

# REPORT OF THE SALES AND INCOME TAX SUBCOMMITTEE

(Crawford, Simrill, Erickson, Daning & Stavrinakis - Staff Contact: Emma Hall)

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## HOUSE BILL 4880

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H. 4880 -- Reps. Simrill, Lucas, Pope, G.M. Smith and Crawford: A BILL TO AMEND SECTION 12-6-510, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE INDIVIDUAL INCOME TAX, SO AS TO REDUCE THE TOP MARGINAL RATE TO SIX PERCENT AND TO SPECIFY THE MANNER IN WHICH THE REDUCTION OCCURS; TO AMEND SECTION 12-6-1171, RELATING TO THE MILITARY RETIREMENT INCOME DEDUCTION, SO AS TO ALLOW FOR THE DEDUCTION OF ALL MILITARY RETIREMENT INCOME; AND TO REPEAL SECTION 12-6-515 RELATING TO AN ARCHAIC INDIVIDUAL INCOME TAX PROVISION.

*Received by Ways and Means:* 1/27/2022

*Summary of Bill:* As amended by subcommittee, this bill collapses the middle income tax rates of 4%, 5%, and 6%, into the current 3% bracket which taxes income above \$3,200. The top marginal rate of 7% will be reduced immediately to 6.5% and incrementally lowered over the next five years by .1% a year until it reaches 6%. This applies to all income above \$16,040. This bill also includes an exemption of all military retirement income from taxable income.

*Estimated Revenue Impact:* Total General Fund reduction of \$596,322,000 in FY 2022-23 and a total of \$1,085,075,000 when fully phased in.

*Subcommittee Action:* Passed favorably out of Sales and Income Subcommittee on February 17.

HOUSE  
AMENDMENT

THIS AMENDMENT  
ADOPTED

GOOD/DOWNEY  
FEBRUARY 15, 2022

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CLERK OF THE HOUSE

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SALES & USE TAX AND INCOME TAX SUBCOMMITTEE  
PROPOSES THE FOLLOWING AMENDMENT No. TO H. 4880 :

REFERENCE IS TO THE BILL AS INTRODUCED.

**AMEND THE BILL, AS AND IF AMENDED, BY  
STRIKING SECTION 1 AND INSERTING:**

**/ SECTION 1. SECTION 12-6-510 OF THE  
1976 CODE IS AMENDED TO READ:**

**“SECTION 12-6-510. (A) SUBJECT TO THE  
PROVISIONS OF SUBSECTION (B), FOR TAXABLE  
YEARS BEGINNING AFTER 1994, A TAX IS IMPOSED  
ON THE SOUTH CAROLINA TAXABLE INCOME OF**

**INDIVIDUALS, ESTATES, AND TRUSTS AND ANY OTHER ENTITY EXCEPT THOSE TAXED OR EXEMPTED FROM TAXATION UNDER SECTIONS 12-6-530 THROUGH 12-6-550 COMPUTED AT THE FOLLOWING RATES WITH THE INCOME BRACKETS INDEXED IN ACCORDANCE WITH SECTION 12-6-520:**

<b>NOT OVER \$2,220</b>	<b>2.5 PERCENT OF TAXABLE INCOME</b>
<b>OVER \$2,220 BUT NOT OVER \$4,440</b>	<b>\$56 PLUS 3 PERCENT OF THE EXCESS OVER \$2,220;</b>
<b>OVER \$4,440 BUT NOT OVER \$6,660</b>	<b>\$123 PLUS 4 PERCENT OF THE EXCESS OVER \$4,440;</b>
<b>OVER \$6,660 BUT NOT OVER \$8,880</b>	<b>\$212 PLUS 5 PERCENT OF THE EXCESS OF \$6,660;</b>
<b>OVER \$8,880 BUT NOT OVER \$11,100</b>	<b>\$323 PLUS 6 PERCENT OF THE EXCESS OVER \$8,880;</b>
<b>OVER \$11,100</b>	<b>\$456 PLUS 7 PERCENT OF THE EXCESS OVER \$11,100.</b>

**(B)(1) NOTWITHSTANDING SUBSECTION (A), FOR TAXABLE YEARS BEGINNING AFTER 2021, A TAX IS IMPOSED ON THE SOUTH CAROLINA TAXABLE INCOME OF INDIVIDUALS, ESTATES, AND TRUSTS AND ANY OTHER ENTITY EXCEPT THOSE TAXED OR EXEMPTED FROM TAXATION UNDER SECTIONS 12-6-530 THROUGH 12-6-550 COMPUTED AT THE FOLLOWING RATES WITH THE INCOME BRACKETS INDEXED IN ACCORDANCE WITH SECTION 12-6-520:**

AT LEAST  
\$0  
\$3,200  
\$16,040

BUT LESS THAN  
\$3,200  
\$16,040  
OR MORE

COMPUTE THE TAX AS FOLLOWS  
0% TIMES THE AMOUNT  
3% TIMES THE AMOUNT MINUS \$96  
6% TIMES THE AMOUNT MINUS \$577

(2) NOTWITHSTANDING THE PROVISIONS OF ITEM (1), THE REDUCTION IN THE TOP MARGINAL RATE CONTAINED IN THIS ITEM, AS COMPARED TO THE SAME IN SUBSECTION (A), MUST BE PHASED-IN AS PROVIDED IN ITEM (3). UNTIL THE TOP MARGINAL RATE IS FULLY PHASED-IN, THE BRACKET TO WHICH THIS REDUCED TOP MARGINAL RATE APPLIES MUST BE THE SAME AS THE BRACKET FOR THE TOP MARGINAL RATE PROVIDED IN SUBSECTION (A). ALL REDUCTIONS ARE PERMANENT AND CUMULATIVE. DURING THE PHASE-IN AND AFTER, THE DEPARTMENT SHALL CONTINUE TO ADJUST THE BRACKETS AS PROVIDED IN SECTION 12-6-520. OTHER THAN THE TOP MARGINAL RATE, NO OTHER COMPONENT OF THIS ITEM IS PHASED-IN.

