



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

WWW.RFA.SC.GOV • (803)734-3793

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. 4216	Introduced on March 25, 2025
Subject:	Income Tax	
Requestor:	House Ways and Means	
RFA Analyst(s):	Jolliff	
Impact Date:	March 31, 2025	

Fiscal Impact Summary

This bill amends South Carolina's individual income tax structure beginning in tax year 2026. The bill imposes a flat tax rate of 3.99 percent, eliminates the federal standard and itemized deductions, and allows taxpayers to claim a South Carolina Income Adjusted Deduction (SCIAD) for taxpayers with lower incomes. The bill also provides that the tax rate will be reduced annually beginning in tax year 2027 if individual income tax revenue, less amounts credited to the Trust Fund for Tax Relief, is projected to grow by at least 5 percent in the following fiscal year until the rate reaches 2.49 percent. The rate will be reduced annually such that the adjustment to the tax rate is projected to reduce individual income tax revenue by approximately \$200,000,000. If the projected growth in individual income tax revenue is projected to be less than \$200,000,000, then the tax rate adjustment must be limited to the projected increase in individual income tax revenue. The determination of the tax rate will be made annually based on the revenue forecast for the current and upcoming fiscal years as of February fifteenth. Finally, the Department of Revenue (DOR), in consultation with Revenue and Fiscal Affairs (RFA), is directed to adjust the withholdings tables to reflect the tax changes in the act in accordance with fiscal responsibility.

Currently, South Carolina has a marginal tax rate structure of 0 percent, 3 percent, and 6.2 percent for tax year 2025 that applies to state taxable income. The state starts with federal taxable income, which is essentially federal adjusted gross income (AGI) less the federal standard and itemized deductions. The state then allows other deductions and adjustments to determine state taxable income. The bill eliminates the federal standard or itemized deductions. Instead, taxpayers with lower incomes will be allowed to deduct the new SCIAD. All other current state deductions, exemptions, adjustments, and tax credits are retained. The new flat tax rate imposed for tax year 2026 will be 3.99 percent.

DOR indicates that the changes to the tax structure will require significant revisions to the current tax return processing system as well as many forms and guidance. Further, the agency will need to maintain separate systems for processing returns under the current tax structure and the new tax structure until the full period for any amendments to prior year returns expires. The total cost is expected to be approximately \$3,000,000, of which approximately \$1,500,000 is for vendor programming costs for changes to tax processing systems, and the remaining \$1,500,000 is for development and implementation of training and communications to inform the public regarding the changes. The timing of the expenditure impact is under review but is expected to

occur over FY 2025-26 and FY 2026-27 as the agency implements the changes necessary to prepare for tax year 2026. The agency will request additional General Fund appropriations for these expenses.

Individual Income Tax Liability

The bill will reduce individual income tax liability by approximately \$216,600,000 in tax year 2026. The attached Table 1 outlines the impact by federal AGI ranges. The impact on individual taxpayers varies widely within each range depending on the specific tax situation of each tax filer. As shown, approximately 21.2 percent of returns will not experience a change in their tax liability, 19.4 percent of returns will experience lower tax liabilities of \$1,155,300,000, and 59.4 percent will see an increase in tax liability of \$938,700,000.

On a fiscal year basis, we assume taxpayers will adjust their estimated tax payments for the tax change. As such, 5.25 percent of the total tax year impact is recognized in the prior fiscal year, FY 2025-26, for the reduced payments. Total revenue in FY 2026-27 will experience the full decrease in tax liability including the remaining reduction in tax liability for tax year 2026 and the decreased taxes for tax year 2027. The impact by fiscal year is shown in the table below.

