**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12‑6‑3632 SO AS TO ALLOW A REFUNDABLE STATE INDIVIDUAL INCOME TAX CREDIT EQUAL TO THREE PERCENT OF THE FEDERAL EARNED INCOME TAX CREDIT OF A TAXPAYER BEGINNING WITH TAX YEAR 2017 AND ANNUALLY TO INCREASE THE AMOUNT OF THE CREDIT IN INCREMENTS OF ONE‑HALF PERCENT UNTIL THE CREDIT EQUALS FIVE PERCENT.

Whereas, the federal earned income tax credit (EITC) was established in 1975 to offset the effects of federal payroll taxes on low income families; and

Whereas, it is the nation’s most effective antipoverty program for working families; and

Whereas, the EITC now lifts more than four million people, roughly half of them children, out of poverty each year; and

Whereas, the EITC reduces poverty and provides a short term safety net for most of its recipients; and

Whereas, research shows that the credit has contributed to a significant increase in labor force participation among single mothers; and

Whereas, the EITC has been expanded several times since, providing additional assistance to welfare recipients entering the workforce and other workers supporting their families on low wages; and

Whereas, the effectiveness of the federal EITC both in supporting work and in alleviating child poverty has been confirmed by a number of recent studies; and

Whereas, the EITC has shown to encourage work specifically among low‑wage working mothers; and

Whereas, the EITC has shown to increase employment rates among single mothers specifically those with more than two children; and

Whereas, South Carolina babies are more susceptible to low birth weights than the national average, research has shown that the EITC is directly linked to the decrease in the amount of low birth weight babies; and

Whereas, the impact of the EITC has led to the improvement in child test scores, particularly in the subjects of math and reading; and

Whereas, research shows that children of EITC recipients do better in school, are more likely to attend college, and earn more as adults; and

Whereas, the EITC helps offset the costs of raising children; and

Whereas, the EITC has helped provide families with additional income to purchase their children’s needs such as food, clothing, and books which help maintain basic child welfare and enhanced child development; and

Whereas, research shows that thirty seven percent of EITC recipients used their tax credits to buy or repair cars in order to help commute to and from work, thus allowing them to expand their job searches; and

Whereas, the EITC benefits all members of the household by reducing stress among parents and improving household relations; and

Whereas, research has shown that the EITC has shown to improve mental health of mothers with a high school degree or lower who have two or more children; and

Whereas, roughly twenty five percent of the South Carolina population has obtained a college degree, the EITC has proven that it helps bolster education among low income families; and

Whereas, approximately nine hundred thousand South Carolinians now live below the poverty threshold; and

Whereas, the poverty rate in South Carolina is on the rise, including the proportion of children living in poverty; and

Whereas, it is appropriate that the State of South Carolina supplement this outstandingly successful program to raise the income of low‑income working families. Now, therefore,

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

SECTION 1. Article 25, Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑3632. (A) There is allowed as a credit against the tax imposed pursuant to Section 12‑6‑510 on a full‑year resident individual taxpayer an amount equal to the percentage provided pursuant to subsection (B) of the earned income tax credit (EITC) allowed the taxpayer pursuant to Internal Revenue Code Section 32. If the amount of the credit allowed by this section exceeds the tax imposed on the taxpayer pursuant to Section 12‑6‑510, the excess must be refunded to the taxpayer.

(B) The credit allowed pursuant to this section is calculated as follows:

Taxable year Percentage of EITC

2017 Three

2018 Three and one‑half

2019 Four

2020 Four and one‑half

After 2021 Five”

SECTION 2. This act takes effect upon approval by the Governor and applies for taxable years beginning after 2016.

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