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REPORT ON SENATE BILL 1087

S. 1087 -- Senators Peeler, Alexander, Kimbrell, Shealy, Turner, Climer, M. Johnson, Martin, Corbin, Davis, Massey, Rice, Adams, Garrett, Cash, Young, Malloy, Williams, Loftis, Gambrell, Talley, Cromer, Scott, Jackson, Stephens, Campsen, Verdin, Grooms, McElveen and Gustafson TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, SO AS TO ENACT THE "COMPREHENSIVE TAX CUT ACT OF 2022"; TO AMEND SECTION 12-6-510, RELATING TO THE INDIVIDUAL INCOME TAX, SO AS TO REDUCE THE TOP MARGINAL RATE TO 5.7 PERCENT; TO AMEND SECTION 12-6-1171, RELATING TO THE MILITARY RETIREMENT DEDUCTION, SO AS TO EXEMPT ALL MILITARY RETIREMENT INCOME; TO AMEND SECTION 12-37-220, AS AMENDED, RELATING TO PROPERTY TAX EXEMPTIONS, SO AS TO INCREASE A PROPERTY TAX EXEMPTION FOR CERTAIN MANUFACTURING PROPERTY; TO APPROPRIATE ONE BILLION DOLLARS FROM THE CONTINGENCY RESERVE FUND TO THE TAXPAYER REBATE FUND TO PROVIDE REBATES TO TAXPAYERS; AND TO REPEAL SECTION 12-6-515 RELATING TO AN ARCHAIC INDIVIDUAL INCOME TAX PROVISION.

Summary of Bill:

This bill reduces the top two marginal income tax rates of 7% and 6% to 5.7%. This top rate would apply to all income over \$12,820. All other brackets remain the same. It also eliminates income tax on military retirement, as the House did in both H. 4880 and H. 3669. It reduces the property tax assessment ratio on manufacturer's property down to 6%. Finally, it provides for \$1 billion in rebates to all tax filers based upon tax liability with both a floor and a ceiling. The minimum rebate would be \$100 and the maximum rebate would be \$700.

Estimated Revenue Impact:

Reduces the General Fund tax revenue by \$23,281,000 in this fiscal year and \$894,874,000 in the next fiscal year. It would transfer an additional \$106,120,000 from General Fund Revenue to the Trust Fund for Tax Relief to pay for the manufacturer's property tax exemption. Finally, it includes the one-time payment of \$1,000,000,000 in rebate checks.



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	S. 1087	Introduced on February 17, 2022
Author:	Peeler	
Subject:	Comprehensive Tax Cut of 2022	
Requestor:	Senate Finance	
RFA Analyst(s):	Jolliff and Miller	
Impact Date:	February 24, 2022	

Fiscal Impact Summary

This bill enacts the Comprehensive Tax Cut Act of 2022. The act lowers the top marginal individual income tax 6 and 7 percent rates to 5.7 percent in tax year 2022 and allows taxpayers to claim a full deduction of military retirement income. Further, the act increases the manufacturing value exemption for property taxes to 42.8571 percent of the value, which equates to lowering the 10.5 percent manufacturing assessment ratio to 6 percent. The act also eliminates the reimbursement cap for this exemption and the phase-in of the current manufacturing property tax exemption. The act provides that local governments will be reimbursed for the exemption. Lastly, the act appropriates one billion dollars from the Contingency Reserve Fund to the Taxpayer Rebate Fund, which may be used to provide a rebate to taxpayers in a manner prescribed by the General Assembly.

This bill will not impact expenditures for the Department of Revenue (DOR). DOR will implement the changes during the annual updates to tax forms and instructions. The agency can also implement the changes to the manufacturing property exemption with existing staff. Further, we anticipate that the State Treasurer's Office will establish the Taxpayer Rebate Fund with existing staff and resources. However, any expenditure impact for distributing taxpayer rebates will depend on additional legislation.

This bill will reduce General Fund individual income tax revenue by \$23,281,000 in FY 2021-22 and \$886,902,000 in FY 2022-23 for the individual income tax rate reduction.