(3) FOR TAX YEAR 2022, THE TOP MARGINAL RATE SHALL EQUAL 6.5%. BEGINNING WITH TAX YEAR 2023, AND EACH YEAR THEREAFTER UNTIL THE TOP MARGINAL RATE EQUALS 6%, THE TOP MARGINAL RATE MUST DECREASE BY ONE-TENTH OF ONE PERCENT IF GENERAL FUND REVENUES ARE PROJECTED TO INCREASE BY AT LEAST FIVE PERCENT IN THE FISCAL YEAR THAT BEGINS DURING THE TAX YEAR. FOR PURPOSES OF THIS SUBSECTION, BEGINNING WITH THE INITIAL FORECAST REQUIRED PURSUANT TO SECTION 11-9-1130, THE GENERAL FUND REVENUES PROJECTION MUST BE DETERMINED BY THE REVENUE AND FISCAL AFFAIRS OFFICE BY COMPARING THE CURRENT FISCAL YEAR'S RECURRING GENERAL FUND EXPENDITURE BASE WITH THE BOARD OF ECONOMIC ADVISORS' MOST RECENT PROJECTION OF RECURRING GENERAL FUND REVENUE FOR THE UPCOMING FISCAL YEAR. UPON THE ISSUANCE OF THE INITIAL FORECAST, THE EXECUTIVE DIRECTOR OF THE REVENUE AND FISCAL AFFAIRS OFFICE, OR HIS DESIGNEE, SHALL NOTIFY THE DEPARTMENT OF REVENUE OF THE

**PROJECTED PERCENTAGE ADJUSTMENT. THE EXECUTIVE DIRECTOR, OR HIS DESIGNEE, SHALL PROVIDE SIMILAR NOTICE IF SUBSEQUENT MODIFICATIONS TO THE FORECAST CHANGE THE PROJECTED PERCENTAGE ADJUSTMENT. HOWEVER, THE FORECAST IN EFFECT ON FEBRUARY FIFTEENTH OF THE CURRENT FISCAL YEAR IS THE FINAL FORECAST FOR WHICH THE PERCENTAGE ADJUSTMENT IS DETERMINED, AND NO SUBSEQUENT FORECAST MODIFICATIONS MAY HAVE ANY EFFECT ON THAT DETERMINATION. FOR PURPOSES OF THIS SECTION, ‘RECURRING GENERAL FUND REVENUE’ AND ‘RECURRING GENERAL FUND EXPENDITURE BASE’ HAVE THE SAME MEANING AS PROVIDED IN SECTION 6-27-30.**

**(C) THE DEPARTMENT MAY PRESCRIBE TAX TABLES CONSISTENT WITH THE RATES SET PURSUANT TO SUBSECTION-(A) THIS SECTION.” /**

**RENUMBER SECTIONS TO CONFORM.**

**AMEND TITLE TO CONFORM.**



**SOUTH CAROLINA  
REVENUE AND FISCAL AFFAIRS OFFICE**

EDWARD B. GRIMBALL, Chairman  
ALAN D. CLEMMONS  
EMERSON F. GOWER, JR.

FRANK A. RAINWATER  
Executive Director

February 14, 2022

Ms. Meredith Ross  
Assistant General Counsel and Legislative Director  
House Ways and Means Committee  
525 Blatt Building  
Columbia, SC 29201

Dear Ms. Ross:

This is in response to your request for the estimated revenue impact of lowering the individual income tax marginal rates in tax year 2022 and potentially phasing-in an additional rate reduction when growth in the General Fund meets the specified threshold. The proposal would lower the tax rate for the current 4 percent, 5 percent, and 6 percent brackets to 3 percent and lower the current 7 percent bracket to 6.5 percent. Further, depending upon General Fund revenue growth, the 6.5 percent rate would be reduced by an additional 0.1 percent per year until the rate is lowered to 6 percent. The rate reduction would only occur for years in which projected revenue exceeds 5 percent of the expenditure base, until the rate reaches 6 percent.

Based upon the 2022 tax brackets as published by the Department of Revenue, the tax rates would be adjusted as follows:

2022 Current Tax Brackets		Proposed Tax Brackets	
0.00%	\$0 to 3,200	0.00%	\$0 to 3,200
3.00%	\$3,200 to 6,410	3.00%	\$3,200 to 16,040
4.00%	\$6,410 to 9,620	6.50%	Over \$16,040
5.00%	\$9,620 to 12,820		
6.00%	\$12,820 to 16,040		
7.00%	Over \$16,040		

For tax years 2023 forward, the additional rate reduction will depend on General Fund growth. To determine the growth rate, the General Fund revenue growth projection must be determined by the Revenue and Fiscal Affairs Office by comparing the current fiscal year's recurring General Fund expenditure base with the Board of Economic Advisors' most recent projection of recurring General Fund revenue for the upcoming fiscal year. The growth rate is final as of the February 15<sup>th</sup> forecast. The implementation

of the rate reductions beginning in tax year 2023 will depend on this calculation using the FY 2023-24 General Fund revenue forecast relative to the FY 2022-23 expenditure base, which is currently unknown. For purposes of this analysis, we have assumed that the rate reduction will take place each year. Should the reduction not occur, the impact on revenue would be suspended until such time as the growth rate is sufficient to implement the next reduction. For reference, the growth rates for FY 2020-21 and FY 2021-22 were 10.16 percent and 2.54 percent, respectively, and the growth rate for FY 2022-23 is currently projected to be 10.65 percent.

