

Cost of Doing Business in South Carolina

The Southeastern United States' fast-paced population growth to date, and its anticipated growth, along with the region's manufacturing renaissance, has made it an ideal location for businesses seeking to cut operating costs and reach strategic markets. In the heart of the Southeast, South Carolina offers unparalleled value to companies seeking the ideal business location. The Palmetto State's business climate ranks among the best in the United States with a progressive and competitive environment, offering low corporate tax rates and low utility rates combined with highly competitive wages and low rates of unionization. The proceeding sections highlight South Carolina's advantages on a number of key business and economic fronts, including labor organization and power costs.

Business Costs: Taxes

At 5%, South Carolina's corporate income tax is among the lowest in the Nation and the Southeast. Unlike a number of other states that combine income and loss of related companies to determine apportionable income, South Carolina is a separate entity state. In most instances, companies engaged in multi-state activities will only pay taxes on the income derived directly from business activity conducted in South Carolina.

State Corporate Income Tax Rate

Tax Type	South Carolina
Corporate Income Tax	5.0%

Source: The Tax Foundation's State Corporate Income Tax Rates and State Individual Income Tax Rates, 2018.

South Carolina offers a single factor sales apportionment formula. Use of the formula will often substantially reduce the amount of state income taxes that a multi-state company with property and payroll in South Carolina will be required to pay.

Depending on the type of business establishment, number of jobs created, capital investment, location of project and other factors, several statutory and discretionary incentives are available to help companies offset, or eliminate their corporate income tax liability, including the Job Tax Credits, Corporate HQ Credits, Investment Tax Credit, Job Development Credits, Port Volume Increase Tax Credit, and/or Research and Development Credit.

Income tax is just one part of an overall tax structure, and businesses in South Carolina benefit from low state and local sales tax rates, as evident in the tables below. **In over half of all South Carolina counties, sales taxes are 7% or less.** In addition, businesses in South Carolina benefit from:

No State Property Tax
No Sales Tax on Manufacturing Equipment
No Local Income Tax

No Inventory Tax
No Wholesale Tax
No Unitary Tax on Profits Worldwide

State and Local Sales Tax Rate

Tax Type	South Carolina
State Sales Tax	6.00%
Average Local Sales Tax	1.43%
Combined Sales Tax	7.43%

Source: The Tax Foundation's State and Local Sales Tax Rates, as of January 2019.

Unemployment Insurance

South Carolina maintains competitive rates for unemployment insurance. Once an employer has established 12 months of liability in South Carolina a new unemployment tax rate is calculated. This rate is recalculated each year based on the employer's history as of the preceding July. An employer's exact rate depends on its experience with the UI system and current economic conditions. A higher rate is attributed to companies with high employee turnover or layoffs, and corresponding high usage of the unemployment insurance system. The latest unemployment insurance rates can be found below.

State	Minimum Rate	Maximum Rate	Taxable Base Wage	Most Favorable Schedule		Least Favorable Schedule	
				Minimum Rate	Maximum Rate	Minimum Rate	Maximum Rate
South Carolina	0.06%	5.46%	\$14,000	0.00%	5.46%	0.06%	5.46%

Source: Tax Foundation, 2017 State Business Tax Climate Index, Rates in Effect on July 1, 2018

Business Costs: Labor

In part due to its world-class workforce, **Area Development** named **South Carolina 5th in the nation for doing business in 2018**. **South Carolina is also among 10 states with the lowest cost of labor on Business Facilities' Rankings Report**. The ranking is based on unionization rates, cost of unemployment insurance, workers' compensation premiums, hourly pay in manufacturing, average annual pay in the private sector, and average employer cost for an "employee plus one" health care premium. A table of average hourly wages for select industries follows, as does a table with the maximum workers' compensation rate.

Average Hourly Wages for Select Occupations

Occupational Title	South Carolina
All Occupations	\$20.31
Management Occupations	\$48.44
Business and Financial Operations Occupations	\$30.18
Production Occupations	\$18.25

Source: U.S. Bureau of Labor Statistics, May 2017 Occupational Employment Survey. Mean Hourly Wages.

