



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number: H. 4880 Amended by House Ways and Means Sales, Use and Income Tax Subcommittee on February 17, 2022
Author: Simrill
Subject: Tax Rates
Requestor: House Ways and Means
RFA Analyst(s): Jolliff
Impact Date: February 22, 2022

Fiscal Impact Summary

This bill lowers the individual income tax marginal rate for the current 4 percent, 5 percent, and 6 percent brackets to 3 percent and lowers the current 7 percent bracket to 6.5 percent in tax year 2022. Further, depending upon General Fund revenue growth, the 6.5 percent rate would be reduced by an additional 0.1 percent per year beginning in tax year 2023 until the rate is lowered to 6 percent. The reduction in the rate in tax year 2023 forward only occurs if growth in projected General Fund revenue exceeds 5 percent of the expenditure base. The bill also allows taxpayers to claim a full deduction of military retirement income.

This bill will not impact expenditures for the Department of Revenue (DOR). DOR will implement the changes during the annual updates to tax forms and instructions.

This bill will reduce General Fund individual income tax revenue by \$15,121,000 in FY 2021-22 and \$596,322,000 in FY 2022-23 for the individual income tax rate reduction. Assuming that growth is sufficient to trigger the rate reduction each year, General Fund individual income tax revenue will be reduced by a total of \$1,085,075,000 in FY 2026-27. Please see Table 1 in the State Revenue section for the potential impact by fiscal year. The actual impact by year may be postponed if growth is not sufficient to trigger the income tax rate reduction in a particular year. For reference, the growth rates for FY 2020-21 and FY 2021-22 were 10.16 percent and 2.54 percent, respectively, and the growth rate for FY 2022-23 is currently projected to be 17.35 percent. The rate reduction in tax year 2023 will depend on the growth rate for FY 2023-24, which is currently unknown.

Further, the proposed complete deduction of all remaining military retirement income beginning in tax year 2022 will reduce General Fund individual income tax revenue by an additional \$7,972,000 in FY 2022-23.

In total the bill will reduce General Fund individual income tax revenue by \$15,121,000 in FY 2021-22 and \$604,294,000 in FY 2022-23. The fiscal impact in future years will depend on the growth rates for General Fund revenue and the expenditure base.

Explanation of Fiscal Impact

Amended by House Ways and Means Sales, Use and Income Tax Subcommittee on February 17, 2022

State Expenditure

This bill lowers the individual income tax marginal rate for the current 4 percent, 5 percent, and 6 percent brackets to 3 percent and lowers the current 7 percent bracket to 6.5 percent in tax year 2022. Further, depending upon General Fund revenue growth, the 6.5 percent rate would be reduced by an additional 0.1 percent per year beginning in tax year 2023 until the rate is lowered to 6 percent. The subsequent reductions are dependent upon projected growth in General Fund revenue exceeding 5 percent of the expenditure base. Section 2 allows taxpayers to claim a full deduction of military retirement income. Section 3 of the bill repeals the code section that specifies the existing rate reduction from 2.5 percent to 0 percent for the lowest marginal tax rate. This code section will no longer be necessary once the new marginal tax rates are fully-phased-in.

DOR will implement the changes to individual income tax forms and instructions during the annual update process. Therefore, the bill will not impact expenditures for DOR.

State Revenue

Section 1. This section lowers the individual income tax marginal rate for the current 4 percent, 5 percent, and 6 percent brackets to 3 percent and lowers the current 7 percent bracket to 6.5 percent in tax year 2022. Further, depending upon General Fund revenue growth, the 6.5 percent rate would be reduced by an additional 0.1 percent per year beginning in tax year 2023 until the rate is lowered to 6 percent. The reduction in the rate starting in tax year 2023 is dependent upon projected growth in General Fund revenue exceeding 5 percent of the expenditure base.

To determine the applicable growth, the General Fund revenue projection must be determined by the Revenue and Fiscal Affairs Office by comparing the current fiscal year's recurring General Fund expenditure base with the Board of Economic Advisors' most recent projection of recurring General Fund revenue for the upcoming fiscal year. The growth rate is final as of the February 15th forecast. The implementation of the rate reductions beginning in tax year 2023 will depend on this calculation using the FY 2023-24 General Fund revenue forecast relative to the FY 2022-23 expenditure base, which is currently unknown. For purposes of this analysis, we have assumed that the rate reduction will take place each year. Should the reduction not occur, the impact on revenue would be suspended until such time as the growth rate is sufficient to implement the next reduction. For reference, the growth rates for FY 2020-21 and FY 2021-22 were 10.16 percent and 2.54 percent, respectively, and the growth rate for FY 2022-23 is currently projected to be 17.35 percent.

We have estimated the impact of the rate reduction using the latest data and expectations for personal income, inflation, and individual income tax return data for 2019. Additionally, we have updated our projections of the income tax bracket amounts in future years for these assumptions. The projected individual income tax reduction by tax year is included in the attached tables by taxable income range. If growth is sufficient to trigger the rate reduction in consecutive years

from tax year 2023 to 2027, General Fund individual income tax revenue will be reduced by a total of \$1,145,198,000 in tax year 2027.

