Protecting Agriculture and Manufacturing Tax Exemptions for the Wood Supply Chain. Since 2016, the House Tax Policy Review Committee has been considering reforming the state’s tax code including eliminating sales tax exemptions. In 2018, the Committee unveiled draft legislation that would cut South Carolina’s sales tax rate from 6% to 3%. To accomplish this, all sales tax exemptions would be eliminated.

Important sales tax exemptions for forestry and the wood supply chain are off-road fuel, replacement parts, logging equipment and certain manufacturing machinery and equipment. In addition, there may be a proposal for sales tax to be levied on all services including forestry.

This tax reform proposal would have a serious impact on the wood supply chain. For example, landowners would have to start paying sales taxes on services provided by their foresters, loggers would have to pay sales taxes on off-road fuel, replacement parts, and timber harvesting equipment, and forest products mills would be required to pay sales taxes on certain manufacturing machinery and equipment. Furthermore, a future General Assembly could increase the sales tax rate after the wood supply chain has lost its sales tax exemptions.

The House Tax Policy Review Committee met on February 28, 2019 to discuss sales tax exemptions. Indications are that a bill to reform sales tax exemptions will be introduced in the House of Representatives in a few weeks. FASC wrote a letter to Committee members requesting that they maintain the sales tax exemptions for agriculture and manufacturing.

The Senate Finance Taxation System Review and Reform Subcommittee started meeting about tax reform on October 17, 2018. It should be noted that the House Committee intends to address property taxes in the future.

Tort Reform. The Forestry Association is a member of the SC Coalition for Lawsuit Reform which is pushing for reforms in 2019 that will address high court verdicts.

The three issues that the Coalition will be focusing on are:
1) Abolishing the deep pocket rule which allows plaintiffs to target the defendants with the most money or insurance.
2) Requiring rotation of circuit court judges to avoid the appearance of “home cooking.”
3) Advocating for the SC Supreme Court and the SC Bar Association to start regulating TV Lawyer advertising.

Failure to address the “deep pocket rule” commonly referred to as joint and several liability will result in:
• Parties with deep pockets being exposed to huge risks because injured parties are more likely to go after those with substantial assets, even if their percentage of fault is small.
• Anyone who is adequately insured or has substantial assets becomes a target, regardless of fault.
• If one party is uninsured or insolvent, the risks unfairly shift to the others.
• Businesses in SC, especially small ones, could be one lawsuit away from going out of business.
• Insurance costs will rise making it hard to get or afford liability coverage.

Continued on next page
On January 24, 2019, Rep. Davey Hiott (R-Pickens) Chairman of the House Agriculture Committee and 55 co-sponsors including the Republican Majority Leader and the Chairman of the Legislative Black Caucus introduced House Bill 3758 which abolishes the “deep pocket rule” if a business is less than 50 percent at fault in an accident. On March 5, Senate Majority Leader Shane Massey introduced Senate Bill 591, which is the Senate’s version of House Bill 3758.

Protecting Dam Owners from Excessive Regulations and Compliance Costs. Some environmental groups are advocating for the General Assembly to require DHEC to regulate every dam in South Carolina including rural low hazard dams. On January 16, 2019, a Senate Agriculture subcommittee passed Senate Bill 107 (S. 107) that was introduced by Senate Agriculture Committee Chairman Paul Campbell which is a more reasonable approach requiring:

- A dam owner must provide their name, contact info, and address to DHEC and that any changes must be reported within 30 days to the department.
- An owner of a high hazard dam must provide DHEC with a dam owner checklist annually; an owner of a significant hazard dam will need to provide the checklist to DHEC every 5 years. This checklist is to help dam owners maintain their dam in good repair and to stay aware of any issues that may be occurring with the dam such as animal activity or tree growth.
- Direct DHEC to continue focusing on dams that pose the most risk and not the approximately 1600 low hazard dams, mostly located in rural areas, which do not pose a risk to loss of human life and only minimum damage to property of others. This is consistent with the Joint Resolution directing DHEC to focus on high and significant hazard dams (Act 272) that passed last year.
- DHEC currently maintains an inventory of low hazard dams in their notification system and can continue to include them in the notification system for high rainfall events. This will allow dam owners the needed information to take pre-cautions of lowering water levels and clearing emergency spillways.
- Many dams are facing reclassification due to downstream development in an inundation zone despite the dam having been there for years. As South Carolina continues to grow, urban areas and development often encroach on rural areas leaving dam owners with expensive modifications to their dams. A one-time refundable tax credit, up to $50,000, for repairs/modification expenses made due to a DHEC reclassification of a dam will help ease this financial burden.

