~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

April 14, 2015

**H. 3878**

Introduced by Reps. White, Pope, Clemmons, Duckworth, Goldfinch, Hardwick, Johnson, H.A. Crawford, George, Yow, Ryhal, Hardee, Hayes and Kirby

S. Printed 4/14/15--H.

Read the first time March 19, 2015.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 3878) to amend Section 12-6-510, Code of Laws of South Carolina, 1976, relating to tax rates for individuals, estates, and trusts, so as to increase, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

W. BRIAN WHITE for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**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.

**ESTIMATE OF TAX YEAR 2016 INCOME TAX ADJUSTMENT 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)**

**Current Tax Structure Estimate of Adjusted Tax Structure**

**Baseline Projected Adjusted Average Total**

**Taxable Projected Average Average Average Tax Dollar**

**Income # of Taxable Tax Tax Increase/ Increase/**

**Range Filers Cumulative Cumulative Income Liability Liability (Decrease) (Decrease)**

**2013 2016 # of Filers % of Filers 2016 2016 2016 2016 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 Adjusted Brackets 0.00% $0 to 3,080

3.00% $2,940 to 5,880 3.00% $3,080 to 6,160

4.00% $5,880 to 8,820 4.00% $6,160 to 9,240

5.00% $8,820 to 11,760 5.00% $9,240 to 12,320

6.00% $11,760 to 14,700 6.00% $12,320 to 15,400

7.00% Over $14,700 7.00% Over $15,400

**ESTIMATE OF TAX YEAR 2017 INCOME TAX ADJUSTMENT 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)**

**Current Tax Structure Estimate of Adjusted Tax Structure**

**Baseline Projected Adjusted Average Total**

**Taxable Projected Average Average Average Tax Dollar**

**Income # of Taxable Tax Tax Increase/ Increase/**

**Range Filers Cumulative Cumulative Income Liability Liability (Decrease) (Decrease)**

**2013 2017 # of Filers % of Filers 2017 2017 2017 2017 2016**

**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

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 12-6-510, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO TAX RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS, SO AS TO INCREASE THE SIZE OF THE TAX BRACKETS FOR EACH TAX RATE; AND TO AMEND SECTION 12-6-520, RELATING TO THE ANNUAL ADJUSTMENT OF INCOME TAX BRACKETS, SO AS PROVIDE THE BRACKETS SHALL NOT BE ADJUSTED IN TAX YEARS 2016 AND 2017.

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

SECTION 1. Section 12‑6‑510 of the 1976 Code is amended to read:

“Section 12‑6‑510. (A) For taxable years beginning after 1994, 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:

Not over $2,220 2.5 percent of taxable income

Over $2,220 but not over $4,440 $56 plus 3 percent of the excess over $2,220~~;~~

Over $4,440 but not over $6,660 $123 plus 4 percent of the excess over $4,440~~;~~

Over $6,660 but not over $8,880 $212 plus 5 percent of the excess of $6,660~~;~~

Over $8,880 but not over $11,100 $323 plus 6 percent of the excess over $8,880~~;~~

Over $11,100 $456 plus 7 percent of the excess over $11,100~~.~~

(B) For taxable year 2016, 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:

**BUT NOT**

**OVER OVER ‑‑0‑‑**

$ 0 $ 3,080 0% Times the amount

3,080 6,160 3% Times the amount less $ 92

6,160 9,240 4% Times the amount less $154

9,240 12,320 5% Times the amount less $246

12,320 15,400 6% Times the amount less $370

15,400 7% Times the amount less $524

(C) For taxable years beginning after 2016, 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:

**BUT NOT**

**OVER OVER ‑‑0‑‑**

$ 0 $ 3,270 0% Times the amount

3,270 6,540 3% Times the amount less $ 98

6,540 9,810 4% Times the amount less $164

9,810 13,080 5% Times the amount less $262

13,080 16,350 6% Times the amount less $392

16,350 7% Times the amount less $556

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

SECTION 2. Section 12‑6‑520 of the 1976 Code is amended to read:

“Section 12-6-520. (A) Each December ~~15~~ fifteenth, the department shall cumulatively adjust the brackets in Section 12‑6‑510 in the same manner that brackets are adjusted in Internal Revenue Code Section (1)(f). However, the adjustment is limited to one‑half of the adjustment determined by Internal Revenue Code Section (1)(f), may not exceed four percent a year, and the rounding amount provided in (1)(f)(6) is ten dollars. The brackets, as adjusted, apply in lieu of those provided in Section 12‑6‑510 for taxable years beginning in the succeeding calendar year. Inflation adjustments must be made cumulatively to the income tax brackets.

(B) Notwithstanding subsection (A), for income tax years 2016 and 2017, the department shall not adjust the brackets.”

SECTION 3. This act takes effect upon approval by the Governor.

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