Further, the proposed complete deduction of all remaining military retirement income beginning in tax year 2022 will reduce General Fund individual income tax revenue by an additional \$7,972,000 in FY 2022-23.

The change in the manufacturing property value exemption will increase the required state reimbursements from the Trust Fund for Tax Relief to local governments by \$106,120,000 beginning in FY 2022-23. The Trust Fund for Tax Relief is deducted from the state individual and corporate income tax revenue, the remaining of which is allocated to the General Fund. Therefore, this section will result in an additional transfer of \$106,120,000 from General Fund revenue to the Trust Fund for Tax Relief beginning in FY 2022-23. The reimbursement funds will offset the local property tax revenue reduction.

In total, the bill will reduce General Fund individual income tax revenue by \$23,281,000 in FY 2021-22 and \$894,874,000 in FY 2022-23. The bill will transfer an additional \$106,120,000 from General Fund revenue to the Trust Fund for Tax Relief, for net reduction in available General Fund revenue of \$1,000,994,000 in FY 2023-23.

Explanation of Fiscal Impact

Introduced on February 17, 2022

State Expenditure

This bill will not impact expenditures for the Department of Revenue (DOR). DOR will implement the changes during the annual updates to tax forms and instructions. The agency can also implement the changes to the manufacturing property exemption with existing staff.

We anticipate that the State Treasurer’s Office will establish the Taxpayer Rebate Fund with existing staff and resources. However, any expenditure impact for distributing taxpayer rebates will depend on additional legislation.

State Revenue

Section 1. This section provides that the act may be cited as the “Comprehensive Tax Cut Act of 2022”.

Section 2. This section reduces the individual income tax marginal 6 percent and 7 percent rates to 5.7 percent beginning in tax year 2022. We have estimated the impact of the rate reduction using the latest data and expectations for personal income, inflation, and individual income tax return data for 2019. The projected individual income tax reduction for tax year 2022 is included in the attached table 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. The projected General Fund impact on a fiscal year basis is provided in Table 1 below based upon these assumptions.

Table 1. Estimated Fiscal Year Impact of Individual Income Tax Rate Reduction

Fiscal Year	General Fund Individual Income Tax Revenue	Annual Additional General Fund Individual Income Tax Revenue
FY 2021-22	(\$23,281,000)	(\$23,281,000)
FY 2022-23	(\$886,902,000)	(\$863,621,000)

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 \$23,281,000 for FY 2021-22 and the total reduction of \$886,902,000 for FY 2022-23, as opposed to the annual additional amount.

Section 3. This section allows taxpayers to claim a full deduction of military retirement income. Presently, Section 12-6-1171 provides an individual income tax deduction of up to \$17,500 of earned income for taxpayers that also have military retirement income. The deduction is equal to the amount of military retirement income included in taxable income, not to exceed \$17,500. Taxpayers age 65 and over may also deduct up to \$30,000 of military retirement income without regard to earned income. This bill will amend that section so that all taxpayers may deduct total military income with no earned income requirement.

Please be advised that in SC Revenue Ruling 21-13 issued in late 2021, the Department of Revenue stated that a taxpayer age 65 and over is eligible for both the earned income deduction of \$17,500 and a military retirement deduction of up to \$30,000, as opposed to only the military retirement deduction. This guidance has affected our analysis of the impact.

DOR's guidance that taxpayers age 65 and over may claim both the earned income and military retirement deductions was not addressed in the tax return instructions for 2021 or in prior years. As such, we do not anticipate that the impact is currently reflected in our revenue collections. The Board of Economic Advisors (BEA) incorporated this in its forecast for FY 2022-23 on February 15, 2022. Our analysis is based upon the anticipated impact of this new guidance.

Based upon the latest data provided by the SC Department of Veterans Affairs from the Department of Defense, Office of the Actuary through September 2021, the estimated revenue impact in FY 2022-23 for these deductions totals \$22,914,000.