Assuming the bill is enacted prior to the end of the legislative session, we anticipate that taxpayers who file estimated tax payments will begin reducing their quarterly declarations in response to the tax reduction. As such, 2.625 percent of the total tax year impact for tax year 2022 is recognized as reduced estimated tax payments in FY 2021-22 for the second calendar quarter, and the remaining impact is reflected in the next fiscal year through the remaining reduced payments and higher refunds. In subsequent years, 5.25 percent of the total tax year impact is recognized in the prior fiscal year for the first two calendar quarters, and the remaining impact is reflected in the next fiscal year. The projected General Fund impact on a fiscal year basis is provided in Table 1 below based upon these assumptions. These estimates also assume that growth will be sufficient to implement the tax rate reduction each year. Further, the fiscal year estimates in later years most likely will vary from the estimates provided below if withholdings tables are adjusted to reflect the overall decrease in tax liability or taxpayer behavior changes in response to the tax reduction.

Table 1. Estimated Fiscal Year Impact of Individual Income Tax Rate Reduction

Fiscal Year	General Fund Individual Income Tax Revenue Impact	Annual Additional General Fund Individual Income Tax Revenue Impact
FY 2021-22	(\$15,121,000)	(\$15,121,000)
FY 2022-23	(\$596,322,000)	(\$581,201,000)
FY 2023-24	(\$680,016,000)	(\$83,694,000)
FY 2024-25	(\$785,832,000)	(\$105,816,000)
FY 2025-26	(\$898,942,000)	(\$113,110,000)
FY 2026-27	(\$1,021,047,000)	(\$122,105,000)
FY 2027-28	(\$1,085,075,000)	(\$64,028,000)

Impact is contingent upon sufficient growth to trigger each rate reduction in tax years 2023 to 2027

Please be advised, this estimate affects the current fiscal year, FY 2021-22, and the reduction is not reflected in the current FY 2021-22 revenue base. As such, the General Fund revenue impact on the budget is a reduction of \$15,121,000 for FY 2021-22 and the total reduction of \$596,322,000 for FY 2022-23. The Board of Economic Advisors will account for the impact in subsequent years in the revenue forecast.

Section 2. This section allows taxpayers to claim a full deduction of military retirement income. Presently, Section 12-6-1171 provides an individual income tax deduction of up to \$17,500 of earned income for taxpayers that also have military retirement income. The deduction is equal to the amount of military retirement income included in taxable income, not to exceed \$17,500. Taxpayers age 65 and over may also deduct up to \$30,000 of military retirement income without regard to earned income. This bill will amend that section so that all taxpayers may deduct total military income with no earned income requirement.

Please be advised that in SC Revenue Ruling 21-13 issued in late 2021, the Department of Revenue stated that a taxpayer age 65 and over is eligible for both the earned income deduction of \$17,500 and a military retirement deduction of up to \$30,000, as opposed to only the military retirement deduction. This guidance has affected our analysis of the impact.

DOR's guidance that taxpayers age 65 and over may claim both the earned income and military retirement deductions was not addressed in the tax return instructions for 2021 or in prior years. As such, we do not anticipate that the impact is currently reflected in our revenue collections. The Board of Economic Advisors (BEA) incorporated this in its forecast for FY 2022-23 on February 15, 2022. Our analysis is based upon the anticipated impact of this new guidance.

Based upon the latest data provided by the SC Department of Veterans Affairs from the Department of Defense, Office of the Actuary through September 2021, the estimated revenue impact in FY 2022-23 for these deductions totals \$22,914,000.

The first row of Table 2 below reports the estimated revenue impact of the current deductions and proposed full deduction of all military retirement income for taxpayers under age 65 in tax year 2022. We estimate that the individual income tax revenue impact of a fully implemented military retirement income deduction in FY 2022-23 will total \$18,714,000 for taxpayers under age 65. The BEA forecast for individual income tax revenue includes the impact of the current deductions, which is estimated to be \$11,025,000. Therefore, the proposed complete deduction of the remaining military retirement for taxpayers under age 65 will reduce individual income tax revenue by an additional \$7,689,000 in FY 2022-23.

The second row of the table below reports the estimated revenue impact of the current and proposed deduction for taxpayers age 65 and older in tax year 2022. We estimate that the individual income tax revenue impact of the fully implemented military retirement income deduction in FY 2022-23 will total \$12,172,000 for taxpayers age 65 and over. For these taxpayers, the BEA forecast includes the reduction in the individual income tax revenue for the current deduction estimated to be \$10,036,000. Therefore, the proposed complete deduction of the remaining military retirement for taxpayers age 65 and older will reduce individual income tax revenue by an additional \$2,136,000 in FY 2022-23.

Our estimate of the earned income deduction for taxpayers age 65 and over with military retirement is based upon data from the Census Bureau and the Bureau of Labor Statistics. Using 2021 figures, approximately 18.5 percent of the estimated U.S. population age 65 and over is employed. The code section allows a taxpayer to deduct up to \$17,500 of earned income equal to military income. Based upon an average tax rate of 2.88 percent for a deduction of \$17,500, this deduction will reduce income tax by approximately \$504 per qualifying taxpayer. The average tax rate for this deduction amount accounts for the fact that many returns are already reduced to zero before the additional deduction. Multiplying 18.5 percent by the 19,869 individuals with military retirement, we estimate that approximately 3,676 will be eligible for the \$504 deduction totaling \$1,853,000.

The net change for taxpayers age 65 and over will be an additional reduction of \$283,000. This change is shown in the fourth row of the table below.

Combining the revenue impacts of the deduction for all military retirees results in an estimated total reduction in General Fund individual income tax revenue of \$30,886,000. Of this total, the \$22,914,000 is already exempted under the current provisions. Therefore, the proposed complete deduction of all remaining military retirement income beginning in tax year 2022 will reduce General Fund individual income tax revenue by an additional \$7,972,000 in FY 2022-23.

