

SOUTH CAROLINA TAX BASE

REQUESTED BY

SENATE FINANCE TAXATION SYSTEM
REVIEW AND REFORM COMMITTEE

December 4, 2018



South Carolina Revenue and Fiscal Affairs Office
1000 Assembly Street
Rembert Dennis Building, Suite 421
Columbia, SC 29201
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www.rfa.sc.gov

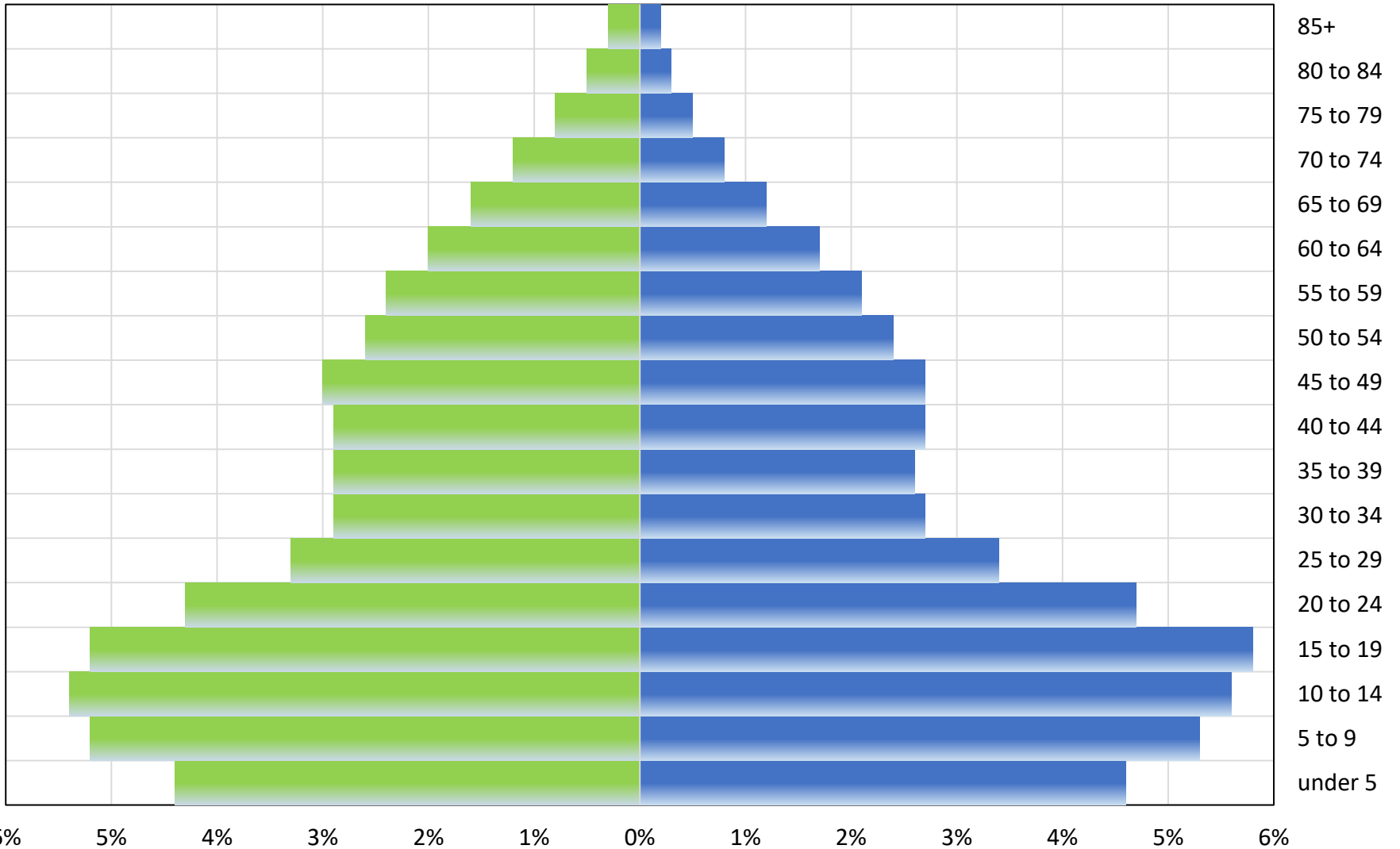
POPULATION



SOUTH CAROLINA POPULATION PYRAMID 1970

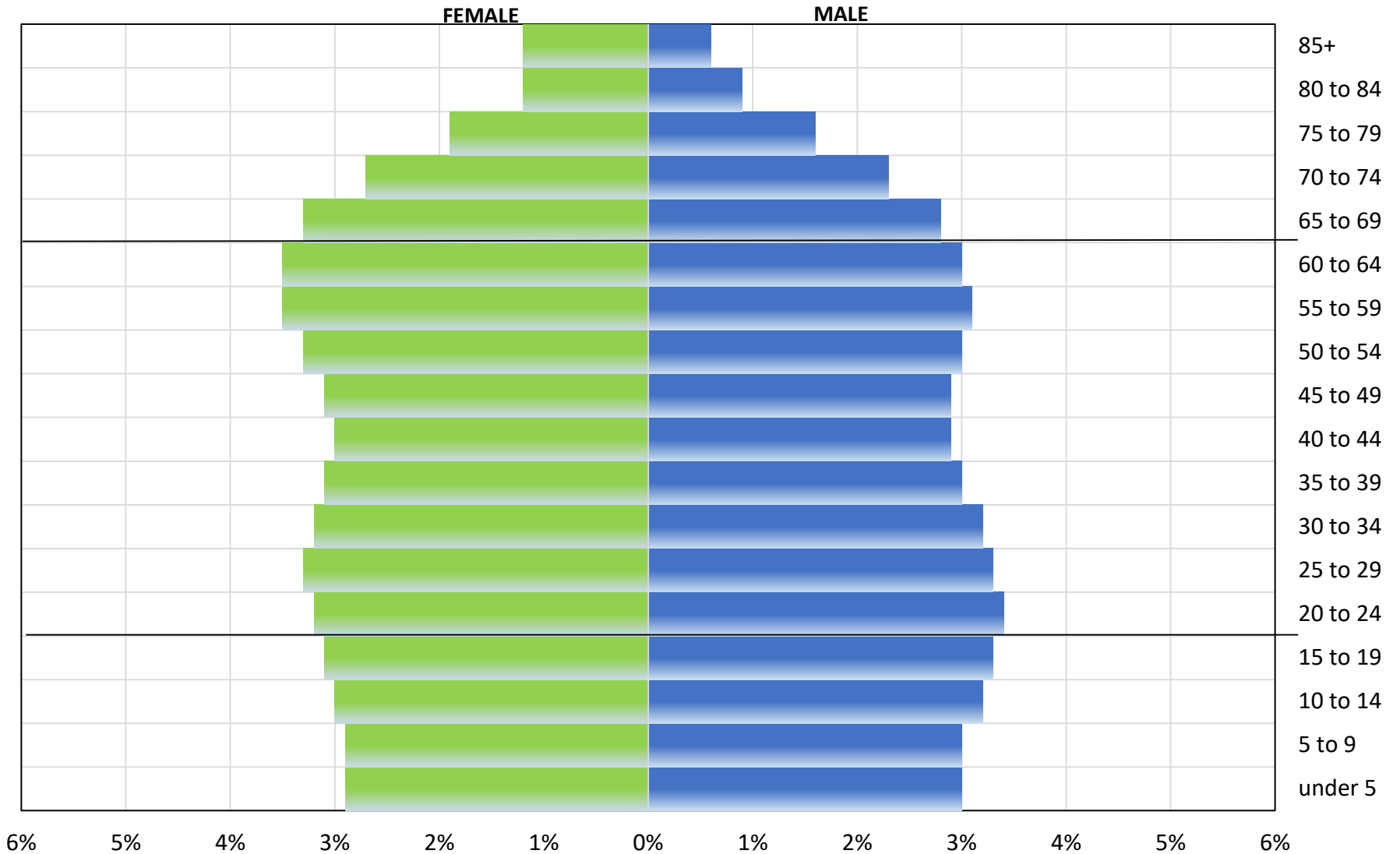
FEMALE

MALE



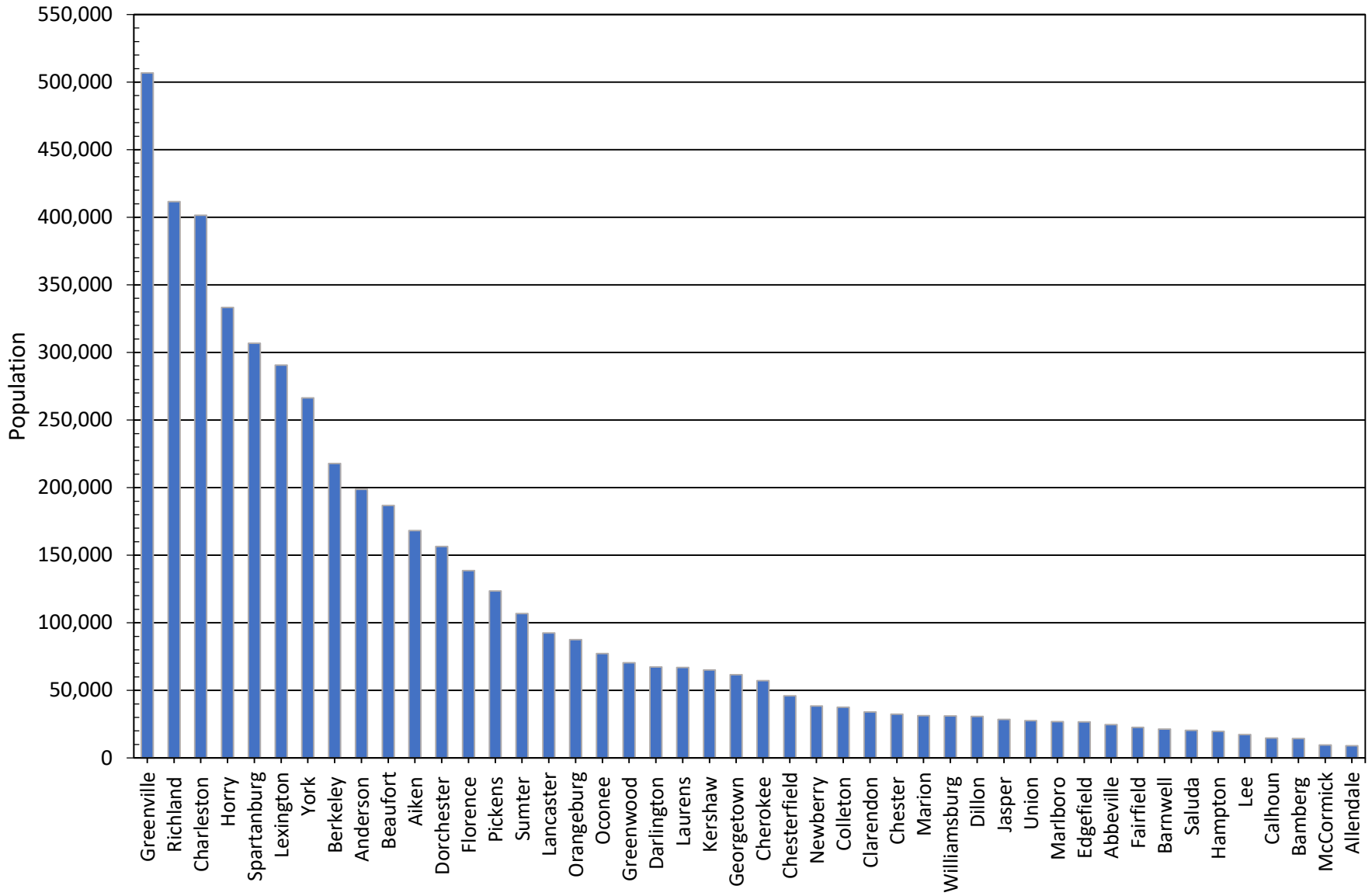
SOUTH CAROLINA POPULATION PYRAMID

Estimated 2020



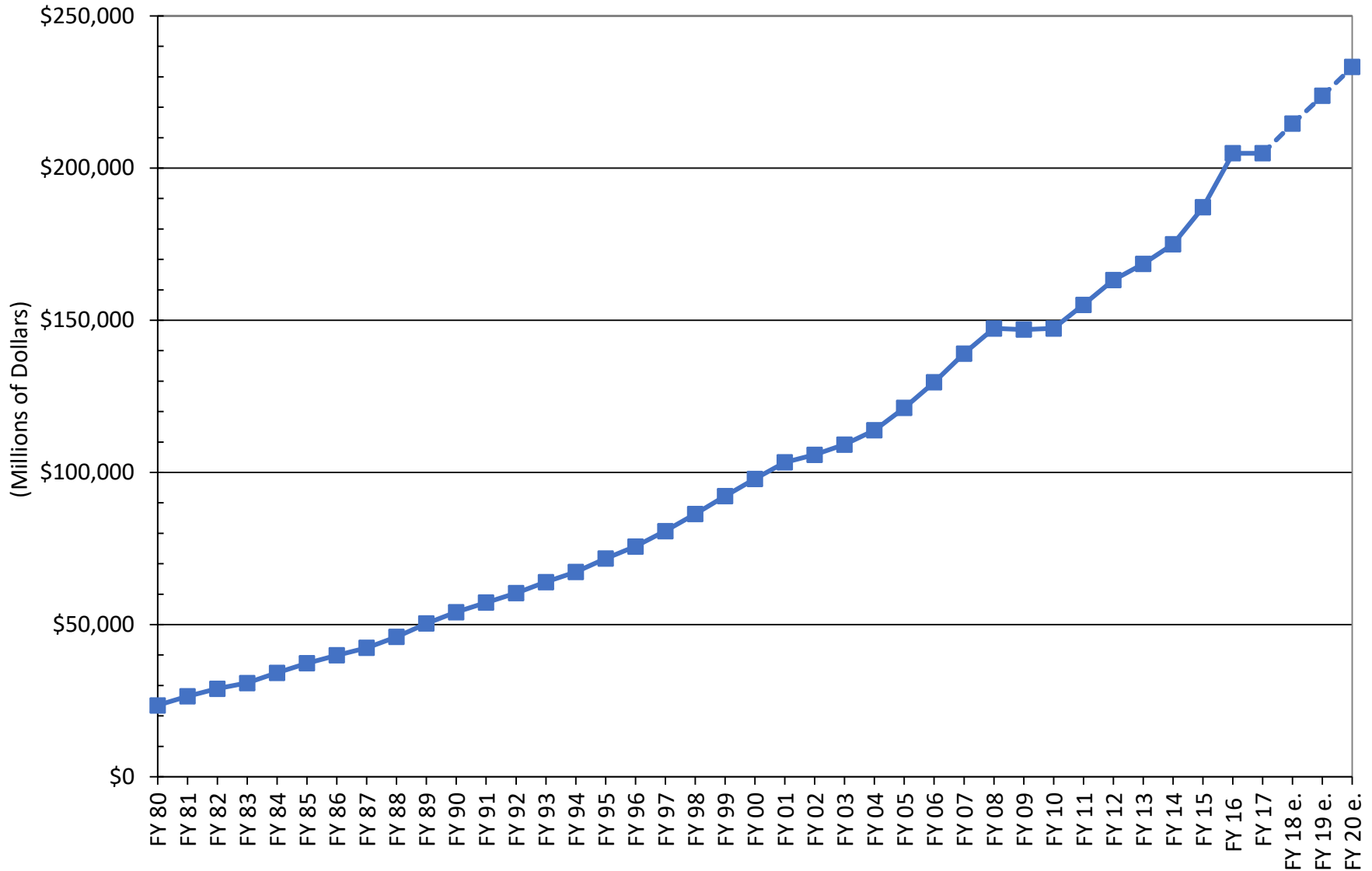
SOUTH CAROLINA POPULATION BY COUNTY

Estimates as of July 1, 2017



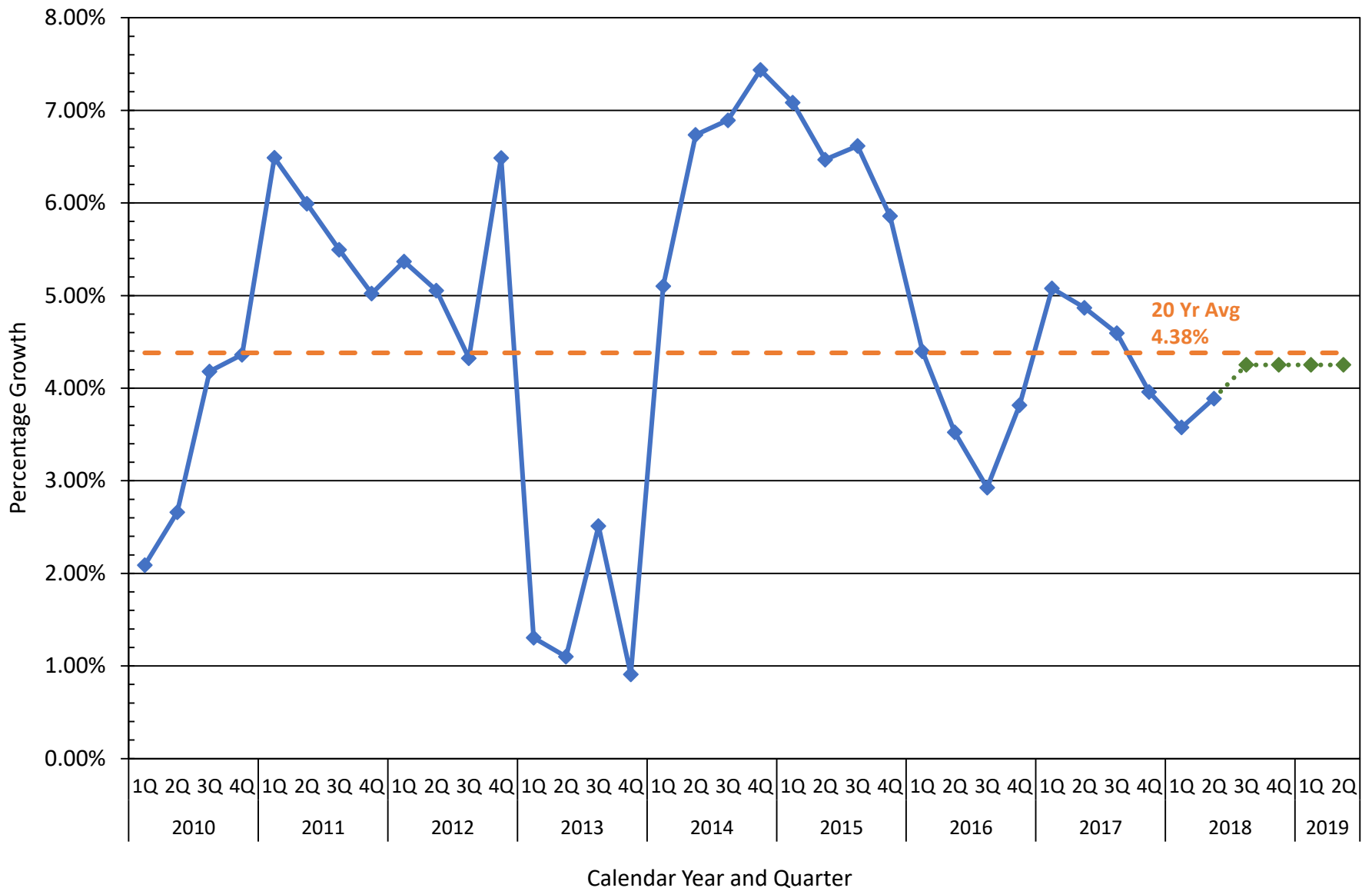
PERSONAL INCOME

SOUTH CAROLINA TOTAL PERSONAL INCOME

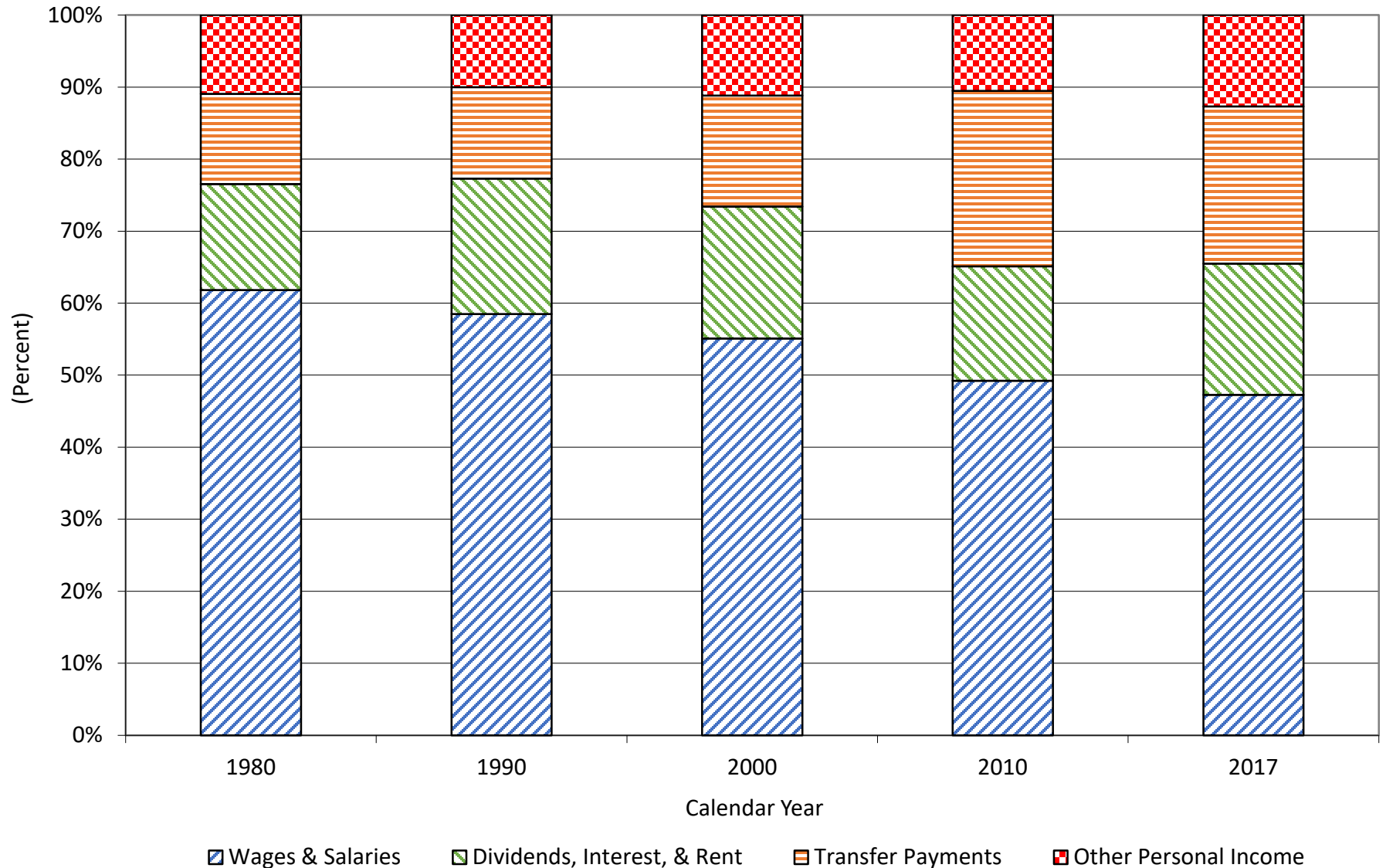


SC PERSONAL INCOME GROWTH RATES

Actuals and Estimates - September 2018



SHARES OF PERSONAL INCOME COMPONENTS in South Carolina



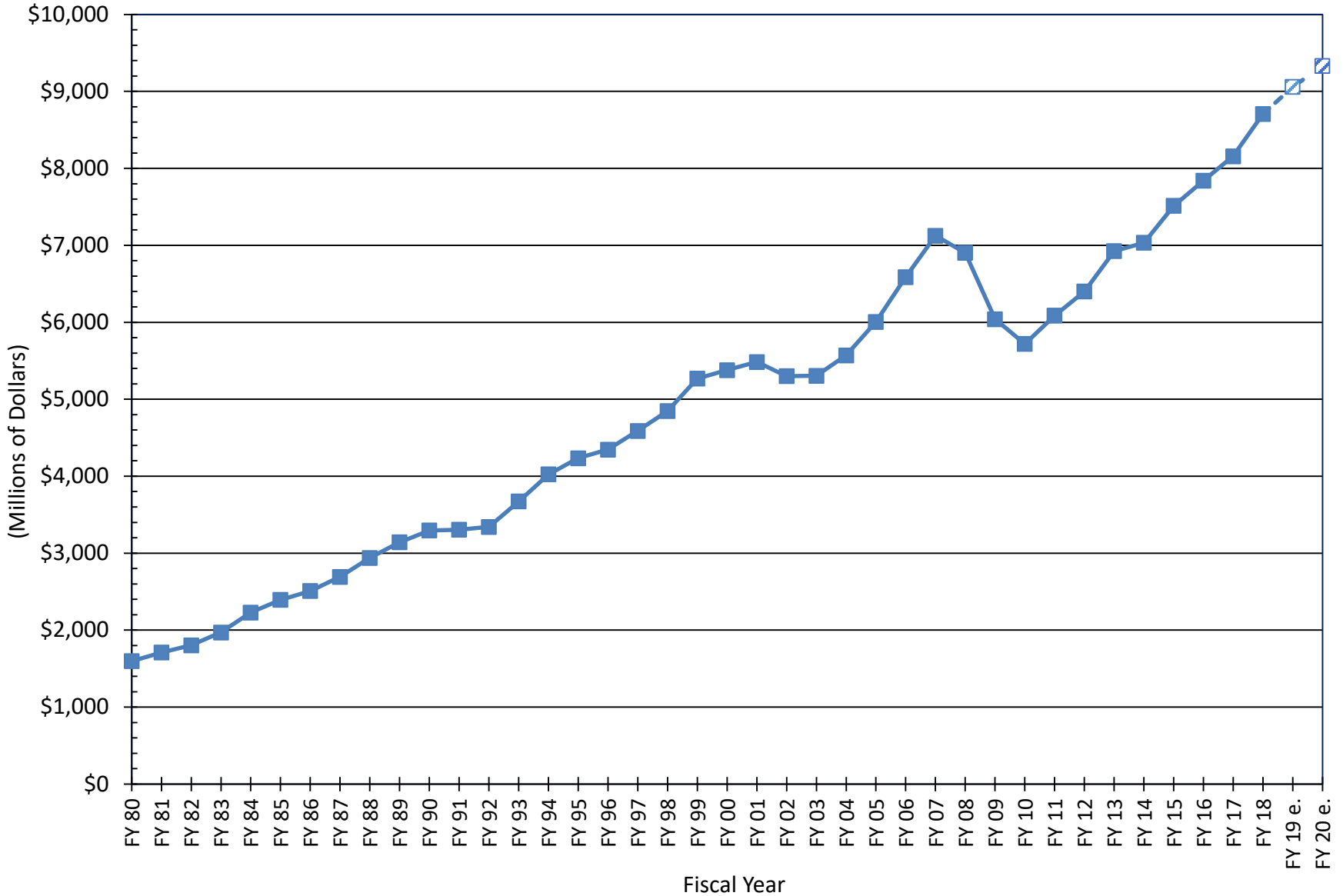
Notes: Personal Income

- S.C. personal income is growing at close to its 20-year average.
- S.C. is experiencing a shift in the components of personal income.
- Wages as a component of total personal income have decreased from 62 percent to 47 percent.