The first row of Table 2 below reports the estimated revenue impact of the current deductions and proposed full deduction of all military retirement income for taxpayers under age 65 in tax year 2022. We estimate that the individual income tax revenue impact of a fully implemented military retirement income deduction in FY 2022-23 will total \$18,714,000 for taxpayers under age 65. The BEA forecast for individual income tax revenue includes the impact of the current deductions, which is estimated to be \$11,025,000. Therefore, the proposed complete deduction of the remaining military retirement for taxpayers under age 65 will reduce individual income tax revenue by an additional \$7,689,000 in FY 2022-23.

The second row of the table below reports the estimated revenue impact of the current and proposed deduction for taxpayers age 65 and older in tax year 2022. We estimate that the individual income tax revenue impact of the fully implemented military retirement income deduction in FY 2022-23 will total \$12,172,000 for taxpayers age 65 and over. For these taxpayers, the BEA forecast includes the reduction in the individual income tax revenue for the current deduction estimated to be \$10,036,000. Therefore, the proposed complete deduction of the remaining military retirement for taxpayers age 65 and older will reduce individual income tax revenue by an additional \$2,136,000 in FY 2022-23.

Our estimate of the earned income deduction for taxpayers age 65 and over with military retirement is based upon data from the Census Bureau and the Bureau of Labor Statistics. Using 2021 figures, approximately 18.5 percent of the estimated U.S. population age 65 and over is employed. The code section allows a taxpayer to deduct up to \$17,500 of earned income equal to military income. Based upon an average tax rate of 2.88 percent for a deduction of \$17,500, this deduction will reduce income tax by approximately \$504 per qualifying taxpayer. The average tax rate for this deduction amount accounts for the fact that many returns are already reduced to zero before the additional deduction. Multiplying 18.5 percent by the 19,869 individuals with military retirement, we estimate that approximately 3,676 will be eligible for the \$504 deduction totaling \$1,853,000.

The net change for taxpayers age 65 and over will be an additional reduction of \$283,000. This change is shown in the fourth row of the table below.

Combining the revenue impacts of the deduction for all military retirees results in an estimated total reduction in General Fund individual income tax revenue of \$30,886,000. Of this total, the \$22,914,000 is already exempted under the current provisions. Therefore, the proposed complete deduction of all remaining military retirement income beginning in tax year 2022 will reduce General Fund individual income tax revenue by an additional \$7,972,000 in FY 2022-23.

Table 2. Estimated Number and Tax Revenue Reduction for Military Retirees FY 2022-23

Age of Military Retirees	Total Estimated Number of Active Duty Military Retirees	Total Tax Revenue Reduction from Full Military Retirement Deduction	Total Revenue Reduction from Act 272 of 2016	Additional Revenue Reduction from Full Military Retirement Deduction
Under Age 65	17,603	(\$18,714,000)	(\$11,025,000)	(\$7,689,000)
Age 65 and Older (Retirement)	19,869	(\$12,172,000)	(\$10,036,000)	(\$2,136,000)
Age 65 and Older (Earned Income) ¹	3,676	\$0	(\$1,853,000)	\$1,853,000
Age 65 and Older (Total)	19,869	(\$12,172,000)	(\$11,889,000)	(\$283,000)
Total	37,471	(\$30,886,000)	(\$22,914,000)	(\$7,972,000)

¹ Reflects guidance issued by the S.C. Department of Revenue in SC Revenue Ruling 21-13

Section 4. This section increases the manufacturing property tax value exemption to 42.8571 percent. This bill also eliminates the reimbursement cap for this property tax exemption and the phase-in of the current 14.2857 percent exemption. This section takes effect beginning in tax year 2022.

In tax year 2022, the current manufacturing property tax value exemption will be in the fifth year of a six-year phase-in, resulting in an exemption of 11.9048 percent of the manufacturing property value from all property taxes. This bill increases this exemption by 30.9523 percent, resulting in a manufacturing property tax exemption of 42.8751 percent. This exemption equates to lowering the 10.5 percent manufacturing assessment ratio to 6 percent. The total local property tax revenue loss will be fully reimbursed through the Trust Fund for Tax Relief.

Currently, the estimated manufacturing tax exemption reimbursement for tax year 2022 is \$40,820,000. The estimated local property tax revenue loss, and thereby the Trust Fund for Tax Relief reimbursement total under this bill, is approximately \$146,930,000. This is an increase of \$106,120,000 beginning in FY 2022-23.