Table 2. Estimated Number and Tax Revenue Reduction for Military Retirees FY 2022-23

Age of Military Retirees	Total Estimated Number of Active Duty Military Retirees	Total Tax Revenue Reduction from Full Military Retirement Deduction	Total Revenue Reduction from Act 272 of 2016	Additional Revenue Reduction from Full Military Retirement Deduction
Under Age 65	17,603	(\$18,714,000)	(\$11,025,000)	(\$7,689,000)
Age 65 and Older (Retirement)	19,869	(\$12,172,000)	(\$10,036,000)	(\$2,136,000)
Age 65 and Older (Earned Income) ¹	3,676	\$0	(\$1,853,000)	\$1,853,000
Age 65 and Older (Total)	19,869	(\$12,172,000)	(\$11,889,000)	(\$283,000)
Total	37,471	(\$30,886,000)	(\$22,914,000)	(\$7,972,000)

¹ Reflects guidance issued by the S.C. Department of Revenue in SC Revenue Ruling 21-13

Section 3. This section repeals Section 12-6-515, which lowers the 2.5 percent marginal tax rate in Section 12-6-510(A) to 0 percent. This reduction has been in effect since 2007. Further, the code section will no longer be necessary once the brackets and rates in Section 12-6-510(B)(1) of the bill that incorporate the reduction are in effect. Therefore, this section has no impact.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 27, 2022

State Expenditure

This bill reduces the individual income tax marginal 7 percent rate by 0.2 percent per year for five years to 6 percent beginning in tax year 2022. The reduction in the rate in years two through five of the phase-down is dependent upon projected growth in General Fund revenue exceeding 5

percent of the expenditure base. Section 2 allows taxpayers to claim a full deduction of military retirement income. Section 3 of the bill repeals the code section that specifies the existing rate reduction from 2.5 percent to 0 percent for the lowest marginal tax rate. This code section will no longer be necessary once the new marginal tax rates are fully-phased-in.

DOR will implement the changes to individual income tax forms and instructions during the annual update process. Therefore, the bill will not impact expenditures for DOR.

State Revenue

Section 1. This section reduces the individual income tax marginal 7 percent rate by 0.2 percent per year to 6 percent beginning in tax year 2022. The reduction in the rate in years two through five of the phase-down is dependent upon projected growth in General Fund revenue exceeding 5 percent of the expenditure base.

To determine the applicable growth, the General Fund revenue projection must be determined by the Revenue and Fiscal Affairs Office by comparing the current fiscal year's recurring General Fund expenditure base with the Board of Economic Advisors' most recent projection of recurring General Fund revenue for the upcoming fiscal year. The growth rate is final as of the February 15th forecast. The implementation of the rate reductions beginning in tax year 2023 will depend on this calculation using the FY 2023-24 General Fund revenue forecast relative to the FY 2022-23 expenditure base, which is currently unknown. For purposes of this analysis, we have assumed that the rate reduction will take place each year. Should the reduction not occur, the impact on revenue would be suspended until such time as the growth rate is sufficient to implement the next reduction. For reference, the growth rates for FY 2020-21 and FY 2021-22 were 10.16 percent and 2.54 percent, respectively, and the growth rate for FY 2022-23 is currently projected to be 10.65 percent.

We have estimated the impact of the rate reduction using the latest data and expectations for personal income and inflation and individual income tax return data for 2019. By tax year 2026, the last year of the proposed rate reduction, the top marginal tax rate will be lowered by 1 percent if growth is sufficient to trigger the rate reduction every year. General Fund individual income tax revenue will be reduced by a total of \$800,927,000 in tax year 2026. The projected individual income tax reduction by tax year is included in the attached tables by taxable income range.

Assuming the bill is enacted prior to the end of the legislative session, we anticipate that taxpayers who file estimated tax payments will begin reducing their quarterly declarations in response to the tax reduction. As such, 2.625 percent of the total tax year impact for tax year 2022 is recognized as reduced estimated tax payments in FY 2021-22 for the second calendar quarter, and the remaining impact is reflected in the next fiscal year through the remaining reduced payments and higher refunds. In subsequent years, 5.25 percent of the total tax year impact is recognized in the prior fiscal year for the first two calendar quarters, and the remaining impact is reflected in the next fiscal year. The projected General Fund impact on a fiscal year basis is provided in Table 1 below based upon these assumptions. These estimates also assume that growth will be sufficient to implement the tax rate reduction each year. Further, the fiscal

year estimates in later years most likely will vary from the estimates provided below if withholdings tables are adjusted to reflect the overall decrease in tax liability or taxpayer behavior changes in response to the tax reduction.

Table 1. Estimated Fiscal Year Impact of Individual Income Tax Rate Reduction

Fiscal Year	General Fund Individual Income Tax Revenue	Annual Additional General Fund Individual Income Tax Revenue
FY 2021-22	\$3,536,000	\$3,536,000
FY 2022-23	\$145,825,000	\$142,289,000
FY 2023-24	\$287,575,000	\$141,750,000
FY 2024-25	\$446,974,000	\$159,399,000
FY 2025-26	\$621,308,000	\$174,334,000
FY 2026-27	\$758,878,000	\$137,570,000

Impact is contingent upon sufficient growth to trigger each rate reduction in tax year 2023 to 2026.

Please be advised, this estimate affects the current fiscal year, FY 2021-22, and the reduction is not reflected in the current FY 2021-22 revenue base. As such, the General Fund revenue impact on the budget is a reduction of \$3,536,000 for FY 2021-22 and the total reduction of \$145,825,000 for FY 2022-23, as opposed to the annual additional amount. The Board of Economic Advisors will account for the impact in subsequent years in the revenue forecast.