Estimated Fiscal Year Impact of Individual Income Tax Change at 3.99%

Fiscal Year	General Fund Impact
FY 2025-26	(\$11,372,000)
FY 2026-27	(\$216,600,000)

The impact of the tax rate changes in future years will depend on projected revenue growth and the changes in the tax rate that result from the projected growth. For illustration, we have also projected the cumulative impact of reducing the rate from 3.99 percent to 2.49 percent based on tax year 2026. The attached Table 2 provides the estimated impact of this future change by federal AGI ranges for individual income tax filers. In this scenario, tax liabilities would be reduced by an estimated additional \$2.50 billion based on tax year 2026 estimates. After the initial tax change when the rate is reduced to 2.49 percent, approximately 77.2 percent of taxpayers will experience a decrease in their tax liabilities in future years, with the remaining 22.8 percent experiencing no change. When the rate is lowered below 3 percent, taxpayers who file a combined return for pass-through businesses at the active trade or business tax rate of 3 percent currently may elect to file at the lower rate, which would further reduce tax liabilities by an estimated \$10,800,000 for these taxpayers based on tax year 2026 dollars and is in addition to the estimates provided in Table 2.

In total, including the estimated \$10,800,000 for active trade or business taxes reported separately, the reduction to 2.49 percent would lower tax liabilities by an additional \$2.51 billion, for a total tax reduction of \$2.73 billion compared to the current tax structure. The actual reduction will depend on how quickly the rate is reduced to 2.49 percent and income growth in future years.

Withholdings

The bill also directs DOR, in consultation with RFA, to adjust the withholdings tax tables to reflect the tax changes in the bill. In the calendar year in which the adjustment to the withholdings tables begins, withholdings would be lowered in January through June (the final half of the fiscal year), but the offsetting adjustment to refunds or tax payments will not occur until the following fiscal year when taxes are filed in April. At this time, DOR intends to work with RFA to determine timing for this adjustment such that the state's financial position is not negatively affected, and the adjustment can be accommodated with available revenue. The impact on taxpayers will depend on how and when the withholdings tables are adjusted. Based on an initial analysis of proposed adjustments to withholdings tables, the changes may total \$1.4 billion and may decrease taxpayers' withholdings by an average of 20 percent when fully implemented. However, the actual adjustment may vary when the tables are finalized.

Other Considerations

Please note, this bill represents a significant shift from our current tax structure. While the estimated impact is based upon the information reported on tax returns, there may be unforeseen issues due to taxpayer decisions resulting from this new tax structure. Further, this analysis is based on tax year 2022 tax returns, which are the latest currently available, and current expectations for income growth and tax return changes over the next 4 years. These issues and assumptions influence the analysis of the impact the tax rate change will have, and any differences could impact the potential revenue and budget. As noted in the State Revenue Section below, this impact is based on the SCIAD being calculated on income before other state deductions and exemptions are applied, which is not clearly referenced in the bill. Without clarification or amendment to specify the order of deductions, the fiscal impact would be significantly higher.

Explanation of Fiscal Impact

Introduced on March 25, 2025

State Expenditure

This bill amends South Carolina's individual income tax structure beginning in tax year 2026. The bill imposes a flat tax rate of 3.99 percent, eliminates the federal standard and itemized deductions, and allows taxpayers with lower incomes to claim a new SCIAD. The bill also provides that the tax rate will be reduced annually beginning in tax year 2027 until it reaches 2.49 percent if projected individual income tax revenue, less amounts credited to the Trust Fund for Tax Relief, is projected to grow by at least 5 percent in the following fiscal year. The rate will be reduced annually such that the adjustment to the tax rate is projected to reduce individual income tax revenue by approximately \$200,000,000. If the projected growth in individual income tax revenue is projected to be less than \$200,000,000, then the tax rate adjustment must be limited to the projected increase in individual income tax revenue. The determination of the tax rate will be made annually based on the revenue forecast for the current and upcoming fiscal years as of February fifteenth. Finally, DOR, in consultation with RFA, is directed to adjust the withholdings tables to reflect the tax changes in the act in accordance with fiscal responsibility.