The Trust Fund for Tax Relief is deducted from the state individual and corporate income tax revenue, the remaining of which is allocated to the General Fund. Therefore, this section will result in an additional transfer of \$106,120,000 from the General Fund to the Trust Fund for Tax Relief beginning in FY 2022-23.

Section 5. This section appropriates one billion dollars from the Contingency Reserve Fund to the Taxpayer Rebate Fund, which is created in the State Treasury. The fund may be used to provide a rebate to taxpayers in a manner prescribed by the General Assembly. Any allocation of the funds will require additional legislative action.

Section 6. This section repeals Section 12-6-515, which lowers the 2.5 percent marginal tax rate in Section 12-6-510(A) to 0 percent. This reduction has been in effect since 2007 and is no longer necessary with the updates to the marginal tax rates in the bill. Therefore, this section has no impact.

Local Expenditure

N/A

Local Revenue

Section 4 of this bill increases the manufacturing property tax exemption to 42.8571. This bill also eliminates the reimbursement cap for this property tax exemption and the phase-in of the current manufacturing property tax exemption. Due to the elimination of the \$85,000,000 cap, the local revenue property tax loss will be reimbursed on a dollar-for-dollar basis through the Trust Fund for Tax Relief. Local governments will receive an additional \$106,120,000 in reimbursements beginning in FY 2022-23 to offset the property tax reduction.



Frank A. Rainwater, Executive Director

ESTIMATED TAX YEAR 2022 INDIVIDUAL INCOME TAX IMPACT

Proposal: Reduce top marginal tax rate to 5.7% with brackets unchanged.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund impact is (\$ 886,902,000).

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
	col 2 (/a)	col 3	col 4	col 5 (/b)	col 6	col 7	col 8	col 9
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	\$158	\$0	\$0
10,000-20,000	296,134	1,671,566	62.67%	\$15,674	\$570	\$549	(\$21)	(\$6,180,654)
20,000-30,000	222,927	1,894,493	71.03%	\$26,324	\$1,298	\$1,154	(\$144)	(\$31,956,506)
30,000-40,000	163,564	2,058,057	77.16%	\$36,958	\$2,042	\$1,761	(\$282)	(\$46,059,677)
40,000-50,000	121,833	2,179,890	81.73%	\$47,576	\$2,785	\$2,366	(\$420)	(\$51,124,293)
50,000-60,000	92,336	2,272,226	85.19%	\$58,224	\$3,531	\$2,973	(\$559)	(\$51,528,693)
60,000-70,000	71,506	2,343,732	87.87%	\$68,886	\$4,277	\$3,580	(\$697)	(\$49,815,250)
70,000-80,000	57,024	2,400,757	90.01%	\$79,528	\$5,022	\$4,187	(\$835)	(\$47,615,284)
80,000-90,000	45,267	2,446,024	91.71%	\$90,154	\$5,766	\$4,793	(\$974)	(\$44,051,571)
90,000-100,000	35,751	2,481,774	93.05%	\$100,817	\$6,512	\$5,401	(\$1,112)	(\$39,746,157)
100,000-125,000	61,263	2,543,037	95.35%	\$118,393	\$7,743	\$6,402	(\$1,341)	(\$82,107,361)
125,000-150,000	36,519	2,579,556	96.72%	\$145,170	\$9,617	\$7,929	(\$1,689)	(\$61,657,167)
150,000-175,000	22,826	2,602,382	97.57%	\$171,841	\$11,484	\$9,449	(\$2,036)	(\$46,453,183)
175,000-200,000	14,736	2,617,118	98.12%	\$198,353	\$13,340	\$10,960	(\$2,380)	(\$35,066,952)
200,000-250,000	17,429	2,634,548	98.78%	\$236,204	\$15,989	\$13,118	(\$2,872)	(\$50,053,428)
250,000-300,000	9,613	2,644,160	99.14%	\$289,838	\$19,744	\$16,175	(\$3,570)	(\$34,308,853)
300,000-400,000	9,689	2,653,849	99.50%	\$364,226	\$24,951	\$20,415	(\$4,537)	(\$43,949,737)
400,000-500,000	4,666	2,658,515	99.68%	\$473,044	\$32,568	\$26,617	(\$5,951)	(\$27,764,055)
500,000- \$1M	6,302	2,664,817	99.91%	\$709,492	\$49,120	\$40,095	(\$9,025)	(\$56,868,546)
\$1 M +	2,337	2,667,154	100.00%	\$2,667,974	\$186,213	\$151,728	(\$34,485)	(\$80,595,050)
Total	2,667,154			\$33,619	\$1,808	\$1,570	(\$238)	(\$886,902,000)

