

Swiftly formed coalition doomed Amazon's S.C. tax break

May 6 2011, By Tim Flach

The seeds for Amazon's departure from South Carolina were planted upon its arrival.

As political and business leaders celebrated the online retailer's decision in December to open a distribution center with 1,249 jobs near Cayce, S.C., other retailers suspected the incentive package it received included a sales tax collection exemption that Amazon sought elsewhere with mixed success.

Amazon's competitors were quick to protest, an effort that was rewarded last week when the state legislature voted down the tax break. Amazon canceled plans to start hiring staff and equip the center within hours after losing the showdown.

The sales-tax exemption wasn't announced publicly, but a coalition of opponents - including Wal-Mart, Target, Lowe's, [Best Buy](#) and other major national retail chains - quickly confirmed it was part of the deal that state commerce officials made with Amazon.

Representatives of those merchants went to work at the Statehouse, first developing a battle plan, then quietly alerting lawmakers to their contention that the exemption would give Amazon an unfair advantage.

Shoppers in South Carolina, they said, would perceive Amazon prices as lower because purchases from it would be guaranteed to remain untaxed for up to five years more.

Amazon's project moved ahead, with work starting in January on the 1-million-square-foot distribution center.

But the first hint of trouble came in March, when Gov. Nikki Haley voiced doubt about the exemption in her home county.

"That was the first sign we had of any problem," said Lexington County Councilman Bill Banning, who brokered local incentives for Amazon that included a free site, property tax breaks on equipment and the repeal of longtime county limits on Sunday morning sales.

Amazon allies realized selling the exemption to the state legislature would be difficult amid skepticism fanned by tea party activists and conservative groups that state giveaways are becoming excessive for development that brings in jobs.

The hands-off attitude Haley later adopted also hurt. She called the exemption a deal she wouldn't make but wouldn't block if lawmakers adopted it.

Former Gov. Mark Sanford's team ran the deal by only two legislative leaders before he left office in January, setting the stage for a showdown on whether such an exemption could win legislative approval.

"Everybody was in a bad spot on this," said state House Majority Leader Kenny Bingham of Cayce. "We didn't have the normal buy-in."

The battle to give Amazon the exemption quickly escalated into the equivalent of a statewide political campaign.

It was a campaign paid for by retail giants, though the total they spent will remain largely unknown. While lobbyists must report publicly what they have received by mid-summer, other groups who took part can keep

what they spent hidden.

Anti-Amazon forces created a local affiliate of the Alliance for Main Street Fairness, a national group experienced in creating broadcast ads to stir public reaction against what Amazon wanted.

Pro-Amazon forces got organized in April, hiring the Tarrance Group, a polling firm used by Republicans nationwide, to measure public sentiment and test themes for appeal.

More than 15 major lobbyists and consultants were called in by both sides, many of them one-time aides to former Gov. Carroll Campbell experienced in industrial recruitment incentives. Wal-Mart alone had a seven-member team that included one-time Democratic gubernatorial candidate Dwight Drake.

While those teams worked at the Statehouse and national retailers bankrolled efforts, smaller merchants and local officials became the public face of the struggle.

Ronnie Wood told lawmakers the Amazon deal could be fatal for small businesses like the hardware store in St. Andrews, S.C., he has run for 30 years.

Amazon "doesn't have the overhead we do," and giving them the exemption would only exacerbate the difference, he said.

Small businesses can cut prices to match competitors like Wal-Mart, but their profit margins after that are too thin to cope with untaxed sales by Amazon, said Brain Flynn, executive director of the South Carolina Alliance for Main Street Fairness.

Meanwhile, Wal-Mart flexed its muscle as some of its nearly 28,000

employees in South Carolina lobbied against the Amazon proposal.

Noah Johnson of Fort Mill, S.C., regional manager for the nation's largest retailer, told lawmakers that giving the exemption to Amazon would disrupt what should be "a level playing field" in commerce.

The favor could thwart [Wal-Mart](#) expansion, he warned.

"There are things in our pipeline that could more than make up for what (jobs) they would bring," he said. "It (the tax break) could alter those plans."

Left unsaid is whether those jobs would pay at the level of starting salaries in the low \$30,000 range that Amazon had promised.

Lexington County leaders rallied to try to save the Amazon plan.

Lexington Mayor Randy Halfacre and telecommunications equipment business executive Scott Adams of Lexington spearheaded the effort to assist county officials in promoting the tax break.

Their message was two-fold. Amazon would deliver jobs badly needed in a struggling economy and state efforts to recruit new industry would be damaged by failing to fulfill what they considered a promise made to Amazon, they said.

County leaders unsuccessfully urged Haley to sound more welcoming to Amazon.

Pro-Amazon supporters recruited Democrats to help after majority Republicans in the legislature split over the idea.

House Minority Leader Harry Ott, a Democrat, said it's vital "we stand

by our word."

Democratic Rep. Todd Rutherford said the exemption for Amazon isn't excessive and is part of the price to bring in jobs.

"There are those who don't want to give anything," he said. "That's not the way we do business in America."

County leaders also spread the word that employment at the Amazon facility could double or triple soon.

Belatedly, supporters trotted out what they considered the financial benefits of the deal, saying it would net state and local coffers \$11 million in exchange for a \$2.5 million exemption to Amazon.

South Carolina Commerce Secretary Bobby Hitt and three of his predecessors also endorsed the exemption, saying rejection would create problems.

But the bid by Amazon supporters to overcome doubts would be too little, too late.

The House rejected the tax break for Amazon 71-47 last Wednesday, a loss stronger than anyone expected.

A newsletter sent out afterward by state Rep. Bill Taylor, a Republican, underscored the main problems it encountered.

Taylor said the exemption was "a back-room promise made by people who didn't have the authority."

He also described it as "corporate extortion."

Some lawmakers still hope Amazon might reconsider, pledging to keep working on some sort of tax break to lure it back.

But Banning said Amazon might be apprehensive about looking at South Carolina a second time.

"Putting what they want into place is the only way that they might consider coming back," he said. "They won't rely again on a promise to do it."

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