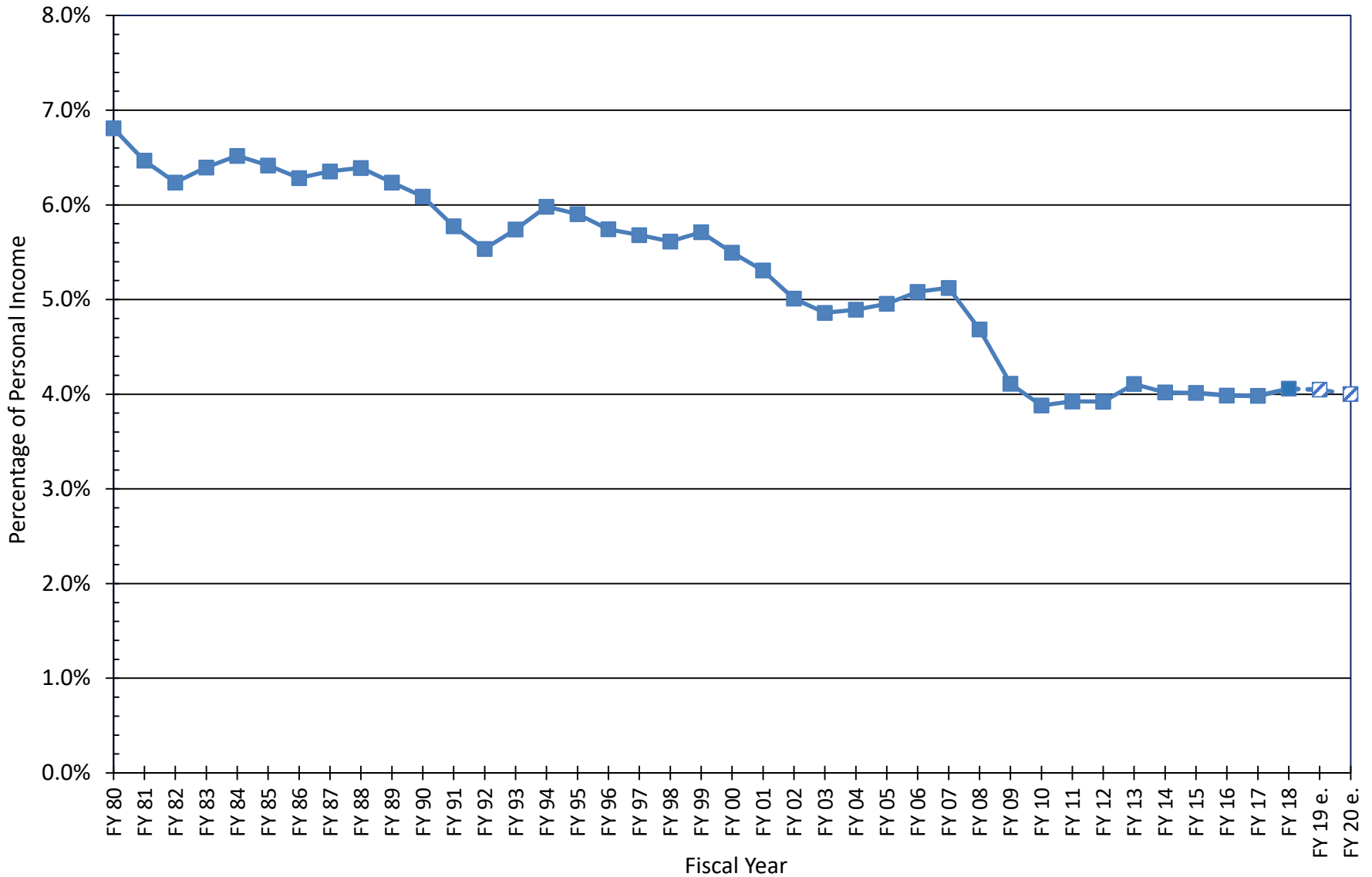
GENERAL FUND REVENUE



SOUTH CAROLINA GENERAL FUND REVENUE

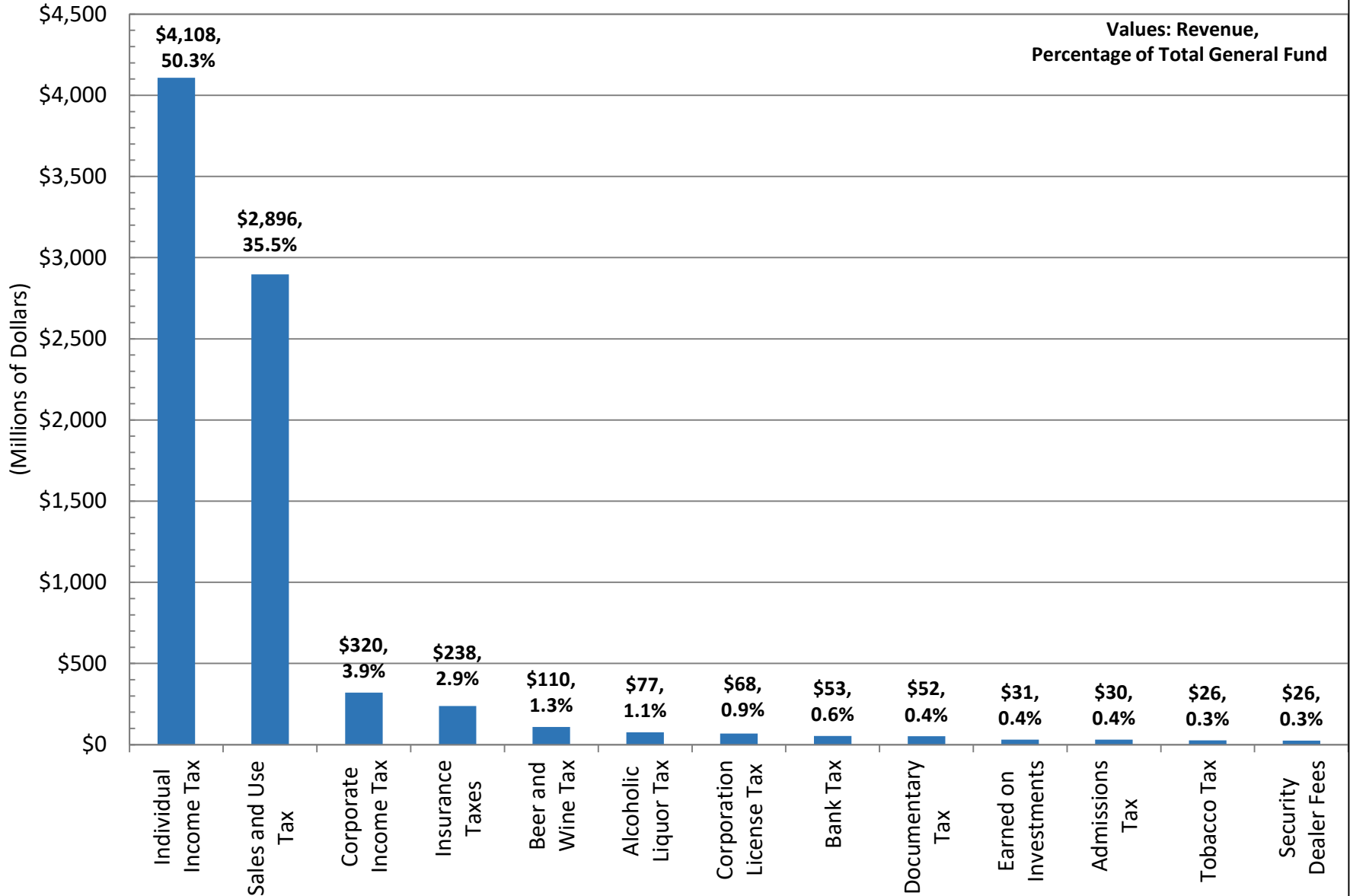


SOUTH CAROLINA GENERAL FUND REVENUE as a Percentage of Total Personal Income



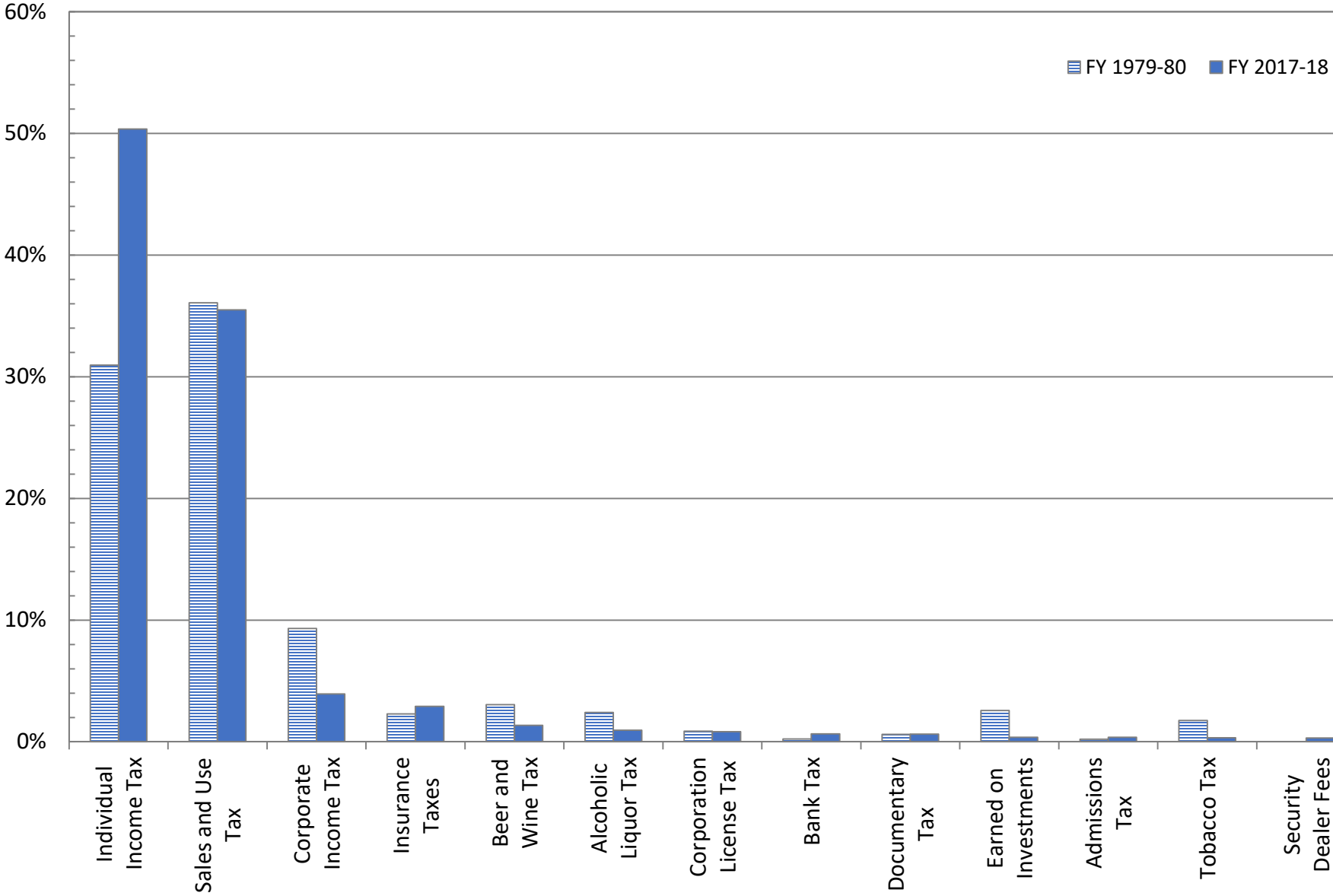
FY 2017-18 GENERAL FUND REVENUE BY TYPE

Categories in Excess of \$25 Million



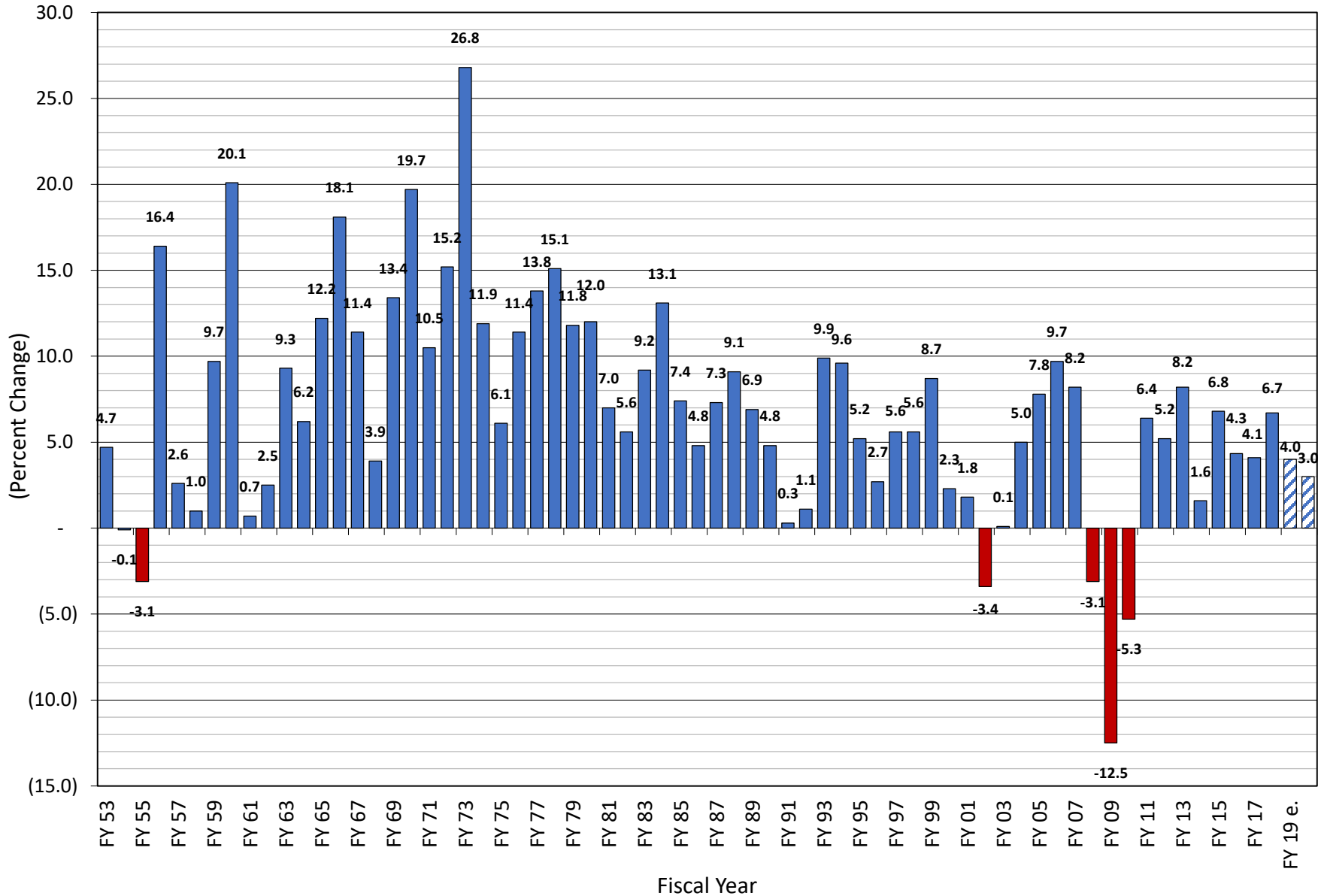
GENERAL FUND REVENUE PERCENTAGE BY TYPE

FY 1979-80 vs FY 2017-18

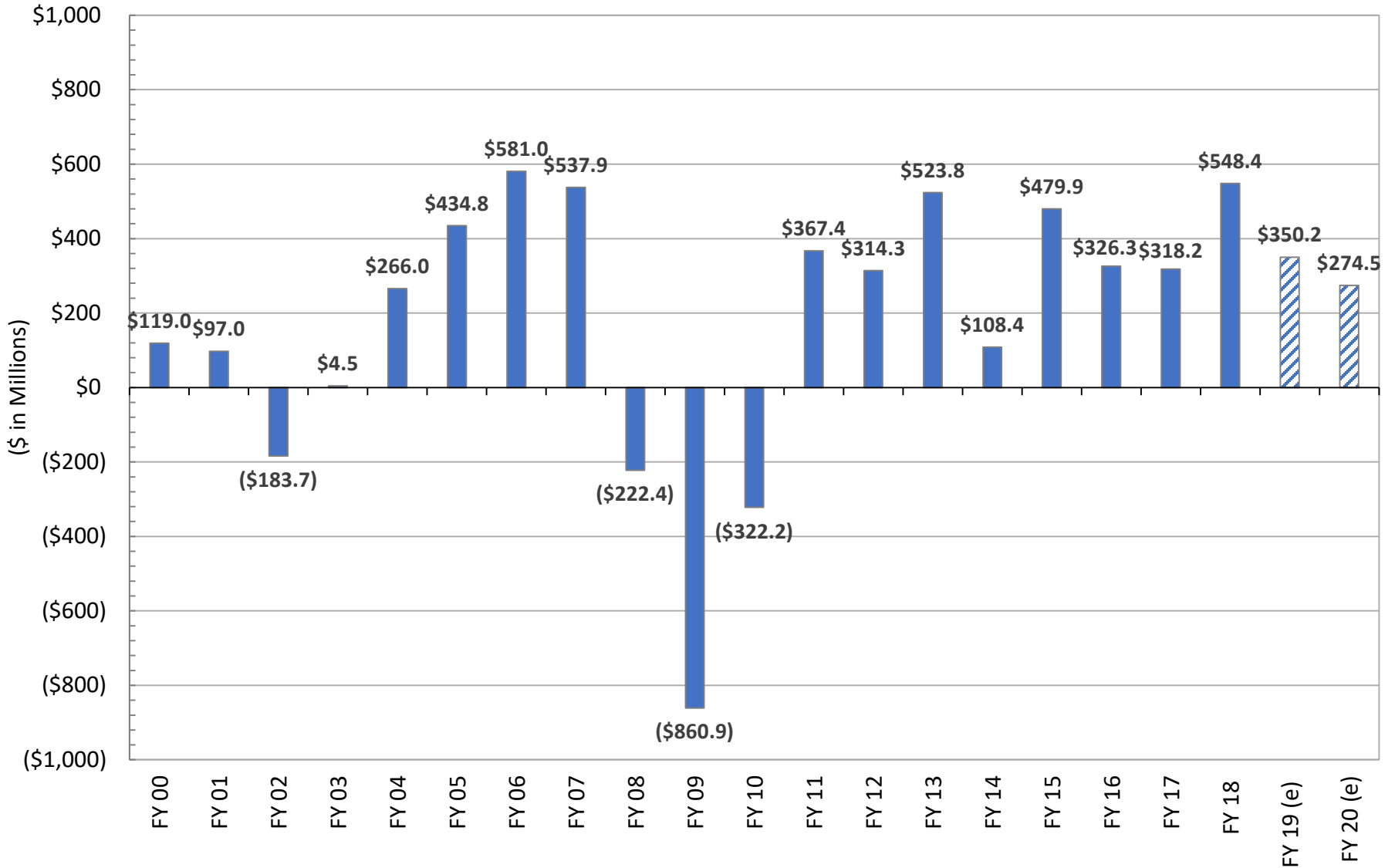


Source: S.C. Revenue and Fiscal Affairs Office – 225B/LHJ/11/01/18

PERCENT CHANGE IN S.C. GENERAL FUND REVENUE



ANNUAL GENERAL FUND REVENUE GROWTH



Policy Issues – General Fund

- Adequacy
- Administrative Ease
- Economic Competitiveness
- Fairness
- Neutrality
- Simplicity
- Transparency