We have estimated the impact of the rate reduction using the latest data and expectations for personal income and inflation and individual income tax return data for 2019. The projected individual income tax reduction by tax year is included in the attached tables by taxable income range.

Assuming the bill is enacted prior to the end of the legislative session, we anticipate that taxpayers who file estimated tax payments will begin reducing their quarterly declarations in response to the tax reduction. As such, 2.625 percent of the total tax year impact for tax year 2022 is recognized as reduced estimated tax payments in FY 2021-22 for the second calendar quarter, and the remaining impact is reflected in the next fiscal year through the remaining reduced payments and higher refunds. In subsequent years, 5.25 percent of the total tax year impact is recognized in the prior fiscal year for the first two calendar quarters, and the remaining impact is reflected in the next fiscal year. The projected General Fund impact on a fiscal year basis is provided in Table 1 below based upon these assumptions. These estimates also assume that growth will be sufficient to implement the tax rate reduction each year. Further, the fiscal year estimates in later years most likely will vary from the estimates provided if withholdings tables are adjusted to reflect the overall decrease in tax liability or taxpayer behavior changes in response to the tax reduction.

**Estimated Fiscal Year Impact of Individual Income Tax Rate Reduction**

Fiscal Year	General Fund Individual Income Tax Revenue Impact	Annual Additional General Fund Individual Income Tax Revenue Impact
FY 2021-22	(\$15,121,000)	(\$15,121,000)
FY 2022-23	(\$596,322,000)	(\$581,201,000)
FY 2023-24	(\$680,016,000)	(\$83,694,000)
FY 2024-25	(\$785,832,000)	(\$105,816,000)
FY 2025-26	(\$898,942,000)	(\$113,110,000)
FY 2026-27	(\$1,021,047,000)	(\$122,105,000)
FY 2027-28	(\$1,085,075,000)	(\$64,028,000)

*Impact is contingent upon sufficient growth to trigger each rate reduction in tax years 2023 to 2027.*

Ms. Meredith Ross  
February 14, 2022  
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Please be advised, this estimate affects the current fiscal year, FY 2021-22, and the reduction is not reflected in the current FY 2021-22 revenue base. As such, the General Fund revenue impact on the budget is a reduction of \$15,121,000 for FY 2021-22 and the total reduction of \$596,322,000 for FY 2022-23. The Board of Economic Advisors will account for the impact in subsequent years in the revenue forecast.

If we may be of any further assistance, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank A. Rainwater". The signature is written in a cursive, slightly slanted style.

Frank A. Rainwater  
Executive Director

FAR/lhj

cc: Ms. Meredith Ross, House Ways and Means Committee

Enclosures: 6



**ESTIMATED TAX YEAR 2022 INDIVIDUAL INCOME TAX IMPACT**

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.5%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund Impact is (\$ 576,033,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2022	Cumulative # of Returns	Cumulative % of Returns	Projected Average Taxable Income 2022	Average Tax Liability 2022	Proposed Average Tax Liability 2022	Average Tax Increase/ (Decrease) 2022	Total Dollar Increase/ (Decrease) 2022
0	946,016	946,016	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	245,154	1,191,170	44.66%	\$2,425	\$11	\$11	\$0	\$0
5,000-10,000	184,262	1,375,432	51.57%	\$7,891	\$158	\$141	(\$17)	(\$3,117,263)
10,000-20,000	296,134	1,671,566	62.67%	\$15,674	\$570	\$415	(\$155)	(\$46,025,510)
20,000-30,000	222,927	1,894,493	71.03%	\$26,324	\$1,298	\$1,054	(\$245)	(\$54,420,658)
30,000-40,000	163,564	2,058,057	77.16%	\$36,958	\$2,042	\$1,745	(\$298)	(\$48,626,340)
40,000-50,000	121,833	2,179,890	81.73%	\$47,576	\$2,785	\$2,435	(\$351)	(\$42,687,774)
50,000-60,000	92,336	2,272,226	85.19%	\$58,224	\$3,531	\$3,127	(\$404)	(\$37,268,805)
60,000-70,000	71,506	2,343,732	87.87%	\$68,886	\$4,277	\$3,820	(\$457)	(\$32,673,319)
70,000-80,000	57,024	2,400,757	90.01%	\$79,528	\$5,022	\$4,512	(\$511)	(\$29,090,304)
80,000-90,000	45,267	2,446,024	91.71%	\$90,154	\$5,766	\$5,203	(\$564)	(\$25,497,693)
90,000-100,000	35,751	2,481,774	93.05%	\$100,817	\$6,512	\$5,896	(\$617)	(\$22,043,281)
100,000-125,000	61,263	2,543,037	95.35%	\$118,393	\$7,743	\$7,038	(\$705)	(\$43,157,499)
125,000-150,000	36,519	2,579,556	96.72%	\$145,170	\$9,617	\$8,779	(\$839)	(\$30,615,864)
150,000-175,000	22,826	2,602,382	97.57%	\$171,841	\$11,484	\$10,512	(\$972)	(\$22,180,418)
175,000-200,000	14,736	2,617,118	98.12%	\$198,353	\$13,340	\$12,236	(\$1,105)	(\$16,272,115)
200,000-250,000	17,429	2,634,548	98.78%	\$236,204	\$15,989	\$14,696	(\$1,294)	(\$22,545,198)
250,000-300,000	9,613	2,644,160	99.14%	\$289,838	\$19,744	\$18,182	(\$1,562)	(\$15,012,405)
300,000-400,000	9,689	2,653,849	99.50%	\$364,226	\$24,951	\$23,017	(\$1,934)	(\$18,734,802)
400,000-500,000	4,666	2,658,515	99.68%	\$473,044	\$32,568	\$30,090	(\$2,478)	(\$11,560,223)
500,000- \$1M	6,302	2,664,817	99.91%	\$709,492	\$49,120	\$45,460	(\$3,660)	(\$23,063,413)
\$1 M +	2,337	2,667,154	100.00%	\$2,667,974	\$186,213	\$172,761	(\$13,453)	(\$31,439,776)
<b>Total</b>	<b>2,667,154</b>			<b>\$33,619</b>	<b>\$1,808</b>	<b>\$1,528</b>	<b>(\$281)</b>	<b>(\$576,033,000)</b>