Currently, South Carolina has a marginal tax rate structure of 0 percent, 3 percent, and 6.2 percent for tax year 2025 that applies to state taxable income. The state starts with federal taxable income, which is essentially federal AGI less the federal standard and itemized deductions. The state then allows other deductions and adjustments to determine state taxable income. The bill eliminates the federal standard or itemized deductions. Instead, taxpayers with lower incomes will be allowed to deduct the new SCIAD. All other current state deductions, exemptions, adjustments, and tax credits are retained. The new flat tax rate imposed for tax year 2026 will be 3.99 percent.

DOR indicates that the changes to the tax structure will require significant revisions to the current tax return processing system as well as many forms and guidance. Further, the agency will need to maintain separate systems for processing returns under the current tax structure and the new tax structure until the full period for any amendments to prior year returns expires. The total cost is expected to be approximately \$3,000,000, of which approximately \$1,500,000 is for vendor programming costs for changes to tax processing systems, and the remaining \$1,500,000 is for development and implementation of training and communications to inform the public regarding the changes. The timing of the expenditure impact is under review but is expected to occur over FY 2025-26 and FY 2026-27 as the agency implements the changes necessary to prepare for tax year 2026. The agency will request additional General Fund appropriations for these expenses.

State Revenue

This bill amends South Carolina's individual income tax structure beginning in tax year 2026. The bill imposes a flat tax rate of 3.99 percent, eliminates the federal standard and itemized deductions, and allows taxpayers with lower incomes to claim the new SCIAD. Additionally, the bill provides that the tax rate will be reduced annually beginning in tax year 2027 until it reaches 2.49 percent if individual income tax revenue, less amounts credited to the Trust Fund for Tax Relief, is projected to grow by at least 5 percent in the following fiscal year. The rate will be reduced annually such that the adjustment to the tax rate is projected to reduce individual income tax revenue by approximately \$200,000,000. If the projected growth in individual income tax revenue of at least 5 percent is projected to be less than \$200,000,000, then the tax rate adjustment must be limited to the projected increase in individual income tax revenue. The determination of the tax rate will be made annually based on the revenue forecast for the current and upcoming fiscal years as of February fifteenth. Lastly, the bill specifies that DOR, in consultation with RFA, is directed to adjust the withholdings tables to reflect the tax changes in the act in accordance with fiscal responsibility.

Currently, South Carolina has a marginal tax rate structure of 0 percent, 3 percent, and 6.2 percent for tax year 2025 that applies to state taxable income. The state starts with federal taxable income, which is essentially federal AGI less the federal standard and itemized deductions. The state then allows other deductions and adjustments to determine state taxable income. The bill eliminates the federal standard or itemized deductions. Instead, taxpayers with lower incomes will be allowed to deduct the new SCIAD. All other current state deductions, exemptions, adjustments, and tax credits are retained. The new flat tax rate imposed for tax year 2026 will be 3.99 percent.

Taxpayers within the provided income limits are allowed to deduct the new SCIAD. The SCIAD is \$6,000 for single filers and is phased out for filers with income between \$30,000 and \$40,000. The SCIAD is increased to \$12,000 for married joint filers with a phase-out from \$60,000 and \$80,000 of income and \$9,000 for head of household filers with a phase-out from \$45,000 to \$60,000. For non-residents, the SCIAD is reduced to an amount that is the same proportion as South Carolina AGI is to federal AGI. The impact is based on the SCIAD being calculated on income before other state deductions and exemptions are applied, which coincides with the proration for non-residents but is not clearly outlined in the bill. Without clarification or amendment to specify the order of deductions, the fiscal impact would be significantly higher. While the logical and consistent treatment would be for this deduction to apply based on federal AGI, the current language in the bill would allow a different interpretation, which would result in a significantly larger impact if the phase-out occurred after other deductions are applied.

Individual Income Tax Liability

The bill will reduce individual income tax liability by approximately \$216,600,000 in tax year 2026. The attached Table 1 outlines the impact by federal AGI ranges. The impact on individual taxpayers varies widely within each range depending on the specific tax situation of each tax filer. As shown, approximately 21.2 percent of returns will not experience a change in their tax liability, 19.4 percent of returns will experience lower tax liabilities of \$1,155,300,000, and 59.4 percent will see an increase in tax liability of \$938,700,000.