2022 Current Tax Brackets

0.00%	\$0 to 3,200
3.00%	\$3,200 to 6,410
4.00%	\$6,410 to 9,620
5.00%	\$9,620 to 12,820
6.00%	\$12,820 to 16,040
7.00%	Over \$16,040

Proposed Tax Brackets

0.00%	\$0 to 3,200
3.00%	\$3,200 to 6,410
4.00%	\$6,410 to 9,620
5.00%	\$9,620 to 12,820
5.70%	Over \$12,820

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%.

Source: SC RFA; Data Source: SC Dept. of Revenue Income Tax Data 2019

RFA/lhj/5.7%rate/02.2022

South Carolina General Assembly
124th Session, 2021-2022

S. 1087

STATUS INFORMATION

General Bill

Sponsors: Senators Peeler, Alexander, Kimbrell, Shealy, Turner, Climer, M. Johnson, Martin, Corbin, Davis, Massey, Rice, Adams, Garrett, Cash, Young, Malloy, Williams, Loftis, Gambrell, Talley, Cromer, Scott, Jackson, Stephens, Campsen, Verdin, Grooms, McElveen and Gustafson
Document Path: I:\council\bill\nbd\11335dg22.docx

Introduced in the Senate on February 17, 2022

Introduced in the House on March 29, 2022

Last Amended on March 10, 2022

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

Summary: Comprehensive tax cut act of 2022

HISTORY OF LEGISLATIVE ACTIONS

Date	Body	Action Description with journal page number
2/17/2022	Senate	Introduced and read first time (Senate Journal-page 6)
2/17/2022	Senate	Referred to Committee on Finance (Senate Journal-page 6)
3/8/2022	Senate	Committee report: Favorable with amendment Finance (Senate Journal-page 13)
3/10/2022	Senate	Committee Amendment Adopted (Senate Journal-page 17)
3/10/2022	Senate	Read second time (Senate Journal-page 17)
3/10/2022	Senate	Roll call Ayes-40 Nays-0 (Senate Journal-page 17)
3/15/2022	Senate	Read third time and sent to House (Senate Journal-page 19)
3/15/2022	Senate	Roll call Ayes-39 Nays-0 (Senate Journal-page 19)
3/29/2022	House	Introduced and read first time (House Journal-page 38)
3/29/2022	House	Referred to Committee on Ways and Means (House Journal-page 38)

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VERSIONS OF THIS BILL

[2/17/2022](#)

[3/8/2022](#)

[3/10/2022](#)

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

3

4 COMMITTEE AMENDMENT ADOPTED

5 March 10, 2022

6

7

S. 1087

8

9 Introduced by Senators Peeler, Alexander, Kimbrell, Shealy,
10 Turner, Climer, M. Johnson, Martin, Corbin, Davis, Massey, Rice,
11 Adams, Garrett, Cash, Young, Malloy, Williams, Loftis, Gambrell,
12 Talley, Cromer, Scott, Jackson, Stephens, Campsen, Verdin,
13 Grooms, McElveen and Gustafson