Section 2. This section allows taxpayers to claim a full deduction of military retirement income. Presently, Section 12-6-1171 provides an individual income tax deduction of up to \$17,500 of earned income for taxpayers that also have military retirement income. The deduction is equal to the amount of military retirement income included in taxable income, not to exceed \$17,500. Taxpayers age 65 and over may also deduct up to \$30,000 of military retirement income without regard to earned income. This bill will amend that section so that all taxpayers may deduct total military income with no earned income requirement.

Please be advised that in SC Revenue Ruling 21-13 issued in late 2021, the Department of Revenue stated that a taxpayer age 65 and over is eligible for both the earned income deduction of \$17,500 and a military retirement deduction of up to \$30,000, as opposed to only the military retirement deduction. This guidance has affected our analysis of the impact.

DOR's guidance that taxpayers age 65 and over may claim both the earned income and military retirement deductions was not addressed in the tax return instructions for 2021 or in prior years. As such, we do not anticipate that the impact is currently reflected in our revenue collections. We anticipate adjusting for the additional impact if the Board of Economic Advisors (BEA) revises its forecast for FY 2022-23 on February 15, 2022. Our analysis is based upon the anticipated impact of this new guidance.

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Our estimate of the earned income deduction for taxpayers age 65 and over with military retirement is based upon data from the Census Bureau and the Bureau of Labor Statistics. Using 2021 figures, approximately 18.5 percent of the estimated U.S. population age 65 and over is employed. The code section allows a taxpayer to deduct up to \$17,500 of earned income equal to military income. Based upon an average tax rate of 2.88 percent for a deduction of \$17,500, this deduction will reduce income tax by approximately \$504 per qualifying taxpayer. The average tax rate for this deduction amount accounts for the fact that many returns are already reduced to zero before the additional deduction. Multiplying 18.5 percent by the 19,869 individuals with military retirement, we estimate that approximately 3,676 will be eligible for the \$504 deduction totaling \$1,853,000.

The net change for taxpayers age 65 and over will be an additional reduction of \$283,000. This change is shown in the fourth row of the table below.

Combining the revenue impacts of the deduction for all military retirees results in an estimated total reduction in General Fund individual income tax revenue of \$30,886,000. Of this total, the \$22,914,000 is already exempted under the current provisions. Therefore, the proposed complete deduction of all remaining military retirement income beginning in tax year 2022 will reduce General Fund individual income tax revenue by an additional \$7,972,000 in FY 2022-23.

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Military Retirees FY 2022-23**

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Age 65 and Older (Retirement)	19,869	(\$12,172,000)	(\$10,036,000)	(\$2,136,000)
Age 65 and Older (Earned Income) ¹	3,676	\$0	(\$1,853,000)	\$1,853,000
Age 65 and Older (Total)	19,869	(\$12,172,000)	(\$11,889,000)	(\$283,000)
Total	37,471	(\$30,886,000)	(\$22,914,000)	(\$7,972,000)

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Section 3. This section repeals Section 12-6-515, which lowers the 2.5 percent marginal tax rate in Section 12-6-510(A) to 0 percent. This reduction has been in effect since 2007. Further, the code section will no longer be necessary once the brackets and rates in Section 12-6-510(B)(1) of the bill that incorporate the reduction are in effect. Therefore, this section has no impact.

Local Expenditure

N/A

Local Revenue

N/A

(Please see previously published impact statements for attachments from prior versions)

Frank A. Rainwater, Executive Director

ESTIMATED TAX YEAR 2022 INDIVIDUAL INCOME TAX IMPACT

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.5%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund impact is (\$ 576,033,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2022	Cumulative # of Returns	Cumulative % of Returns	Projected Average Taxable Income 2022	Average Tax Liability 2022	Proposed Average Tax Liability 2022	Average Tax Increase/ (Decrease) 2022	Total Dollar Increase/ (Decrease) 2022
0	946,016	946,016	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	245,154	1,191,170	44.66%	\$2,425	\$11	\$11	\$0	\$0
5,000-10,000	184,262	1,375,432	51.57%	\$7,891	\$158	\$141	(\$17)	(\$3,117,263)
10,000-20,000	296,134	1,671,566	62.67%	\$15,674	\$570	\$415	(\$155)	(\$46,025,510)
20,000-30,000	222,927	1,894,493	71.03%	\$26,324	\$1,298	\$1,054	(\$245)	(\$54,420,658)
30,000-40,000	163,564	2,058,057	77.16%	\$36,958	\$2,042	\$1,745	(\$298)	(\$48,626,340)
40,000-50,000	121,833	2,179,890	81.73%	\$47,576	\$2,785	\$2,435	(\$351)	(\$42,687,774)
50,000-60,000	92,336	2,272,226	85.19%	\$58,224	\$3,531	\$3,127	(\$404)	(\$37,268,805)
60,000-70,000	71,506	2,343,732	87.87%	\$68,886	\$4,277	\$3,820	(\$457)	(\$32,673,319)
70,000-80,000	57,024	2,400,757	90.01%	\$79,528	\$5,022	\$4,512	(\$511)	(\$29,090,304)
80,000-90,000	45,267	2,446,024	91.71%	\$90,154	\$5,766	\$5,203	(\$564)	(\$25,497,693)
90,000-100,000	35,751	2,481,774	93.05%	\$100,817	\$6,512	\$5,896	(\$617)	(\$22,043,281)
100,000-125,000	61,263	2,543,037	95.35%	\$118,393	\$7,743	\$7,038	(\$705)	(\$43,157,499)
125,000-150,000	36,519	2,579,556	96.72%	\$145,170	\$9,617	\$8,779	(\$839)	(\$30,615,864)
150,000-175,000	22,826	2,602,382	97.57%	\$171,841	\$11,484	\$10,512	(\$972)	(\$22,180,418)
175,000-200,000	14,736	2,617,118	98.12%	\$198,353	\$13,340	\$12,236	(\$1,105)	(\$16,272,115)
200,000-250,000	17,429	2,634,548	98.78%	\$236,204	\$15,989	\$14,696	(\$1,294)	(\$22,545,198)
250,000-300,000	9,613	2,644,160	99.14%	\$289,838	\$19,744	\$18,182	(\$1,562)	(\$15,012,405)
300,000-400,000	9,689	2,653,849	99.50%	\$364,226	\$24,951	\$23,017	(\$1,934)	(\$18,734,802)
400,000-500,000	4,666	2,658,515	99.68%	\$473,044	\$32,568	\$30,090	(\$2,478)	(\$11,560,223)
500,000- \$1M	6,302	2,664,817	99.91%	\$709,492	\$49,120	\$45,460	(\$3,660)	(\$23,063,413)
\$1 M +	2,337	2,667,154	100.00%	\$2,667,974	\$186,213	\$172,761	(\$13,453)	(\$31,439,776)
Total	2,667,154			\$33,619	\$1,808	\$1,528	(\$281)	(\$576,033,000)