South Carolina prides itself on having one of the nation's lowest unionization rates. **The Palmetto State is a right-to-work state and has a private-sector unionization rate of only 2.2%. South Carolina has one of the lowest percentages of total workers covered by a collective bargaining agreement of any state in the nation.**

Percentage of Employed Workers Covered by a Collective Bargaining Agreement

Sector	South Carolina
Total	3.6%
Private	2.2%
Public	10.8%

Sources: Union Membership and Coverage Database from the CPS (unionstats.com) 2018.

Employers in South Carolina have the right to operate their businesses and manage their workforce free of union influence. South Carolina employers can operate their business free from the worry of workforce disruption and loss of productivity due to strike and labor disputes. As a right-to-work state, all employees in South Carolina have the right to decide for themselves whether or not to join or financially support a union and employees that are not members of a union, should one exist in their workplace, cannot be denied the right-to-work for such. **South Carolina's right-to-work statute, S.C. Code Ann. §§ 41-7-10 through 90, was enacted over sixty years ago.**

Historically, and presently, union membership in South Carolina is very rare. **All employment in the state of South Carolina, unless there is an employment contract or a specific statutory protection, is designated employment-at-will.** Employment-at-will simply means that the employer may terminate the employment or the employee may leave the employment at any time for any reason (or for no reason). In 2012, the South Carolina legislature further limited the effectiveness of labor organizations by enacting laws requiring labor organizations to file financial information with the state's Labor, Licensing and Review board and enacting increased fines for violations of the state's right-to-work laws.

Most major manufacturers in South Carolina operate their facilities free from union influence. None of the state's existing tire plants are unionized, and BMW, the state's automotive-anchor in the Upstate, remains non-union. In Charleston, South Carolina, Boeing's plant, opened in 2011, remains non-union. The current administration has strongly opposed union formation in the state.

Labor Force & Population: Availability & Qualifications

South Carolina's pro-business environment and highly skilled workforce has attracted major corporations in a variety of industries. **With 85 percent of the population 25 years and over with a high school education or higher, it is no wonder major companies such as Boeing, Michelin, and GE have made South Carolina their home.**

More than 250,000 students are enrolled in South Carolina's colleges and universities. A comprehensive network of technical colleges strategically located across the state assures that every worker in the state has access to technical education. South Carolina boasts a well-trained, able, and qualified workforce. A population of more than 4.8 million people and labor force of more than 2.27 million provides South Carolina companies with a continuous supply of highly qualified workers.

Furthermore, the ReadySC™ worker training program is one of the nation's oldest and most experienced workforce training programs. As part of the SC Technical College System, the ReadySC™ program provides customized workforce training at little or no cost for eligible companies relocating or expanding in the state. More than 289,000 workers have been trained since the program's inception.

Business Costs: Utilities

South Carolina is a powerhouse when it comes to affordable and reliable energy. The Palmetto State attributes its low-cost, reliable power to a diverse mix of energy sources, including hydroelectric, nuclear, coal, natural gas, and other renewable resources. Industrial electricity costs in South Carolina averaged 6.20 cents per kilowatt-hour in December 2018, among the lowest in the nation.

Utility Prices

Sector	South Carolina
Electricity (cents per kilowatt hour)	6.20
Industrial Gas Price (Dollars per thousand cubic feet)	6.09

Source: The Energy Information Administration, "Monthly Electric Sales and Revenue Report with State Distributions Report," Table 5.6.A: Average Retail Price of Electricity to Ultimate Customers by End-Use Sector, by State, Dec. 2018. "Natural Gas Prices by State," Dec. 2018.

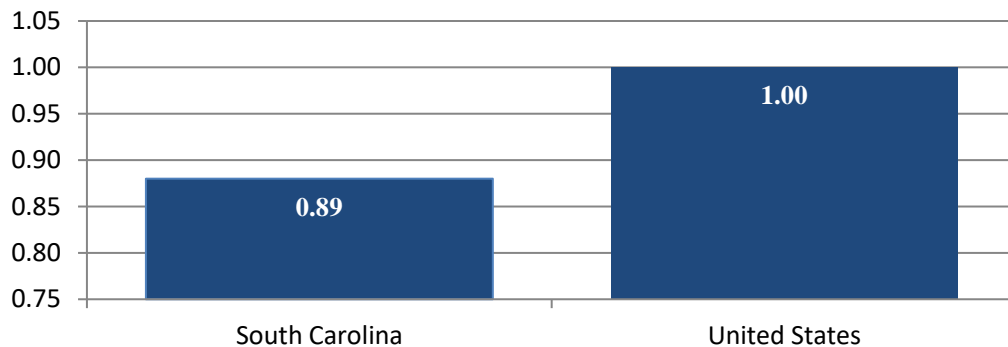
Construction Cost: Comparison

Construction costs in South Carolina are some of the lowest in the Southeast and the Nation. Overall the cost in the Southeastern region ranges from 3 to 13 percent below the United States average for Class A office facilities.