2022 Current Tax Brackets	0.00% \$0 to 3,200	Proposed Tax Brackets	0.00% \$0 to 3,200
	3.00% \$3,200 to 6,410		3.00% \$3,200 to 16,040
	4.00% \$6,410 to 9,620		6.50% Over \$16,040
	5.00% \$9,620 to 12,820		
	6.00% \$12,820 to 16,040		
	7.00% Over \$16,040		

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, and -0.6%.

**ESTIMATED TAX YEAR 2023 INDIVIDUAL INCOME TAX IMPACT**

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.4%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund Impact is (\$ 674,481,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2023	Cumulative # of Returns	Cumulative % of Returns	Projected Average Taxable Income 2023	Average Tax Liability 2023	Proposed Average Tax Liability 2023	Average Tax Increase/ (Decrease) 2023	Total Dollar Increase/ (Decrease) 2023
				col 5 (/b)	col 6			
col 1	col 2 (/a)	col 3	col 4	col 5 (/b)	col 6	col 7	col 8	col 9
0	967,774	967,774	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	250,793	1,218,567	44.66%	\$2,480	\$10	\$10	\$0	\$0
5,000-10,000	188,500	1,407,067	51.57%	\$8,073	\$158	\$142	(\$17)	(\$3,054,610)
10,000-20,000	302,945	1,710,012	62.67%	\$16,034	\$576	\$417	(\$159)	(\$48,135,653)
20,000-30,000	228,054	1,938,066	71.03%	\$26,929	\$1,318	\$1,056	(\$262)	(\$59,748,124)
30,000-40,000	167,326	2,105,392	77.16%	\$37,807	\$2,080	\$1,753	(\$328)	(\$54,759,919)
40,000-50,000	124,635	2,230,027	81.73%	\$48,669	\$2,840	\$2,448	(\$393)	(\$48,910,903)
50,000-60,000	94,460	2,324,487	85.19%	\$59,562	\$3,603	\$3,145	(\$458)	(\$43,242,814)
60,000-70,000	73,151	2,397,638	87.87%	\$70,468	\$4,366	\$3,843	(\$524)	(\$38,274,737)
70,000-80,000	58,336	2,455,974	90.01%	\$81,354	\$5,128	\$4,540	(\$589)	(\$34,333,437)
80,000-90,000	46,308	2,502,282	91.71%	\$92,225	\$5,889	\$5,235	(\$654)	(\$30,275,054)
90,000-100,000	36,573	2,538,855	93.05%	\$103,133	\$6,653	\$5,934	(\$720)	(\$26,303,847)
100,000-125,000	62,672	2,601,527	95.35%	\$121,112	\$7,911	\$7,084	(\$828)	(\$51,835,635)
125,000-150,000	37,359	2,638,886	96.72%	\$148,505	\$9,829	\$8,837	(\$992)	(\$37,039,665)
150,000-175,000	23,351	2,662,237	97.57%	\$175,789	\$11,739	\$10,583	(\$1,156)	(\$26,974,267)
175,000-200,000	15,075	2,677,312	98.12%	\$202,909	\$13,637	\$12,319	(\$1,318)	(\$19,866,492)
200,000-250,000	17,830	2,695,142	98.78%	\$241,630	\$16,347	\$14,797	(\$1,551)	(\$27,640,396)
250,000-300,000	9,834	2,704,976	99.14%	\$296,496	\$20,188	\$18,309	(\$1,880)	(\$18,482,021)
300,000-400,000	9,912	2,714,888	99.50%	\$372,593	\$25,515	\$23,179	(\$2,336)	(\$23,153,678)
400,000-500,000	4,773	2,719,661	99.68%	\$483,910	\$33,307	\$30,303	(\$3,004)	(\$14,337,476)
500,000-\$1M	6,446	2,726,107	99.91%	\$725,790	\$50,239	\$45,784	(\$4,456)	(\$28,720,123)
\$1M +	2,391	2,728,498	100.00%	\$2,729,262	\$190,482	\$174,006	(\$16,476)	(\$39,391,979)
<b>Total</b>	<b>2,728,498</b>			<b>\$34,391</b>	<b>\$1,841</b>	<b>\$1,534</b>	<b>(\$307)</b>	<b>(\$674,481,000)</b>

2023 Current Tax Brackets

0.00% \$0 to 3,330  
 3.00% \$3,330 to 6,660  
 4.00% \$6,660 to 10,000  
 5.00% \$10,000 to 13,330  
 6.00% \$13,330 to 16,680  
 7.00% Over \$16,680

Proposed Tax Brackets

0.00% \$0 to 3,330  
 3.00% \$3,330 to 16,680  
 6.40% Over \$16,680

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, -0.6%, and 4.7% thereafter.