2022 Current Tax Brackets	0.00% \$0 to 3,200	Proposed Tax Brackets	0.00% \$0 to 3,200
	3.00% \$3,200 to 6,410		3.00% \$3,200 to 16,040
	4.00% \$6,410 to 9,620		6.50% Over \$16,040
	5.00% \$9,620 to 12,820		
	6.00% \$12,820 to 16,040		
	7.00% Over \$16,040		

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, and -0.6%.

ESTIMATED TAX YEAR 2023 INDIVIDUAL INCOME TAX IMPACT

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.4%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund impact is (\$ 674,481,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2023	Cumulative # of Returns	Cumulative % of Returns	Projected Average Taxable Income 2023	Average Tax Liability 2023	Proposed Average Tax Liability 2023	Average Tax Increase/ (Decrease) 2023	Total Dollar Increase/ (Decrease) 2023
0	967,774	967,774	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	250,793	1,218,567	44.66%	\$2,480	\$10	\$10	\$0	\$0
5,000-10,000	188,500	1,407,067	51.57%	\$8,073	\$158	\$142	(\$17)	(\$3,054,610)
10,000-20,000	302,945	1,710,012	62.67%	\$16,034	\$576	\$417	(\$159)	(\$48,135,653)
20,000-30,000	228,054	1,938,066	71.03%	\$26,929	\$1,318	\$1,056	(\$262)	(\$59,748,124)
30,000-40,000	167,326	2,105,392	77.16%	\$37,807	\$2,080	\$1,753	(\$328)	(\$54,759,919)
40,000-50,000	124,635	2,230,027	81.73%	\$48,669	\$2,840	\$2,448	(\$393)	(\$48,910,903)
50,000-60,000	94,460	2,324,487	85.19%	\$59,562	\$3,603	\$3,145	(\$458)	(\$43,242,814)
60,000-70,000	73,151	2,397,638	87.87%	\$70,468	\$4,366	\$3,843	(\$524)	(\$38,274,737)
70,000-80,000	58,336	2,455,974	90.01%	\$81,354	\$5,128	\$4,540	(\$589)	(\$34,333,437)
80,000-90,000	46,308	2,502,282	91.71%	\$92,225	\$5,889	\$5,235	(\$654)	(\$30,275,054)
90,000-100,000	36,573	2,538,855	93.05%	\$103,133	\$6,653	\$5,934	(\$720)	(\$26,303,847)
100,000-125,000	62,672	2,601,527	95.35%	\$121,112	\$7,911	\$7,084	(\$828)	(\$51,835,635)
125,000-150,000	37,359	2,638,886	96.72%	\$148,505	\$9,829	\$8,837	(\$992)	(\$37,039,665)
150,000-175,000	23,351	2,662,237	97.57%	\$175,789	\$11,739	\$10,583	(\$1,156)	(\$26,974,267)
175,000-200,000	15,075	2,677,312	98.12%	\$202,909	\$13,637	\$12,319	(\$1,318)	(\$19,866,492)
200,000-250,000	17,830	2,695,142	98.78%	\$241,630	\$16,347	\$14,797	(\$1,551)	(\$27,640,396)
250,000-300,000	9,834	2,704,976	99.14%	\$296,496	\$20,188	\$18,309	(\$1,880)	(\$18,482,021)
300,000-400,000	9,912	2,714,888	99.50%	\$372,593	\$25,515	\$23,179	(\$2,336)	(\$23,153,678)
400,000-500,000	4,773	2,719,661	99.68%	\$483,910	\$33,307	\$30,303	(\$3,004)	(\$14,337,476)
500,000- \$1M	6,446	2,726,107	99.91%	\$725,790	\$50,239	\$45,784	(\$4,456)	(\$28,720,123)
\$1M +	2,391	2,728,498	100.00%	\$2,729,262	\$190,482	\$174,006	(\$16,476)	(\$39,391,979)
Total	2,728,498			\$34,391	\$1,841	\$1,534	(\$307)	(\$674,481,000)

2023 Current Tax Brackets	0.00% \$0 to 3,330	Proposed Tax Brackets	0.00% \$0 to 3,330
	3.00% \$3,330 to 6,660		3.00% \$3,330 to 16,680
	4.00% \$6,660 to 10,000		6.40% Over \$16,680
	5.00% \$10,000 to 13,330		
	6.00% \$13,330 to 16,680		
	7.00% Over \$16,680		

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, -0.6%, and 4.7% thereafter.