On a fiscal year basis, we assume taxpayers will adjust their estimated tax payments for the tax change. As such, 5.25 percent of the total tax year impact is recognized in the prior fiscal year, FY 2025-26, for the reduced payments. Total revenue in FY 2026-27 will experience the full decrease in tax liability including the remaining reduction in tax liability for tax year 2026 and the decreased taxes for tax year 2027. The impact by fiscal year is shown in the table below.

Estimated Fiscal Year Impact of Individual Income Tax Change at 3.99%

Fiscal Year	General Fund Impact
FY 2025-26	(\$11,372,000)
FY 2026-27	(\$216,600,000)

For this analysis, our estimates of the impact are based on the current income growth assumptions applied to the sample of tax returns with federal tax data from tax year 2022. We have based our analysis on the impact that the proposed change would have on tax revenue compared to the current tax rates of 0 percent, 3 percent, and 6.3 percent, which coincide with the assumptions included in the revenue forecast by the Board of Economic Advisors (BEA) on February 13, 2025. While the top marginal tax rate will be reduced to 6.2 percent for tax year 2025, and the impact of the rate change will be included in the budget, it is not included in the BEA revenue forecast.

The impact of the tax rate changes in future years and when the rate will be lowered to 2.49 percent will depend on revenue growth and how quickly the tax rate is lowered. For illustration,

we have projected the impact of reducing the rate from 3.99 percent to 2.49 percent based on tax year 2026. The attached Table 2 provides the estimated impact of this future change by federal AGI ranges for individual income tax filers. In this scenario, tax liabilities would be reduced by an additional approximately \$2.50 billion based on tax year 2026 estimates. After the initial tax change when the rate is reduced to 2.49 percent, approximately 77.2 percent of taxpayers will see a decrease in their tax liabilities in future years.

Additionally, taxpayers with income from pass-through businesses are allowed currently to elect to have active trade or business income taxed at 3 percent as opposed to the individual income tax rates. When the individual income tax rate is lowered below 3 percent, we anticipate active trade or business taxpayers may elect the lower individual income tax rate instead of the 3 percent active trade or business tax rate. Currently, approximately 85 percent of active trade or business income for pass-through businesses is reported at the individual level, and 15 percent is reported on a combined return at the entity level. Active trade or business income reported at the individual level is included in estimates of the tax change by federal AGI ranges reported on the attached tables, and the impact for these taxpayers is included in the table estimates. The remaining 15 percent of active trade or business income that is reported on a combined return is not included in the tables as the federal AGI of these taxpayers is unknown. If in the future taxpayers who file a combined return at the entity level elect to file at the lower individual income tax rate as opposed to the 3 percent active trade or business tax rate, this change would reduce tax liability and revenue for these taxpayers as well. When the rate is lowered to 2.49 percent, active trade or business taxpayers filing at the entity level may experience a tax liability reduction of up to \$10,800,000 based on tax year 2026 dollars if they elect to file at the individual income tax rate. The change in tax liability may vary depending on whether entities elect to forgo any tax benefit of filing at the entity level to claim the lower rate.

In total, including the estimated \$10,800,000 for active trade or business taxes reported at the entity level, the reduction to 2.49 percent would lower tax liabilities by an additional \$2.51 billion, for a total tax reduction of approximately \$2.73 billion compared to the current tax structure. The actual reduction will depend on how quickly the rate is reduced to 2.49 percent and income growth in future years.

