



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 3878
 Author: White
 Requestor: House Ways and Means
 Date: March 20, 2015
 Subject: Individual income tax brackets
 RFA Analyst(s): Jolliff and Shealy

Estimate of Fiscal Impact

| | FY 2015-16 | FY 2016-17 | FY 2017-18 |
|----------------------------------|---------------|----------------|----------------|
| State Expenditure | | | |
| General Fund | \$0 | \$0 | \$0 |
| Other and Federal | \$0 | \$0 | \$0 |
| Full-Time Equivalent Position(s) | 0.00 | 0.00 | 0.00 |
| State Revenue | | | |
| General Fund | (\$1,337,963) | (\$26,848,740) | (\$48,759,298) |
| Other and Federal | N/A | N/A | N/A |
| Local Expenditure | N/A | N/A | N/A |
| Local Revenue | N/A | N/A | N/A |

Fiscal Impact Summary

This bill is not expected to impact state expenditures. The bill would reduce General Fund individual income tax revenue by a total of \$1,337,963 in FY 2015-16, \$26,848,740 in FY 2016-17, and \$48,759,298 in FY 2017-18.

Explanation of Fiscal Impact

State Expenditure

This bill is not expected to impact expenditures of the Department of Revenue. The department currently adjusts the individual income tax brackets annually as required in statute. This bill would change the amount of the adjustment for tax years 2016 and 2017.

State Revenue

This bill changes the individual income tax bracket range for tax year 2016 and 2017. Under current law, the tax brackets are adjusted annually by one-half the amount of inflation. Based upon our current assumptions for inflation, the taxable income bracket range for each marginal income tax rate is expected to be \$2,940 for tax year 2016. Increasing the bracket amount for each tax rate by \$140 to \$3,080 as specified in the bill would reduce individual income tax revenue by approximately \$25,485,000 for tax year 2016. For tax year 2017, the taxable income bracket range for each marginal income tax rate is expected to be \$2,990. Increasing the projected 2017 bracket amount for each tax rate by \$280 to \$3,270 would reduce individual income tax revenue by approximately \$51,461,000 for tax year 2017 compared to the current

projected 2017 tax brackets. The impact by tax year is outlined in the attached detailed tables by taxable income range.

The impact on the General Fund would be a reduction in individual income tax revenue of \$1,337,963 in FY 2015-16, \$26,848,740 in FY 2016-17, and \$48,759,298 in FY 2017-18. The tax year estimates provided are adjusted to a fiscal year basis by recognizing two quarters of reduced estimated tax payments for the first half of the tax year, or second half of the fiscal year. We anticipate that taxpayers will reduce their estimated tax payments in response to the tax reduction by five and one-quarter percent of the total tax year impact, and the remaining impact is reflected in the following fiscal year for the remaining estimated tax payments and refunds.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

ESTIMATE OF TAX YEAR 2016 INCOME TAX ADJUSTEMENT BY INCREASING BRACKETS FROM \$2,940 TO \$3,080

Objective: Increase tax brackets from \$2,940 to \$3,080 with rates unchanged.

With these brackets and rates, 100% of filers have a lower or unchanged liability and the General Fund is impact is (\$ 25,485,000).

