**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12‑6‑511 SO TO ENACT THE “SOUTH CAROLINA TWENTY‑FIRST CENTURY HIGHWAY SYSTEM COST BALANCING ACT”, TO ELIMINATE THE FOUR, FIVE, AND SIX PERCENT INCOME BRACKETS AND INSTEAD TAX THOSE INCOMES AT THREE AND SEVENTY‑FIVE ONE HUNDREDTHS PERCENT.

Whereas, increasing motor fuel user fees and road taxes imposed on fuels used in personal motor vehicles and commercial vehicles driven on South Carolina roads and highways, and also increasing registration and other fees applicable to owning and titling motor vehicles in this state, and directing that all these additional revenues must be used for the exclusive purpose of improving and upgrading this state’s roads and highways, is the appropriate course of action to bring this state’s roads and highways and associated infrastructure up to twenty first century standards, thus making our roads and highways safer and better able to promote economic development; and

Whereas, the fee increases necessary for building a twenty‑first century road and highway system will result in increased costs that must be borne by South Carolinians and it is appropriate that the General Assembly take action to offset these additional costs by providing, over time, a reduction in taxes paid by South Carolinians to offset some of these additional costs; and

Whereas, the appropriate method to reduce state imposed taxes is to replace the current three, four, five, and six percent brackets in the state individual income tax with one 3.75 percent bracket, thus establishing overall three state individual income tax brackets consisting of zero percent, 3.75 percent, and seven percent and phasing in these changes in such a way that no taxpayer pays more tax as a result of eliminating the 3 percent bracket; now therefore

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

SECTION 1. This act may be cited as the “South Carolina Twenty‑First Century Highway System Cost Balancing Act”.

SECTION 2. Article 5, Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑511. (A) Notwithstanding the provisions of Section 12‑6‑510, 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:

OVER BUT NOT OVER

$ 0 $2,930 0% Times the amount

2,930 14,650 3.75% Times the amount less $110

14,650 7% Times the amount less $586

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

(C) Notwithstanding subsection (A), a taxpayer with a South Carolina taxable income of $9,962 or less is not subject to the provisions of this section, but rather is subject to the rates and brackets imposed pursuant to Sections 12‑6‑510 and 12‑6‑515 until the highest income qualifying for the zero percent tax bracket pursuant to this section has attained $9,962.

(D) The provisions of Sections 12‑6‑510, as indexed in accordance with Section 12‑6‑520, and Section 12‑6‑515 remain in effect until the highest income qualifying for the zero percent tax bracket pursuant to this section reaches $9,962.

(E) A taxpayer that is eligible to elect the income tax rate established in Section 12‑6‑545 instead of the income tax rate established in Section 12‑6‑510, also may elect the income tax rate established in Section 12‑6‑545 instead of the income tax rate set forth in this section.”

SECTION 3. This act takes effect upon approval by the Governor and applies for taxable years beginning after 2016. However, this act does not take effect unless legislation enacted by the General Assembly in 2017 results in an increase effective in calendar year 2017 of the motor fuel user fee and the road tax applicable as of January 1, 2017.

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