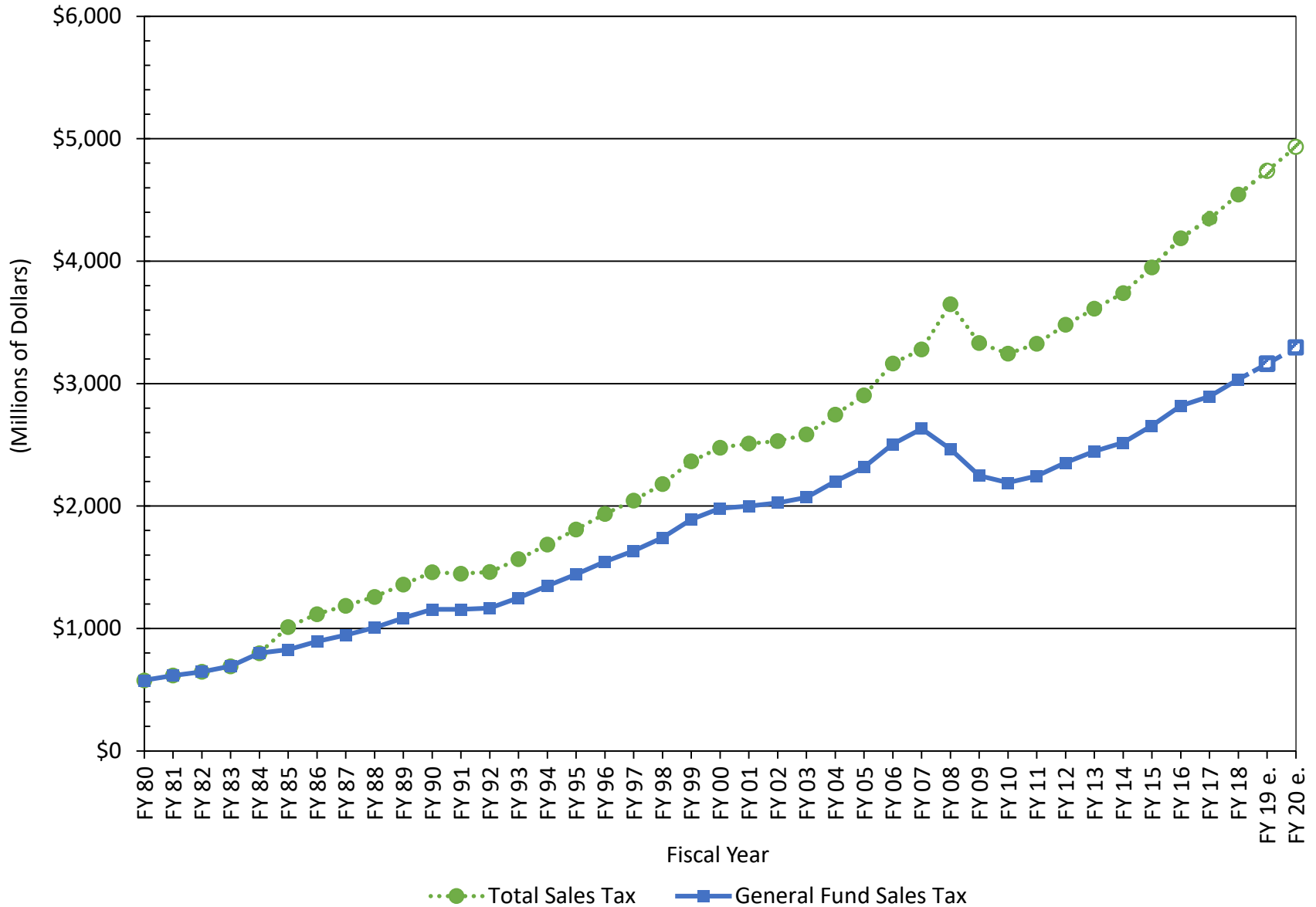
Notes: General Fund Revenue

- S.C. General Fund revenue as a percentage of total personal income has declined from 6.8 percent in FY 80 to approximately 4.1 percent in FY 18.
- Sales and individual income tax revenue account for approximately 85 percent of total General Fund revenue.

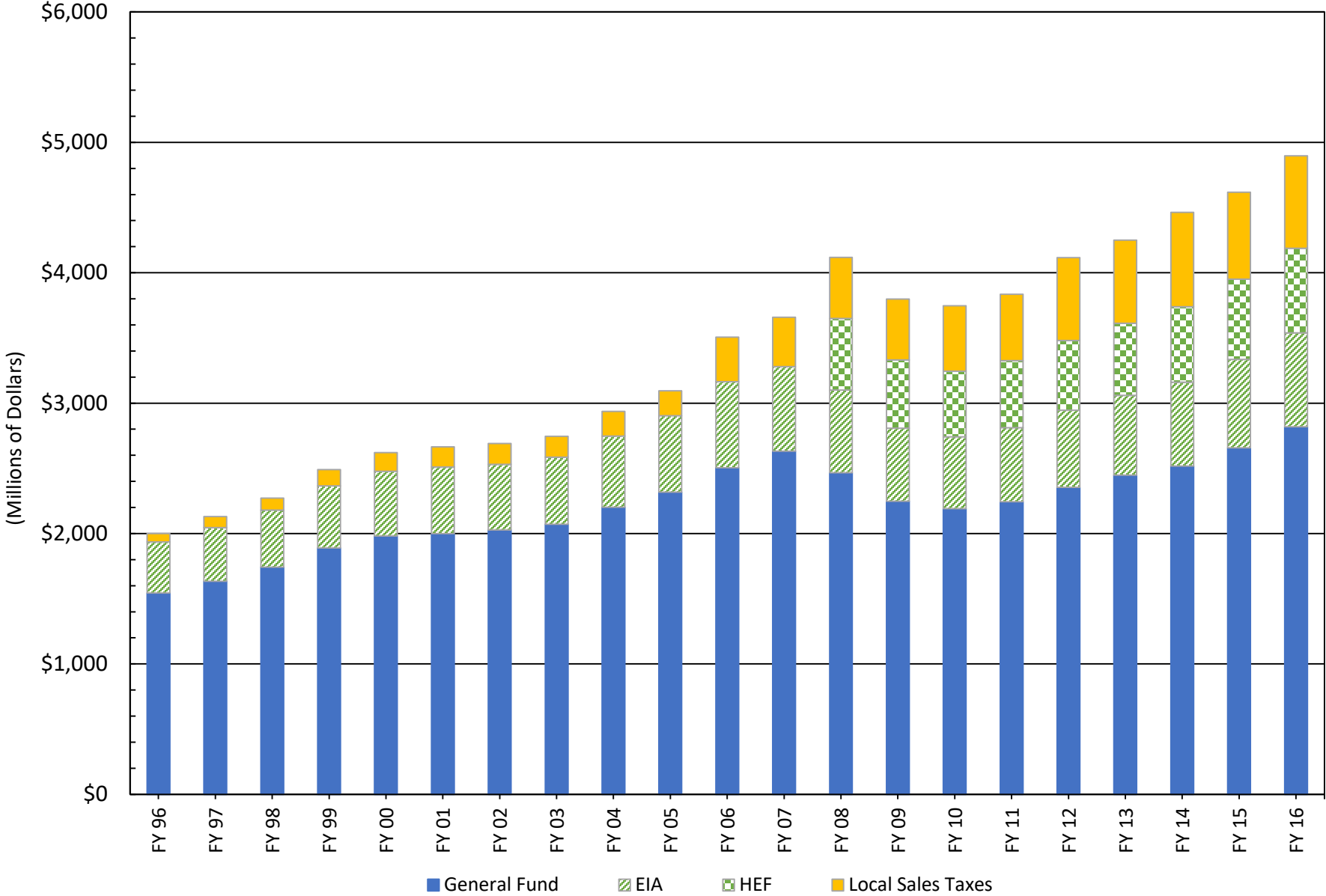
SALES TAX



SOUTH CAROLINA TOTAL AND GENERAL FUND SALES TAX COLLECTIONS

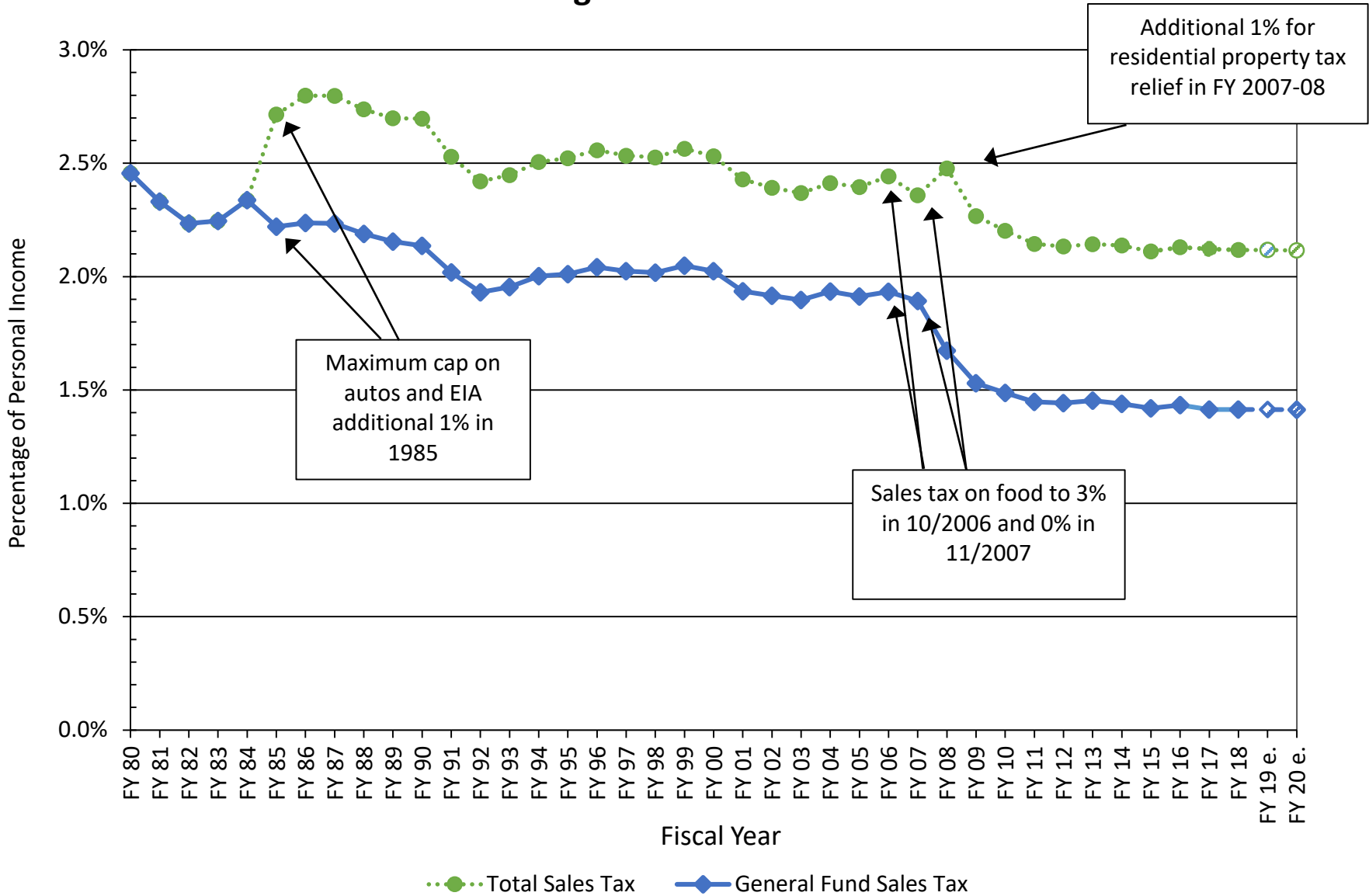


SOUTH CAROLINA STATE AND LOCAL SALES TAXES



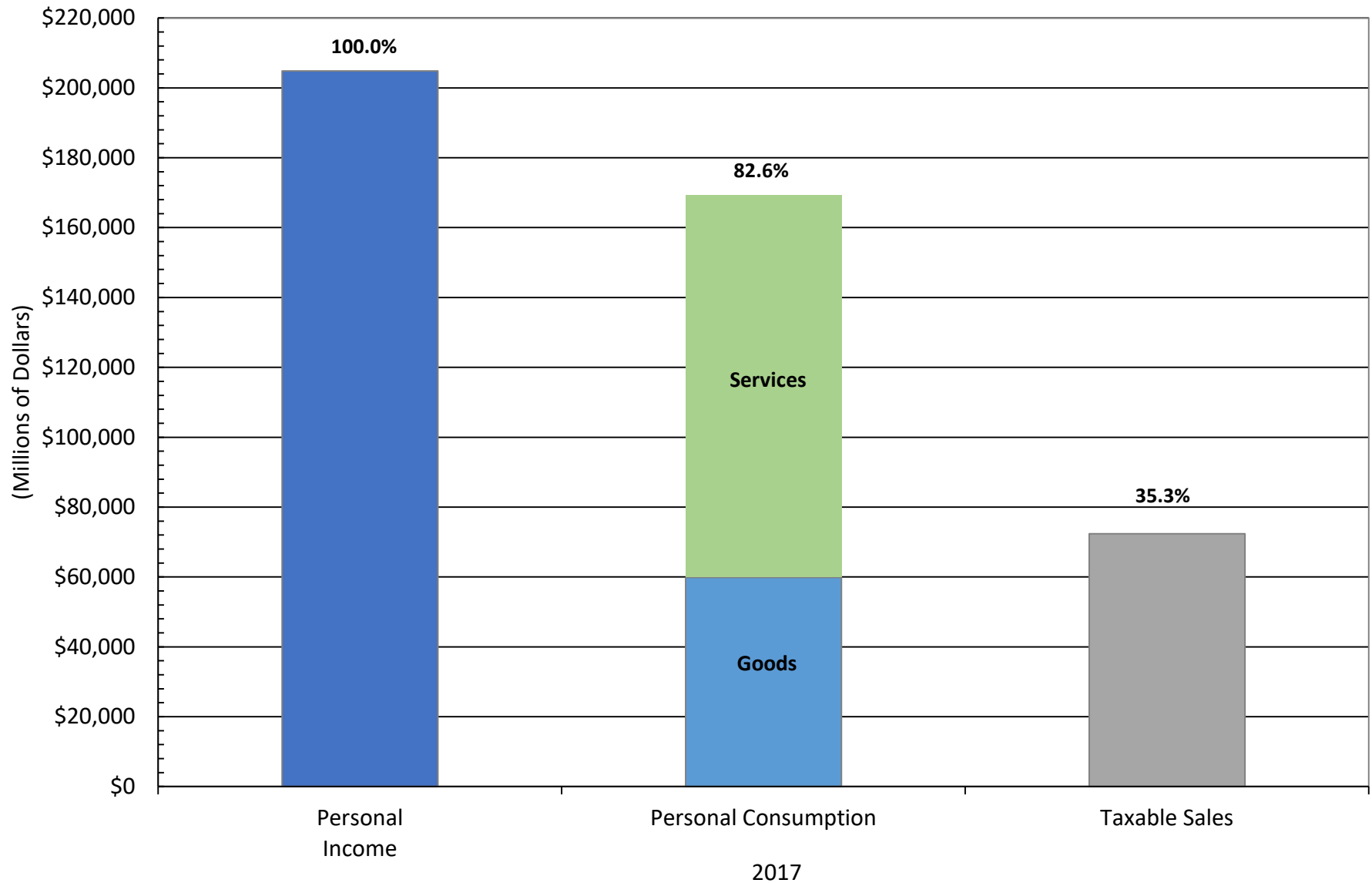
Source: Revenue and Fiscal Affairs BEA Monthly General Fund Revenue Reports and Local Government Finance Report 227-lhj/11/01/2018

SOUTH CAROLINA TOTAL AND GENERAL FUND SALES TAX COLLECTIONS as a Percentage of Total Personal Income