| Baseline Taxable Income Range 2013 | Current Tax Structure | | | | | Estimate of Adjusted Tax Structure | | |
|--|----------------------------------|---------------------------|---------------------------|---|-------------------------------|---|--|--|
| | Projected # of Filers 2016 | Cumulative # of Filers | Cumulative % of Filers | Projected Average Taxable Income 2016 | Average Tax Liability 2016 | Adjusted Average Tax Liability 2016 | Average Tax Increase/ (Decrease) 2016 | Total Dollar Increase/ (Decrease) 2016 |
| col 1 | col 2 (a) | col 3 | col 4 | col 5 (b) | col 6 | col 7 | col 8 | col 9 |
| 0 | 763,872 | 763,872 | 33.93% | 0 | 0 | 0 | 0 | 0 |
| 1-5,000 | 269,839 | 1,033,711 | 45.92% | 2,448 | 0 | 0 | 0 | (430,235) |
| 5,000-10,000 | 185,378 | 1,219,089 | 54.15% | 8,107 | 177 | 170 | (7) | (1,492,557) |
| 10,000-20,000 | 268,170 | 1,487,259 | 66.07% | 16,060 | 624 | 601 | (24) | (5,380,738) |
| 20,000-30,000 | 187,592 | 1,674,851 | 74.40% | 27,086 | 1,396 | 1,372 | (24) | (4,464,681) |
| 30,000-40,000 | 135,422 | 1,810,272 | 80.41% | 38,063 | 2,165 | 2,141 | (24) | (3,223,032) |
| 40,000-50,000 | 98,703 | 1,908,975 | 84.80% | 49,010 | 2,931 | 2,907 | (24) | (2,349,138) |
| 50,000-60,000 | 74,177 | 1,983,153 | 88.09% | 60,028 | 3,702 | 3,678 | (24) | (1,765,424) |
| 60,000-70,000 | 57,177 | 2,040,330 | 90.63% | 70,972 | 4,468 | 4,444 | (24) | (1,360,806) |
| 70,000-80,000 | 43,346 | 2,083,675 | 92.56% | 81,900 | 5,233 | 5,209 | (24) | (1,031,628) |
| 80,000-90,000 | 33,165 | 2,116,841 | 94.03% | 92,856 | 6,000 | 5,976 | (24) | (789,339) |
| 90,000-100,000 | 24,985 | 2,141,826 | 95.14% | 103,782 | 6,765 | 6,741 | (24) | (594,643) |
| 100,000-110,000 | 19,054 | 2,160,880 | 95.99% | 114,820 | 7,538 | 7,514 | (24) | (453,478) |
| 110,000-120,000 | 14,882 | 2,175,762 | 96.65% | 125,722 | 8,301 | 8,277 | (24) | (354,193) |
| 120,000-130,000 | 11,640 | 2,187,402 | 97.17% | 136,708 | 9,070 | 9,046 | (24) | (277,040) |
| 130,000-140,000 | 9,150 | 2,196,552 | 97.57% | 147,638 | 9,835 | 9,811 | (24) | (217,772) |
| 140,000-150,000 | 7,237 | 2,203,789 | 97.90% | 158,702 | 10,609 | 10,586 | (24) | (172,240) |
| 150,000-160,000 | 5,861 | 2,209,650 | 98.16% | 169,648 | 11,376 | 11,352 | (24) | (139,501) |
| 160,000-170,000 | 4,877 | 2,214,528 | 98.37% | 180,526 | 12,137 | 12,113 | (24) | (116,077) |
| 170,000-180,000 | 3,937 | 2,218,464 | 98.55% | 191,509 | 12,906 | 12,882 | (24) | (93,696) |
| 180,000-190,000 | 3,351 | 2,221,816 | 98.70% | 202,506 | 13,676 | 13,652 | (24) | (79,761) |
| 190,000-200,000 | 2,957 | 2,224,772 | 98.83% | 213,518 | 14,446 | 14,423 | (24) | (70,372) |
| 200,000-225,000 | 5,469 | 2,230,241 | 99.07% | 231,800 | 15,726 | 15,702 | (24) | (130,161) |
| 225,000-250,000 | 3,784 | 2,234,026 | 99.24% | 259,375 | 17,656 | 17,633 | (24) | (90,070) |
| 250,000-300,000 | 5,046 | 2,239,072 | 99.46% | 298,513 | 20,396 | 20,372 | (24) | (120,101) |
| 300,000-400,000 | 5,247 | 2,244,319 | 99.70% | 376,077 | 25,826 | 25,802 | (24) | (124,870) |
| 400,000-500,000 | 2,405 | 2,246,723 | 99.80% | 487,770 | 33,644 | 33,620 | (24) | (57,231) |
| 500,000- \$1M | 3,271 | 2,249,994 | 99.95% | 729,139 | 50,540 | 50,516 | (24) | (77,848) |
| \$1 M - \$2 M | 835 | 2,250,829 | 99.98% | 1,476,601 | 102,862 | 102,838 | (24) | (19,872) |
| \$2 M + | 347 | 2,251,176 | 100.00% | 5,460,272 | 381,719 | 381,695 | (24) | (8,247) |
| Total | 2,251,176 | | | \$28,330 | \$1,483 | \$1,460 | (\$24) | (\$25,485,000) |

