**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING ARTICLE 7 TO CHAPTER 6, TITLE 12 SO AS TO REPLACE THE INDIVIDUAL INCOME TAX WITH A FLAT TAX RATE EQUAL TO THREE AND ONE‑HALF PERCENT ON THE TAXPAYER’S FEDERAL ADJUSTED GROSS INCOME, TO ALLOW A TAX FORGIVENESS CREDIT BASED ON INCOME AND NUMBER OF INDIVIDUALS LISTED ON THE RETURN, INCLUDING A SPOUSE AND DEPENDENTS, TO ALLOW A CREDIT FOR INCOME TAXES PAID IN ANOTHER STATE, AND TO PROVIDE THAT A TAXPAYER MUST FILE A RETURN IF THE TAXPAYER HAS ANY ADJUSTED GROSS INCOME.

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

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

“Article 7

Individual Income Tax Rates and Imposition

Section 12‑6‑710. Notwithstanding any other provision of law, for taxable years beginning after 2014, a tax is imposed equal to three and one‑half percent on the adjusted gross income of individuals, estates, trusts, and any other entity except those taxed or exempted from taxation under Sections 12‑6‑530 through 12‑6‑550. For purposes of this article, ‘adjusted gross income’ means a taxpayer’s adjusted gross income for federal income tax purposes without regard to the adjustments required by Article 9 and Article 17 of this chapter.

Section 12‑6‑720. (A) There is allowed a tax forgiveness credit that may be applied against the tax imposed pursuant to this article. The credit is equal to a percentage amount of the tax imposed pursuant to this article.

(B) Subject to the additional adjusted gross income allowed in subsection (C), the credit must be computed using the following South Carolina adjusted gross income brackets:

Adjusted Gross Income Percentage Credit Amount

Not over $5,000 87.5%

Over $5,000 but not over $10,000 75%

Over $10,000 but not over $15,000 62.5%

Over $15,000 but not over $20,000 50%

Over $20,000 but not over $25,000 37.5%

Over $25,000 but not over $30,000 25%

Over $30,000 but not over $35,000 12.5%

(C) The adjusted gross income amounts listed in subsection (B) apply for one taxpayer. A taxpayer may add, and the amounts listed in subsection (B) may be increased, an additional $5,000 of adjusted gross income for every other individual listed on the taxpayer’s federal return, including a spouse and dependents.

Section 12‑6‑730. There is allowed a credit against the tax imposed pursuant to this section for income taxes paid to another state in accordance with Section 12‑6‑3400.

Section 12‑6‑740. The tax imposed pursuant to this article is in lieu of the tax imposed pursuant to Article 5. An individual may not claim any credit contained in Article 25 of this chapter against the tax imposed pursuant to this article, unless the individual earned the credit before tax year 2014.

Section 12‑6‑750. For purposes of filing returns, filing dates, estimated tax payments, and withholdings, the tax imposed pursuant to this article must be deemed to be imposed pursuant to Article 5.

Section 12‑6‑760. Notwithstanding Section 12‑6‑4910, any taxpayer subject to the provisions of this article must file a return if the taxpayer has an adjusted gross income.

Section 12‑6‑770. The Department of Revenue may promulgate regulations necessary to implement the provisions of this article, including making modifications and adjustments to correctly reflect business income.”

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

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