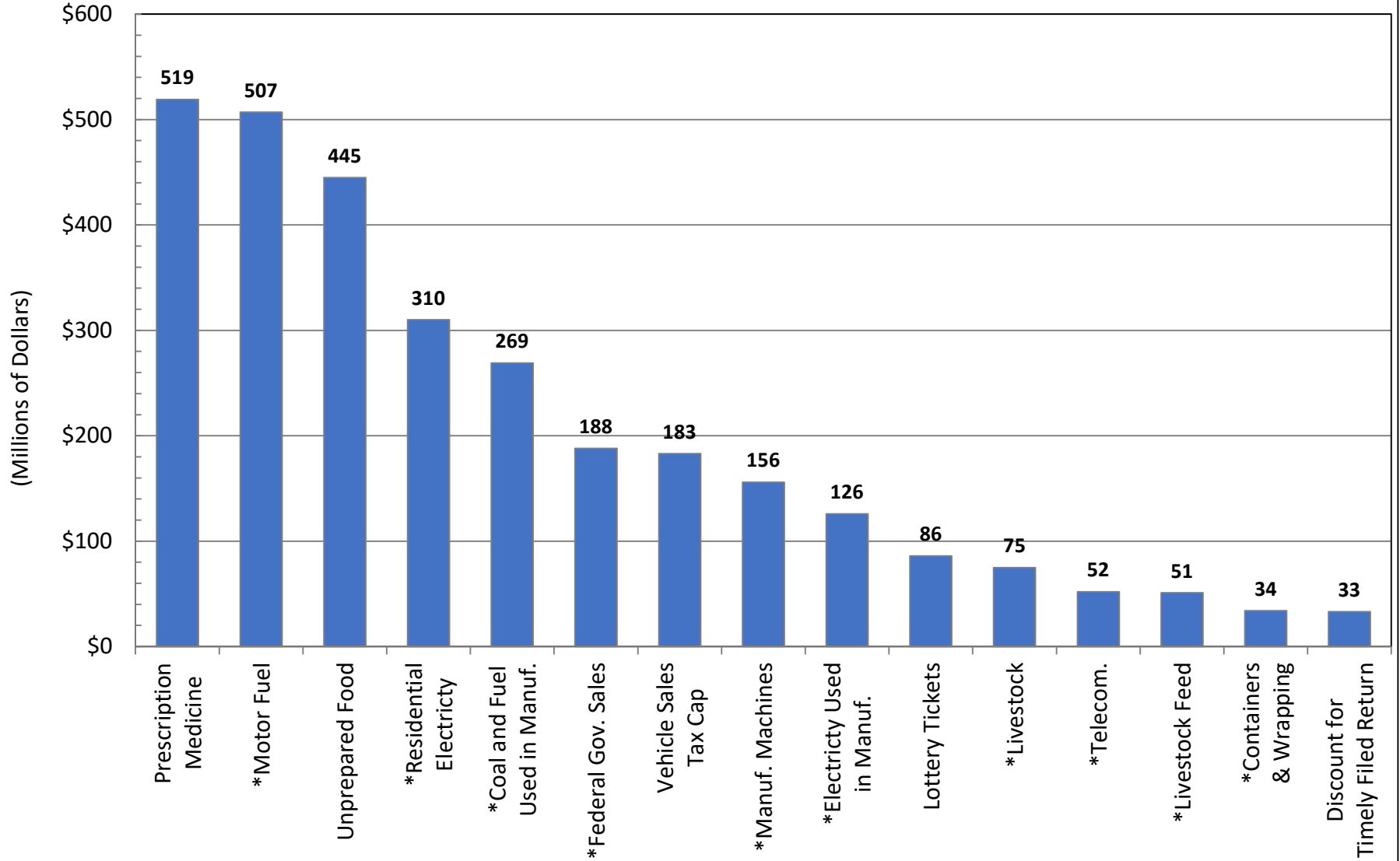


Source: SC sales tax collections and U.S. Department of Commerce, Bureau of Economic Analysis. RFA 32- EM/11/19/18

SOUTH CAROLINA PERSONAL INCOME, PERSONAL CONSUMPTION, AND TAXABLE SALES

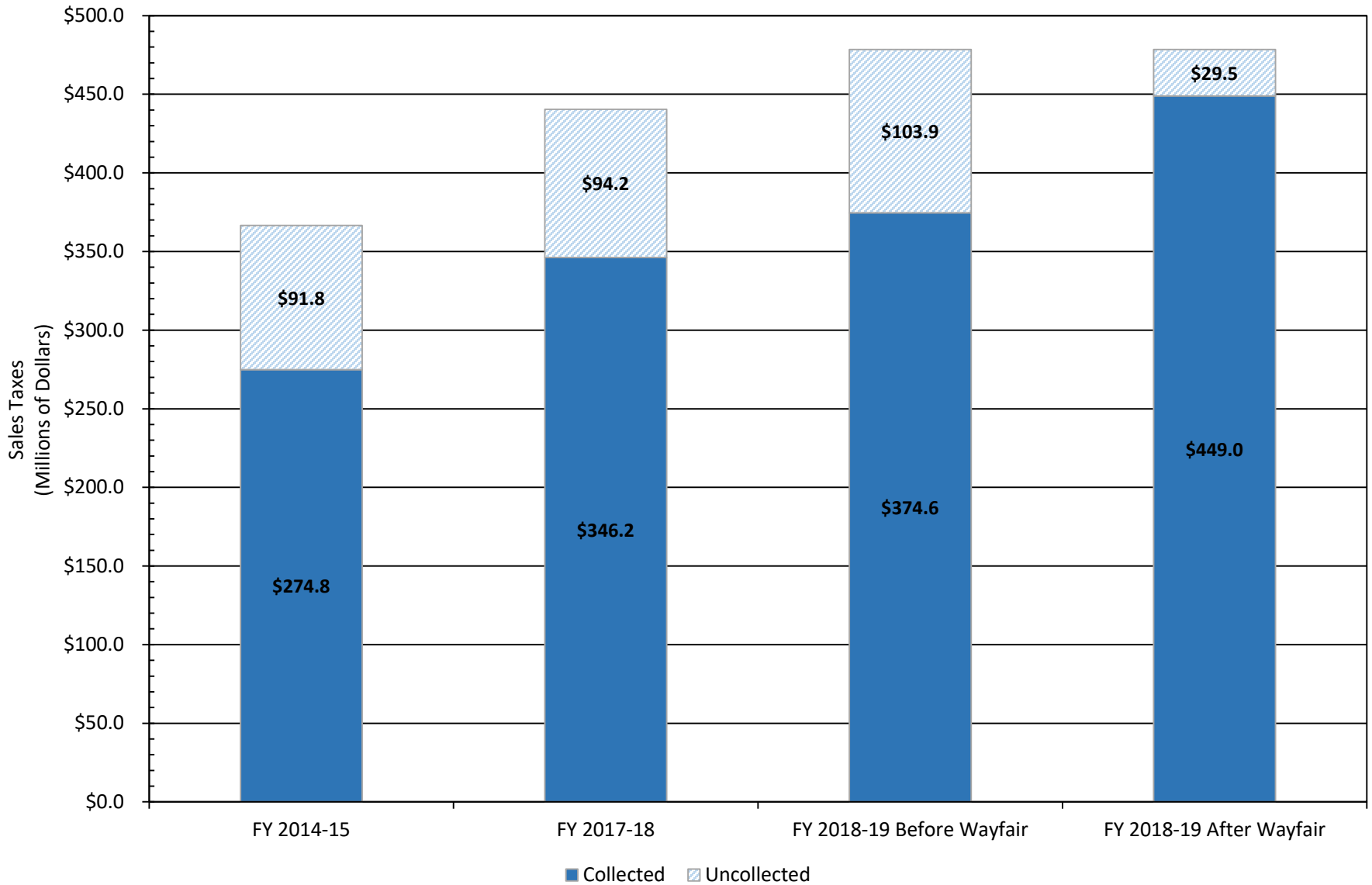


FY 2017-18 SALES TAX EXEMPTIONS AND EXCLUSIONS In Excess of \$25 Million

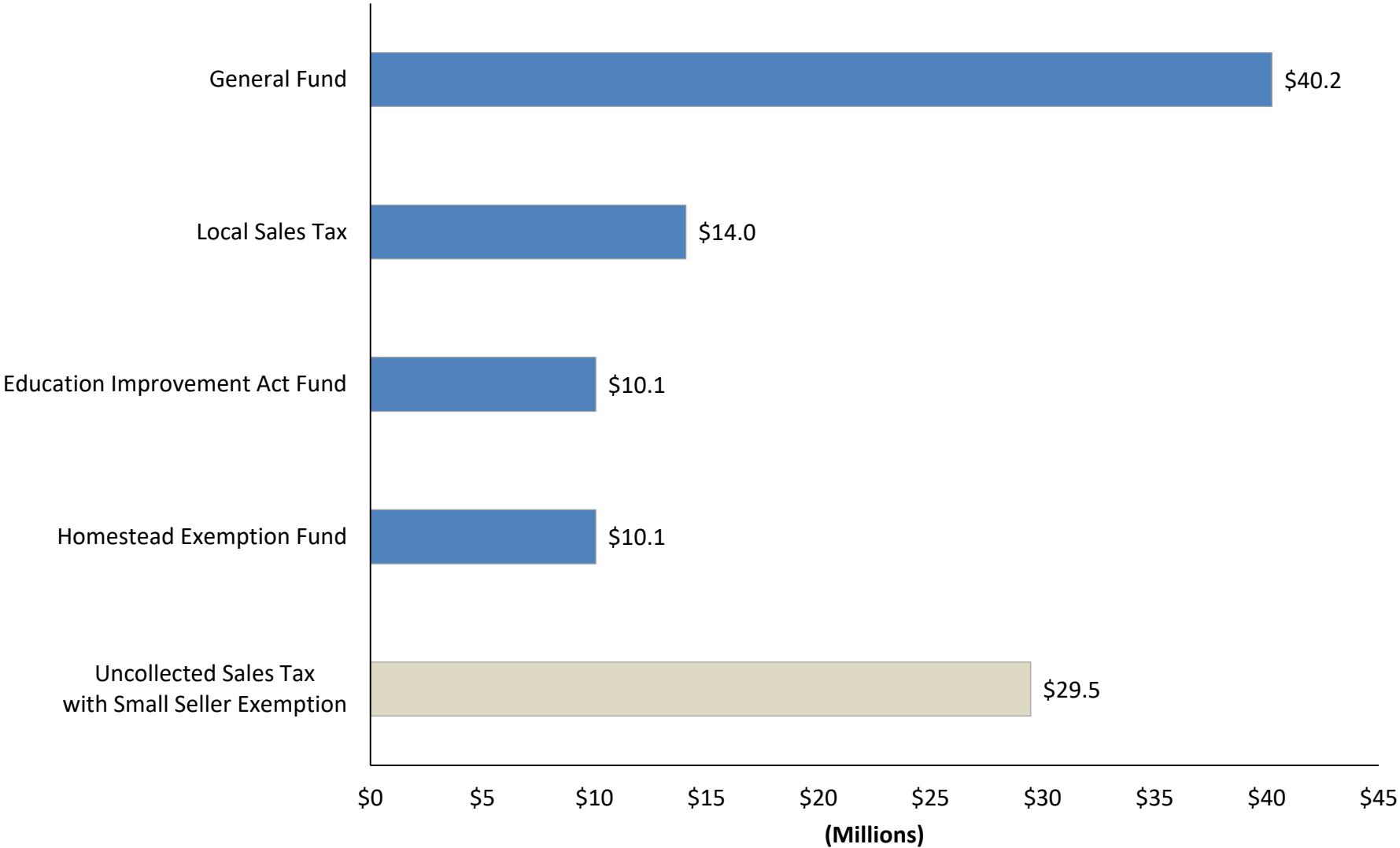


*Original Exemptions from 1951

ESTIMATED E-COMMERCE SALES TAXES Collected and Uncollected

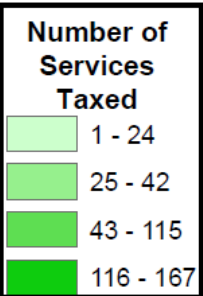
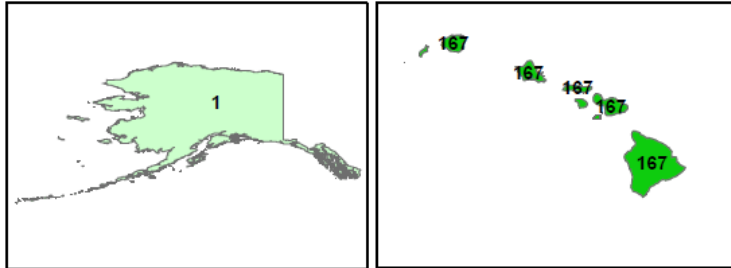
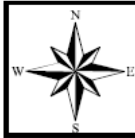
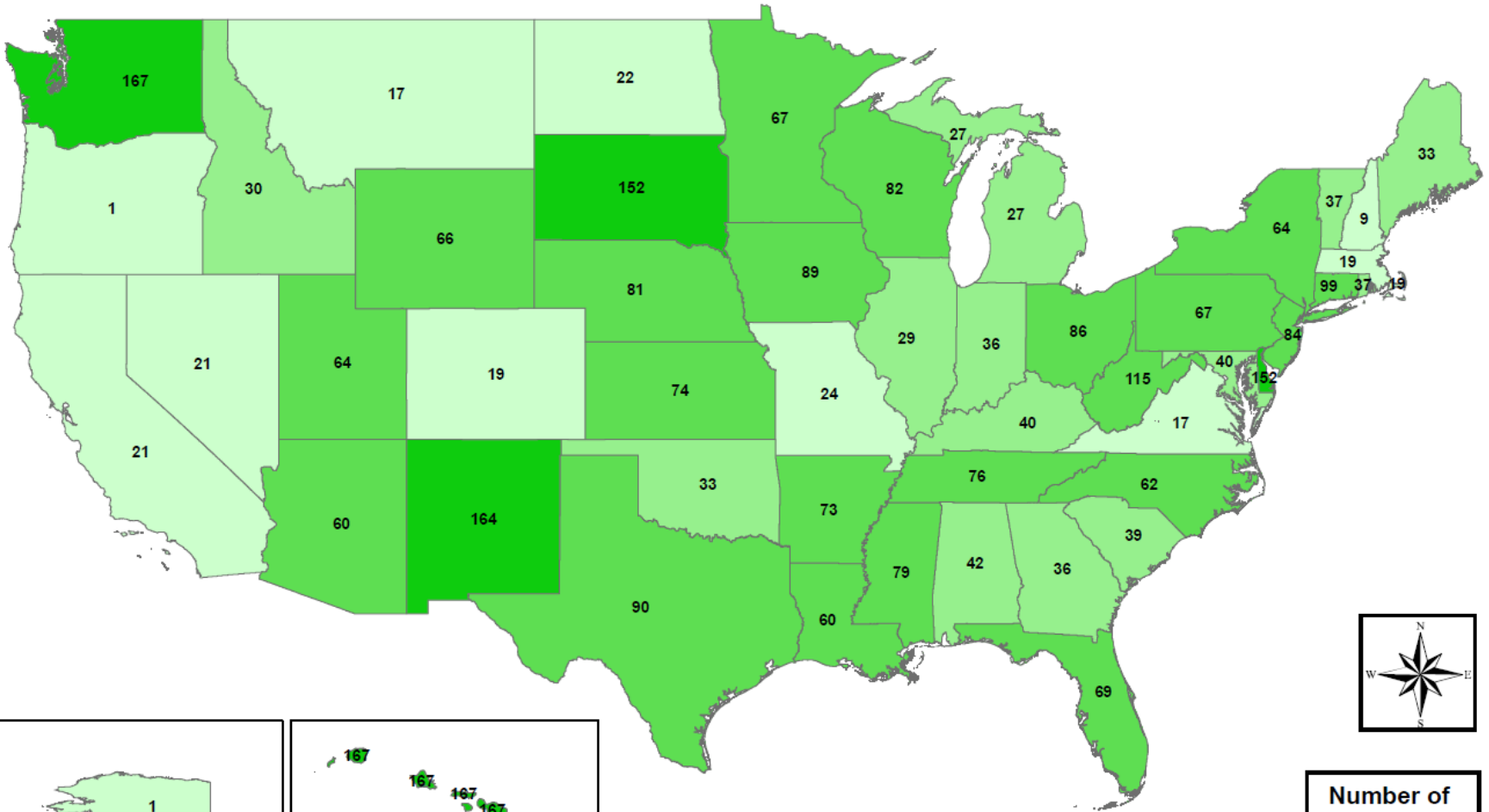


ESTIMATED ANNUAL INCREASE IN E-COMMERCE SALES AND USE TAX - \$74.4 MILLION



Source: S.C. Revenue and Fiscal Affairs Office/GOS/10-22-18

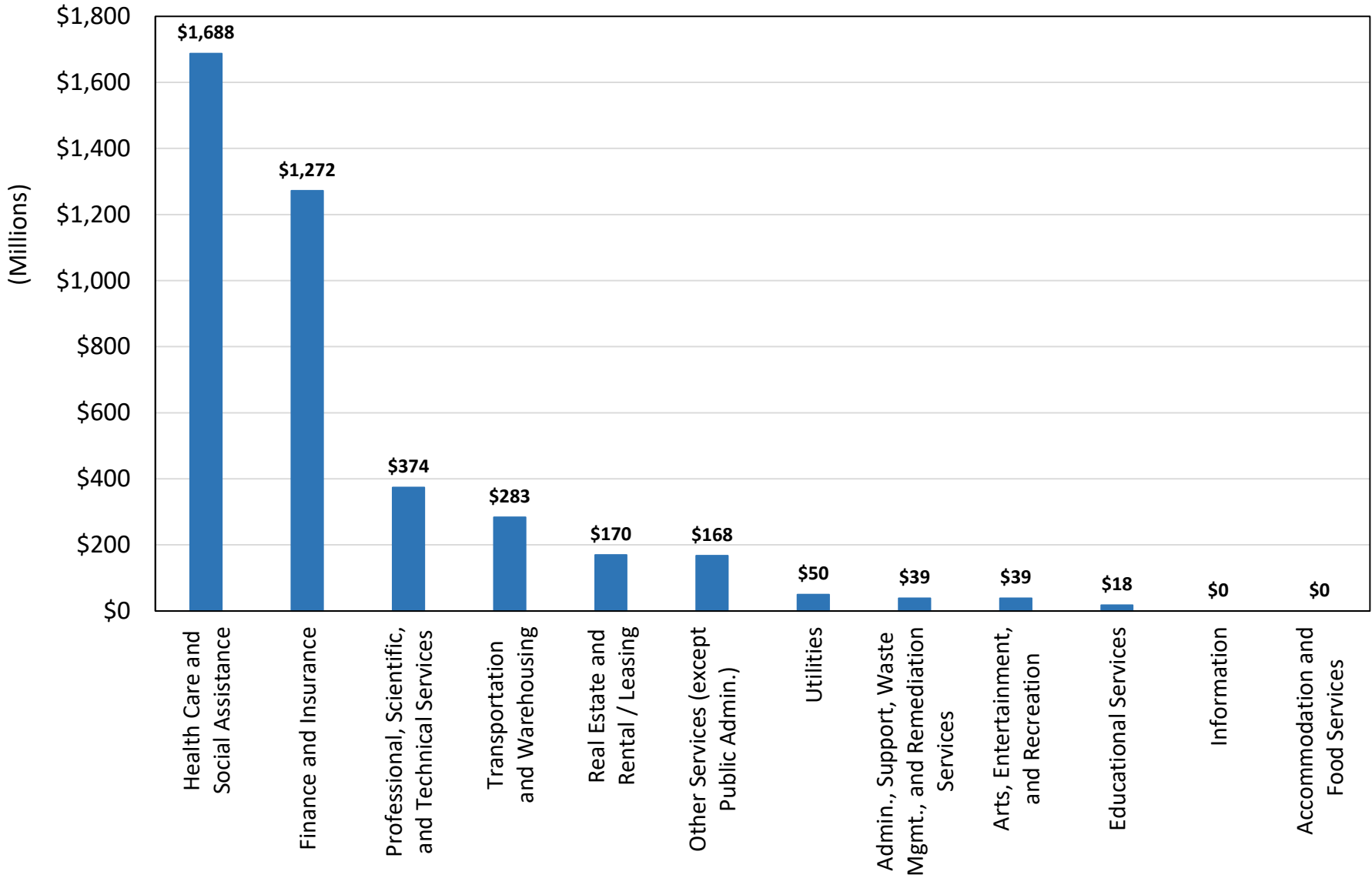
TOTAL TAXABLE SERVICES



 South Carolina Revenue and Fiscal Affairs Office

Source: Federation of Tax Administrators 11/27/2018

ESTIMATED SALES TAX REVENUE FROM SERVICES



Policy Issues - Sales Tax

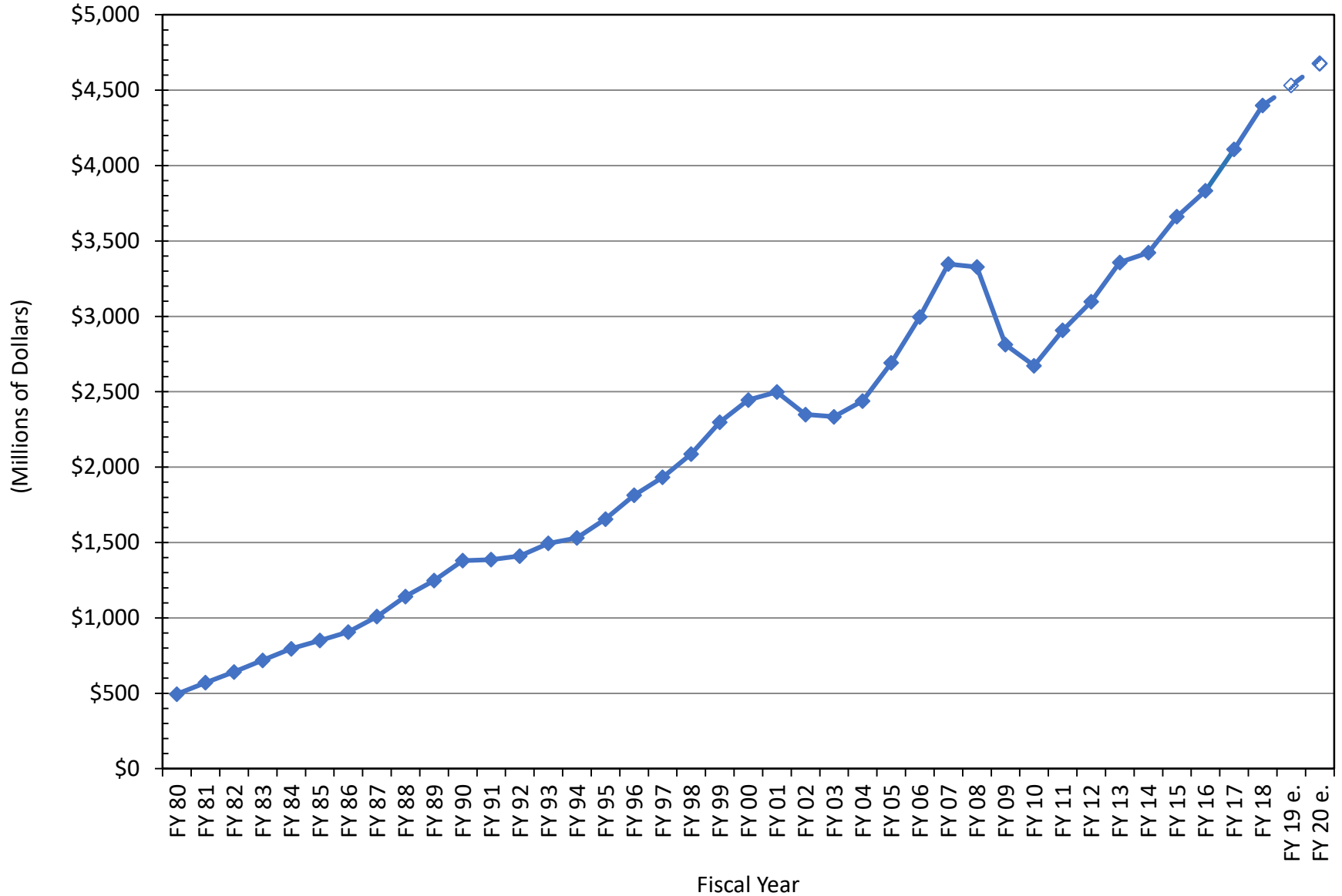
- Bodman case – rational basis test
- Exemptions – end user, business input, alternate tax
- Tangible property – Music= CD vs. download

