



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0048 Introduced on January 10, 2017
Author: Campsen
Subject: S.C. Capital Gains Tax Elimination Act
Requestor: Senate Finance
RFA Analyst(s): Jolliff
Impact Date: January 11, 2017

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18	FY 2018-19 to FY 2026-27
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	(\$930,000)	(\$18,652,000)	See Below
Other and Federal	\$0	\$0	\$0
Local Expenditure	\$0	\$0	\$0
Local Revenue	\$0	\$0	\$0

Fiscal Impact Summary

This bill is not expected to impact General Fund, Federal Funds, or Other Funds expenditures.

The bill will reduce General Fund individual income tax revenue by \$930,000 in FY 2016-17 and \$18,652,000 in FY 2017-18. When fully implemented, the reduction will total \$281,983,000 in FY 2026-27. The annual revenue impacts for interim years are detailed below.

Explanation of Fiscal Impact

Introduced on January 10, 2017

State Expenditure

This bill increases the individual income tax capital gains exclusion percentage from 44 percent to 100 percent over ten tax years from 2017 to 2026. This change can be accomplished as part of the Department of Revenue’s annual updates to forms and instructions and is not expected to impact expenditures for the agency.

State Revenue

This bill would increase the current individual income tax long-term capital gains exclusion from 44 percent to 100 percent over ten years beginning in tax year 2017. Over the past twenty years, total capital gains growth reported by the Internal Revenue Service, Statistics of Income has averaged 7.3 percent per year. We recalculated the 2014 returns to determine the impact of this exclusion and then applied the 7.3 percent growth rate to project the impact in future years. This

method accounts for returns that do not have sufficient tax liability after deductions to utilize the full exclusion.

We anticipate that taxpayers who file estimated tax payments will reduce their quarterly declarations in response to the tax reduction. As such, 5.25 percent of the total tax year impact is recognized in the prior fiscal year for the first two calendar quarters of reduced estimated tax payments, and the remaining impact is reflected in next fiscal year through the remaining reduced payments and higher refunds. The projected General Fund individual income tax revenue impact on a fiscal year basis is provided in the table below based upon these assumptions.

Fiscal Year	General Fund Individual Income Tax Revenue	Annual Additional General Fund Individual Income Tax Revenue
FY 2016-17	(\$930,000)	(\$930,000)
FY 2017-18	(\$18,652,000)	(\$17,722,000)
FY 2018-19	(\$36,798,000)	(\$18,146,000)
FY 2019-20	(\$57,491,000)	(\$20,693,000)
FY 2020-21	(\$81,005,000)	(\$23,514,000)
FY 2021-22	(\$107,642,000)	(\$26,637,000)
FY 2022-23	(\$137,733,000)	(\$30,091,000)
FY 2023-24	(\$171,639,000)	(\$33,906,000)
FY 2024-25	(\$209,756,000)	(\$38,117,000)
FY 2025-26	(\$252,518,000)	(\$42,762,000)
FY 2026-27	(\$281,983,000)	(\$29,465,000)

Local Expenditure

N/A

Local Revenue

N/A

Frank A. Rainwater, Executive Director