder Sembler is asking for a tax break before building in South

Carolina. The only way to ensure long-term economic growth for everyone is to eliminate special-interest tax breaks and slash the state's tax rates for all businesses.

Fundamental tax reform, prosperity and job creation can't come from politically driven back room deals and short-term planning. The Sembler deal is another example of a bad investment for taxpayers.

Nothing in the foregoing should be construed as an attempt to aid or hinder passage of any legislation.



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