Also, Senator Chip Campsen has introduced Senate Bill 81 which exempts low hazard dams from regulations. Any dam larger than 25 feet but not expected to cause loss of human life and only minimal property damage would be exempt from DHEC oversight.

The Senate Agriculture Committee passed S. 107 with some minor amendments on March 14, 2019. There were concerns raised about the $50,000 tax credit which might be debated by the full Senate.

Tuition Scholarships for CDL Operators. The House Ways and Means Committee has funded $11 million in Workforce Scholarships to provide grants for tuition, fees and textbooks to SC residents enrolled in a career education program or professional program at a technical college including but not limited to CDL training.

Be Pro Be Proud. The House Ways and Means Committee failed to fund the Be Pro Be Proud program which targets high school students for trade skill jobs including CDL and Heavy Equipment Operators. FASC will seek to get the Senate to fund the Be Pro Be Proud program.

Governor McMaster provided $950,000 for the Be Pro Be Proud program in his Executive Budget.

Truck Weight Limits. The Forestry Association has been working with the SC Department of Agriculture, Palmetto AgriBusiness Council and the SC Poultry Federation regarding increasing agribusiness truck weight limits in SC. FASC is continuing to meet with key stakeholders.

Prohibiting Unauthorized Agricultural Use Exemption Requirements on Timberland Owners. The House Ways and Means Committee re-authorized Proviso 113.8 in the State Budget. The Proviso allows the State Treasurer to withhold state funds from any county requiring landowners to obtain a forest management plan before approving an application for an agricultural use exemption on their timberland.

DHEC Board Confirmation. Alex Singleton with International Paper is scheduled for a confirmation hearing on his nomination to the DHEC Board on March 21, 2019. FASC has endorsed Singleton’s appointment to the DHEC Board.

LOCAL ISSUES

Orangeburg County. FASC retained former Attorney General Charlie Condon to represent the forest industry regarding the inconsistent application of business license fees for loggers and wood dealers in Orangeburg County. Condon reviewed the matter with Orangeburg County resulting in the county agreeing to impose a generally lower fee which should average $75 to $150 for loggers.

Fairfield County. Fairfield County Council is seeking to implement a business license fee, a hospitality tax, and tourism development fee.

FEDERAL ISSUES

H-2B Guest Workers. In previous spending bills, Congress increased the authority of the Secretary of Homeland Security to issue additional visas above the statutory annual cap of 66,000. Recently, Congress passed legislation allowing the Secretary to authorize an additional 69,320 H-2B visas for this year, again, on top of the existing 66,000.

FASC contacted the SC Congressional Delegation to urge them to contact the Department of Homeland Security to expedite H-2B visas.

Senator Lindsey Graham, Senator Tim Scott, Congressman Tom Rice, Congressman Ralph Norman, and Congressman Joe Cunningham signed onto a bipartisan congressional letter urging Homeland Security Secretary Nielsen to expeditiously release the additional visas in time for the busy spring and summer seasons.

Waters of the United States Rule. In the Feb. 14, 2019 Federal Register, the Environmental Protection Agency and US Army Corps of Engineers issued proposed revisions to the definition of “waters of the US”, changing the scope of waters federally regulated under the Clean Water Act. The new rule would clarify that groundwater, certain ditches, conveyances that flow only in response to precipitation, wetlands separated by dikes, and other features are not “waters of the US”. FASC plans to submit comments to support the proposed rule. Comments are requested by April 15, 2019.

This Capitol Report was prepared by Forestry Association President & CEO Cam Crawford, Columbia, SC. Contact him at 803/798-4170 or ccrawford@sckforestry.org.