ESTIMATED TAX YEAR 2024 INDIVIDUAL INCOME TAX IMPACT

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.3%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund impact is (\$ 779,919,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2024	Cumulative # of Returns	Cumulative % of Returns	Projected Average Taxable Income 2024	Average Tax Liability 2024	Proposed Average Tax Liability 2024	Average Tax Increase/ (Decrease) 2024	Total Dollar Increase/ (Decrease) 2024
0	990,033	990,033	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	256,561	1,246,594	44.66%	\$2,537	\$10	\$10	\$0	\$0
5,000-10,000	192,835	1,439,429	51.57%	\$8,258	\$159	\$144	(\$16)	(\$2,978,445)
10,000-20,000	309,913	1,749,342	62.67%	\$16,402	\$582	\$420	(\$162)	(\$50,126,996)
20,000-30,000	233,299	1,982,642	71.03%	\$27,547	\$1,339	\$1,059	(\$280)	(\$65,295,748)
30,000-40,000	171,174	2,153,816	77.16%	\$38,676	\$2,118	\$1,760	(\$358)	(\$61,243,126)
40,000-50,000	127,502	2,281,318	81.73%	\$49,787	\$2,896	\$2,460	(\$436)	(\$55,534,337)
50,000-60,000	96,632	2,377,950	85.19%	\$60,930	\$3,676	\$3,162	(\$514)	(\$49,626,532)
60,000-70,000	74,834	2,452,784	87.87%	\$72,087	\$4,457	\$3,865	(\$592)	(\$44,275,879)
70,000-80,000	59,678	2,512,461	90.01%	\$83,223	\$5,236	\$4,567	(\$670)	(\$39,960,959)
80,000-90,000	47,373	2,559,835	91.71%	\$94,344	\$6,015	\$5,267	(\$748)	(\$35,409,571)
90,000-100,000	37,414	2,597,249	93.05%	\$105,502	\$6,796	\$5,970	(\$826)	(\$30,887,705)
100,000-125,000	64,113	2,661,362	95.35%	\$123,895	\$8,083	\$7,129	(\$955)	(\$61,184,203)
125,000-150,000	38,218	2,699,580	96.72%	\$151,916	\$10,045	\$8,894	(\$1,151)	(\$43,968,859)
150,000-175,000	23,888	2,723,469	97.57%	\$179,827	\$11,999	\$10,653	(\$1,346)	(\$32,149,843)
175,000-200,000	15,421	2,738,890	98.12%	\$207,570	\$13,941	\$12,401	(\$1,541)	(\$23,749,542)
200,000-250,000	18,240	2,757,130	98.78%	\$247,180	\$16,713	\$14,896	(\$1,818)	(\$33,148,375)
250,000-300,000	10,060	2,767,191	99.14%	\$303,307	\$20,642	\$18,432	(\$2,211)	(\$22,235,054)
300,000-400,000	10,140	2,777,330	99.50%	\$381,152	\$26,091	\$23,336	(\$2,756)	(\$27,936,149)
400,000-500,000	4,883	2,782,213	99.68%	\$495,027	\$34,063	\$30,510	(\$3,553)	(\$17,344,719)
500,000- \$1M	6,595	2,788,808	99.91%	\$742,463	\$51,383	\$46,099	(\$5,285)	(\$34,848,582)
\$1M +	2,446	2,791,254	100.00%	\$2,791,957	\$194,848	\$175,217	(\$19,631)	(\$48,014,105)
Total	2,791,254			\$35,181	\$1,873	\$1,540	(\$333)	(\$779,919,000)

2024 Current Tax Brackets	0.00% \$0 to 3,460	Proposed Tax Brackets	0.00% \$0 to 3,460
	3.00% \$3,460 to 6,930		3.00% \$3,460 to 17,350
	4.00% \$6,930 to 10,400		6.30% Over \$17,350
	5.00% \$10,400 to 13,870		
	6.00% \$13,870 to 17,350		
	7.00% Over \$17,350		

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, -0.6%, and 4.7% thereafter.