14

15 S. Printed 3/10/22--S.

16 Read the first time February 17, 2022.

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A BILL

10

11 TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA,
12 1976, SO AS TO ENACT THE “COMPREHENSIVE TAX CUT
13 ACT OF 2022”; TO AMEND SECTION 12-6-510, RELATING
14 TO THE INDIVIDUAL INCOME TAX, SO AS TO REDUCE
15 THE TOP MARGINAL RATE TO 5.7 PERCENT; TO AMEND
16 SECTION 12-6-1171, RELATING TO THE MILITARY
17 RETIREMENT DEDUCTION, SO AS TO EXEMPT ALL
18 MILITARY RETIREMENT INCOME; TO AMEND SECTION
19 12-37-220, AS AMENDED, RELATING TO PROPERTY TAX
20 EXEMPTIONS, SO AS TO INCREASE A PROPERTY TAX
21 EXEMPTION FOR CERTAIN MANUFACTURING
22 PROPERTY; TO APPROPRIATE ONE BILLION DOLLARS
23 FROM THE CONTINGENCY RESERVE FUND TO THE
24 TAXPAYER REBATE FUND TO PROVIDE REBATES TO
25 TAXPAYERS; AND TO REPEAL SECTION 12-6-515
26 RELATING TO AN ARCHAIC INDIVIDUAL INCOME TAX
27 PROVISION.

28 Amend Title To Conform

29

30 Be it enacted by the General Assembly of the State of South
31 Carolina:

32

33 SECTION 1. This act may be cited as the “Comprehensive Tax Cut
34 Act of 2022”.

35

36 SECTION 2. Section 12-6-510 of the 1976 Code is amended to
37 read:

38

39 “Section 12-6-510. (A) Subject to the provisions of subsection
40 (B), for taxable years beginning after ~~1994~~ 2021, a tax is imposed
41 on the South Carolina taxable income of individuals, estates, and
42 trusts and any other entity except those taxed or exempted from

1 taxation under Sections 12-6-530 through 12-6-550 computed at the
2 following rates with the income brackets indexed in accordance with
3 Section 12-6-520:

4		
5	Not over \$2,220	2.5 percent of taxable income
6	Over \$2,220 but not over \$4,440	\$56 plus 3 percent of the
7	excess over \$2,220;	
8	Over \$4,440 but not over \$6,660	\$123 plus 4 percent of the
9	excess over \$4,440;	
10	Over \$6,660 but not over \$8,880	\$212 plus 5 percent of the
11	excess of \$6,660;	
12	Over \$8,880 but not over \$11,100	\$323 plus 6 percent of the
13	excess over \$8,880;	
14	Over \$11,100	\$456 plus 7 percent of the excess
15	over \$11,100.	

16			
17	<u>At Least</u>	<u>But less than</u>	<u>Compute the tax as follows:</u>
18	<u>\$0</u>	<u>\$3,200</u>	<u>0% times the amount</u>
19	<u>\$3,200</u>	<u>\$6,410</u>	<u>3% times the amount minus \$96</u>
20	<u>\$6,410</u>	<u>\$9,620</u>	<u>4% times the amount minus \$160</u>
21	<u>\$9,620</u>	<u>\$12,820</u>	<u>5% times the amount minus \$256</u>
22	<u>\$12,820</u>	<u>or more</u>	<u>5.7% times the amount minus \$346</u>
23			

24 (B) The department may prescribe tax tables consistent with the
25 rates set pursuant to subsection (A).”

26
27 SECTION 3. A. Section 12-6-1171(A) of the 1976 Code is
28 amended to read:

29 “(A)(1) An individual taxpayer who has ~~may deduct all~~ military
30 retirement income, ~~each year may deduct an amount of his South~~
31 ~~Carolina earned income from South Carolina taxable income equal~~
32 ~~to the amount of military retirement income that is included in South~~
33 ~~Carolina taxable income, not to exceed seventeen thousand five~~
34 ~~hundred dollars. In the case of married taxpayers who file a joint~~
35 ~~federal income tax return, the deduction allowed by this section shall~~
36 ~~be calculated separately as though they had not filed a joint return,~~
37 ~~so that each individual’s deduction is based on the same individual’s~~
38 ~~retirement income and earned income. For purposes of this item,~~
39 ~~‘South Carolina earned income’ has the same meaning as provided~~
40 ~~in Section 12-6-3330.~~

41 (2) Notwithstanding item (1), beginning in the year in which
42 an individual taxpayer reaches age sixty five, an individual taxpayer
43 who has military retirement income may deduct up to thirty

1 ~~thousand dollars of military retirement income~~ that is included in
2 South Carolina taxable income.”