2016 Current Tax Brackets

0.00% \$0 to 2,940
 3.00% \$2,940 to 5,880
 4.00% \$5,880 to 8,820
 5.00% \$8,820 to 11,760
 6.00% \$11,760 to 14,700
 7.00% Over \$14,700

Adjusted Brackets

0.00% \$0 to 3,080
 3.00% \$3,080 to 6,160
 4.00% \$6,160 to 9,240
 5.00% \$9,240 to 12,320
 6.00% \$12,320 to 15,400
 7.00% Over \$15,400

ESTIMATE OF TAX YEAR 2017 INCOME TAX ADJUSTEMENT BY INCREASING BRACKETS FROM \$2,990 TO \$3,270

Objective: Increase tax brackets from \$2,990 to \$3,270 with rates unchanged.

With these brackets and rates, 100% of filers have a lower or unchanged liability and the General Fund is impact is (\$ 51,461,000).

| Baseline Taxable Income Range 2013 | Current Tax Structure | | | | | Estimate of Adjusted Tax Structure | | |
|--|----------------------------------|---------------------------|---------------------------|---|-------------------------------|---|--|--|
| | Projected # of Filers 2017 | Cumulative # of Filers | Cumulative % of Filers | Projected Average Taxable Income 2017 | Average Tax Liability 2017 | Adjusted Average Tax Liability 2017 | Average Tax Increase/ (Decrease) 2017 | Total Dollar Increase/ (Decrease) 2017 |
| col 1 | col 2 (a) | col 3 | col 4 | col 5 (b) | col 6 | col 7 | col 8 | col 9 |
| 0 | 771,511 | 771,511 | 33.93% | 0 | 0 | 0 | 0 | 0 |
| 1-5,000 | 272,537 | 1,044,048 | 45.92% | 2,528 | 0 | 0 | 0 | (853,179) |
| 5,000-10,000 | 187,232 | 1,231,280 | 54.15% | 8,372 | 185 | 171 | (14) | (2,994,168) |
| 10,000-20,000 | 270,852 | 1,502,132 | 66.07% | 16,585 | 653 | 605 | (48) | (10,887,913) |
| 20,000-30,000 | 189,468 | 1,691,599 | 74.40% | 27,971 | 1,450 | 1,402 | (48) | (9,018,656) |
| 30,000-40,000 | 136,776 | 1,828,375 | 80.41% | 39,306 | 2,243 | 2,196 | (48) | (6,510,524) |
| 40,000-50,000 | 99,690 | 1,928,065 | 84.80% | 50,611 | 3,034 | 2,987 | (48) | (4,745,258) |
| 50,000-60,000 | 74,919 | 2,002,984 | 88.09% | 61,989 | 3,831 | 3,783 | (48) | (3,566,157) |
| 60,000-70,000 | 57,749 | 2,060,733 | 90.63% | 73,291 | 4,622 | 4,574 | (48) | (2,748,829) |
| 70,000-80,000 | 43,779 | 2,104,512 | 92.56% | 84,576 | 5,412 | 5,364 | (48) | (2,083,888) |
| 80,000-90,000 | 33,497 | 2,138,009 | 94.03% | 95,890 | 6,204 | 6,156 | (48) | (1,594,464) |
| 90,000-100,000 | 25,235 | 2,163,244 | 95.14% | 107,173 | 6,994 | 6,946 | (48) | (1,201,179) |
| 100,000-110,000 | 19,244 | 2,182,488 | 95.99% | 118,572 | 7,792 | 7,744 | (48) | (916,025) |