**ESTIMATED TAX YEAR 2024 INDIVIDUAL INCOME TAX IMPACT**

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.3%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund impact is (\$ 779,919,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2024	Cumulative # of Returns	Cumulative % of Returns	Projected Average Taxable Income 2024	Average Tax Liability 2024	Proposed Average Tax Liability 2024	Average Tax Increase/ (Decrease) 2024	Total Dollar Increase/ (Decrease) 2024
	col 2 (/a)	col 3	col 4	col 5 (/b)	col 6	col 7	col 8	col 9
0	990,033	990,033	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	256,561	1,246,594	44.66%	\$2,537	\$10	\$10	\$0	\$0
5,000-10,000	192,835	1,439,429	51.57%	\$8,258	\$159	\$144	(\$16)	(\$2,978,445)
10,000-20,000	309,913	1,749,342	62.67%	\$16,402	\$582	\$420	(\$162)	(\$50,126,996)
20,000-30,000	233,299	1,982,642	71.03%	\$27,547	\$1,339	\$1,059	(\$280)	(\$65,295,748)
30,000-40,000	171,174	2,153,816	77.16%	\$38,676	\$2,118	\$1,760	(\$358)	(\$61,243,126)
40,000-50,000	127,502	2,281,318	81.73%	\$49,787	\$2,896	\$2,460	(\$436)	(\$55,534,337)
50,000-60,000	96,632	2,377,950	85.19%	\$60,930	\$3,676	\$3,162	(\$514)	(\$49,626,532)
60,000-70,000	74,834	2,452,784	87.87%	\$72,087	\$4,457	\$3,865	(\$592)	(\$44,275,879)
70,000-80,000	59,678	2,512,461	90.01%	\$83,223	\$5,236	\$4,567	(\$670)	(\$39,960,959)
80,000-90,000	47,373	2,559,835	91.71%	\$94,344	\$6,015	\$5,267	(\$748)	(\$35,409,571)
90,000-100,000	37,414	2,597,249	93.05%	\$105,502	\$6,796	\$5,970	(\$826)	(\$30,887,705)
100,000-125,000	64,113	2,661,362	95.35%	\$123,895	\$8,083	\$7,129	(\$955)	(\$61,184,203)
125,000-150,000	38,218	2,699,580	96.72%	\$151,916	\$10,045	\$8,894	(\$1,151)	(\$43,968,859)
150,000-175,000	23,888	2,723,469	97.57%	\$179,827	\$11,999	\$10,653	(\$1,346)	(\$32,149,843)
175,000-200,000	15,421	2,738,890	98.12%	\$207,570	\$13,941	\$12,401	(\$1,541)	(\$23,749,542)
200,000-250,000	18,240	2,757,130	98.78%	\$247,180	\$16,713	\$14,896	(\$1,818)	(\$33,148,375)
250,000-300,000	10,060	2,767,191	99.14%	\$303,307	\$20,642	\$18,432	(\$2,211)	(\$22,235,054)
300,000-400,000	10,140	2,777,330	99.50%	\$381,152	\$26,091	\$23,336	(\$2,756)	(\$27,936,149)
400,000-500,000	4,883	2,782,213	99.68%	\$495,027	\$34,063	\$30,510	(\$3,553)	(\$17,344,719)
500,000-\$1M	6,595	2,788,808	99.91%	\$742,463	\$51,383	\$46,099	(\$5,285)	(\$34,848,582)
\$1M +	2,446	2,791,254	100.00%	\$2,791,957	\$194,848	\$175,217	(\$19,631)	(\$48,014,105)
<b>Total</b>	<b>2,791,254</b>			<b>\$35,181</b>	<b>\$1,873</b>	<b>\$1,540</b>	<b>(\$333)</b>	<b>(\$779,919,000)</b>

2024 Current Tax Brackets

0.00% \$0 to 3,460  
 3.00% \$3,460 to 6,930  
 4.00% \$6,930 to 10,400  
 5.00% \$10,400 to 13,870  
 6.00% \$13,870 to 17,350  
 7.00% Over \$17,350

Proposed Tax Brackets

0.00% \$0 to 3,460  
 3.00% \$3,460 to 17,350  
 6.30% Over \$17,350

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, -0.6%, and 4.7% thereafter.

