



HENRY DARGAN McMASTER
GOVERNOR

September 23, 2026

The Honorable Thomas Alexander
President
South Carolina Senate

The Honorable G. Murrell Smith, Jr.
Speaker
South Carolina House of Representatives

The Honorable Harvey S. Peeler, Jr.
Chairman, Finance Committee
South Carolina Senate

The Honorable Bruce H. Bannister
Chairman, Ways and Means Committee
South Carolina House of Representatives

Dear Gentlemen,

I write to call your attention to an unforeseen issue in South Carolina's tax code and to urge you to prioritize changing it as soon as possible in the next session of the General Assembly.

As authorized by federal statute, I recently finalized my recommendations to the United States Department of the Treasury for the next round of Opportunity Zones. While finalizing those recommendations, it was brought to my attention that South Carolina's tax code will put South Carolina-based investors at a disadvantage when participating in the program starting in 2027.

Because the General Assembly did not conform the State's tax code to President Trump's One Big Beautiful Bill Act (OBBBA), capital gains realized by South Carolina taxpayers and invested in the next round of Opportunity Zones will not be deferred at the state level as they are for federal tax purposes. Those gains would instead remain subject to South Carolina income tax even though they receive preferential treatment at the federal level.

In practice, this means that investors from States that did conform with the OBBBA have an advantage compared to South Carolina-based investors. Put another way, our state tax code gives those out-of-state investors an advantage when investing in South Carolina's Opportunity Zones because they enjoy income-tax benefits at both the state and federal levels.

I know that this was not done intentionally. My concern, however, is that if this discrepancy is not fixed swiftly, South Carolina will not get the full benefit of the Opportunity Zones program, which, as you know, was made permanent by President Trump in the OBBBA and originally championed at the federal level by our very own United States Senator Tim Scott.

South Carolina has had an outsized impact on the Opportunity Zones program, and it should continue to benefit greatly from the program's success. Our State's tax code should not disadvantage South Carolinians who would like to invest in the communities who need it most. On the contrary, I believe that we should prioritize South Carolinians investing in their own backyard, and I am sure that you feel the same way.

I urge you to make conformity with the new federal Opportunity Zone provisions a priority early in the next legislative session so that South Carolina taxpayers and communities can make the most of this program.

Yours very truly,

A handwritten signature in blue ink, reading "Henry Dargan McMaster". The signature is fluid and cursive, with the first name "Henry" being the most prominent.

Henry Dargan McMaster