

State of South Carolina

Office of the Governor

MARK SANFORD
GOVERNOR

POST OFFICE BOX 12267
COLUMBIA 29211

June 11, 2008

The Honorable André Bauer
President of the Senate
State House, First Floor, East Wing
Columbia, South Carolina 29201

Dear Mr. President and Members of the Senate:

I am hereby vetoing and returning without my approval S. 1141, R-355. This bill amends sales tax incentives for the purchase of energy efficient manufactured homes.

Given my belief in conservation and given my belief in doing things that maximize the number of dollars in a taxpayer's pocket, I very much support energy efficiency and hope that consumers realize the benefits of purchasing products that bring with them both energy and efficiency rewards. So while I believe the bill is certainly well intentioned, I am compelled to veto it for two main reasons.

First, we continue to believe that there are already too many carve-outs and exemptions to our sale tax. Though individually these carve-outs may have merit, collectively they narrow the population from whom sales taxes are collected and effectively raise sales taxes on those entities still subject to sales taxes in South Carolina. Rather than having people in politics pick winners and losers in the marketplace or direct people's behaviors through the tax code, it has been our belief that our taxes ought to be as low as possible. To get to this end, taxes cannot be ever narrowing in scope. In short, these kinds of exemptions further narrow the sales tax base and make it that much harder to make broad base cuts. Our end-goal is to, in fact, broadly lower rates, and then allow individuals to make their own decisions on where and how to spend their money.

We occasionally support making exceptions to the bias described above when it can be demonstrated that there is an overwhelming or especially strong consequence to a tax exemption. Unfortunately, this can not be demonstrated in this instance. As with any sales tax exemption, it can be shown that there is a savings to the individual - but the key is to demonstrate that it compels them to take an action that they would not have without its presence. Based on the numbers we have seen, the consumer will be compelled to take advantage of the ENERGY STAR rating even without the sales tax exemption because it is in their financial best interest to

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do so. For example, the average cost of a standard manufactured home is \$54,300. The cost of an ENERGY STAR rated mobile home is nearly \$2,599 more, bringing the average up to \$56,900. The average monthly savings that results in the reduced utility costs associated with ENERGY STAR manufactured homes averages \$70 a month or \$840 a year. This means that a consumer recoups the initial increased cost of the energy efficient home in just 36 months, and, in our view, this is incentive enough for consumers to purchase ENERGY STAR rated manufactured homes.

For the above reasons, I am vetoing S. 1141, R-355.

Sincerely,

A handwritten signature in black ink, appearing to be 'Mark Sanford', with a long horizontal stroke extending to the right.

Mark Sanford