**ESTIMATED TAX YEAR 2025 INDIVIDUAL INCOME TAX IMPACT**

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.2%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund Impact is (\$ 892,557,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2025	Cumulative # of Returns	Cumulative % of Returns	Projected Average Taxable Income 2025	Average Tax Liability 2025	Proposed Average Tax Liability 2025	Average Tax Increase/ (Decrease) 2025	Total Dollar Increase/ (Decrease) 2025
				col 5 (/b)	col 6			
col 1	col 2 (/a)	col 3	col 4	col 5 (/b)	col 6	col 7	col 8	col 9
0	1,012,804	1,012,804	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	262,462	1,275,266	44.66%	\$2,596	\$10	\$10	\$0	\$0
5,000-10,000	197,271	1,472,536	51.57%	\$8,448	\$162	\$147	(\$16)	(\$3,063,408)
10,000-20,000	317,041	1,789,577	62.67%	\$16,779	\$593	\$427	(\$166)	(\$52,575,088)
20,000-30,000	238,665	2,028,242	71.03%	\$28,180	\$1,367	\$1,070	(\$297)	(\$70,849,977)
30,000-40,000	175,111	2,203,354	77.16%	\$39,564	\$2,164	\$1,776	(\$388)	(\$67,931,959)
40,000-50,000	130,434	2,333,788	81.73%	\$50,930	\$2,960	\$2,481	(\$479)	(\$62,460,243)
50,000-60,000	98,855	2,432,643	85.19%	\$62,330	\$3,758	\$3,188	(\$571)	(\$56,352,983)
60,000-70,000	76,555	2,509,198	87.87%	\$73,743	\$4,557	\$3,895	(\$662)	(\$50,630,435)
70,000-80,000	61,050	2,570,248	90.01%	\$85,135	\$5,354	\$4,602	(\$753)	(\$45,940,367)
80,000-90,000	48,463	2,618,711	91.71%	\$96,511	\$6,150	\$5,307	(\$844)	(\$40,878,947)
90,000-100,000	38,274	2,656,985	93.05%	\$107,926	\$6,950	\$6,015	(\$935)	(\$35,780,024)
100,000-125,000	65,588	2,722,573	95.35%	\$126,741	\$8,267	\$7,181	(\$1,086)	(\$71,185,640)
125,000-150,000	39,097	2,761,671	96.72%	\$155,406	\$10,273	\$8,958	(\$1,315)	(\$51,400,106)
150,000-175,000	24,438	2,786,109	97.57%	\$183,958	\$12,272	\$10,729	(\$1,544)	(\$37,709,501)
175,000-200,000	15,776	2,801,885	98.12%	\$212,338	\$14,258	\$12,488	(\$1,771)	(\$27,925,632)
200,000-250,000	18,660	2,820,544	98.78%	\$252,859	\$17,095	\$15,001	(\$2,095)	(\$39,079,110)
250,000-300,000	10,292	2,830,836	99.14%	\$310,275	\$21,114	\$18,560	(\$2,554)	(\$26,280,764)
300,000-400,000	10,373	2,841,209	99.50%	\$389,908	\$26,688	\$23,498	(\$3,191)	(\$33,096,803)
400,000-500,000	4,995	2,846,204	99.68%	\$506,398	\$34,843	\$30,720	(\$4,123)	(\$20,592,678)
500,000- \$1M	6,746	2,852,950	99.91%	\$759,519	\$52,561	\$46,413	(\$6,148)	(\$41,474,143)
\$1M +	2,502	2,855,453	100.00%	\$2,856,093	\$199,321	\$176,401	(\$22,921)	(\$57,348,927)
<b>Total</b>	<b>2,855,453</b>			<b>\$35,990</b>	<b>\$1,914</b>	<b>\$1,555</b>	<b>(\$359)</b>	<b>(\$892,557,000)</b>

2025 Current Tax Brackets

0.00% \$0 to 3,560  
 3.00% \$3,560 to 7,120  
 4.00% \$7,120 to 10,680  
 5.00% \$10,680 to 14,240  
 6.00% \$14,240 to 17,810  
 7.00% Over \$17,810

Proposed Tax Brackets

0.00% \$0 to 3,560  
 3.00% \$3,560 to 17,810  
 6.20% Over \$17,810

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, -0.6%, and 4.7% thereafter.

**ESTIMATED TAX YEAR 2026 INDIVIDUAL INCOME TAX IMPACT**

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.1%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund Impact is (\$ 1,014,168,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2026	Cumulative # of Returns	Cumulative % of Returns	Projected Average Taxable Income 2026	Average Tax Liability 2026	Proposed Average Tax Liability 2026	Average Tax Increase/ (Decrease) 2026	Total Dollar Increase/ (Decrease) 2026
				col 5 (/b)	col 6			
col 1	col 2 (/a)	col 3	col 4	col 5 (/b)	col 6	col 7	col 8	col 9
0	1,036,098	1,036,098	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	268,499	1,304,597	44.66%	\$2,655	\$11	\$11	\$0	\$0
5,000-10,000	201,808	1,506,405	51.57%	\$8,642	\$167	\$151	(\$17)	(\$3,285,277)
10,000-20,000	324,333	1,830,738	62.67%	\$17,164	\$609	\$438	(\$172)	(\$55,633,641)
20,000-30,000	244,154	2,074,892	71.03%	\$28,827	\$1,402	\$1,088	(\$315)	(\$76,680,444)
30,000-40,000	179,139	2,254,031	77.16%	\$40,473	\$2,217	\$1,799	(\$419)	(\$75,037,705)
40,000-50,000	133,434	2,387,465	81.73%	\$52,100	\$3,031	\$2,508	(\$524)	(\$69,856,008)
50,000-60,000	101,128	2,488,594	85.19%	\$63,762	\$3,848	\$3,219	(\$629)	(\$63,556,635)
60,000-70,000	78,315	2,566,909	87.87%	\$75,437	\$4,665	\$3,931	(\$734)	(\$57,448,435)
70,000-80,000	62,454	2,629,364	90.01%	\$87,091	\$5,481	\$4,642	(\$839)	(\$52,364,099)
80,000-90,000	49,578	2,678,941	91.71%	\$98,728	\$6,295	\$5,352	(\$944)	(\$46,760,283)
90,000-100,000	39,155	2,718,096	93.05%	\$110,405	\$7,113	\$6,064	(\$1,049)	(\$41,044,646)
100,000-125,000	67,097	2,785,193	95.35%	\$129,652	\$8,460	\$7,238	(\$1,222)	(\$81,957,677)
125,000-150,000	39,997	2,825,189	96.72%	\$158,976	\$10,513	\$9,027	(\$1,486)	(\$59,411,151)
150,000-175,000	25,000	2,850,189	97.57%	\$188,184	\$12,557	\$10,809	(\$1,749)	(\$43,706,541)
175,000-200,000	16,139	2,866,328	98.12%	\$217,216	\$14,589	\$12,580	(\$2,010)	(\$32,432,194)
200,000-250,000	19,089	2,885,417	98.78%	\$258,667	\$17,491	\$15,108	(\$2,383)	(\$45,481,979)
250,000-300,000	10,528	2,895,945	99.14%	\$317,402	\$21,602	\$18,691	(\$2,912)	(\$30,650,374)
300,000-400,000	10,612	2,906,557	99.50%	\$398,865	\$27,305	\$23,660	(\$3,645)	(\$38,672,686)
400,000-500,000	5,110	2,911,667	99.68%	\$518,031	\$35,646	\$30,930	(\$4,717)	(\$24,103,120)
500,000- \$1M	6,902	2,918,568	99.91%	\$776,966	\$53,772	\$46,725	(\$7,048)	(\$48,637,728)
\$1M +	2,560	2,921,128	100.00%	\$2,921,702	\$203,903	\$177,554	(\$26,350)	(\$67,447,031)
<b>Total</b>	<b>2,921,128</b>			<b>\$36,816</b>	<b>\$1,961</b>	<b>\$1,575</b>	<b>(\$386)</b>	<b>(\$1,014,168,000)</b>