Withholdings

The bill directs DOR, in consultation with RFA, to adjust the withholdings tax tables to reflect the tax changes in the bill. In the calendar year in which the adjustment to the withholdings tables begins, withholdings would be lowered in January through June (the final half of the fiscal year), but the offsetting adjustment to refunds or tax payments will not occur until the following fiscal year when taxes are filed in April. At this time, DOR intends to work with RFA to determine timing for this adjustment such that the state's financial position is not negatively affected, and the adjustment can be accommodated with available revenue. The impact on taxpayers will depend on how and when the withholdings tables are adjusted. Based on an initial analysis of proposed adjustments to withholdings tables, the changes may total \$1.4 billion and may decrease taxpayers' withholdings by an average of 20 percent when fully implemented. However, the actual adjustments may vary when the tables are finalized.

Other Considerations

Please note, this bill represents a significant shift from our current tax structure. While the estimated impact is based upon the information reported on tax returns, there may be unforeseen issues due to taxpayer decisions resulting from this new tax structure. Further, this analysis is based on tax year 2022 tax returns, which are the latest currently available, and current expectations for income growth and tax return changes over the next 4 years. These issues and assumptions influence the analysis of the impact the tax rate change will have, and any differences could impact the potential revenue and budget.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

Table 1

H. 4216 - ESTIMATED SOUTH CAROLINA INDIVIDUAL INCOME TAX IMPACT
Tax Year 2026

Proposal: Apply a flat tax rate of 3.99%, eliminate the standard or itemized deduction, allow the new SC income adjusted deduction, and maintain all state adjustments, exemptions, and credits.
Impact: With this tax structure, 19.4% of taxpayers have a lower tax liability, 59.4% have a higher tax liability, and 21.2% are unchanged. The General Fund impact is (\$ 216,600,000).