Notes: Sales Tax

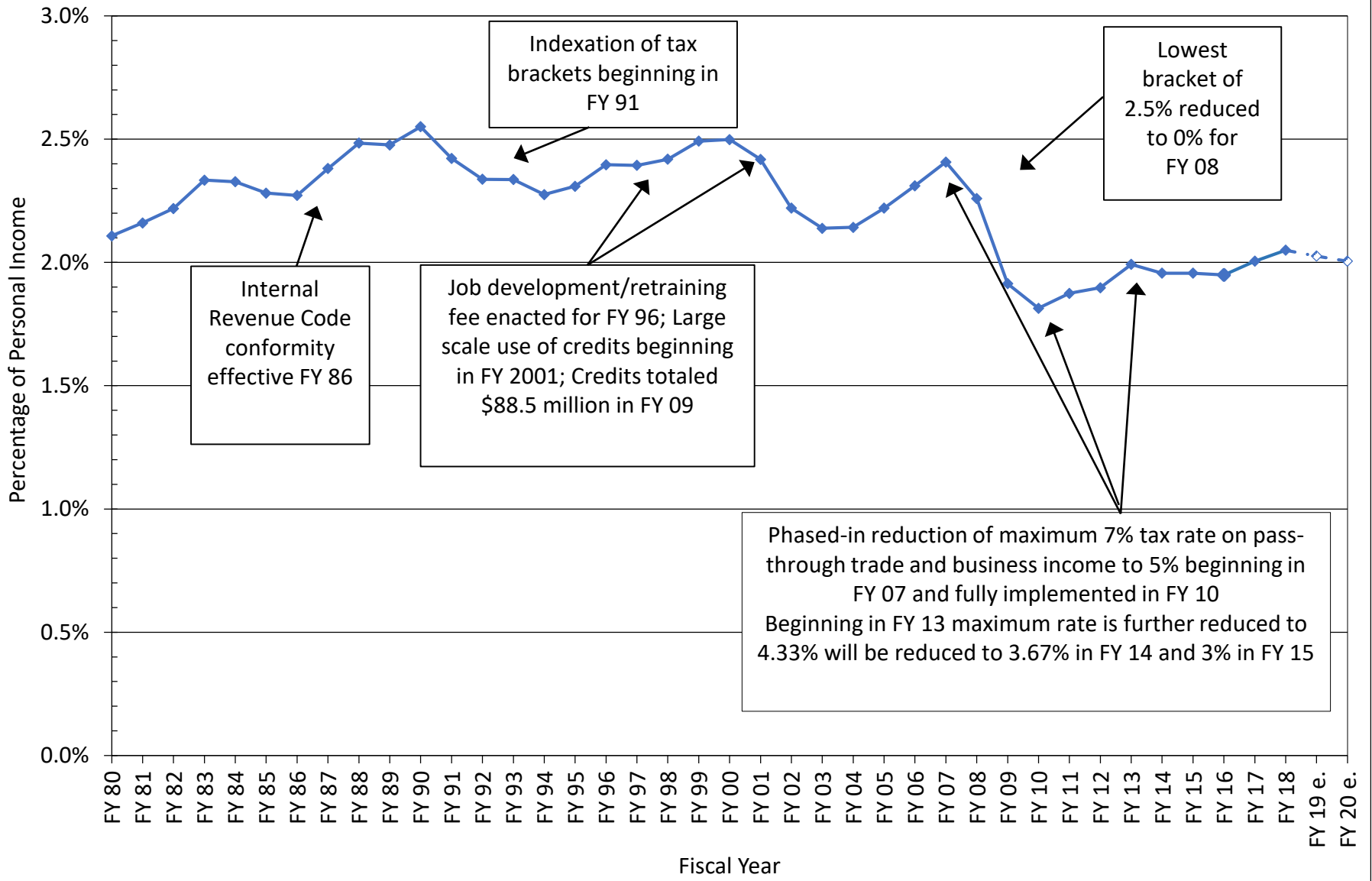
- Sales tax accounts for 35 percent of total General Fund revenue.
- Sales tax as a percentage of total personal income has declined from almost 2.5 percent to less than 1.5 percent
- Total statewide sales tax collections at 6 percent equaled 2.1 percent of total personal income in FY 17 compared to 2.5 percent for the 4 percent rate in FY 80.
- Local sales taxes account for an increasing percentage of total state and local sales tax, increasing from 3 percent in FY 96 to 14 percent in FY 16
- Consumer spending is about 83 percent of total personal income. Taxable sales equal approximately 35 percent.
- The three largest sales tax exemptions are prescription medicine, motor fuel, and unprepared food. These items account for approximately 48 percent of exemptions.

INDIVIDUAL INCOME

SOUTH CAROLINA INDIVIDUAL INCOME TAX REVENUE



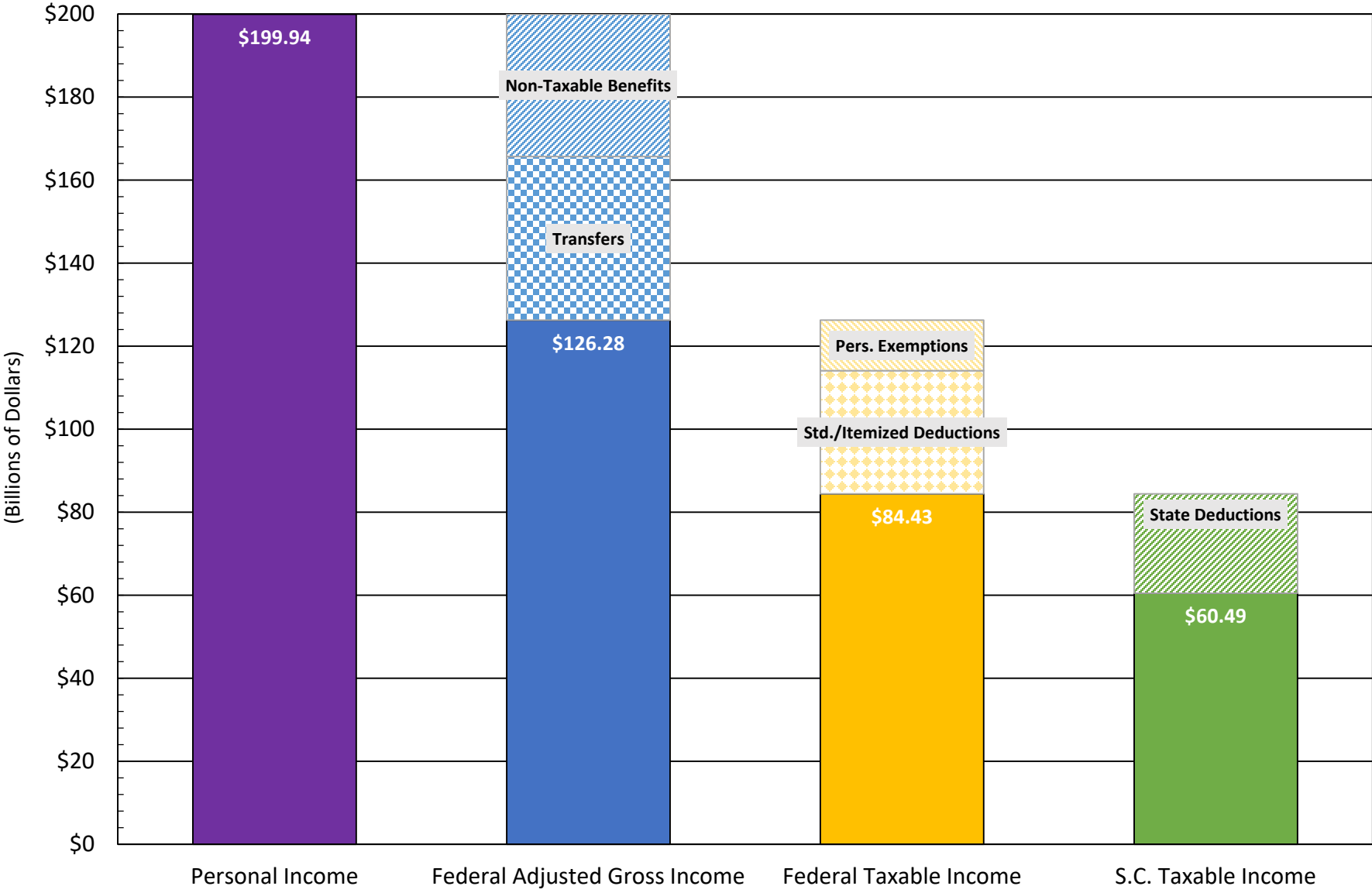
SOUTH CAROLINA INCOME TAX COLLECTIONS as a Percentage of Total Personal Income



Source: SC General Fund individual income tax collections and U.S. Department of Commerce, Bureau of Economic Analysis. RFA 34-EM/11/19/18

MEASURES OF SOUTH CAROLINA INCOME

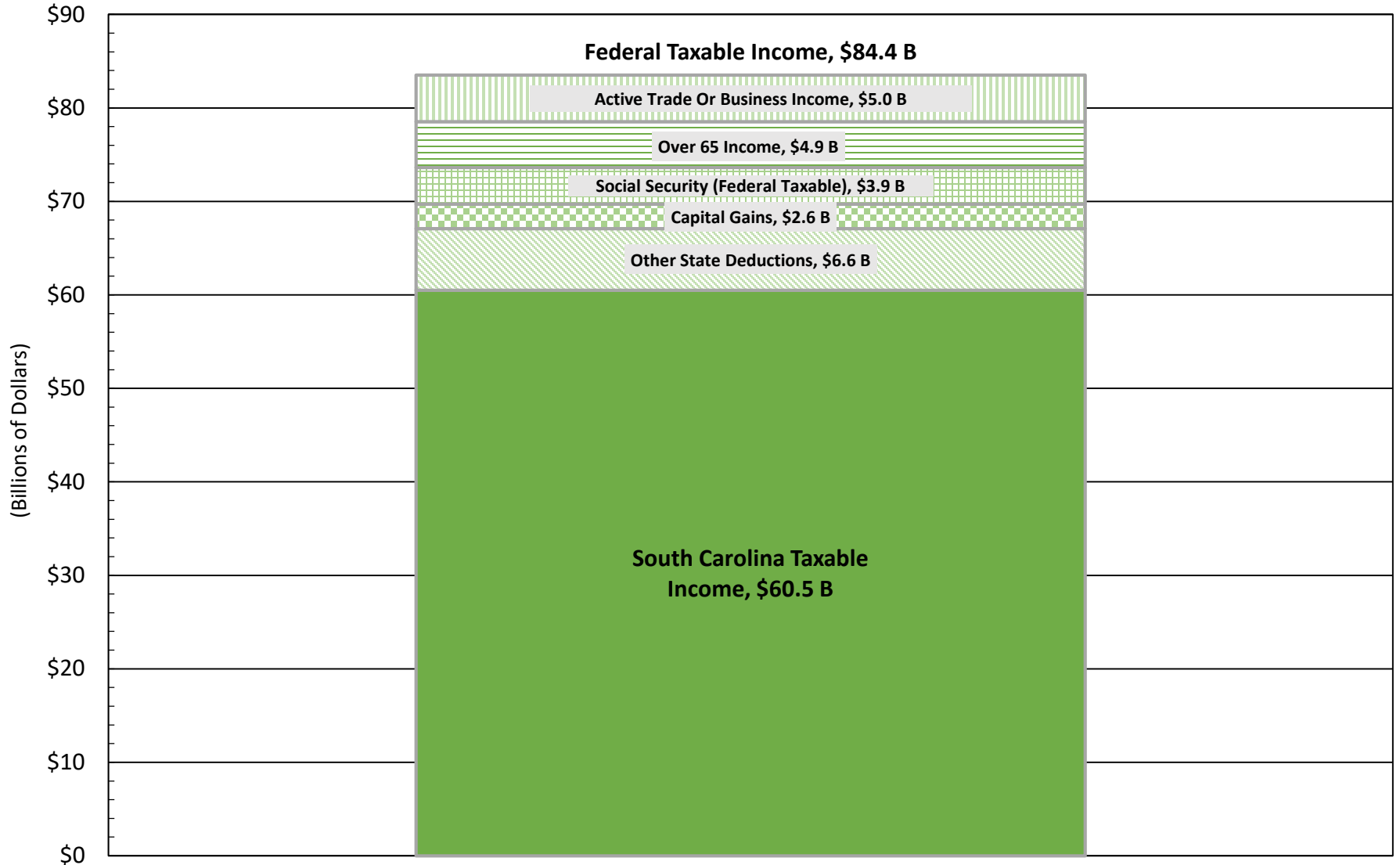
Tax Year 2016



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; I.R.S. Statistics of Income; S.C. Dept. of Revenue Individual Income Tax Returns
 S.C. Revenue and Fiscal Affairs 186-LHJ/10/26/2018

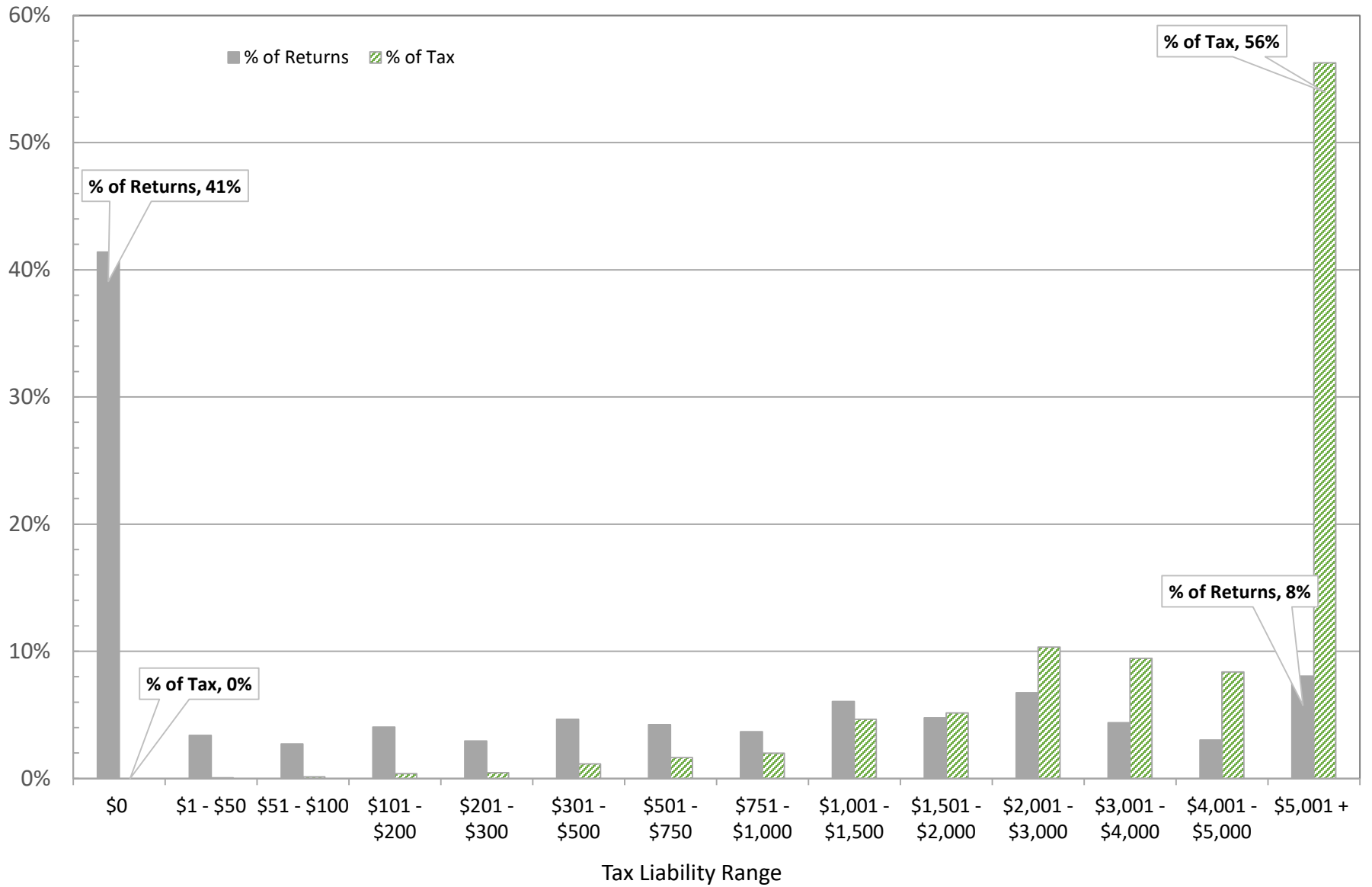
STATE DEDUCTIONS FROM FEDERAL TAXABLE INCOME