2026 Current Tax Brackets

0.00% \$0 to 3,620  
 3.00% \$3,620 to 7,240  
 4.00% \$7,240 to 10,860  
 5.00% \$10,860 to 14,490  
 6.00% \$14,490 to 18,120  
 7.00% Over \$18,120

Proposed Tax Brackets

0.00% \$0 to 3,620  
 3.00% \$3,620 to 18,120  
 6.10% Over \$18,120

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, -0.6%, and 4.7% thereafter.

**ESTIMATED TAX YEAR 2027 INDIVIDUAL INCOME TAX IMPACT**

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.0%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund impact is (\$ 1,145,198,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2027	Cumulative # of Returns	Cumulative % of Returns	Projected	Average Tax Liability 2027	Proposed Average Tax Liability 2027	Average Tax Increase/ (Decrease) 2027	Total Dollar Increase/ (Decrease) 2027
				Average Taxable Income 2027				
col 1	col 2 (/a)	col 3	col 4	col 5 (/b)	col 6	col 7	col 8	col 9
0	1,059,928	1,059,928	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	274,674	1,334,602	44.66%	\$2,716	\$11	\$11	\$0	\$0
5,000-10,000	206,449	1,541,052	51.57%	\$8,840	\$172	\$155	(\$17)	(\$3,506,249)
10,000-20,000	331,793	1,872,845	62.67%	\$17,559	\$626	\$449	(\$177)	(\$58,817,248)
20,000-30,000	249,770	2,122,614	71.03%	\$29,489	\$1,438	\$1,106	(\$332)	(\$82,922,313)
30,000-40,000	183,259	2,305,874	77.16%	\$41,403	\$2,272	\$1,821	(\$452)	(\$82,673,808)
40,000-50,000	136,503	2,442,377	81.73%	\$53,297	\$3,104	\$2,534	(\$571)	(\$77,816,748)
50,000-60,000	103,454	2,545,831	85.19%	\$65,226	\$3,939	\$3,250	(\$690)	(\$71,317,639)
60,000-70,000	80,117	2,625,948	87.87%	\$77,170	\$4,775	\$3,967	(\$809)	(\$64,798,208)
70,000-80,000	63,891	2,689,839	90.01%	\$89,091	\$5,610	\$4,682	(\$929)	(\$59,291,624)
80,000-90,000	50,718	2,740,557	91.71%	\$100,996	\$6,443	\$5,396	(\$1,048)	(\$53,104,734)
90,000-100,000	40,055	2,780,612	93.05%	\$112,941	\$7,279	\$6,113	(\$1,167)	(\$46,725,099)
100,000-125,000	68,640	2,849,252	95.35%	\$132,630	\$8,658	\$7,294	(\$1,364)	(\$93,583,738)
125,000-150,000	40,917	2,890,169	96.72%	\$162,628	\$10,757	\$9,094	(\$1,664)	(\$68,059,746)
150,000-175,000	25,575	2,915,743	97.57%	\$192,507	\$12,849	\$10,887	(\$1,963)	(\$50,182,059)
175,000-200,000	16,510	2,932,253	98.12%	\$222,206	\$14,928	\$12,669	(\$2,260)	(\$37,298,962)
200,000-250,000	19,528	2,951,782	98.78%	\$264,609	\$17,896	\$15,213	(\$2,684)	(\$52,397,564)
250,000-300,000	10,770	2,962,552	99.14%	\$324,694	\$22,102	\$18,818	(\$3,285)	(\$35,370,496)
300,000-400,000	10,856	2,973,408	99.50%	\$408,027	\$27,935	\$23,818	(\$4,118)	(\$44,696,535)
400,000-500,000	5,227	2,978,635	99.68%	\$529,931	\$36,469	\$31,132	(\$5,337)	(\$27,895,974)
500,000- \$1M	7,060	2,985,695	99.91%	\$794,814	\$55,010	\$47,025	(\$7,986)	(\$56,378,481)
\$1M +	2,619	2,988,314	100.00%	\$2,988,819	\$208,591	\$178,666	(\$29,926)	(\$78,360,490)
<b>Total</b>	<b>2,988,314</b>			<b>\$37,662</b>	<b>\$2,010</b>	<b>\$1,596</b>	<b>(\$414)</b>	<b>(\$1,145,198,000)</b>

2027 Current Tax Brackets	0.00% \$0 to 3,680	Proposed Tax Brackets	0.00% \$0 to 3,680
	3.00% \$3,680 to 7,370		3.00% \$3,680 to 18,440
	4.00% \$7,370 to 11,060		6.00% Over \$18,440
	5.00% \$11,060 to 14,740		
	6.00% \$14,740 to 18,440		
	7.00% Over \$18,440		

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, -0.6%, and 4.7% thereafter.

