

State Individual Income Tax Comparisons for Tax Year 2007 and Computed Tax Liabilities for Tax Year 2009

Presented to the
South Carolina Taxation Realignment
Commission

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- South Carolina taxpayers filed 2.15 Million returns in FY 09
- Generated \$2.8 Billion for the General Fund

- Major Components include:
 - Employee Withholding -- \$3.5 Billion
 - Individual Declarations -- \$367 Million
 - Individual Paid with Returns -- \$399 Million
 - Refunds -- \$1.5 Billion for 1.5 Million taxpayers

- Individual Income Tax accounted for 47% of General Fund Revenue in FY 09

- 41 states impose an individual income tax
- 2 states, NH and TN, tax only dividends and interest income
- 7 states, AK, FL, NV, SD, TX, WA, and WY, do not impose an individual income tax

Table 1: Federal Income Tax Comparisons for the 2007 Tax Year

Line	Money amounts, except for averages, are in thousands.	South		North
		Carolina	Georgia	Carolina
1	Number of Federal Returns	2,256,719	4,560,422	4,601,888
2	Federal Adjusted Gross Income	98,961,892	230,079,128	219,982,102
3	Average Adjusted Gross Income	43,852	50,451	47,803
4	Total Federal Taxable Income	64,124,869	151,944,144	143,840,131
5	Average Federal Taxable Income	28,415	33,318	31,257
6	Itemized Deductions	15,430,381	41,256,992	35,697,046
7	Returns with Itemized Deductions	674,265	1,680,569	1,553,622
8	Average Deduction per Return	22,885	24,549	22,977
% Distribution of Returns by AGI				
20	% under \$50,000	73.8%	70.9%	71.4%
21	% \$50,000 to \$75,000	11.1%	11.6%	11.7%
22	% \$75,000 to \$100,000	6.6%	6.8%	7.0%
23	% \$100,000 to \$200,000	6.5%	8.0%	7.5%
24	% \$200,000 and over	1.9%	2.7%	2.4%
25	Rank (1 is poorest State with the highest percentage of taxpayers in the lowest income group, defined as under \$50,000 AGI)	5	16	14

Table 2: State Income Tax as a Percentage of Federal AGI

Line	Money amounts, except for averages, are in thousands.	South Carolina	Georgia	North Carolina
1	State Tax Base	Federal Taxable Income	Federal AGI	Federal Taxable Income
2	State Income Tax Collections (from State and Local Government Finances, U.S. Census Bureau, FY 05-06)	2,727,251	8,040,366	9,467,278
3	Average State Income Tax Per Return (number of federal returns per SOI data)	\$1,209	\$1,763	\$2,057
4	Rank (1 is highest tax per return)	36	20	13
5	State Income Tax as a % of Fed AGI	2.8%	3.5%	4.3%
6	Rank (1 is highest tax as % of AGI)	34	21	10
7	Local Income Tax	No	No	No
8	<u>TAX YEAR 2009 COMPARISONS</u>			
	Standard Deductions			
13	Single	5,700	2,300	3,000
14	Married Filing Single	5,700	1,500	3,000
15	Married Filing Jointly	11,400	3,000	6,000
16	Head of Household	8,350	2,300	4,400
17	Personal Exemptions			
18	Per Person	3,650	2,700	\$2,500 / \$2,000
19	Married Filing Jointly			
20	Dependent		3,000	\$100 credit
21	Tax Brackets	0%<\$2,740 3%>\$2,740 4%>\$5,480 5%>\$8,220 6%>\$10,960 7%>\$13,700	Single 1%>0 2%>\$750 3%>\$2,250 4%>\$3,750 5%>\$5,250 6%>\$7,000 Married 1%>0 2%>\$1,000 3%>\$3,000 4%>\$5,000 5%>\$7,000 6%>\$10,000	Single 6%>0 7%>\$12,750 7.75%>\$60,000 Married 6%>0 7%>\$21,250 7.75%>\$100,000

States With Highest Marginal Tax Rate At or Above South Carolina's 7%

State	Highest Marginal Tax Rate	Average Effective Tax Rate	Rank
Oregon	11.00%	5.7%	1
New York	8.97%	5.7%	2
California	10.55%	4.6%	5
Maine	8.50%	4.4%	7
Minnesota	7.85%	4.4%	8
Hawaii	11.00%	4.4%	9
North Carolina	7.75%	4.3%	10
Wisconsin	7.75%	4.0%	13
Arkansas	7.00%	3.7%	16
Idaho	7.80%	3.6%	18
Iowa	8.98%	3.5%	22
Montana	7.00%	3.4%	24
Rhode Island	9.90%	3.4%	25
Vermont	9.40%	3.2%	30
New Jersey	10.75%	3.2%	31
South Carolina	7.00%	2.8%	34

States With Highest Marginal Tax Rate Below South Carolina's 7%

State	Highest Marginal Tax Rate	Average Effective Tax Rate	Rank
Maryland	6.25%	5.1%	3
Ohio	5.92%	4.9%	4
Kentucky	6.00%	4.4%	6
Massachusetts	5.30%	4.3%	11
Delaware	6.95%	4.2%	12
West Virginia	6.50%	3.8%	14
Virginia	5.75%	3.7%	15
Connecticut	5.00%	3.6%	17
Utah	5.00%	3.6%	19
Pennsylvania	3.07%	3.6%	20
Georgia	6.00%	3.5%	21
Nebraska	6.84%	3.4%	23
Missouri	6.00%	3.4%	26
Oklahoma	5.50%	3.3%	27
Kansas	6.45%	3.3%	28
Indiana	3.40%	3.3%	29
Colorado	4.63%	2.8%	32
Alabama	5.00%	2.8%	33
South Carolina	7.00%	2.8%	34
Michigan	4.35%	2.7%	35
Louisiana	6.00%	2.7%	36
New Mexico	4.90%	2.6%	37
Mississippi	5.00%	2.4%	38
Illinois	3.00%	2.2%	39
Arizona	4.54%	2.1%	40
North Dakota	5.55%	1.8%	41

States With Flat Tax Rates and South Carolina

State	Highest Marginal Tax Rate	Average Effective Tax Rate	Rank
Massachusetts	5.30%	4.3%	11
Utah	5.00%	3.6%	19
Pennsylvania	3.07%	3.6%	20
Indiana	3.40%	3.3%	29
Colorado	4.63%	2.8%	32
South Carolina	7.00%	2.8%	34
Michigan	4.35%	2.7%	35
Illinois	3.00%	2.2%	39

Table 3: State Income Taxes Computed by AGI for the 2009 Tax Year

Line	Adjusted Gross Income Levels	South	Georgia	North
		Carolina		Carolina
1	Married Filing Jointly with 2 Children			
2	\$10,000	No Tax	No Tax	No Tax
3	\$20,000	No Tax	129	40
4	\$30,000	8	676	640
5	\$40,000	374	1,276	1,268
6	\$50,000	1,039	1,876	1,968
7	\$60,000	1,704	2,476	2,668
8	\$70,000	2,404	3,076	3,368
9	\$80,000	3,104	3,676	4,068
10	\$90,000	3,804	4,276	4,768
11	\$100,000	4,504	4,876	5,808
12	\$150,000	8,004	7,876	9,578
13	\$200,000	11,504	10,876	13,453
14	\$500,000	32,504	28,876	36,703
15	\$1,000,000	67,504	58,876	75,453

The box indicates where the comparison State's individual income tax is lower than SC's at the same AGI level. If no box is shown in the column, then the state's individual income tax is always higher than SC's.