~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

May 5, 2022

**S. 1087**

Introduced by Senators Peeler, Alexander, Kimbrell, Shealy, Turner, Climer, M. Johnson, Martin, Corbin, Davis, Massey, Rice, Adams, Garrett, Cash, Young, Malloy, Williams, Loftis, Gambrell, Talley, Cromer, Scott, Jackson, Stephens, Campsen, Verdin, Grooms, McElveen and Gustafson

S. Printed 5/5/22--H.

Read the first time March 29, 2022.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (S. 1087) to amend the Code of Laws of South Carolina, 1976, so as to enact the “Comprehensive Tax Cut Act of 2022”; to amend Section 12‑6‑510, etc., respectfully

**REPORT:**

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

Amend the bill, as and if amended, by striking all after the enacting words and inserting:

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

“Section 12‑6‑510. (A) Subject to the provisions of subsection (B), 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)(1) Notwithstanding subsection (A), for taxable years beginning after 2021, 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:

At Least But less than Compute the tax as follows

$0 $3,200 0% times the amount

$3,200 $16,040 3% times the amount minus $96

$16,040 or more 6% times the amount minus $577

(2) Notwithstanding the provisions of item (1), the reduction in the top marginal rate contained in this item, as compared to the same in subsection (A), must be phased‑in as provided in item (3). Until the top marginal rate is fully phased‑in, the bracket to which this reduced top marginal rate applies must be the same as the bracket for the top marginal rate provided in subsection (A). All reductions are permanent and cumulative. During the phase‑in and after, the department shall continue to adjust the brackets as provided in Section 12‑6‑520. Other than the top marginal rate, no other component of this item is phased-in.

(3) For Tax Year 2022, the top marginal rate shall equal 6.5%. Beginning with Tax Year 2023, and each year thereafter until the top marginal rate equals 6%, the top marginal rate must decrease by one‑tenth of one percent if general fund revenues are projected to increase by at least five percent in the fiscal year that begins during the tax year. For purposes of this subsection, beginning with the initial forecast required pursuant to Section 11‑9‑1130, the general fund revenues 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. Upon the issuance of the initial forecast, the Executive Director of the Revenue and Fiscal Affairs Office, or his designee, shall notify the Department of Revenue of the projected percentage adjustment. The executive director, or his designee, shall provide similar notice if subsequent modifications to the forecast change the projected percentage adjustment. However, the forecast in effect on February fifteenth of the current fiscal year is the final forecast for which the percentage adjustment is determined, and no subsequent forecast modifications may have any effect on that determination. For purposes of this section, ‘recurring general fund revenue’ and ‘recurring general fund expenditure base’ have the same meaning as provided in Section 6‑27‑30.

(C) The department may prescribe tax tables consistent with the rates set pursuant to ~~subsection (A)~~ this section.”

SECTION 2. A. Section 12‑6‑1171(A) of the 1976 Code is amended to read:

“(A)~~(1)~~ An individual taxpayer ~~who has~~ may deduct all military retirement income~~, each year may deduct an amount of his South Carolina earned income from South Carolina taxable income equal to the amount of military retirement income that is included in South Carolina taxable income, not to exceed seventeen thousand five hundred dollars. In the case of married taxpayers who file a joint federal income tax return, the deduction allowed by this section shall be calculated separately as though they had not filed a joint return, so that each individual’s deduction is based on the same individual’s retirement income and earned income. For purposes of this item, ‘South Carolina earned income’ has the same meaning as provided in Section 12‑6‑3330.~~

~~(2)~~ ~~Notwithstanding item (1), beginning in the year in which an individual taxpayer reaches age sixty‑five, an individual taxpayer who has military retirement income may deduct up to thirty thousand dollars of military retirement income~~ that is included in South Carolina taxable income.”

B. This SECTION takes effect upon approval by the Governor and first applies to tax years beginning after 2021.

SECTION 3. A. Section 12‑6‑515 of the 1976 Code is repealed.

B. This SECTION takes effect on January first of the first tax year in which the provisions of Section 12-6-510(B) are fully phased-in and the top marginal rate equals six percent.

SECTION 4. This act takes effect upon approval by the Governor. /

Renumber sections to conform.

Amend title to conform.

G. MURRELL SMITH, JR. for Committee.

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, SO AS TO ENACT THE “COMPREHENSIVE TAX CUT ACT OF 2022”; TO AMEND SECTION 12‑6‑510, RELATING TO THE INDIVIDUAL INCOME TAX, SO AS TO REDUCE THE TOP MARGINAL RATE TO 5.7 PERCENT; TO AMEND SECTION 12‑6‑1171, RELATING TO THE MILITARY RETIREMENT DEDUCTION, SO AS TO EXEMPT ALL MILITARY RETIREMENT INCOME; TO AMEND SECTION 12‑37‑220, AS AMENDED, RELATING TO PROPERTY TAX EXEMPTIONS, SO AS TO INCREASE A PROPERTY TAX EXEMPTION FOR CERTAIN MANUFACTURING PROPERTY; TO APPROPRIATE ONE BILLION DOLLARS FROM THE CONTINGENCY RESERVE FUND TO THE TAXPAYER REBATE FUND TO PROVIDE REBATES TO TAXPAYERS; AND TO REPEAL SECTION 12‑6‑515 RELATING TO AN ARCHAIC INDIVIDUAL INCOME TAX PROVISION.