**South Carolina General Assembly**  
124th Session, 2021-2022

**H. 4880**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. Simrill, Lucas, Pope, G.M. Smith, Crawford, Huggins, Erickson, Bradley, Ballentine, Hardee, W. Newton, White, Thayer, West and Fry

Document Path: I:\council\bills\nbd\11310dg22.docx

Introduced in the House on January 27, 2022

Currently residing in the House Committee on **Ways and Means**

Summary: Tax rates

**HISTORY OF LEGISLATIVE ACTIONS**

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
1/27/2022	House	Introduced and read first time ( <u>House Journal-page 30</u> )
1/27/2022	House	Referred to Committee on <b>Ways and Means</b> ( <u>House Journal-page 30</u> )
2/2/2022	House	Member(s) request name added as sponsor: Huggins, Erickson, Bradley
2/8/2022	House	Member(s) request name added as sponsor: Ballentine
2/17/2022	House	Member(s) request name added as sponsor: Hardee, W.Newton, White, Thayer, West, Fry

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**VERSIONS OF THIS BILL**

1/27/2022

1  
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3  
4  
5  
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10

**A BILL**

11 TO AMEND SECTION 12-6-510, CODE OF LAWS OF SOUTH  
12 CAROLINA, 1976, RELATING TO THE INDIVIDUAL INCOME  
13 TAX, SO AS TO REDUCE THE TOP MARGINAL RATE TO SIX  
14 PERCENT AND TO SPECIFY THE MANNER IN WHICH THE  
15 REDUCTION OCCURS; TO AMEND SECTION 12-6-1171,  
16 RELATING TO THE MILITARY RETIREMENT INCOME  
17 DEDUCTION, SO AS TO ALLOW FOR THE DEDUCTION OF  
18 ALL MILITARY RETIREMENT INCOME; AND TO REPEAL  
19 SECTION 12-6-515 RELATING TO AN ARCHAIC  
20 INDIVIDUAL INCOME TAX PROVISION.

21  
22 Be it enacted by the General Assembly of the State of South  
23 Carolina:

24  
25 SECTION 1. Section 12-6-510 of the 1976 Code is amended to  
26 read:

27  
28 “Section 12-6-510. (A) Subject to the provisions of subsection  
29 (B), for taxable years beginning after 1994, a tax is imposed on the  
30 South Carolina taxable income of individuals, estates, and trusts and  
31 any other entity except those taxed or exempted from taxation under  
32 Sections 12-6-530 through 12-6-550 computed at the following  
33 rates with the income brackets indexed in accordance with Section  
34 12-6-520:

35

36 Not over \$2,220	2.5 percent of taxable income
37 Over \$2,220 but not over \$4,440	\$56 plus 3 percent of the excess over \$2,220;
38 Over \$4,440 but not over \$6,660	\$123 plus 4 percent of the excess over \$4,440;
39 Over \$6,660 but not over \$8,880	\$212 plus 5 percent of the excess of \$6,660;
40 Over \$8,880 but not over \$11,100	\$323 plus 6 percent of the excess over \$8,880;
41 Over \$11,100	\$456 plus 7 percent of the excess over \$11,100.

42

43 (B)(1) Notwithstanding subsection (A), for taxable years  
44 beginning after 2021, a tax is imposed on the South Carolina taxable



1 income of individuals, estates, and trusts and any other entity except  
2 those taxed or exempted from taxation under Sections 12-6-530  
3 through 12-6-550 computed at the following rates with the income  
4 brackets indexed in accordance with Section 12-6-520:

<u>At Least</u>	<u>But less than</u>	<u>Compute the tax as follows</u>
<u>\$0</u>	<u>\$3,200</u>	<u>0% times the amount</u>
<u>\$3,200</u>	<u>\$6,410</u>	<u>3% times the amount minus \$96</u>
<u>\$6,410</u>	<u>\$9,620</u>	<u>4% times the amount minus \$160</u>
<u>\$9,620</u>	<u>\$12,820</u>	<u>5% times the amount minus \$256</u>
<u>\$12,820</u>	<u>or more</u>	<u>6% times the amount minus \$385</u>

12  
13 (2) Notwithstanding the provisions of item (1), the reduction  
14 in the top marginal rate contained in this item, as compared to the  
15 same in subsection (A), must be phased-in as provided in item (3).  
16 Until the top marginal rate is fully phased-in, the bracket to which  
17 this reduced top marginal rate applies must be the same as the  
18 bracket for the top marginal rate provided in subsection (A). All  
19 reductions are permanent and cumulative. During the phase-in and  
20 after, the department shall continue to adjust the brackets as  
21 provided in Section 12-6-520.

22 (3) For Tax Year 2022, the top marginal rate shall equal 6.8%.  
23 Beginning with Tax Year 2023, and each year thereafter until the  
24 top marginal rate equals 6%, the top marginal rate must decrease by  
25 two-tenths of one percent if general fund revenues are projected to  
26 increase by at least five percent in the fiscal year that begins during  
27 the tax year. For purposes of this subsection, beginning with the  
28 initial forecast required pursuant to Section 11-9-1130, the general  
29 fund revenues projection must be determined by the Revenue and  
30 Fiscal Affairs Office by comparing the current fiscal year's  
31 recurring general fund expenditure base with the Board of Economic  
32 Advisors' most recent projection of recurring general fund revenue  
33 for the upcoming fiscal year. Upon the issuance of the initial  
34 forecast, the Executive Director of the Revenue and Fiscal Affairs  
35 Office, or his designee, shall notify the Department of Revenue of  
36 the projected percentage adjustment. The executive director, or his  
37 designee, shall provide similar notice if subsequent modifications to  
38 the forecast change the projected percentage adjustment. However,  
39 the forecast in effect on February fifteenth of the current fiscal year  
40 is the final forecast for which the percentage adjustment is  
41 determined, and no subsequent forecast modifications may have any  
42 effect on that determination. For purposes of this section, 'recurring  
43 general fund revenue' and 'recurring general fund expenditure base'  
44 have the same meaning as provided in Section 6-27-30.