| 110,000-120,000 | 15,031 | 2,197,519 | 96.65% | 129,830 | 8,580 | 8,532 | (48) | (715,469) |
| 120,000-130,000 | 11,757 | 2,209,276 | 97.17% | 141,174 | 9,374 | 9,326 | (48) | (559,620) |
| 130,000-140,000 | 9,242 | 2,218,517 | 97.57% | 152,462 | 10,164 | 10,116 | (48) | (439,899) |
| 140,000-150,000 | 7,309 | 2,225,827 | 97.90% | 163,887 | 10,964 | 10,916 | (48) | (347,925) |
| 150,000-160,000 | 5,920 | 2,231,747 | 98.16% | 175,191 | 11,755 | 11,707 | (48) | (281,792) |
| 160,000-170,000 | 4,926 | 2,236,673 | 98.37% | 186,424 | 12,541 | 12,494 | (48) | (234,476) |
| 170,000-180,000 | 3,976 | 2,240,649 | 98.55% | 197,766 | 13,335 | 13,288 | (48) | (189,266) |
| 180,000-190,000 | 3,385 | 2,244,034 | 98.70% | 209,123 | 14,130 | 14,083 | (48) | (161,117) |
| 190,000-200,000 | 2,986 | 2,247,020 | 98.83% | 220,494 | 14,926 | 14,879 | (48) | (142,151) |
| 200,000-225,000 | 5,524 | 2,252,544 | 99.07% | 239,373 | 16,248 | 16,200 | (48) | (262,926) |
| 225,000-250,000 | 3,822 | 2,256,366 | 99.24% | 267,850 | 18,241 | 18,194 | (48) | (181,941) |
| 250,000-300,000 | 5,097 | 2,261,463 | 99.46% | 308,266 | 21,070 | 21,023 | (48) | (242,604) |
| 300,000-400,000 | 5,299 | 2,266,762 | 99.70% | 388,365 | 26,677 | 26,630 | (48) | (252,238) |
| 400,000-500,000 | 2,429 | 2,269,191 | 99.80% | 503,707 | 34,751 | 34,704 | (48) | (115,607) |
| 500,000- \$1M | 3,304 | 2,272,494 | 99.95% | 752,963 | 52,199 | 52,152 | (48) | (157,254) |
| \$1 M - \$2 M | 843 | 2,273,338 | 99.98% | 1,524,846 | 106,231 | 106,183 | (48) | (40,141) |
| \$2 M + | 350 | 2,273,688 | 100.00% | 5,638,677 | 394,199 | 394,151 | (48) | (16,659) |
| Total | 2,273,688 | | | \$29,256 | \$1,540 | \$1,492 | (\$48) | (\$51,461,000) |

| | | | |
|---------------------------|--------------------------|-------------------|--------------------------|
| 2017 Current Tax Brackets | 0.00% \$0 to 2,990 | Adjusted Brackets | 0.00% \$0 to 3,270 |
| | 3.00% \$2,990 to 5,980 | | 3.00% \$3,270 to 6,540 |
| | 4.00% \$5,980 to 8,970 | | 4.00% \$6,540 to 9,810 |
| | 5.00% \$8,970 to 11,960 | | 5.00% \$9,810 to 13,080 |
| | 6.00% \$11,960 to 14,950 | | 6.00% \$13,080 to 16,350 |
| | 7.00% Over \$14,950 | | 7.00% Over \$16,350 |

Source: RFA, SC Dept. of Revenue Income Tax Data 2013

/a 2013 Base Year Grown by 1% per year

/b 2013 Base Year Taxable Income Grown by 3.75% for '14 and 4.3% for '15 and '16 respectively.