

# REPORT OF THE SALES AND INCOME TAX SUBCOMMITTEE

(Allison, Simrill, G.M. Smith, Hosey & G.R. Smith - Staff Contact: Katie Owen)

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## HOUSE BILL 4997

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H. 4997 -- Reps. Stringer, Bingham, Harrell, Norman, Clemmons, Quinn, Ballentine, Spires, Brannon, McCoy, Ryan, Patrick, Bedingfield, Parker, Taylor, Brady, Murphy, Bowen, Hearn, Nanney, Sottile, Loftis, Lowe, J.R. Smith, Allison, Atwater, Bannister, Chumley, Crosby, Daning, Delleney, Erickson, Hamilton, Hardwick, Henderson, Herbkersman, Hixon, Horne, Limehouse, Long, Merrill, D.C. Moss, V.S. Moss, Owens, Pinson, Pope, Sandifer, Simrill, G.M. Smith, G.R. Smith, Tallon, Willis, Young and Forrester: A BILL TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12-6-511 SO AS TO ELIMINATE THE FOUR, FIVE, AND SIX PERCENT INCOME BRACKETS AND INSTEAD TAX THOSE INCOMES AT THREE PERCENT.

***Summary of Bill:***

This bill as amended changes the current 0%, 4%, 5% and 6% tax brackets to 3%. Per the bill the new Individual Income Tax Structure would be:

3%	\$0 to \$14,000
7%	Over \$14,000

***Introduced:*** 3/13/2012

***Received by Ways and Means:*** 3/13/2012

***Estimated Fiscal Impact:***

This bill as amended is expected to reduce General Fund individual income tax revenue by \$51,000,000

***Subcommittee Recommendation:*** Favorable with amendment

***Full Committee Recommendation:*** Pending

***Other Notes/Comments:***

Current Individual Income Tax Structure:

0%	\$0 to \$2,800
3%	\$2,800 - \$5,600
4%	\$5,600 - \$8,400
5%	\$8,400 - \$11,200
6%	\$11,200 - \$14,000
7%	Over \$14,001

HOUSE  
AMENDMENT

THIS AMENDMENT  
ADOPTED

DRAFFIN/PAIR  
MARCH 21, 2012

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CLERK OF THE HOUSE

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THE SALES AND INCOME TAX SUBCOMMITTEE  
PROPOSES THE FOLLOWING AMENDMENT No. TO H. 4997  
(COUNCIL\DKA\4030SD12):

REFERENCE IS TO THE BILL AS INTRODUCED.

**AMEND THE BILL, AS AND IF AMENDED, BY  
STRIKING SECTION 12-6-511, AS CONTAINED IN  
SECTION 1, IN ITS ENTIRETY AND INSERTING:**

**/ “SECTION 12-6-511. NOTWITHSTANDING  
THE PROVISIONS OF SECTION 12-6-510, FOR  
TAXABLE YEARS BEGINNING AFTER 2011, 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>OVER</b>	<b>BUT NOT OVER</b>	
<b>\$ 0</b>	<b>\$14,000</b>	<b>3% TIMES THE AMOUNT</b>
<b>14,000</b>		<b>7% TIMES THE AMOUNT LESS \$420</b>

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

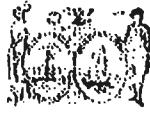
**RENUMBER SECTIONS TO CONFORM.**

**AMEND THE TITLE TO READ:**

**/TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12-6-511 SO AS TO REVISE AND REDUCE THE NUMBER OF SOUTH CAROLINA INCOME TAX BRACKETS./**

STATE OF SOUTH CAROLINA  
BOARD OF ECONOMIC ADVISORS

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(803) 734-3805

March 19, 2012

Ms. Rena Grant  
Director of Legislation  
Ways & Means Committee  
SC House of Representatives  
525 Blatt Building  
Columbia, SC 29201

Dear Ms. Grant,

This is in response to your request for an estimate of the impact of amendment 19503SD12.docx to H. 4997. The amendment would change the state individual income tax structure for tax years starting in 2012 by collapsing the 0%, 3%, 4%, 5% and 6% tax brackets to 3% for income from \$0 to \$14,000 and retaining the 7% rate for income over \$14,000. The amendment does not change the current income level for the 7% bracket and does not change the indexation of the tax brackets. We estimate that the proposed change in the income tax rates will reduce General Fund individual income tax revenue by \$51,000,000 in FY 2012-13. The attached table outlines the change in individual income tax liability by taxable income range.