ESTIMATED TAX YEAR 2025 INDIVIDUAL INCOME TAX IMPACT

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.2%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund impact is (\$ 892,557,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2025	Cumulative # of Returns	Cumulative % of Returns	Projected Average Taxable Income 2025	Average Tax Liability 2025	Proposed Average Tax Liability 2025	Average Tax Increase/ (Decrease) 2025	Total Dollar Increase/ (Decrease) 2025
0	1,012,804	1,012,804	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	262,462	1,275,266	44.66%	\$2,596	\$10	\$10	\$0	\$0
5,000-10,000	197,271	1,472,536	51.57%	\$8,448	\$162	\$147	(\$16)	(\$3,063,408)
10,000-20,000	317,041	1,789,577	62.67%	\$16,779	\$593	\$427	(\$166)	(\$52,575,088)
20,000-30,000	238,665	2,028,242	71.03%	\$28,180	\$1,367	\$1,070	(\$297)	(\$70,849,977)
30,000-40,000	175,111	2,203,354	77.16%	\$39,564	\$2,164	\$1,776	(\$388)	(\$67,931,959)
40,000-50,000	130,434	2,333,788	81.73%	\$50,930	\$2,960	\$2,481	(\$479)	(\$62,460,243)
50,000-60,000	98,855	2,432,643	85.19%	\$62,330	\$3,758	\$3,188	(\$571)	(\$56,352,983)
60,000-70,000	76,555	2,509,198	87.87%	\$73,743	\$4,557	\$3,895	(\$662)	(\$50,630,435)
70,000-80,000	61,050	2,570,248	90.01%	\$85,135	\$5,354	\$4,602	(\$753)	(\$45,940,367)
80,000-90,000	48,463	2,618,711	91.71%	\$96,511	\$6,150	\$5,307	(\$844)	(\$40,878,947)
90,000-100,000	38,274	2,656,985	93.05%	\$107,926	\$6,950	\$6,015	(\$935)	(\$35,780,024)
100,000-125,000	65,588	2,722,573	95.35%	\$126,741	\$8,267	\$7,181	(\$1,086)	(\$71,185,640)
125,000-150,000	39,097	2,761,671	96.72%	\$155,406	\$10,273	\$8,958	(\$1,315)	(\$51,400,106)
150,000-175,000	24,438	2,786,109	97.57%	\$183,958	\$12,272	\$10,729	(\$1,544)	(\$37,709,501)
175,000-200,000	15,776	2,801,885	98.12%	\$212,338	\$14,258	\$12,488	(\$1,771)	(\$27,925,632)
200,000-250,000	18,660	2,820,544	98.78%	\$252,859	\$17,095	\$15,001	(\$2,095)	(\$39,079,110)
250,000-300,000	10,292	2,830,836	99.14%	\$310,275	\$21,114	\$18,560	(\$2,554)	(\$26,280,764)
300,000-400,000	10,373	2,841,209	99.50%	\$389,908	\$26,688	\$23,498	(\$3,191)	(\$33,096,803)
400,000-500,000	4,995	2,846,204	99.68%	\$506,398	\$34,843	\$30,720	(\$4,123)	(\$20,592,678)
500,000- \$1M	6,746	2,852,950	99.91%	\$759,519	\$52,561	\$46,413	(\$6,148)	(\$41,474,143)
\$1M +	2,502	2,855,453	100.00%	\$2,856,093	\$199,321	\$176,401	(\$22,921)	(\$57,348,927)
Total	2,855,453			\$35,990	\$1,914	\$1,555	(\$359)	(\$892,557,000)

2025 Current Tax Brackets	0.00% \$0 to 3,560	Proposed Tax Brackets	0.00% \$0 to 3,560
	3.00% \$3,560 to 7,120		3.00% \$3,560 to 17,810
	4.00% \$7,120 to 10,680		6.20% Over \$17,810
	5.00% \$10,680 to 14,240		
	6.00% \$14,240 to 17,810		
	7.00% Over \$17,810		

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, -0.6%, and 4.7% thereafter.

ESTIMATED TAX YEAR 2026 INDIVIDUAL INCOME TAX IMPACT

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.1%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund impact is (\$ 1,014,168,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2026	Cumulative # of Returns	Cumulative % of Returns	Projected Average Taxable Income 2026	Average Tax Liability 2026	Proposed Average Tax Liability 2026	Average Tax Increase/ (Decrease) 2026	Total Dollar Increase/ (Decrease) 2026
0	1,036,098	1,036,098	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	268,499	1,304,597	44.66%	\$2,655	\$11	\$11	\$0	\$0
5,000-10,000	201,808	1,506,405	51.57%	\$8,642	\$167	\$151	(\$17)	(\$3,285,277)
10,000-20,000	324,333	1,830,738	62.67%	\$17,164	\$609	\$438	(\$172)	(\$55,633,641)
20,000-30,000	244,154	2,074,892	71.03%	\$28,827	\$1,402	\$1,088	(\$315)	(\$76,680,444)
30,000-40,000	179,139	2,254,031	77.16%	\$40,473	\$2,217	\$1,799	(\$419)	(\$75,037,705)
40,000-50,000	133,434	2,387,465	81.73%	\$52,100	\$3,031	\$2,508	(\$524)	(\$69,856,008)
50,000-60,000	101,128	2,488,594	85.19%	\$63,762	\$3,848	\$3,219	(\$629)	(\$63,556,635)
60,000-70,000	78,315	2,566,909	87.87%	\$75,437	\$4,665	\$3,931	(\$734)	(\$57,448,435)
70,000-80,000	62,454	2,629,364	90.01%	\$87,091	\$5,481	\$4,642	(\$839)	(\$52,364,099)
80,000-90,000	49,578	2,678,941	91.71%	\$98,728	\$6,295	\$5,352	(\$944)	(\$46,760,283)
90,000-100,000	39,155	2,718,096	93.05%	\$110,405	\$7,113	\$6,064	(\$1,049)	(\$41,044,646)
100,000-125,000	67,097	2,785,193	95.35%	\$129,652	\$8,460	\$7,238	(\$1,222)	(\$81,957,677)
125,000-150,000	39,997	2,825,189	96.72%	\$158,976	\$10,513	\$9,027	(\$1,486)	(\$59,411,151)
150,000-175,000	25,000	2,850,189	97.57%	\$188,184	\$12,557	\$10,809	(\$1,749)	(\$43,706,541)
175,000-200,000	16,139	2,866,328	98.12%	\$217,216	\$14,589	\$12,580	(\$2,010)	(\$32,432,194)
200,000-250,000	19,089	2,885,417	98.78%	\$258,667	\$17,491	\$15,108	(\$2,383)	(\$45,481,979)
250,000-300,000	10,528	2,895,945	99.14%	\$317,402	\$21,602	\$18,691	(\$2,912)	(\$30,650,374)
300,000-400,000	10,612	2,906,557	99.50%	\$398,865	\$27,305	\$23,660	(\$3,645)	(\$38,672,686)
400,000-500,000	5,110	2,911,667	99.68%	\$518,031	\$35,646	\$30,930	(\$4,717)	(\$24,103,120)
500,000- \$1M	6,902	2,918,568	99.91%	\$776,966	\$53,772	\$46,725	(\$7,048)	(\$48,637,728)
\$1M +	2,560	2,921,128	100.00%	\$2,921,702	\$203,903	\$177,554	(\$26,350)	(\$67,447,031)
Total	2,921,128			\$36,816	\$1,961	\$1,575	(\$386)	(\$1,014,168,000)