Tax Year 2016

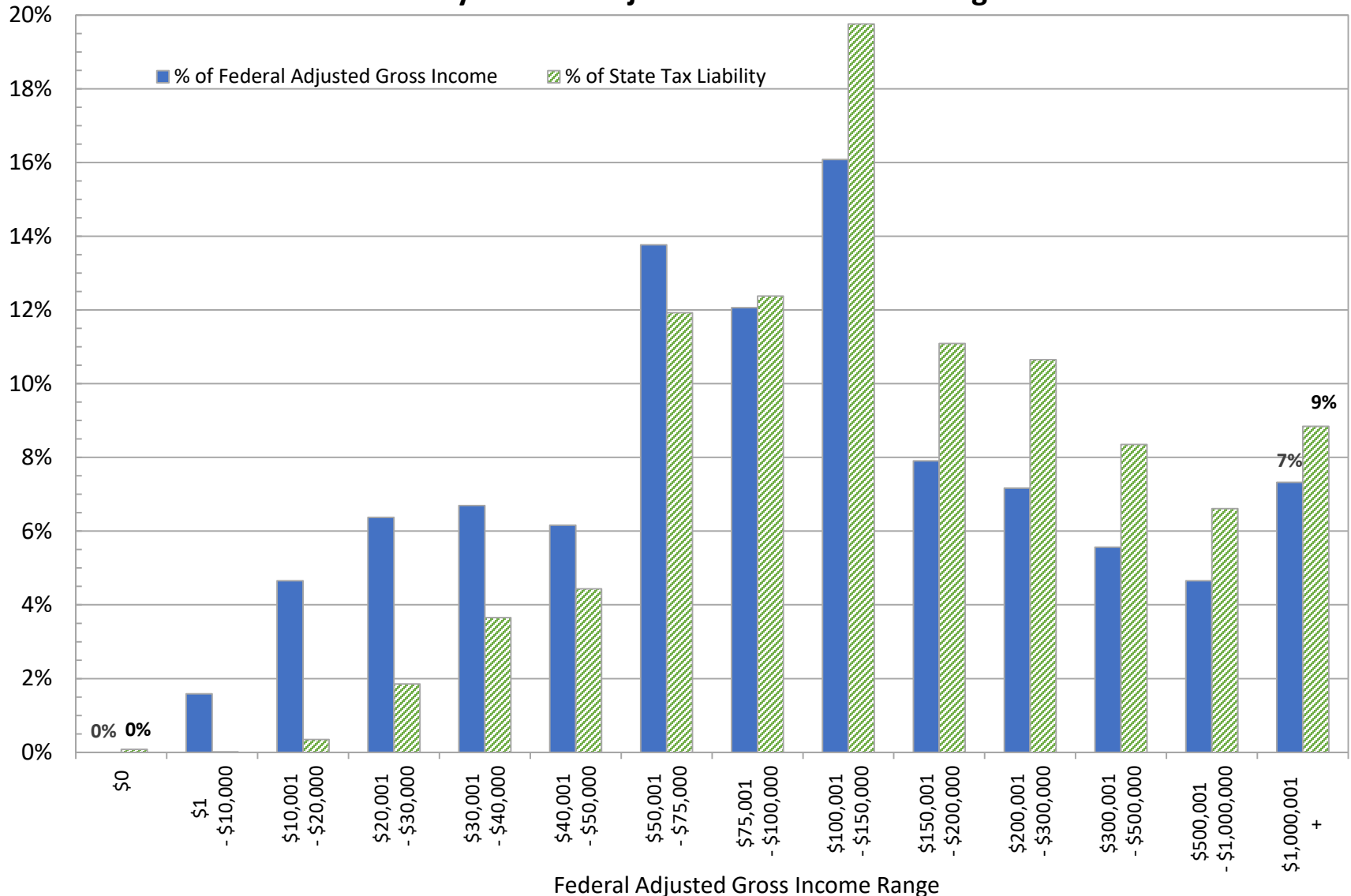


DISTRIBUTION OF TAX RETURNS AND LIABILITY

By Tax Liability, Tax Year 2016



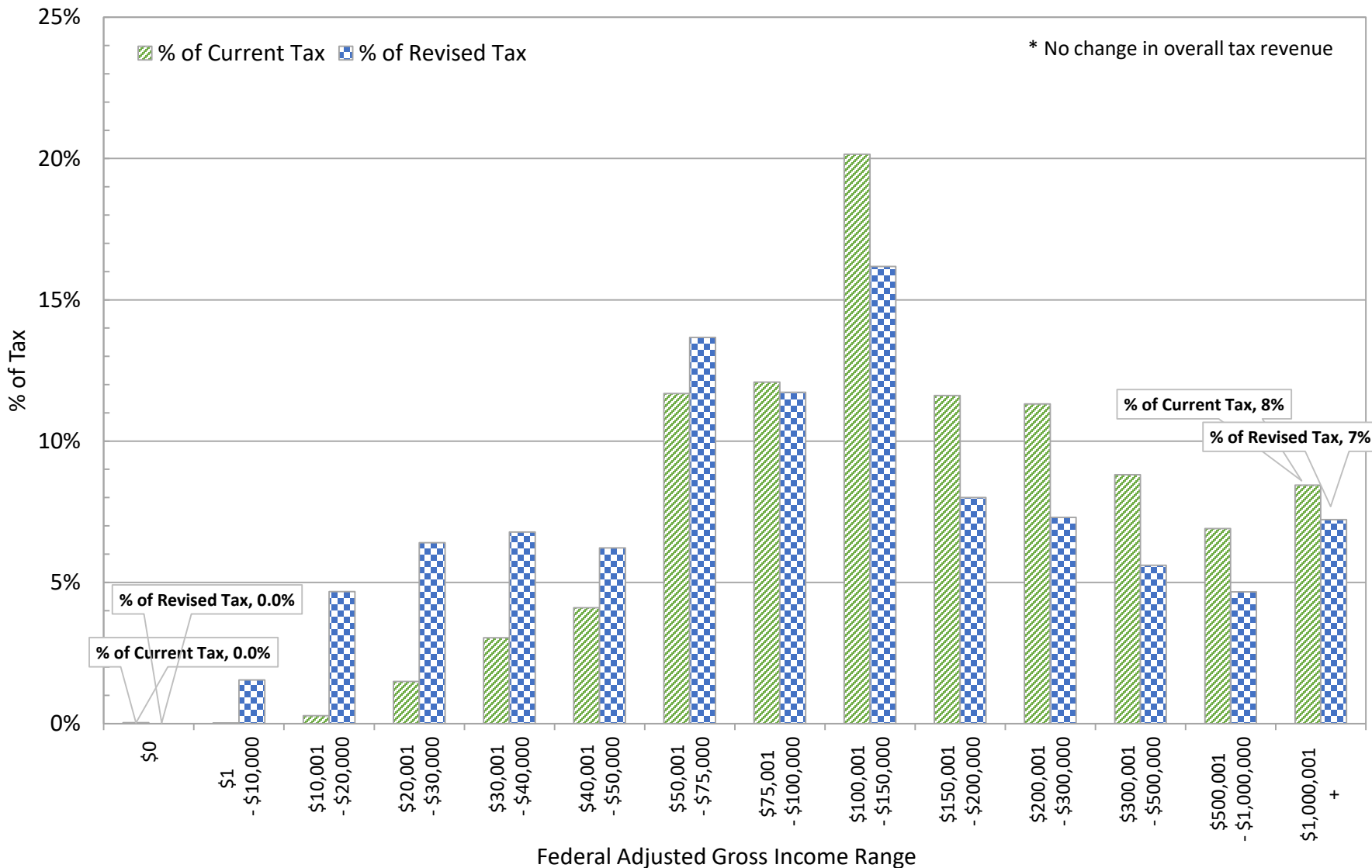
PERCENTAGE OF **FEDERAL ADJUSTED GROSS INCOME** AND **STATE TAX LIABILITY** By Federal Adjusted Gross Income Range



Note: Federal AGI attributable to SC for nonresident filers.

EXAMPLE 1: FLAT TAX OF 3.27% ON FEDERAL ADJUSTED GROSS INCOME

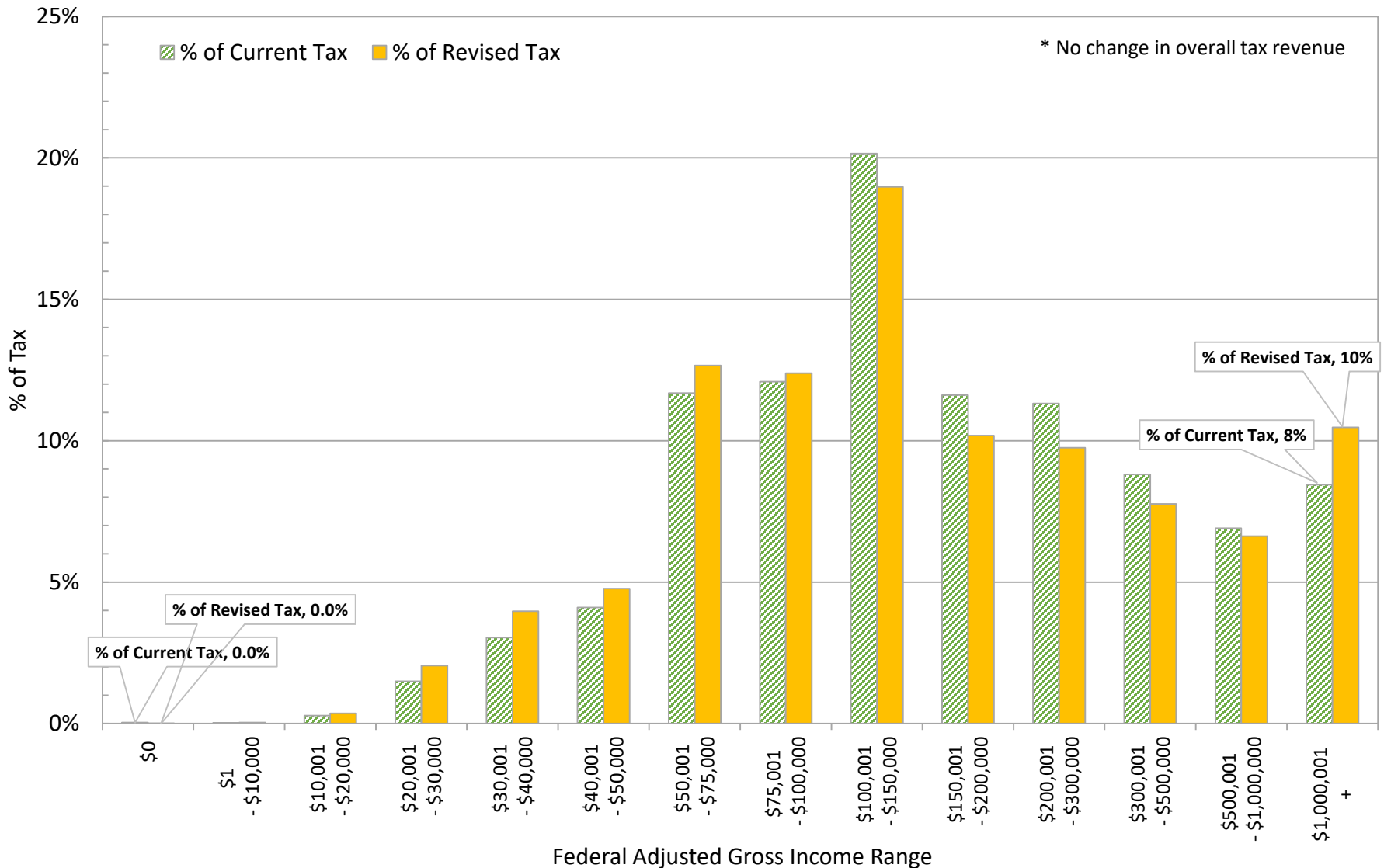
Projected 2018 Tax Liability by Federal Adjusted Gross Income



Notes: Federal AGI attributable to SC for nonresidents. Retains out-of-state adjustments and credit for taxes paid to another state. Eliminates all deductions, exemptions, other credits, and active trade or business rate. Estimates adjusted for Act 266 of 2018.

EXAMPLE 2: TOP MARGINAL RATE OF 4.95% ON FEDERAL TAXABLE INCOME

Projected 2018 Tax Liability by Federal Adjusted Gross Income Range



Notes: Federal AGI attributable to SC for nonresidents. Retains out-of-state adjustments and credit for taxes paid to another state. Eliminates all state deductions, exemptions, other credits, and active trade or business rate. Estimates are adjusted for Act 266 of 2018.