Estimated Federal Adjusted Gross Income Range 2022	Estimated Tax Return Distribution				Estimated Tax Change (Returns with a Change)						Tax Returns with a Decrease in Liability				Tax Returns with an Increase in Liability				Tax Returns with No Change		Tax Returns with Zero Tax Liability	
	Estimated # of Returns	Estimated % of Returns	Old Avg. Tax Liability	New Avg. Tax Liability	Returns with Tax Change	% of Returns in Range	Old Avg. Tax Liability	New Avg. Tax Liability	Average Tax Change	Total Dollar Increase/ (Decrease)	Tax Decrease # of Returns	Tax Decrease % of Returns in Range	Total Decrease Amount	Average Decrease Amount	Tax Increase # of Returns	Tax Increase % of Returns in Range	Total Increase Amount	Average Increase Amount	No Tax Change # of Returns	No Change % of Returns	Zero Tax # of Returns	Zero Tax % of Returns
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
\$0 *	90,171	3.2%	\$65	\$51	1,703	1.9%	\$3,449	\$2,722	(\$726)	(\$1,237,000)	405	0.4%	(\$1,500,000)	(\$3,706)	1,298	1.4%	\$263,000	\$203	88,468	98.1%	88,355	98.0%
\$1 to \$10,000	316,550	11.2%	\$4	\$31	90,225	28.5%	\$13	\$110	\$97	\$8,735,000	535	0.2%	(\$43,000)	(\$80)	89,690	28.3%	\$8,779,000	\$98	226,324	71.5%	226,395	71.5%
\$10,001 to \$20,000	322,475	11.4%	\$16	\$191	187,653	58.2%	\$27	\$328	\$300	\$56,336,000	286	0.1%	(\$68,000)	(\$238)	187,366	58.1%	\$56,404,000	\$301	134,822	41.8%	134,824	41.8%
\$20,001 to \$30,000	277,959	9.8%	\$104	\$459	220,407	79.3%	\$131	\$578	\$447	\$98,536,000	1,240	0.4%	(\$92,000)	(\$74)	219,167	78.8%	\$98,628,000	\$450	57,552	20.7%	58,318	21.0%
\$30,001 to \$40,000	270,592	9.6%	\$285	\$734	233,471	86.3%	\$330	\$851	\$521	\$121,574,000	16,614	6.1%	(\$429,000)	(\$26)	216,857	80.1%	\$122,003,000	\$563	37,121	13.7%	52,844	19.5%
\$40,001 to \$50,000	238,162	8.4%	\$590	\$1,087	214,176	89.9%	\$656	\$1,208	\$552	\$118,190,000	21,236	8.9%	(\$799,000)	(\$38)	192,940	81.0%	\$118,989,000	\$617	23,986	10.1%	42,790	18.0%
\$50,001 to \$75,000	407,589	14.4%	\$1,248	\$1,744	387,802	95.1%	\$1,312	\$1,833	\$521	\$201,981,000	23,561	5.8%	(\$2,952,000)	(\$125)	364,241	89.4%	\$204,933,000	\$563	19,787	4.9%	23,914	5.9%
\$75,001 to \$100,000	253,297	9.0%	\$2,175	\$2,619	250,818	99.0%	\$2,196	\$2,645	\$449	\$112,612,000	78,378	30.9%	(\$24,218,000)	(\$309)	172,440	68.1%	\$136,830,000	\$793	2,479	1.0%	2,260	0.9%
\$100,001 to \$150,000	300,002	10.6%	\$3,538	\$3,743	297,382	99.1%	\$3,569	\$3,775	\$207	\$61,453,000	116,881	39.0%	(\$73,075,000)	(\$625)	180,501	60.2%	\$134,527,000	\$745	2,621	0.9%	2,911	1.0%
\$150,001 to \$200,000	145,000	5.1%	\$5,947	\$5,361	143,734	99.1%	\$5,999	\$5,408	(\$591)	(\$84,968,000)	109,101	75.2%	(\$112,171,000)	(\$1,028)	34,634	23.9%	\$27,204,000	\$785	1,265	0.9%	2,141	1.5%
\$200,001 to \$300,000	109,079	3.9%	\$9,317	\$7,500	107,588	98.6%	\$9,447	\$7,604	(\$1,842)	(\$198,192,000)	96,735	88.7%	(\$208,189,000)	(\$2,152)	10,854	10.0%	\$9,997,000	\$921	1,490	1.4%	2,738	2.5%
\$300,001 to \$500,000	55,593	2.0%	\$15,594	\$11,567	54,207	97.5%	\$15,992	\$11,863	(\$4,129)	(\$223,832,000)	50,448	90.7%	(\$228,982,000)	(\$4,539)	3,759	6.8%	\$5,150,000	\$1,370	1,385	2.5%	2,396	4.3%
\$500,001 to \$1,000,000	25,468	0.9%	\$26,791	\$19,133	24,306	95.4%	\$28,071	\$20,047	(\$8,024)	(\$195,026,000)	22,338	87.7%	(\$199,554,000)	(\$8,934)	1,969	7.7%	\$4,528,000	\$2,300	1,161	4.6%	1,626	6.4%
Over \$1,000,000	12,102	0.4%	\$78,357	\$54,168	10,907	90.1%	\$86,944	\$60,104	(\$26,841)	(\$292,746,000)	9,858	81.5%	(\$303,262,000)	(\$30,763)	1,049	8.7%	\$10,515,000	\$10,025	1,195	9.9%	1,425	11.8%
Total	2,824,038	100.0%	\$2,392	\$2,316	2,224,380	78.8%	\$3,037	\$2,940	(\$97)	(\$216,600,000)	547,615	19.4%	(\$1,155,300,000)	(\$2,110)	1,676,765	59.4%	\$938,700,000	\$560	599,658	21.2%	642,937	22.8%

Figures may not add to totals due to rounding. For non-residents, federal AGI is only the amount applicable to South Carolina.

*Returns may have \$0 federal AGI but positive state taxable income due to provisions not adopted by South Carolina or out-of-state income adjustments.

