

Statement of Estimated State Revenue Impact

Date: January 29 2013
Bill Number: H. 3266
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Committee Requesting Impact: House Ways and Means

Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, by adding Section 12-6-511 so as to eliminate the four, five, and six percent income brackets and instead tax those incomes at three and 75/100ths percent.

REVENUE IMPACT ^{1/}

The bill is expected to reduce General Fund individual income tax revenue by \$79,549,000 in FY 2013-14.

Explanation of the Bill

The bill would revise the individual income tax structure by collapsing the 3, 4, 5 and 6 percent tax brackets to a 3.75 percent rate with a hold harmless provision for any taxpayer that would be adversely affected by this change. The hold harmless applies to those taxpayers with taxable incomes below \$9,970. Additionally, the bill continues the hold harmless in future tax years until the 0 percent tax bracket reaches \$9,970 and the hold harmless is no longer necessary. We estimate that the revenue impact would be a General Fund individual income tax revenue reduction of \$79,549,000 for FY 2013-14.



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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

H 3266 - ESTIMATE OF 2013 INCOME TAX ADJUSTEMENT BY COLLAPSING 3%, 4%, 5% & 6% BRACKETS TO 3.75% WITH HOLD HARMLESS AGAINST A TAX INCREASE

Objective: Collapse 3%, 4%, 5% and 6% brackets to 3.75% but allow hold harmless for filers who would otherwise have a tax increase.

With these brackets and rates, 100% of filers have a lower or unchanged liability and the General Fund is impact is (\$ 79,549,000).

Baseline Taxable Income Range 2011	Current Tax Structure					Estimate of Adjusted Tax Structure		
	Projected # of Filers 2013	Cumulative # of Filers	Cumulative % of Filers	Projected Average		Adjusted Average Tax Liability 2013	Average Tax Increase/ (Decrease) 2013	Total Dollar Increase/ (Decrease) 2013
				Taxable Income 2013	Average Tax Liability 2013			
col 1	col 2 (a)	col 3	col 4	col 5 (b)	col 6	col 7	col 8	col 9
0	745,247	745,247	34.25%	0	0	0	0	0
1-5,000	264,830	1,010,077	46.42%	2,337	0	0	0	0
5,000-10,000	183,140	1,193,216	54.83%	7,748	167	167	0	(104,649)
10,000-20,000	263,659	1,456,876	66.95%	15,325	588	503	(86)	(17,945,588)
20,000-30,000	183,010	1,639,885	75.36%	25,852	1,325	1,240	(86)	(15,647,332)
30,000-40,000	130,882	1,770,767	81.37%	36,317	2,058	1,972	(86)	(11,190,379)
40,000-50,000	94,125	1,864,892	85.70%	46,795	2,791	2,706	(86)	(8,047,675)
50,000-60,000	70,856	1,935,748	88.95%	57,276	3,525	3,439	(86)	(6,058,197)
60,000-70,000	53,974	1,989,722	91.43%	67,760	4,259	4,173	(86)	(4,614,774)
70,000-80,000	40,550	2,030,272	93.30%	78,191	4,989	4,903	(86)	(3,467,063)
80,000-90,000	30,018	2,060,291	94.68%	88,677	5,723	5,637	(86)	(2,566,580)
90,000-100,000	22,655	2,082,946	95.72%	99,138	6,455	6,370	(86)	(1,936,990)
100,000-110,000	16,913	2,099,859	96.49%	109,640	7,190	7,105	(86)	(1,446,092)
110,000-120,000	12,927	2,112,786	97.09%	120,100	7,922	7,837	(86)	(1,105,275)
120,000-130,000	9,859	2,122,645	97.54%	130,579	8,656	8,571	(86)	(842,924)
130,000-140,000	7,749	2,130,394	97.90%	140,952	9,382	9,297	(86)	(662,507)
140,000-150,000	6,154	2,136,547	98.18%	151,454	10,117	10,032	(86)	(526,127)
150,000-160,000	5,055	2,141,602	98.41%	161,920	10,850	10,764	(86)	(432,182)
160,000-170,000	4,124	2,145,725	98.60%	172,442	11,586	11,501	(86)	(352,560)
170,000-180,000	3,346	2,149,072	98.76%	182,829	12,314	12,228	(86)	(286,105)
180,000-190,000	2,806	2,151,878	98.88%	193,372	13,052	12,966	(86)	(239,933)
190,000-200,000	2,333	2,154,211	98.99%	203,808	13,782	13,697	(86)	(199,455)
200,000-225,000	4,488	2,158,698	99.20%	221,683	15,033	14,948	(86)	(383,697)
225,000-250,000	3,158	2,161,856	99.34%	247,874	16,867	16,781	(86)	(270,002)
250,000-300,000	4,088	2,165,944	99.53%	285,269	19,484	19,399	(86)	(349,535)
300,000-400,000	4,324	2,170,269	99.73%	359,557	24,685	24,599	(86)	(369,730)
400,000-500,000	2,065	2,172,334	99.82%	465,915	32,130	32,044	(86)	(176,591)
500,000- \$1M	2,739	2,175,073	99.95%	693,597	48,067	47,982	(86)	(234,150)
\$1 M - \$2 M	773	2,175,846	99.99%	1,401,511	97,621	97,536	(86)	(66,099)
\$2 M +	313	2,176,159	100.00%	4,820,085	336,921	336,836	(86)	(26,778)
Total	2,176,159			\$25,547	\$1,304	\$1,218	(\$86)	(\$79,549,000)

2013 Current Tax Brackets	0.00% \$0 to 2,850	Adjusted Brackets	0.00% \$0 to 2,850
	3.00% \$2,850 to 5,700		3.75% \$2,850 to 5,700
	4.00% \$5,700 to 8,550		3.75% \$5,700 to 8,550
	5.00% \$8,550 to 11,400		3.75% \$8,550 to 11,400
	6.00% \$11,400 to 14,250		3.75% \$11,400 to 14,250
	7.00% Over \$14,250		7.00% Over \$14,250

Source: BEA, SC Dept. of Revenue Income Tax Data 98% sample, 2011
/a 2011 Base Year Grown by 1% per year
/b 2011 Base Year Taxable Income Grown by 3.6% and 3.0% for '12, and '13 respectively