If I may be of additional assistance, please advise.

Sincerely,

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

Frank A. Rainwater  
Chief Economist

FAR/lhj  
Enclosure

**H 4997 AMENDMENT 19503SD12.DOCX - ESTIMATE OF 2012 INCOME TAX ADJUSTEMENT BY COLLAPSING 0%, 3%, 4%, 5% & 6% BRACKETS TO 3.0%**

**Objective: Collapse 0%, 3%, 4%, 5% and 6% brackets to 3.0%.**

**With these brackets and rates, 78% of filers have a lower or unchanged liability and the General Fund is impact is (\$ 51,000,000).**

Baseline Taxable Income Range 2010	Current Tax Structure					Estimate of Adjusted Tax Structure		
	Projected # of Filers 2012	Cumulative # of Filers	Cumulative % of Filers	Projected Average Taxable Income 2012	Average Tax Liability 2012	Adjusted Average Tax Liability 2012	Average Tax Increase/ (Decrease) 2012	Total Dollar Increase/ (Decrease) 2012
col 1	col 2 (a)	col 3	col 4	col 5 (b)	col 6	col 7	col 8	col 9
0	737,287	737,287	34.10%	0	0	0	0	0
1-5,000	267,109	1,004,397	46.45%	2,384	0	72	72	15,172,765
5,000-10,000	185,691	1,190,087	55.04%	7,898	176	237	61	10,516,797
10,000-20,000	265,592	1,455,680	67.32%	15,603	616	532	(84)	(17,354,282)
20,000-30,000	183,439	1,639,119	75.81%	26,311	1,366	1,282	(84)	(15,406,070)
30,000-40,000	130,326	1,769,445	81.84%	36,999	2,114	2,030	(84)	(10,945,356)
40,000-50,000	94,198	1,863,643	86.19%	47,678	2,861	2,777	(84)	(7,911,176)
50,000-60,000	70,498	1,934,141	89.45%	58,336	3,608	3,524	(84)	(5,920,746)
60,000-70,000	52,547	1,986,689	91.88%	68,970	4,352	4,268	(84)	(4,413,165)
70,000-80,000	39,541	2,026,230	93.71%	79,641	5,099	5,015	(84)	(3,320,840)
80,000-90,000	28,731	2,054,961	95.04%	90,274	5,843	5,759	(84)	(2,412,968)
90,000-100,000	21,460	2,076,421	96.03%	100,918	6,588	6,504	(84)	(1,802,294)
100,000-110,000	15,784	2,092,205	96.76%	111,621	7,337	7,254	(84)	(1,325,612)
110,000-120,000	11,841	2,104,046	97.31%	122,328	8,087	8,003	(84)	(994,487)
120,000-130,000	9,335	2,113,381	97.74%	132,938	8,830	8,746	(84)	(783,990)
130,000-140,000	7,184	2,120,564	98.08%	143,556	9,573	9,489	(84)	(603,306)
140,000-150,000	5,685	2,126,260	98.34%	154,267	10,323	10,239	(84)	(478,310)
150,000-160,000	4,603	2,130,862	98.55%	164,937	11,070	10,986	(84)	(386,555)
160,000-170,000	3,686	2,134,548	98.72%	175,535	11,811	11,727	(84)	(309,535)
170,000-180,000	3,098	2,137,644	98.87%	186,256	12,562	12,478	(84)	(260,016)
180,000-190,000	2,547	2,140,191	98.98%	196,804	13,300	13,216	(84)	(213,924)
190,000-200,000	2,127	2,142,318	99.08%	207,580	14,055	13,971	(84)	(178,627)
200,000-225,000	4,002	2,146,320	99.27%	225,248	15,291	15,207	(84)	(336,093)
225,000-250,000	2,761	2,149,081	99.39%	252,434	17,194	17,110	(84)	(231,916)
250,000-300,000	3,830	2,152,912	99.57%	290,484	19,856	19,772	(84)	(321,700)
300,000-400,000	3,835	2,156,746	99.75%	365,153	25,085	25,001	(84)	(322,043)
400,000-500,000	1,928	2,158,674	99.84%	473,008	32,635	32,551	(84)	(161,921)
500,000- \$1M	2,565	2,161,239	99.96%	712,816	49,421	49,337	(84)	(215,381)
\$1 M - \$2 M	661	2,161,900	99.99%	1,429,786	99,609	99,525	(84)	(55,516)
\$2 M +	283	2,162,183	100.00%	4,830,808	337,681	337,597	(84)	(23,731)
<b>Total</b>	<b>2,162,183</b>			<b>\$25,197</b>	<b>\$1,288</b>	<b>\$1,204</b>	<b>(\$84)</b>	<b>(\$51,000,000)</b>