(Source: Marshall Valuation Service)

The state has a **diverse array of buildings and sites** to meet a company's needs. A full database of industrial and commercial buildings and sites is located on the Department of Commerce's webpage at www.locatesc.com.

Construction Cost Index, January 2019



Market Logistics

Access:

Located halfway between New York City and Miami, South Carolina's integrated transportation system makes it easy for companies in the Palmetto State to reach any market. With a well-integrated port, sophisticated rail service, reliable air transportation, and an advanced interstate system South Carolina offers a range of logistics solutions.

The Port of Charleston is recognized as **the nation's most efficient container port** and one of the top three globally. Crane productivity averages 43 moves per hour and truck turn times are consistently 25 minutes per transaction or better. The South Carolina Ports Authority is an operating port, with all carrier customers operating under a common use arrangement. This translates into world-class productivity, common operating hours and an organization that is responsive to your business needs. **The Port of Charleston has been ranked the South's top port, providing superior value for companies importing or exporting goods.**

South Carolina's location and transportation infrastructure assure fast, reliable access to national and international markets. **South Carolina is crisscrossed by five interstate highways and is within a mere two day's drive of 2/3rds of the U.S. population.** South Carolina's 41,584 miles of state-maintained highways rank 4th in the nation in highway performance and cost-effectiveness in the 21st *Annual Highway Report* by the nonpartisan Reason Foundation.



Air transportation within South Carolina is easy and convenient; any location in South Carolina is within about an hour of a commercial airport, especially one of six primary airports located in Columbia, Charleston, Florence, Greenville-Spartanburg, Hilton Head, and Myrtle Beach.

Quality of Life: Cost of Living

An important asset for businesses and employees locating in South Carolina is the state's high quality of life. Steeped in history and tradition, South Carolina is home to natural beauty, world-renowned events, a low cost of living and unparalleled access to the U.S. and travel abroad. People from around the world have recognized what South Carolina has to offer: tourism in the Palmetto State brings in \$15 billion a year and Charleston was recently ranked a top travel destination by *Conde Nast* magazine.

The cost of living in South Carolina is approximately 9.7% below the national average, meaning the average dollar across the U.S. can purchase approximately \$1.10 worth of goods and services in South Carolina. This low cost of living means that workers in the Palmetto State can enjoy a high quality of life while receiving competitive wages.

Cost of Living

Category	South Carolina
All Items	90.3
Goods	96.7
Services: Rents	77.1
Services: Other	93.3

Source: United States Department of Commerce, Bureau of Economic Analysis. *Regional Price Parities, 2016*. Regional price parities (RPPs) are regional price levels expressed as a percentage of the overall national price level for a given year.

South Carolina's location on the eastern seaboard yields warm summers and mild winters. Residents enjoy outdoor activities year-around and companies see very few weather related interruptions. **Since 1953 South Carolina has only issued 19 major disaster declarations, with FEMA ranking South Carolina as having among the lowest major disaster declarations in the nation and in the Southeast.**

Cost of Doing Business Winner: South Carolina

South Carolina enjoys several competitive advantages that make it the ideal location for business growth. Companies in South Carolina pay less in corporate income taxes and may enjoy a number of tax exemptions that companies elsewhere do not. The Palmetto State's skilled and low cost workforce and growing population provide businesses with an abundant supply of qualified and eager workers. South Carolina's transportation infrastructure, low-cost utilities, and quality of life amenities all contribute to its business friendly environment.

In today's challenging economy, it is more important than ever for businesses to make the best strategic decisions to guarantee a successful future. Whether it's the state's skilled workforce, low cost of business, favorable tax and regulatory environment, strategic geographical location, or high quality of life **South Carolina is a place where your business can thrive.**