3
4 B. This SECTION takes effect upon approval by the Governor and
5 first applies to income tax years beginning after 2021.

6
7 SECTION 4. A. Section 12-37-220(52) of the 1976 Code, as last
8 amended by Act 39 of 2021, is further amended to read:

9
10 “(52)(a)(i) ~~14.2857~~ 42.8571 percent of the property tax value of
11 manufacturing property assessed for property tax purposes pursuant
12 to Section 12-43-220(a)(1). The exemption allowed by this item
13 does not apply to property owned or leased by a public utility, as
14 defined in Section 58-3-5, that is regulated by the Public Service
15 Commission, regardless of whether the property is used for
16 manufacturing. For purposes of this item, if the exemption is applied
17 to real property, then it must be applied to the property tax value as
18 it may be adjusted downward to reflect the limit imposed pursuant
19 to Section 6, Article X of the South Carolina Constitution, 1895;

20 (ii) To the extent any such monies are refunded or
21 otherwise credited under this item to a public utility that is regulated
22 by the Public Service Commission, regardless of whether the
23 property is used for manufacturing, any such refund or credits must
24 be flowed through to customers as a reduction in rates, as
25 appropriate.

26 (b) The revenue loss resulting from the exemption allowed
27 by this item must be reimbursed and allocated to the political
28 subdivisions of this State, including school districts, in the same
29 manner as the Trust Fund for Tax Relief, ~~not to exceed eighty-five~~
30 ~~million dollars per year~~. In calculating estimated state individual and
31 corporate income tax revenues for a fiscal year, the Board of
32 Economic Advisors shall deduct amounts sufficient to account for
33 the reimbursement required by this item.

34 (c) ~~Notwithstanding the exemption allowed by this item, in~~
35 ~~any year in which reimbursements are projected by the Revenue and~~
36 ~~Fiscal Affairs Office to exceed the reimbursement cap in subitem~~
37 ~~(b), the exemption amount shall be proportionally reduced so as not~~
38 ~~to exceed the reimbursement cap.~~

39 (d) Notwithstanding any other provision of law, property
40 exempted from property taxes in the manner provided in this item is
41 considered taxable property for purposes of bonded indebtedness
42 pursuant to Section 15, Article X of the Constitution of this State.”

43

1 B. Section 19.B. of Act 40 of 2017 relating to a phase-in of the
2 manufacturing property tax exemption, is repealed.

3
4 C. This SECTION takes effect upon approval by the Governor and
5 applies to property tax years after 2021.

6
7 SECTION 5. (A) From the Contingency Reserve Fund, there is
8 appropriated one billion dollars to the Taxpayer Rebate Fund which
9 is created in the State Treasury. The fund is separate and distinct
10 from the general fund and all other funds of the State.

11 (B) The fund must be used by the Department of Revenue to
12 provide a one-time rebate for taxpayers that filed a return for tax
13 year 2021. Each return filed for 2021 shall receive a rebate equal to
14 the amount of tax liability on the return, except that if a return has
15 one hundred dollars or less of liability, the rebate shall equal one
16 hundred dollars, and if a return has seven hundred dollars or more
17 of liability, the rebate shall equal seven hundred dollars. However,
18 if the department determines that sufficient funds will exist to
19 increase the maximum rebate of seven hundred dollars, the
20 department shall increase the maximum so that all returns with a tax
21 liability over the increased maximum receive the same rebate. The
22 department must issue these refunds by December 31, 2022.

23 (C) The department may retain up to one percent of the fund, but
24 not to exceed their actual costs, to administer the rebate.

25 (D) Any funds remaining in the fund after every rebate has been
26 accounted for shall lapse to the Contingency Reserve Fund, at which
27 time the fund is dissolved.

28
29 SECTION 6. Section 12-6-515 of the 1976 Code is repealed.

30
31 SECTION 7. This act takes effect upon approval by the Governor.

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