Policy Issues - Income Tax

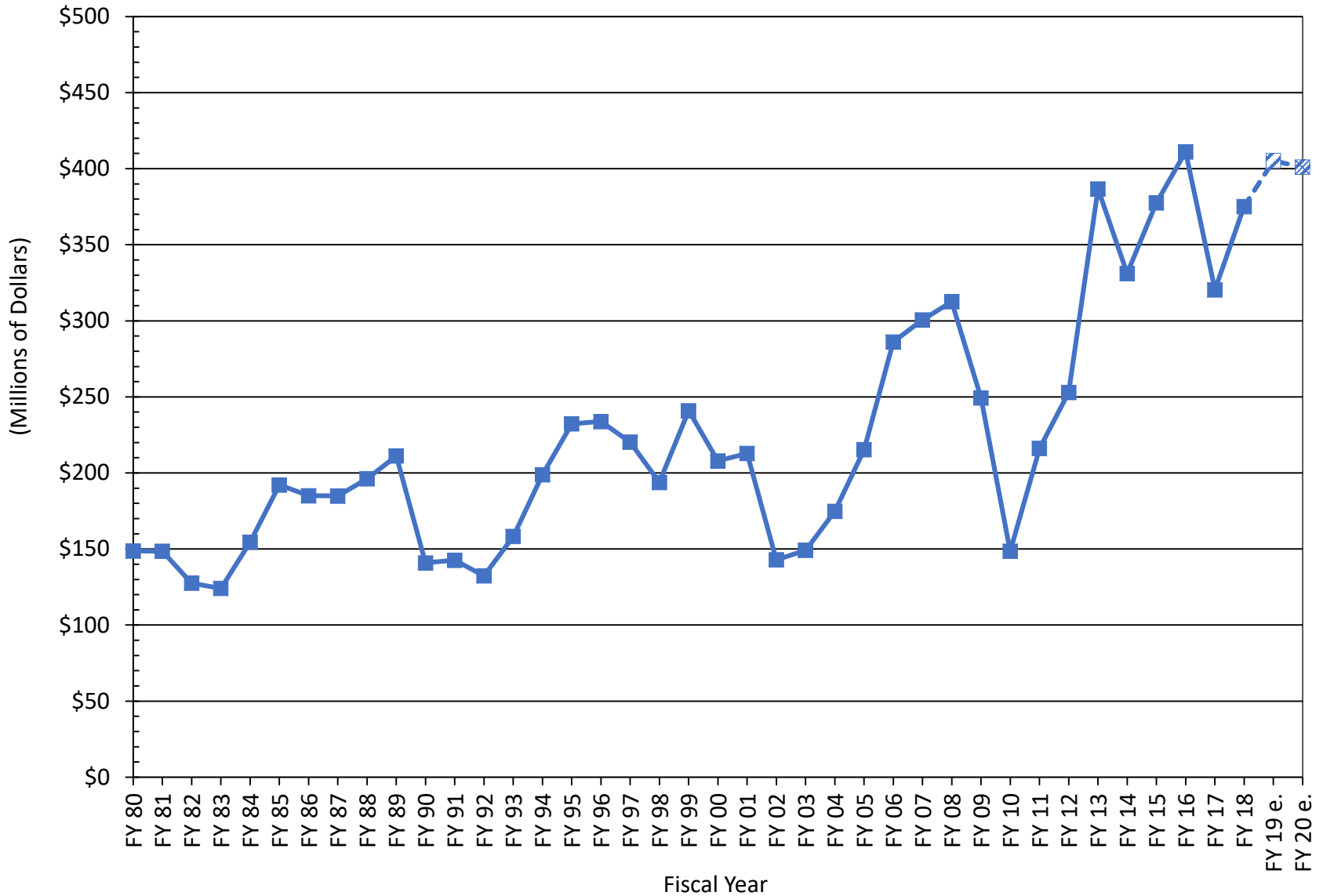
- Optics v. Reality



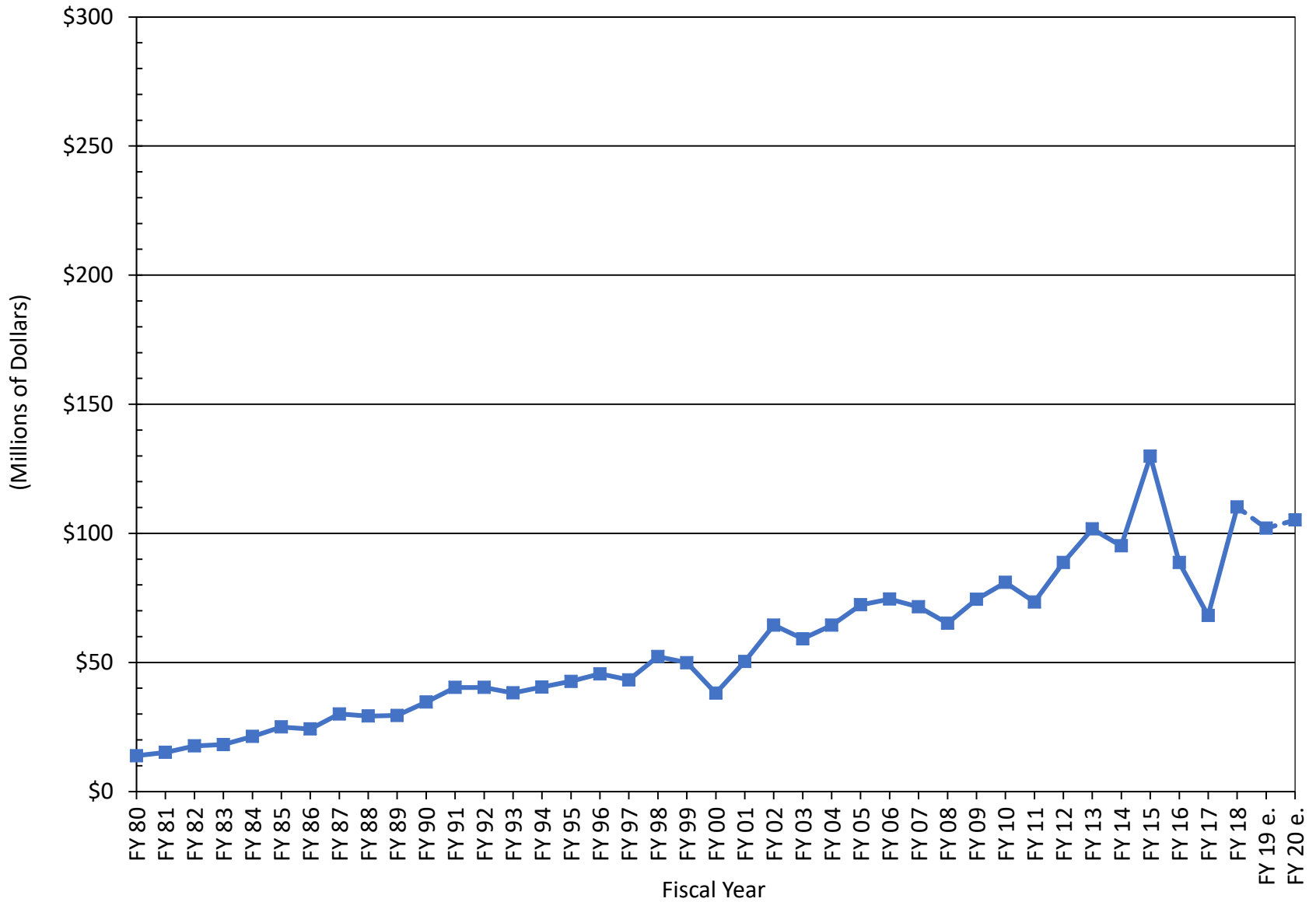
OTHER TAXES



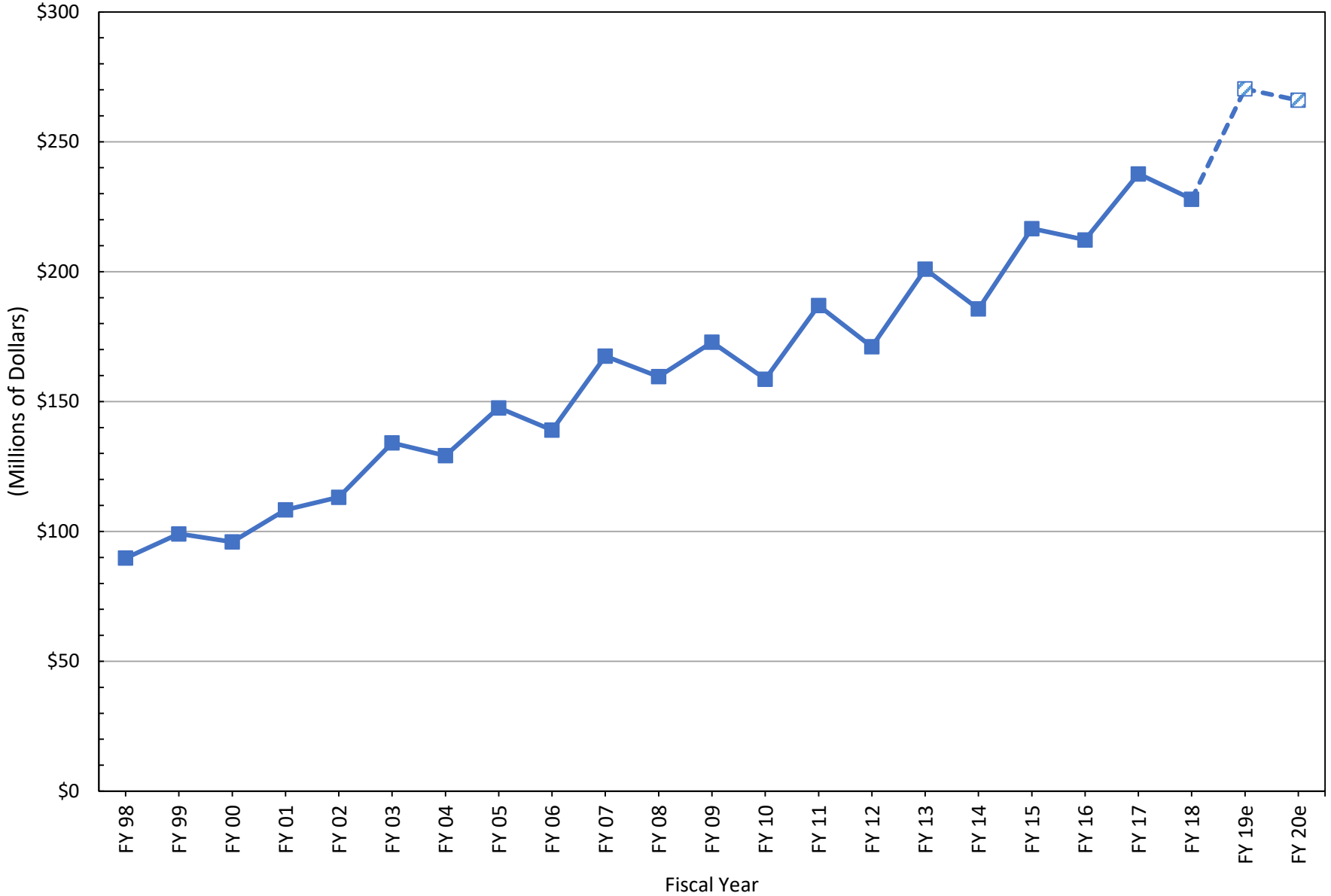
SOUTH CAROLINA TOTAL CORPORATE INCOME TAX COLLECTIONS



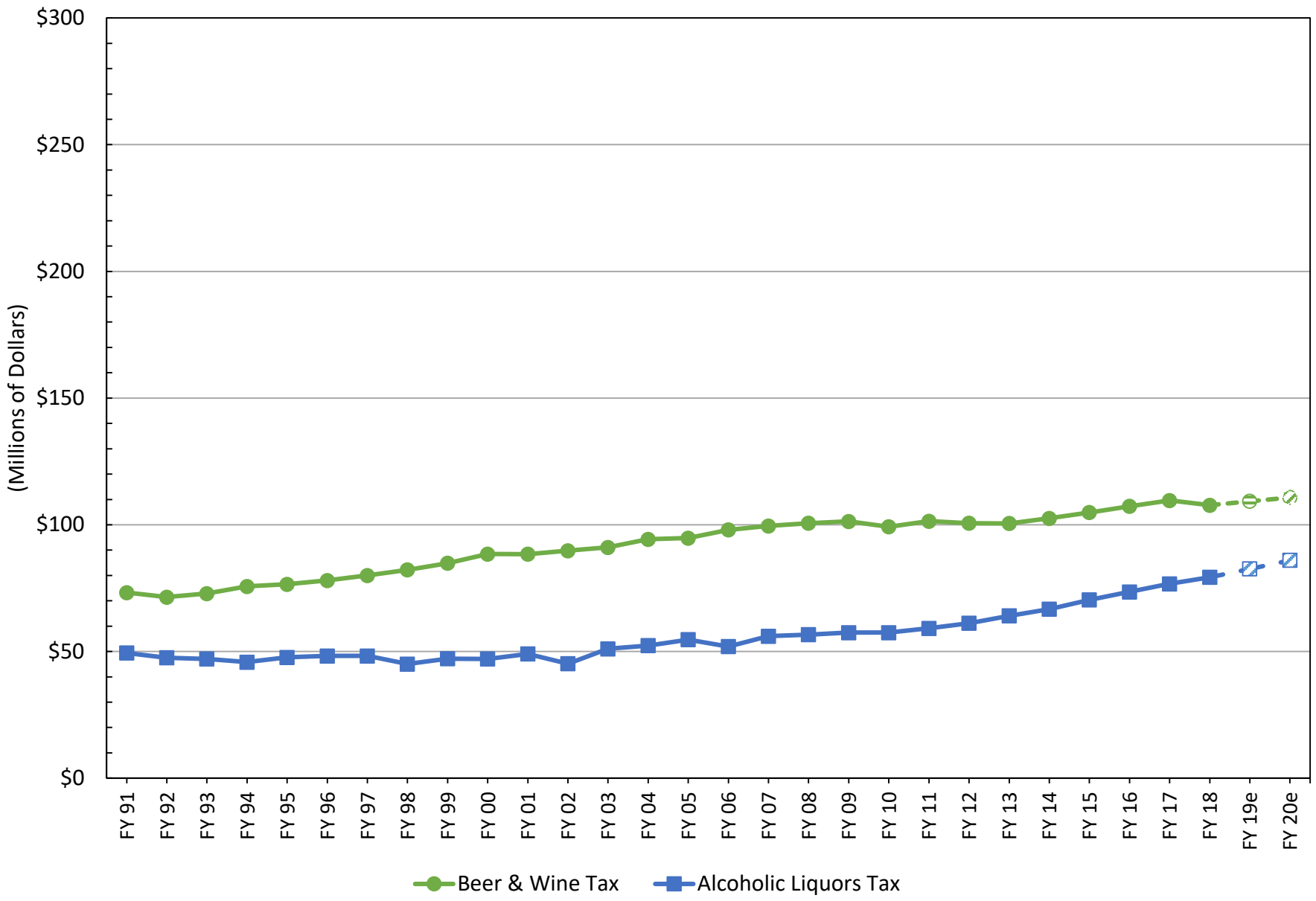
SOUTH CAROLINA TOTAL CORPORATE LICENSE TAX COLLECTIONS



SOUTH CAROLINA TOTAL INSURANCE TAXES



SOUTH CAROLINA BEER & WINE AND ALCOHOLIC LIQUORS TAXES



Notes: Other Taxes

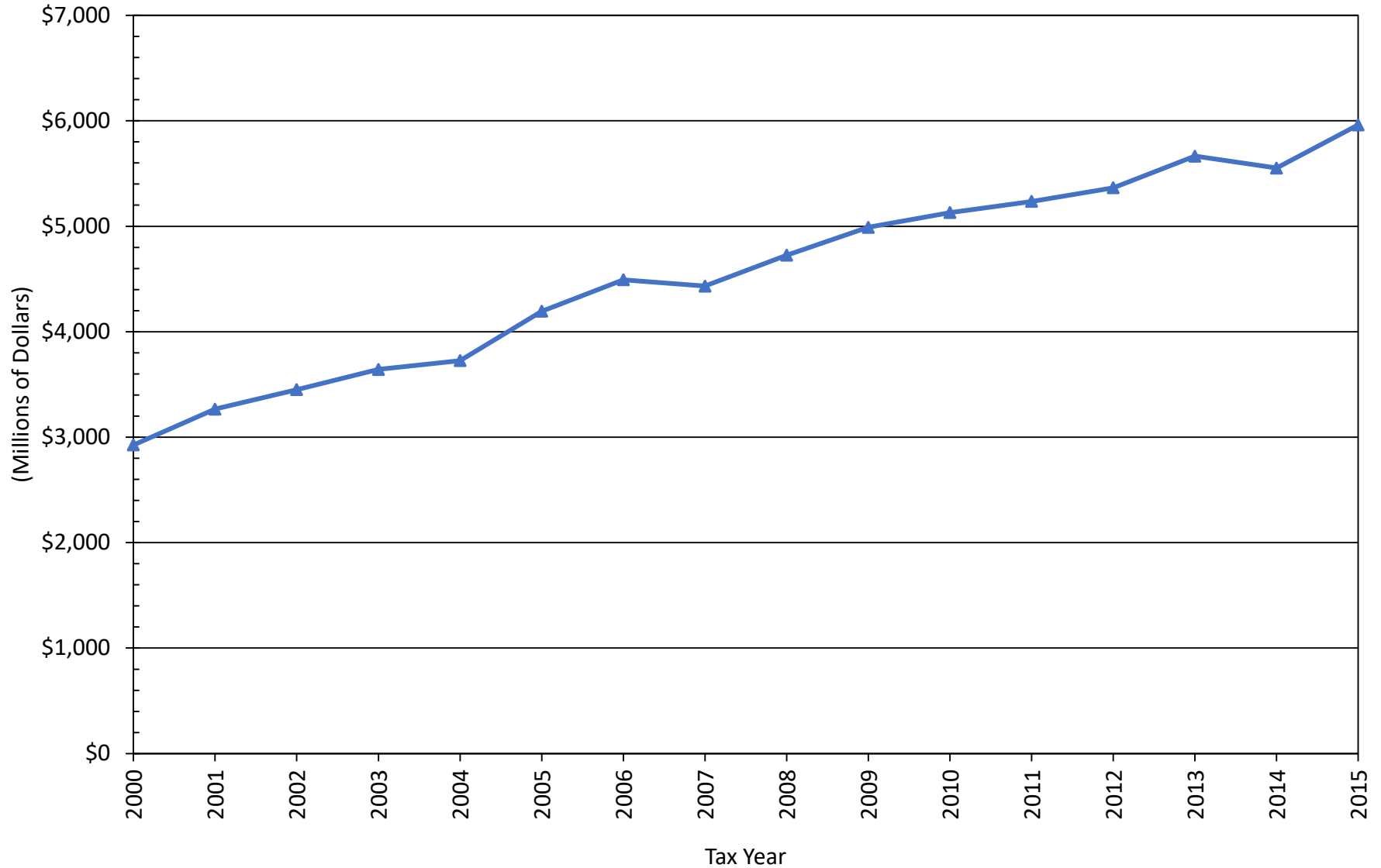
- Corporate income tax is the third largest revenue item in the General Fund and the most volatile.
- For comparison, the S.C. Education Lottery contributes \$434.8 million to the state compared to \$375.2 million from corporate income tax in FY 18.
- Corporate license tax has been a growing but volatile revenue source for the General Fund.

PROPERTY TAXES

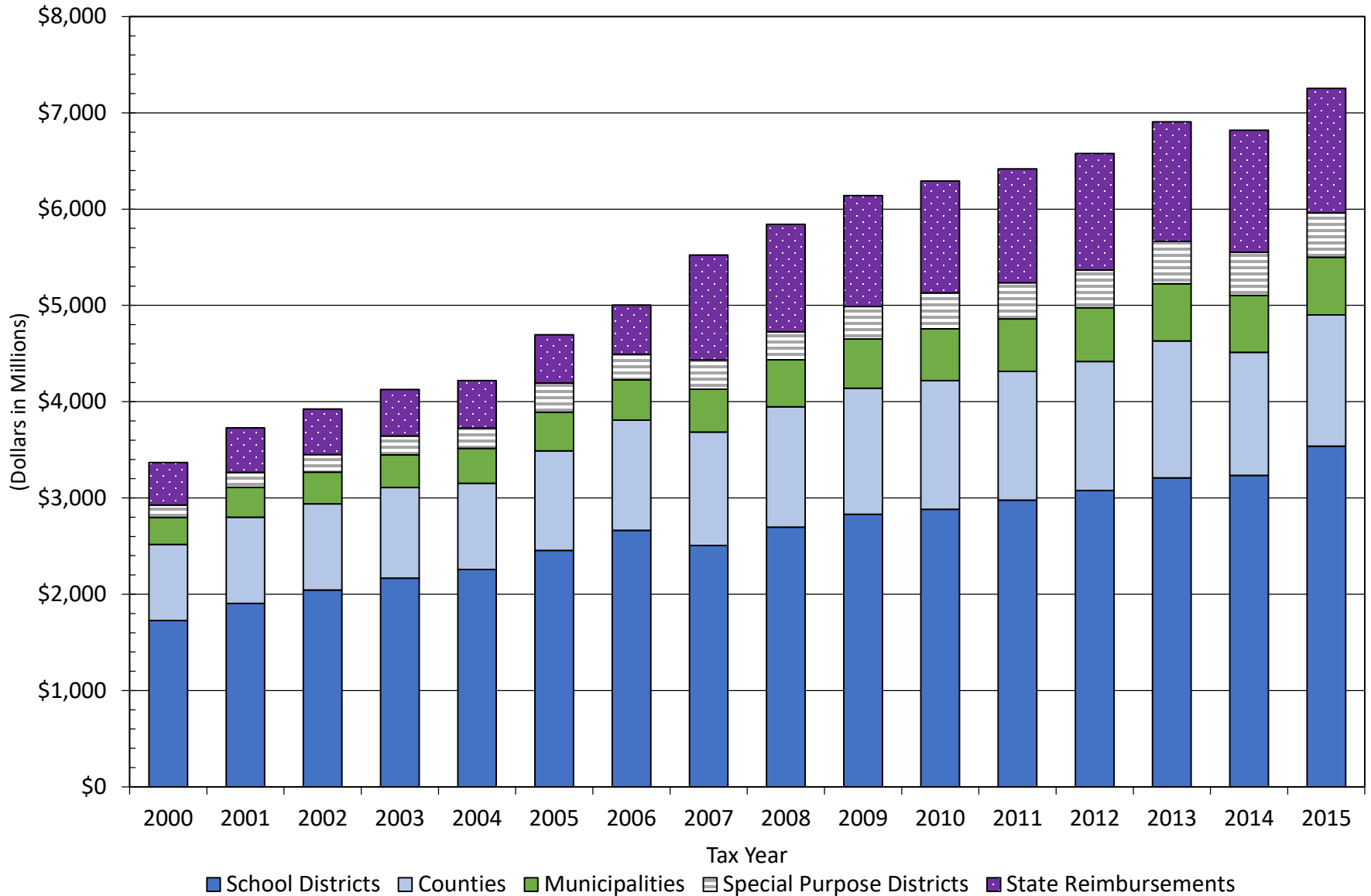


TOTAL PROPERTY TAX REVENUE

Revenue Reported by Schools, Counties, Municipalities, and Special Districts



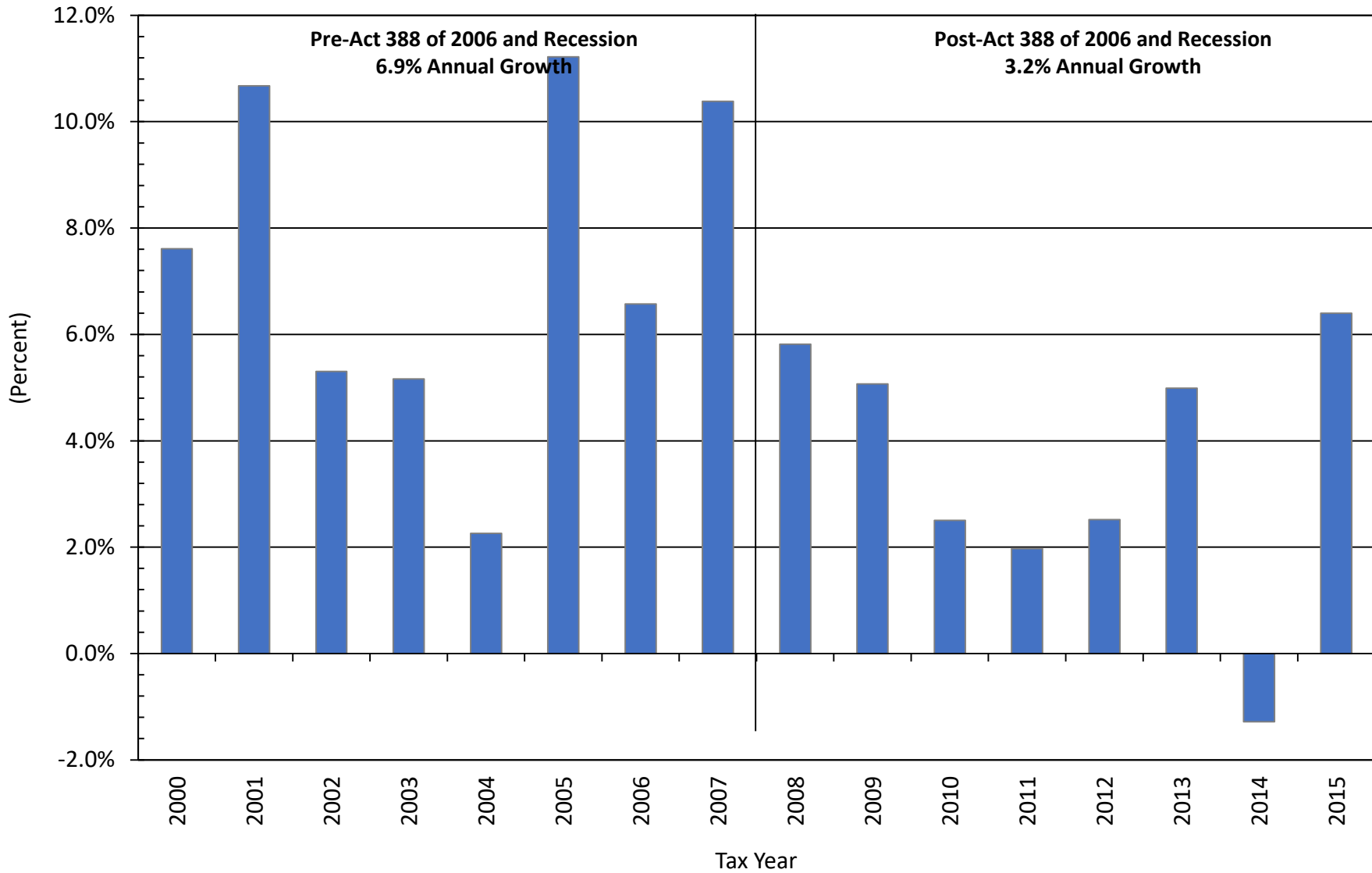
PROPERTY TAX REVENUE AND STATE REIMBURSEMENTS



Source: S.C. Department of Revenue, Local Government Report; S.C. Revenue and Fiscal Affairs Office, Local Government Finance Report -229/mkm/11/19/18

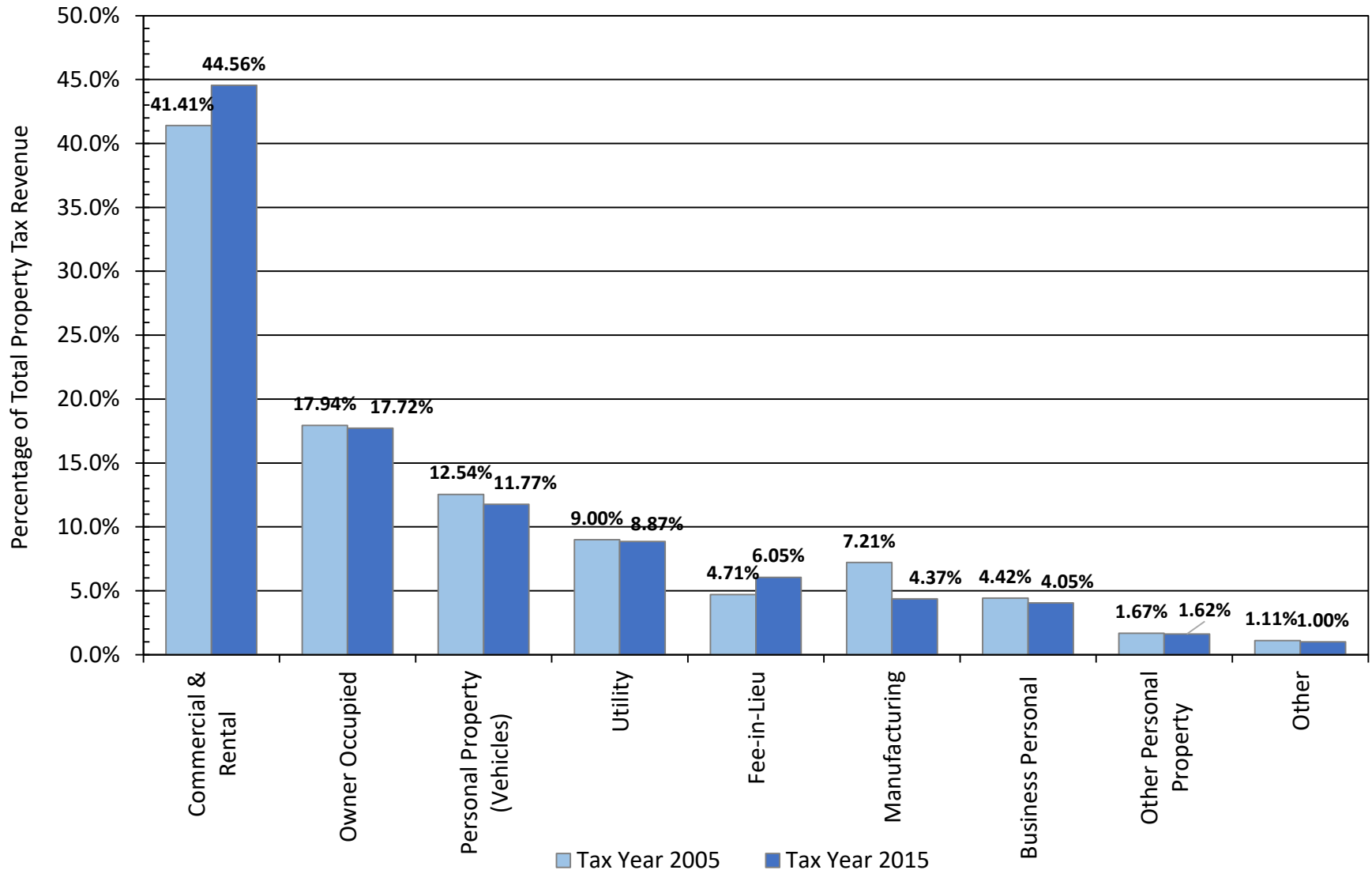
ANNUAL GROWTH IN PROPERTY TAX REVENUE AND REIMBURSEMENTS

Revenue Reported by School Districts, Counties, Municipalities, and Special Purpose Districts and All State Reimbursements



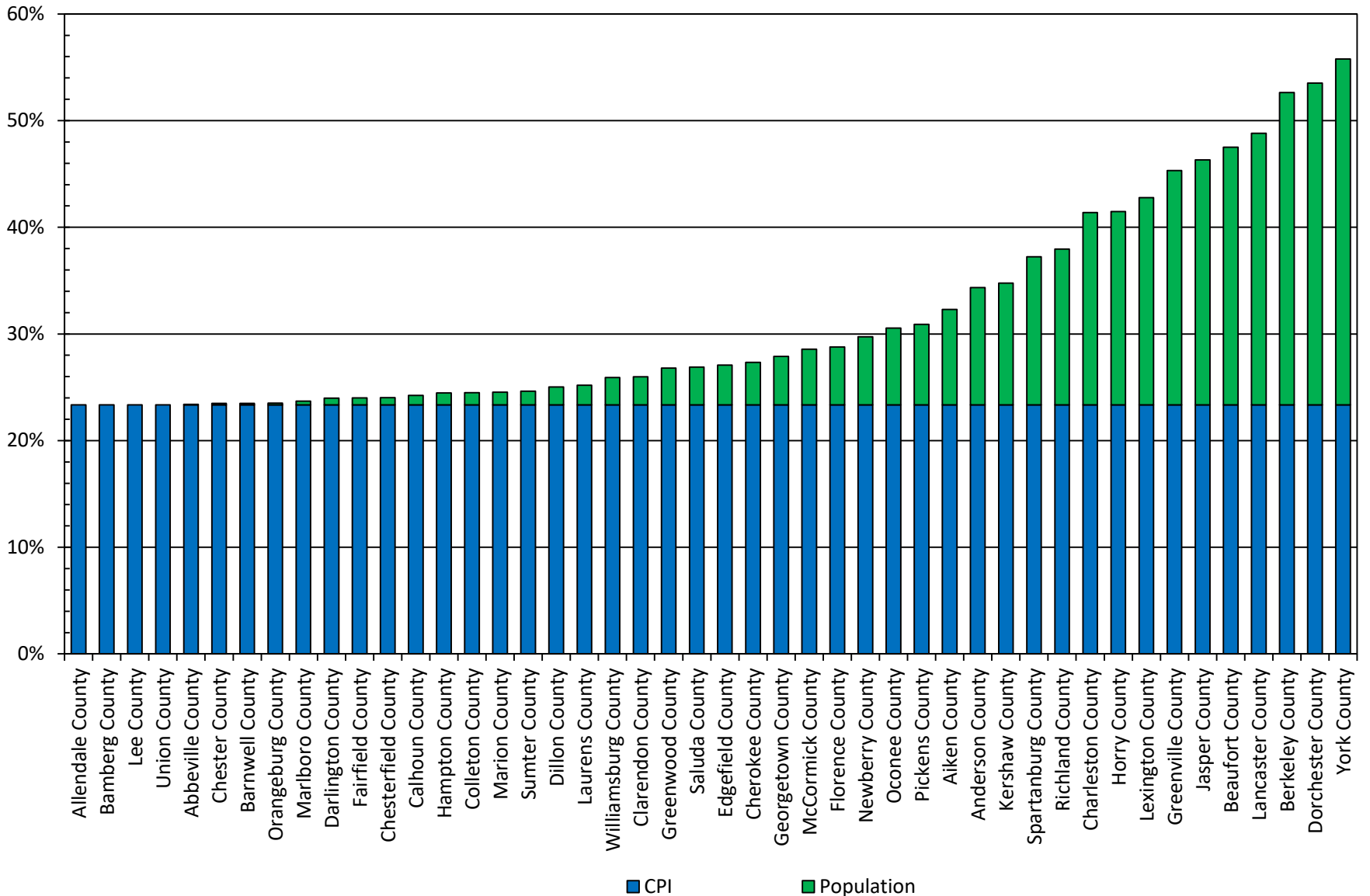
Source: S.C. Department of Revenue; S.C. Revenue and Fiscal Affairs Office, Local Government Finance Report -229/mkm/11/27/18