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

SECTION 1. This act may be cited as the “Comprehensive Tax Cut Act of 2022”.

SECTION 2. Section 12‑6‑510 of the 1976 Code is amended to read:

“Section 12‑6‑510. (A) Subject to the provisions of subsection (B), for taxable years beginning after ~~1994~~ 2021, 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.~~

At Least But less than Compute the tax as follows:

$0 $3,200 0% times the amount

$3,200 $6,410 3% times the amount minus $96

$6,410 $9,620 4% times the amount minus $160

$9,620 $12,820 5% times the amount minus $256

$12,820 or more 5.7% times the amount minus $346

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

SECTION 3. A. Section 12‑6‑1171(A) of the 1976 Code is amended to read:

“(A)~~(1)~~ An individual taxpayer ~~who has~~ may deduct all military retirement income~~, each year may deduct an amount of his South Carolina earned income from South Carolina taxable income equal to the amount of military retirement income that is included in South Carolina taxable income, not to exceed seventeen thousand five hundred dollars. In the case of married taxpayers who file a joint federal income tax return, the deduction allowed by this section shall be calculated separately as though they had not filed a joint return, so that each individual’s deduction is based on the same individual’s retirement income and earned income. For purposes of this item, ‘South Carolina earned income’ has the same meaning as provided in Section 12‑6‑3330.~~

~~(2)~~ ~~Notwithstanding item (1), beginning in the year in which an individual taxpayer reaches age sixty‑five, an individual taxpayer who has military retirement income may deduct up to thirty thousand dollars of military retirement income~~ that is included in South Carolina taxable income.”

B. This SECTION takes effect upon approval by the Governor and first applies to income tax years beginning after 2021.

SECTION 4. A. Section 12‑37‑220(52) of the 1976 Code, as last amended by Act 39 of 2021, is further amended to read:

“(52)(a)(i) ~~14.2857~~ 42.8571 percent of the property tax value of manufacturing property assessed for property tax purposes pursuant to Section 12‑43‑220(a)(1). The exemption allowed by this item does not apply to property owned or leased by a public utility, as defined in Section 58‑3‑5, that is regulated by the Public Service Commission, regardless of whether the property is used for manufacturing. For purposes of this item, if the exemption is applied to real property, then it must be applied to the property tax value as it may be adjusted downward to reflect the limit imposed pursuant to Section 6, Article X of the South Carolina Constitution, 1895;

(ii) To the extent any such monies are refunded or otherwise credited under this item to a public utility that is regulated by the Public Service Commission, regardless of whether the property is used for manufacturing, any such refund or credits must be flowed through to customers as a reduction in rates, as appropriate.

(b) The revenue loss resulting from the exemption allowed by this item must be reimbursed and allocated to the political subdivisions of this State, including school districts, in the same manner as the Trust Fund for Tax Relief~~, not to exceed eighty‑five million dollars per year~~. In calculating estimated state individual and corporate income tax revenues for a fiscal year, the Board of Economic Advisors shall deduct amounts sufficient to account for the reimbursement required by this item.

(c) ~~Notwithstanding the exemption allowed by this item, in any year in which reimbursements are projected by the Revenue and Fiscal Affairs Office to exceed the reimbursement cap in subitem (b), the exemption amount shall be proportionally reduced so as not to exceed the reimbursement cap.~~

~~(d)~~ Notwithstanding any other provision of law, property exempted from property taxes in the manner provided in this item is considered taxable property for purposes of bonded indebtedness pursuant to Section 15, Article X of the Constitution of this State.”

B. Section 19.B. of Act 40 of 2017 relating to a phase-in of the manufacturing property tax exemption, is repealed.

C. This SECTION takes effect upon approval by the Governor and applies to property tax years after 2021.

SECTION 5. (A) From the Contingency Reserve Fund, there is appropriated one billion dollars to the Taxpayer Rebate Fund which is created in the State Treasury. The fund is separate and distinct from the general fund and all other funds of the State.

(B) The fund must be used by the Department of Revenue to provide a one‑time rebate for taxpayers that filed a return for tax year 2021. Each return filed for 2021 shall receive a rebate equal to the amount of tax liability on the return, except that if a return has one hundred dollars or less of liability, the rebate shall equal one hundred dollars, and if a return has seven hundred dollars or more of liability, the rebate shall equal seven hundred dollars. However, if the department determines that sufficient funds will exist to increase the maximum rebate of seven hundred dollars, the department shall increase the maximum so that all returns with a tax liability over the increased maximum receive the same rebate. The department must issue these refunds by December 31, 2022.

(C) The department may retain up to one percent of the fund, but not to exceed their actual costs, to administer the rebate.

(D) Any funds remaining in the fund after every rebate has been accounted for shall lapse to the Contingency Reserve Fund, at which time the fund is dissolved.

SECTION 6. Section 12‑6‑515 of the 1976 Code is repealed.

SECTION 7. This act takes effect upon approval by the Governor.

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