Current 2026 Marginal Tax Rates:	Taxable Income Range:	Proposed Flat Tax Rate :	3.99%	Other Notes:
0%	up to \$3,640	SC Income Adj. Deduction:	\$6,000	No standard or itemized deductions.
3%	\$3,640-\$18,220	Single	\$30,000	All other current state adjustments to income (federal conformity provisions), deductions, exemptions, and credits are maintained.
6.3%	over \$18,220	Start Phase out	\$40,000	Active trade or business rate at 3% is maintained.
		End Phase out		
(Rates are based on BEA forecast assumptions. Actual rate is 6.2% for tax year 2025 and after as accounted for in the budget.)		Married Filing Joint - amounts x 2, Head of Household amounts x 1.5		
		Amount pro-rated for non-residents		

Disclaimer: Estimates are based on current assumptions at the time of the analysis. Changes in growth rates, base year tax data, or other assumptions may have a positive or negative impact on these estimates and the budget.

Table 2

H. 4216 - ESTIMATED SOUTH CAROLINA INDIVIDUAL INCOME TAX IMPACT - 3.99% REDUCED TO 2.49%
Illustration for Tax Year 2026

Proposal: Reduce proposed flat tax rate of 3.99% to 2.49%.
Impact: With this tax structure, 77.2% of taxpayers have a lower tax liability, 0.0% have a higher tax liability, and 22.8% are unchanged. The General Fund impact is (\$ 2,497,900,000).