2012 Current Tax Brackets

0.00% \$0 to 2,800  
3.00% \$2,800 to 5,600  
4.00% \$5,600 to 8,400  
5.00% \$8,400 to 11,200  
6.00% \$11,200 to 14,000  
7.00% Over \$14,000

Adjusted Brackets

3.00% \$0 to 2,800  
3.00% \$2,800 to 5,600  
3.00% \$5,600 to 8,400  
3.00% \$8,400 to 11,200  
3.00% \$11,200 to 14,000  
7.00% Over \$14,000

Source: BEA, SC Dept. of Revenue Income Tax Data, 2010

/a 2010 Base Year Grown by 1% per year

/b 2010 Base Year Taxable Income Grown by 4.5% and 4% for '11 and '12 respectively

**South Carolina General Assembly**  
119th Session, 2011-2012

**H. 4997**

**STATUS INFORMATION**

**General Bill**

Sponsors: Reps. Stringer, Bingham, Harrell, Norman, Clemmons, Quinn, Ballentine, Spires, Brannon, McCoy, Ryan, Patrick, Bedingfield, Parker, Taylor, Brady, Murphy, Bowen, Hearn, Nanney, Sottile, Loftis, Lowe, J.R. Smith, Allison, Atwater, Bannister, Chumley, Crosby, Daning, Delleney, Erickson, Hamilton, Hardwick, Henderson, Herbkersman, Hixon, Horne, Limehouse, Long, Merrill, D.C. Moss, V.S. Moss, Owens, Pinson, Pope, Sandifer, Simrill, G.M. Smith, G.R. Smith, Tallon, Willis, Young and Forrester

Document Path: l:\council\bill\ncd\12200dg12.docx

Companion/Similar bill(s): 4994, 4995, 4996

Introduced in the House on March 13, 2012

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

Summary: Not yet available

**HISTORY OF LEGISLATIVE ACTIONS**

Date	Body	Action Description with journal page number
3/13/2012	House	Introduced and read first time ( <u>House Journal-page 10</u> )
3/13/2012	House	Referred to Committee on <b>Ways and Means</b> ( <u>House Journal-page 10</u> )
3/13/2012	House	Member(s) request name added as sponsor: Forrester

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**VERSIONS OF THIS BILL**

3/13/2012

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**A BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12-6-511 SO AS TO ELIMINATE THE FOUR, FIVE, AND SIX PERCENT INCOME BRACKETS AND INSTEAD TAX THOSE INCOMES AT THREE PERCENT.

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

SECTION 1. Article 5, Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12-6-511. Notwithstanding the provisions of Section 12-6-510, for taxable years beginning after 2011, 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:

	OVER	BUT NOT OVER	
\$	0	\$ 2,800	0% times the amount
	2,800	14,000	3% times the amount less \$84
	14,000		7% times the amount less \$644

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

SECTION 2. This act takes effect upon approval by the Governor.

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