



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3029
 Author: Cobb-Hunter
 Requestor: House Ways and Means
 Date: March 25, 2015
 Subject: Income Tax Credit
 RFA Analyst(s): Shuford

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
State Expenditure					
General Fund	N/A	N/A	N/A	N/A	N/A
Other and Federal	N/A	N/A	N/A	N/A	N/A
Full-Time Equivalent Position(s)	0.00	0.00	0.00	0.00	0.00
State Revenue					
General Fund	(\$140,900,000)	(\$184,625,000)	(\$232,200,000)	(\$284,025,000)	(\$340,200,000)
Other and Federal	N/A	N/A	N/A	N/A	N/A
Local Expenditure	N/A	N/A	N/A	N/A	N/A
Local Revenue	N/A	N/A	N/A	N/A	N/A

Fiscal Impact Summary

This bill would have no impact on General Fund, Federal Funds, or Other Fund expenditures.

This bill reduces General Fund individual income tax revenue by \$140,900,000 in FY 2015-16. By FY 2019-20, when the South Carolina tax credit is fully phased-in at twenty percent, the General individual income tax revenue reduction will total \$340,200,000.

Explanation of Fiscal Impact

State Expenditure

This bill would have no impact on General Fund, Federal Funds, or Other Fund expenditures.

State Revenue

This bill adds Section 12-6-3632 to allow a refundable income tax credit equal to 10 percent of the federal earned income tax credit allowed the taxpayer pursuant to Internal Revenue Code Section 32 beginning in tax year 2015. The tax credit percentage would increase by two and one-half percent for four years until reaching twenty percent in tax year 2019. Based on the latest federal tax return data from the U.S. Department of the Treasury, Internal Revenue

Service, South Carolina taxpayers filed for 507,210 earned income tax credits claiming \$1,222,899,000 in earned income tax credits in tax year 2012.

Projecting this amount to tax year 2015 by the ten-year average growth in the earned income tax credits since tax year 2002, yields an estimated \$1,409,000,000 of federal earned income tax credits for South Carolina taxpayers in tax year 2015. Applying the proposed ten percent tax credit to the estimated amount of federal earned income tax credits in tax year 2015 yields a reduction in General Fund individual income tax revenue of \$140,900,000 in FY2015-16. Since the tax credit is refundable even if the taxpayer doesn't have any tax liability, the full \$140,900,000 would be refunded to taxpayers filing for earned income tax credits in tax year 2015. The total and annual General Fund revenue reduction along with the proposed tax credit percentage by fiscal year is included in the table below.

Fiscal Year	Number of Taxpayers	Amount of Federal Credit	SC Tax Credit Percentage	Total General Fund Individual Income Tax Reduction	Annual General Fund Individual Income Tax Reduction
2015-16	538,235	\$1,409,000,000	10.0%	\$140,900,000	\$140,900,000
2016-17	548,992	\$1,477,000,000	12.5%	\$184,625,000	\$43,725,000
2017-18	559,965	\$1,548,000,000	15.0%	\$232,200,000	\$47,575,000
2018-19	571,157	\$1,623,000,000	17.5%	\$284,025,000	\$51,825,000
2019-20	582,573	\$1,701,000,000	20.0%	\$340,200,000	\$56,175,000

Local Expenditure

N/A

Local Revenue

N/A

Frank A. Rainwater, Executive Director