2026 Current Tax Brackets	0.00% \$0 to 3,620	Proposed Tax Brackets	0.00% \$0 to 3,620
	3.00% \$3,620 to 7,240		3.00% \$3,620 to 18,120
	4.00% \$7,240 to 10,860		6.10% Over \$18,120
	5.00% \$10,860 to 14,490		
	6.00% \$14,490 to 18,120		
	7.00% Over \$18,120		

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, -0.6%, and 4.7% thereafter.

ESTIMATED TAX YEAR 2027 INDIVIDUAL INCOME TAX IMPACT

Proposal: Lower tax rates to 0.0%, 3.0%, and 6.0%.

With these brackets and rates, 100.0% of returns have a lower or unchanged liability and the General Fund impact is (\$ 1,145,198,000).

2019 Base Estimated Taxable Income Range	Current Tax Structure					Estimate of Tax Year Impact		
	Projected # of Returns 2027	Cumulative # of Returns	Cumulative % of Returns	Projected Average Taxable Income 2027	Average Tax Liability 2027	Proposed Average Tax Liability 2027	Average Tax Increase/ (Decrease) 2027	Total Dollar Increase/ (Decrease) 2027
0	1,059,928	1,059,928	35.47%	\$0	\$0	\$0	\$0	\$0
1-5,000	274,674	1,334,602	44.66%	\$2,716	\$11	\$11	\$0	\$0
5,000-10,000	206,449	1,541,052	51.57%	\$8,840	\$172	\$155	(\$17)	(\$3,506,249)
10,000-20,000	331,793	1,872,845	62.67%	\$17,559	\$626	\$449	(\$177)	(\$58,817,248)
20,000-30,000	249,770	2,122,614	71.03%	\$29,489	\$1,438	\$1,106	(\$332)	(\$82,922,313)
30,000-40,000	183,259	2,305,874	77.16%	\$41,403	\$2,272	\$1,821	(\$452)	(\$82,673,808)
40,000-50,000	136,503	2,442,377	81.73%	\$53,297	\$3,104	\$2,534	(\$571)	(\$77,816,748)
50,000-60,000	103,454	2,545,831	85.19%	\$65,226	\$3,939	\$3,250	(\$690)	(\$71,317,639)
60,000-70,000	80,117	2,625,948	87.87%	\$77,170	\$4,775	\$3,967	(\$809)	(\$64,798,208)
70,000-80,000	63,891	2,689,839	90.01%	\$89,091	\$5,610	\$4,682	(\$929)	(\$59,291,624)
80,000-90,000	50,718	2,740,557	91.71%	\$100,996	\$6,443	\$5,396	(\$1,048)	(\$53,104,734)
90,000-100,000	40,055	2,780,612	93.05%	\$112,941	\$7,279	\$6,113	(\$1,167)	(\$46,725,099)
100,000-125,000	68,640	2,849,252	95.35%	\$132,630	\$8,658	\$7,294	(\$1,364)	(\$93,583,738)
125,000-150,000	40,917	2,890,169	96.72%	\$162,628	\$10,757	\$9,094	(\$1,664)	(\$68,059,746)
150,000-175,000	25,575	2,915,743	97.57%	\$192,507	\$12,849	\$10,887	(\$1,963)	(\$50,182,059)
175,000-200,000	16,510	2,932,253	98.12%	\$222,206	\$14,928	\$12,669	(\$2,260)	(\$37,298,962)
200,000-250,000	19,528	2,951,782	98.78%	\$264,609	\$17,896	\$15,213	(\$2,684)	(\$52,397,564)
250,000-300,000	10,770	2,962,552	99.14%	\$324,694	\$22,102	\$18,818	(\$3,285)	(\$35,370,496)
300,000-400,000	10,856	2,973,408	99.50%	\$408,027	\$27,935	\$23,818	(\$4,118)	(\$44,696,535)
400,000-500,000	5,227	2,978,635	99.68%	\$529,931	\$36,469	\$31,132	(\$5,337)	(\$27,895,974)
500,000- \$1M	7,060	2,985,695	99.91%	\$794,814	\$55,010	\$47,025	(\$7,986)	(\$56,378,481)
\$1M +	2,619	2,988,314	100.00%	\$2,988,819	\$208,591	\$178,666	(\$29,926)	(\$78,360,490)
Total	2,988,314			\$37,662	\$2,010	\$1,596	(\$414)	(\$1,145,198,000)

2027 Current Tax Brackets	0.00% \$0 to 3,680	Proposed Tax Brackets	0.00% \$0 to 3,680
	3.00% \$3,680 to 7,370		3.00% \$3,680 to 18,440
	4.00% \$7,370 to 11,060		6.00% Over \$18,440
	5.00% \$11,060 to 14,740		
	6.00% \$14,740 to 18,440		
	7.00% Over \$18,440		

Columns may not add to totals due to rounding

/a 2019 Base Year Grown by 2.3% per year.

/b 2019 Base Year Taxable Income Grown by 6.9%, 7.2%, -0.6%, and 4.7% thereafter.