Estimated Federal Adjusted Gross Income Range 2022	Estimated Tax Return Distribution				Estimated Tax Change (Returns with a Change)						Tax Returns with a Decrease in Liability				Tax Returns with an Increase in Liability				Tax Returns with No Change		Tax Returns with Zero Tax Liability	
	Estimated # of Returns	Estimated % of Returns	Avg. Tax Liability	New Avg. Tax Liability	Returns with Tax Change	% of Returns in Range	Avg. Tax Liability	New Avg. Tax Liability	Average Tax Change	Total Dollar Increase/ (Decrease)	Tax Decrease # of Returns	Tax Decrease % of Returns in Range	Total Decrease Amount	Average Decrease Amount	Tax Increase # of Returns	Tax Increase % of Returns in Range	Total Increase Amount	Average Increase Amount	No Tax Change # of Returns	No Change % of Returns	Zero Tax # of Returns	Zero Tax % of Returns
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
\$0 *	90,171	3.2%	\$51	\$34	1,793	2.0%	\$2,585	\$1,693	(\$892)	(\$1,600,000)	1,793	2.0%	(\$1,600,000)	(\$892)	0	0.0%	\$0	\$0	88,378	98.0%	88,378	98.0%
\$1 to \$10,000	316,550	11.2%	\$31	\$20	89,376	28.2%	\$111	\$69	(\$41)	(\$3,697,000)	89,376	28.2%	(\$3,697,000)	(\$41)	0	0.0%	\$0	\$0	227,173	71.8%	226,855	71.7%
\$10,001 to \$20,000	322,475	11.4%	\$191	\$119	187,492	58.1%	\$328	\$204	(\$124)	(\$23,261,000)	187,492	58.1%	(\$23,261,000)	(\$124)	0	0.0%	\$0	\$0	134,983	41.9%	135,549	42.0%
\$20,001 to \$30,000	277,959	9.8%	\$459	\$285	219,492	79.0%	\$581	\$361	(\$220)	(\$48,288,000)	219,492	79.0%	(\$48,288,000)	(\$220)	0	0.0%	\$0	\$0	58,467	21.0%	58,833	21.2%
\$30,001 to \$40,000	270,592	9.6%	\$734	\$455	217,717	80.5%	\$912	\$565	(\$347)	(\$75,530,000)	217,717	80.5%	(\$75,530,000)	(\$347)	0	0.0%	\$0	\$0	52,875	19.5%	53,228	19.7%
\$40,001 to \$50,000	238,162	8.4%	\$1,087	\$659	195,366	82.0%	\$1,325	\$803	(\$521)	(\$101,855,000)	195,366	82.0%	(\$101,855,000)	(\$521)	0	0.0%	\$0	\$0	42,797	18.0%	51,011	21.4%
\$50,001 to \$75,000	407,589	14.4%	\$1,744	\$1,068	383,647	94.1%	\$1,853	\$1,135	(\$718)	(\$275,416,000)	383,647	94.1%	(\$275,416,000)	(\$718)	0	0.0%	\$0	\$0	23,942	5.9%	37,084	9.1%
\$75,001 to \$100,000	253,297	9.0%	\$2,619	\$1,612	251,033	99.1%	\$2,643	\$1,627	(\$1,016)	(\$255,021,000)	251,033	99.1%	(\$255,021,000)	(\$1,016)	0	0.0%	\$0	\$0	2,264	0.9%	9,479	3.7%
\$100,001 to \$150,000	300,002	10.6%	\$3,743	\$2,298	297,088	99.0%	\$3,779	\$2,320	(\$1,459)	(\$433,456,000)	297,088	99.0%	(\$433,456,000)	(\$1,459)	0	0.0%	\$0	\$0	2,914	1.0%	13,054	4.4%
\$150,001 to \$200,000	145,000	5.1%	\$5,361	\$3,287	142,858	98.5%	\$5,441	\$3,337	(\$2,105)	(\$300,696,000)	142,858	98.5%	(\$300,696,000)	(\$2,105)	0	0.0%	\$0	\$0	2,142	1.5%	7,899	5.4%
\$200,001 to \$300,000	109,079	3.9%	\$7,500	\$4,612	106,340	97.5%	\$7,694	\$4,731	(\$2,963)	(\$315,087,000)	106,340	97.5%	(\$315,087,000)	(\$2,963)	0	0.0%	\$0	\$0	2,739	2.5%	7,793	7.1%
\$300,001 to \$500,000	55,593	2.0%	\$11,567	\$7,186	53,195	95.7%	\$12,089	\$7,509	(\$4,579)	(\$243,600,000)	53,195	95.7%	(\$243,600,000)	(\$4,579)	0	0.0%	\$0	\$0	2,397	4.3%	4,757	8.6%
\$500,001 to \$1,000,000	25,468	0.9%	\$19,133	\$12,050	23,836	93.6%	\$20,443	\$12,875	(\$7,568)	(\$180,388,000)	23,836	93.6%	(\$180,388,000)	(\$7,568)	0	0.0%	\$0	\$0	1,632	6.4%	2,531	9.9%
Over \$1,000,000	12,102	0.4%	\$54,168	\$34,336	10,677	88.2%	\$61,398	\$38,919	(\$22,479)	(\$240,006,000)	10,677	88.2%	(\$240,006,000)	(\$22,479)	0	0.0%	\$0	\$0	1,425	11.8%	1,891	15.6%
Total	2,824,038	100.0%	\$2,316	\$1,431	2,179,908	77.2%	\$3,000	\$1,854	(\$1,146)	(\$2,497,900,000)	2,179,908	77.2%	(\$2,497,900,000)	(\$1,146)	0	0.0%	\$0	\$0	644,130	22.8%	698,343	24.7%

Figures may not add to totals due to rounding. For non-residents, federal AGI is only the amount applicable to South Carolina.

*Returns may have \$0 federal AGI but positive state taxable income due to provisions not adopted by South Carolina or out-of-state income adjustments.
Active trade or business rate taxpayers may elect lower rate, and potential impact for combined entity-level returns is not shown in this table.

2026 Proposed Flat Tax Rate : 3.99%
Final Proposed Tax Rate : 2.49%

SC Income Adj. Deduction:
Single \$6,000
Start Phase out \$30,000
End Phase out \$40,000
Married Filing Joint - amounts x 2, Head of Household amounts x 1.5
Amount pro-rated for non-residents

Other Notes:
No standard or itemized deductions.
All other current state adjustments to income (federal conformity provisions), deductions, exemptions, and credits are maintained.
Active trade or business rate at 3% is maintained.

Disclaimer: Estimates are based on current assumptions at the time of the analysis. Changes in growth rates, base year tax data, or other assumptions may have a positive or negative impact on these estimates and the budget.