ESTIMATED PERCENTAGE OF TOTAL PROPERTY TAX REVENUE By Assessment Classification



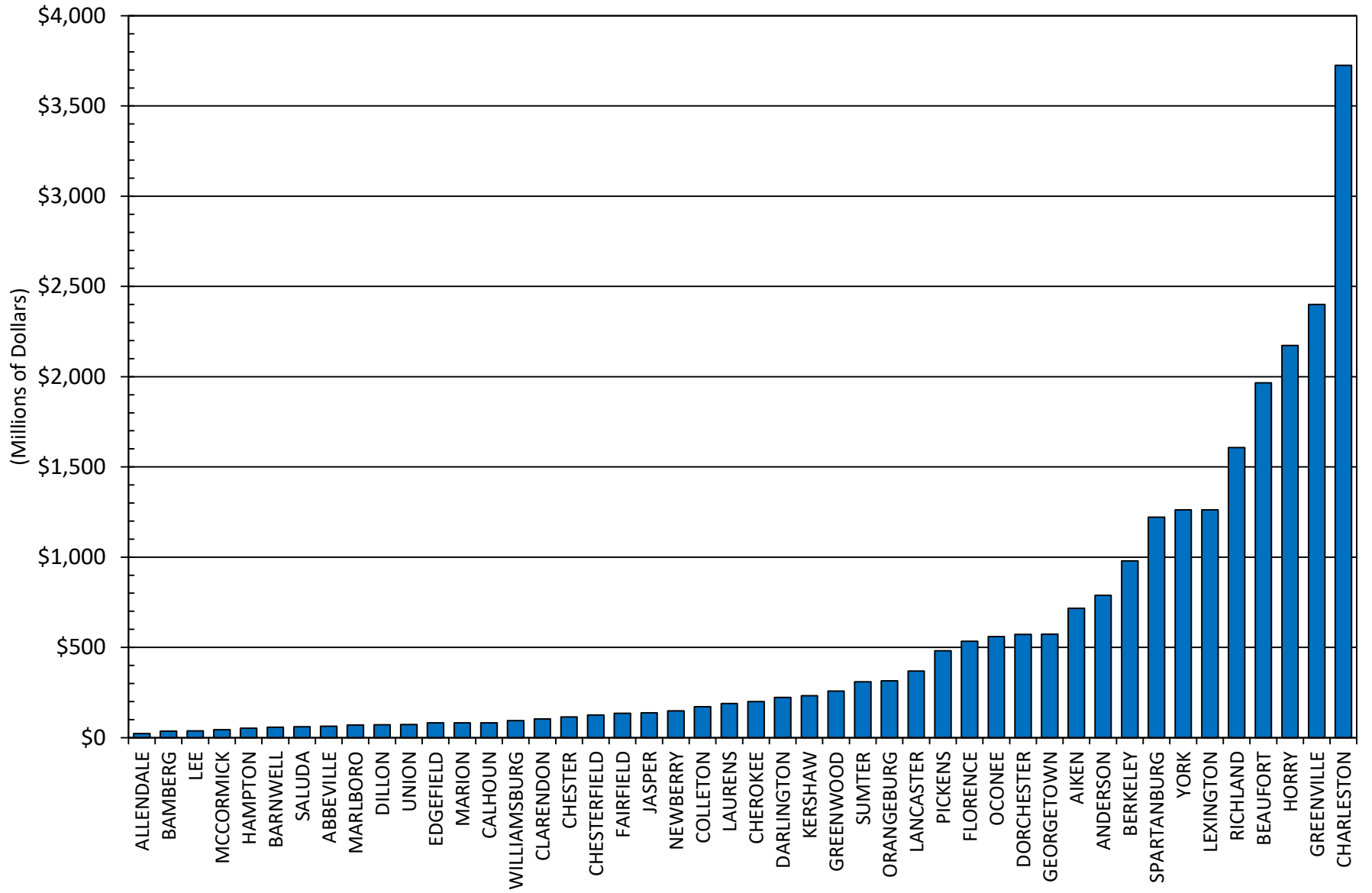
Other: Motor Carrier, Agricultural Real Property (corporate and private)

TOTAL MILLAGE RATE INCREASE LIMITATION FY 2007-08 to FY 2018-19

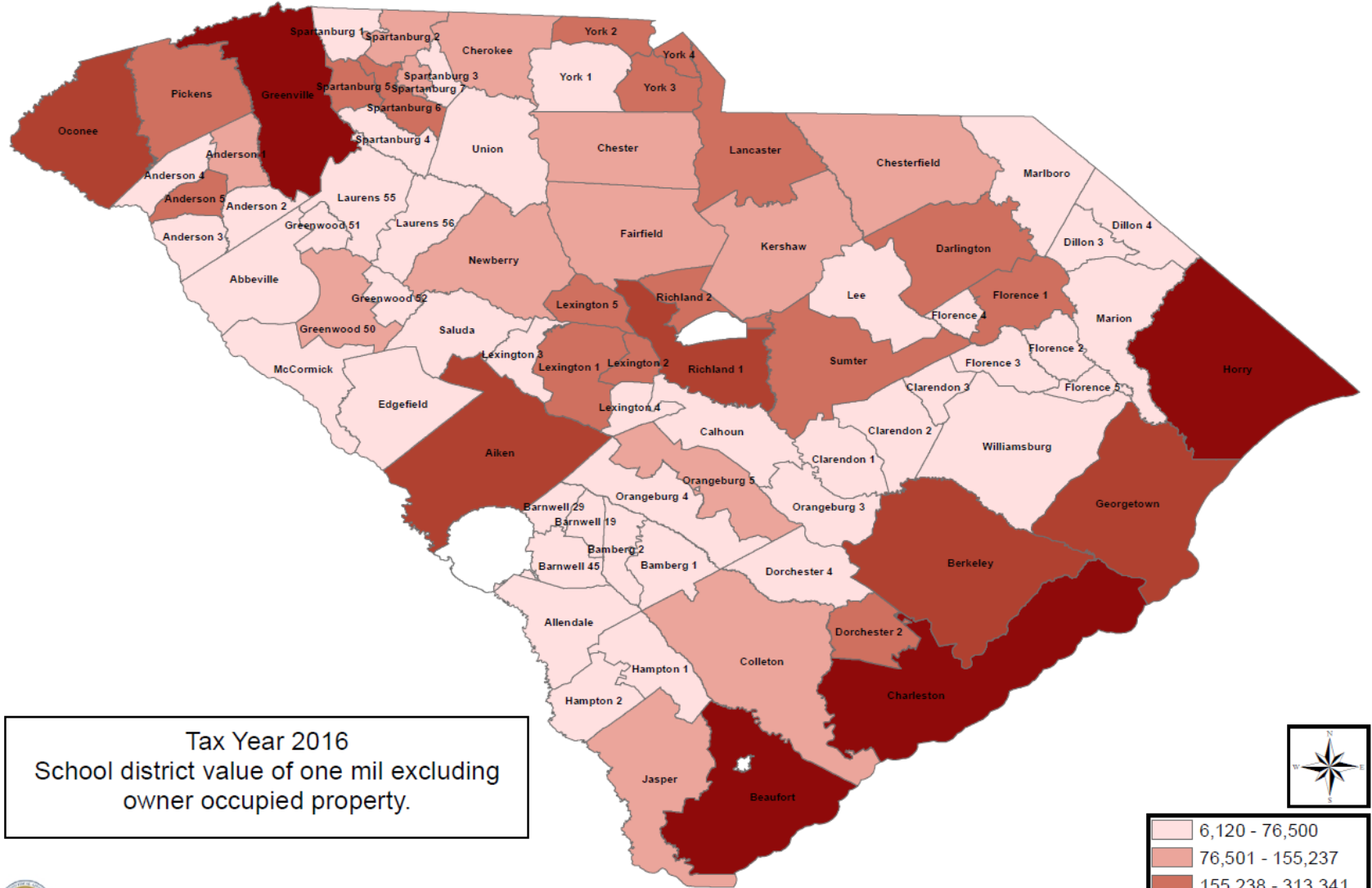


Note: Population estimates based upon Census Bureau estimates from 2010 to 2016

ASSESSED VALUE BY COUNTY Tax Year 2015



South Carolina Value of One Mil



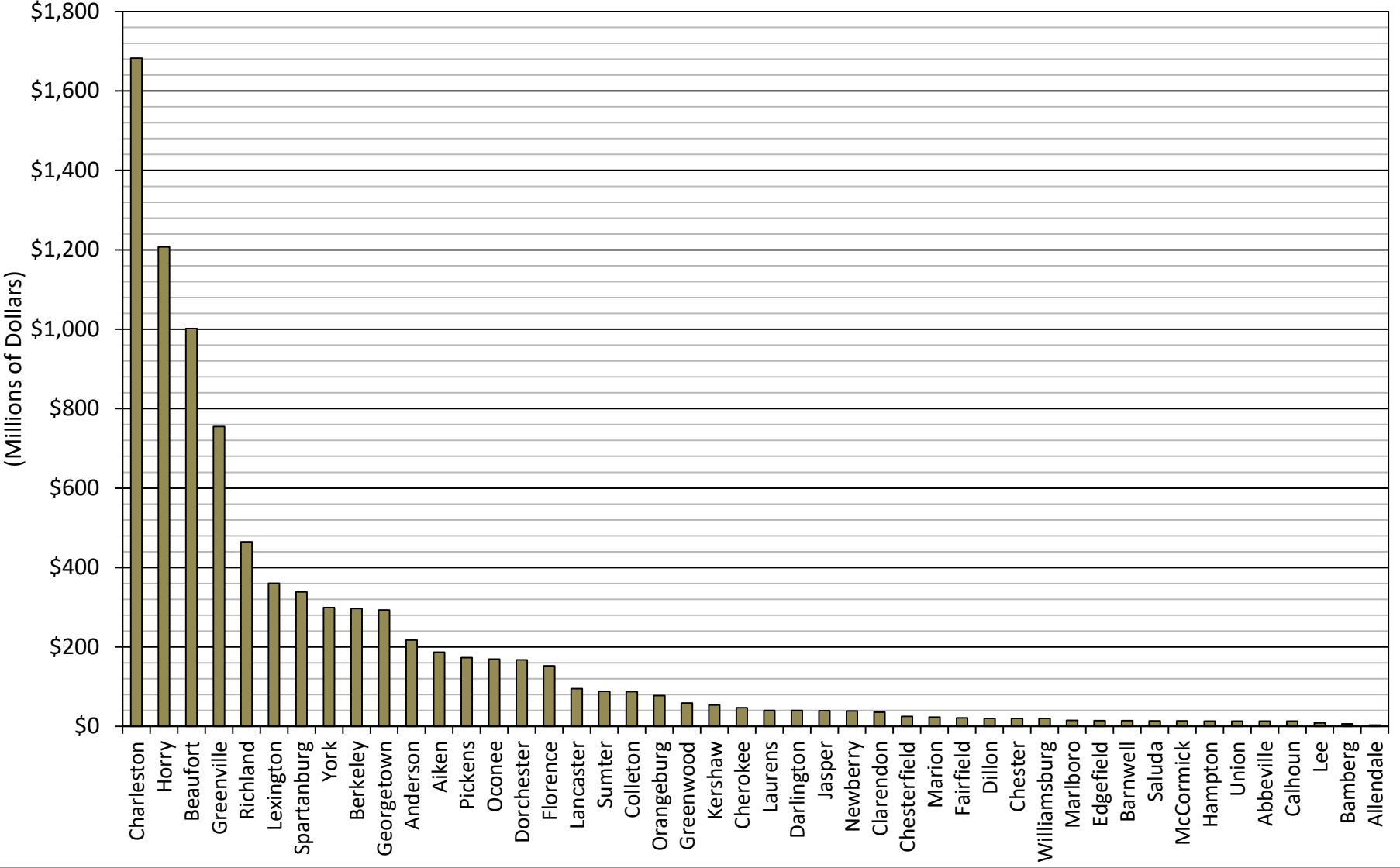
Tax Year 2016
 School district value of one mil excluding
 owner occupied property.



Lightest shade	6,120 - 76,500
Light shade	76,501 - 155,237
Medium shade	155,238 - 313,341
Dark shade	313,342 - 653,235
Darkest shade	653,236 - 2,329,918

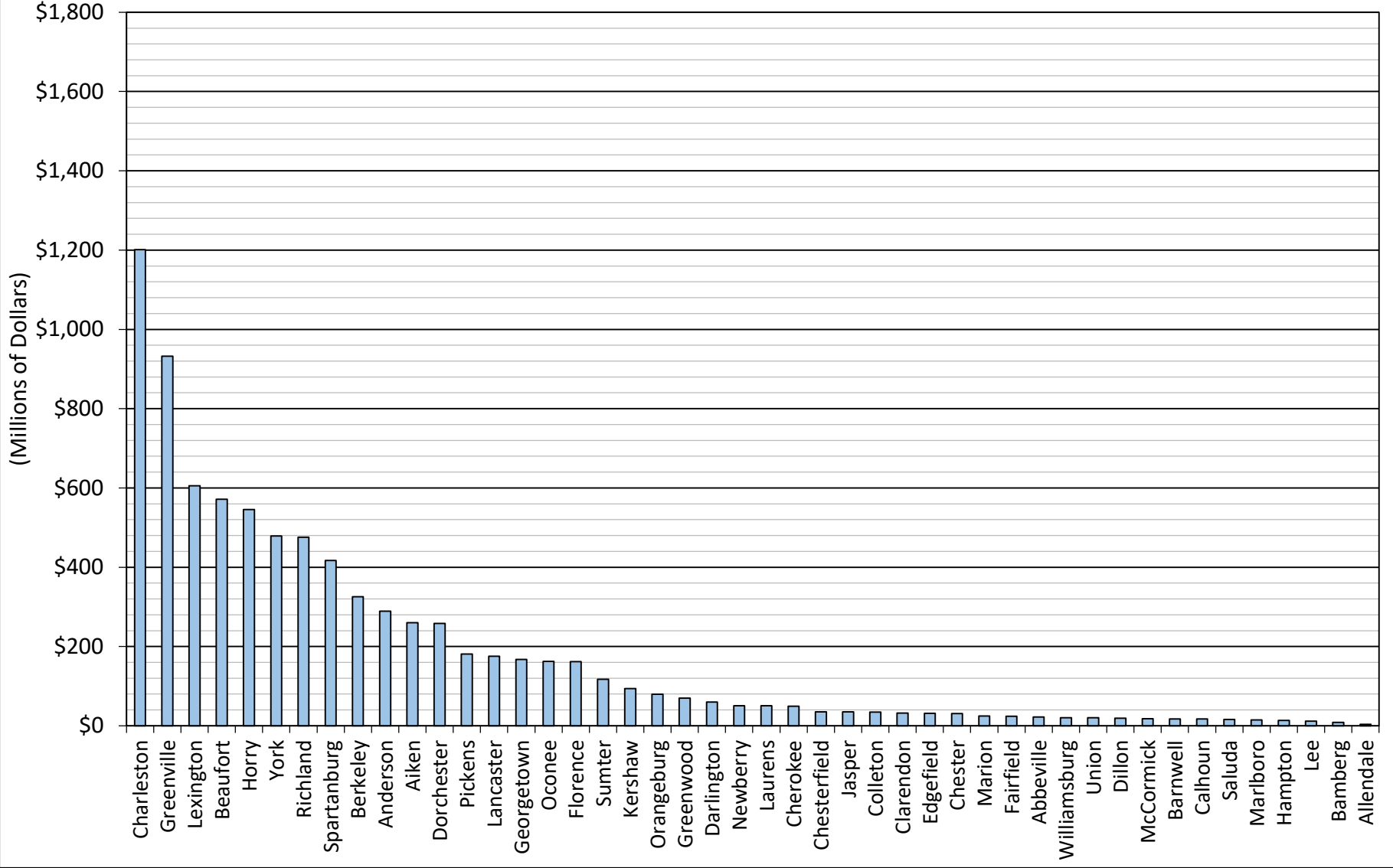
COMMERCIAL & RENTAL PROPERTY ASSESSED VALUE

Tax Year 2016



Source: Department of Revenue, Local Government Report, 2018 RFA-MKM/05/11/18

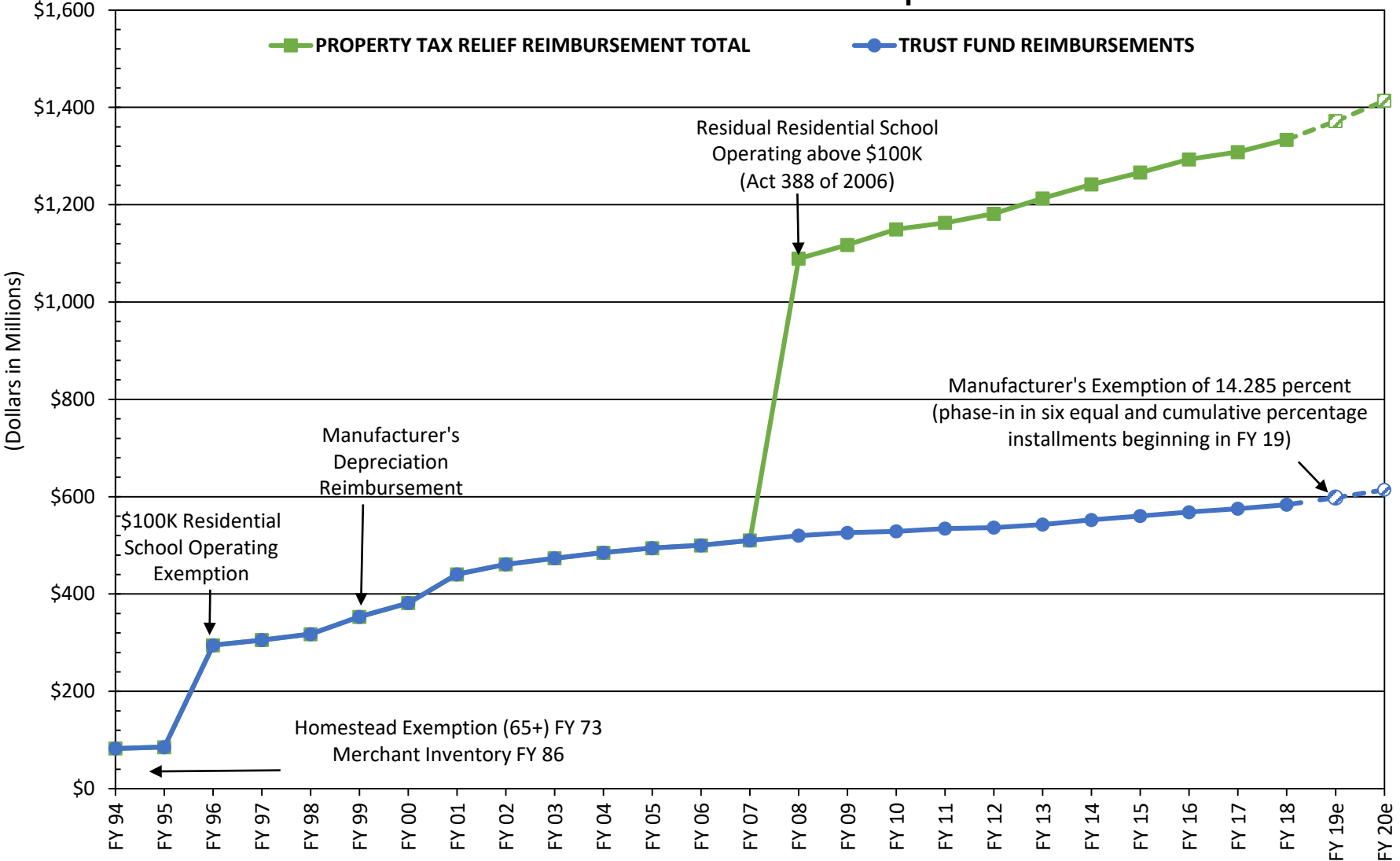
OWNER-OCCUPIED PROPERTY ASSESSED VALUE By County - Tax Year 2016



Source: Department of Revenue, Local Government Report, 2018 RFA-MKM/05/11/18

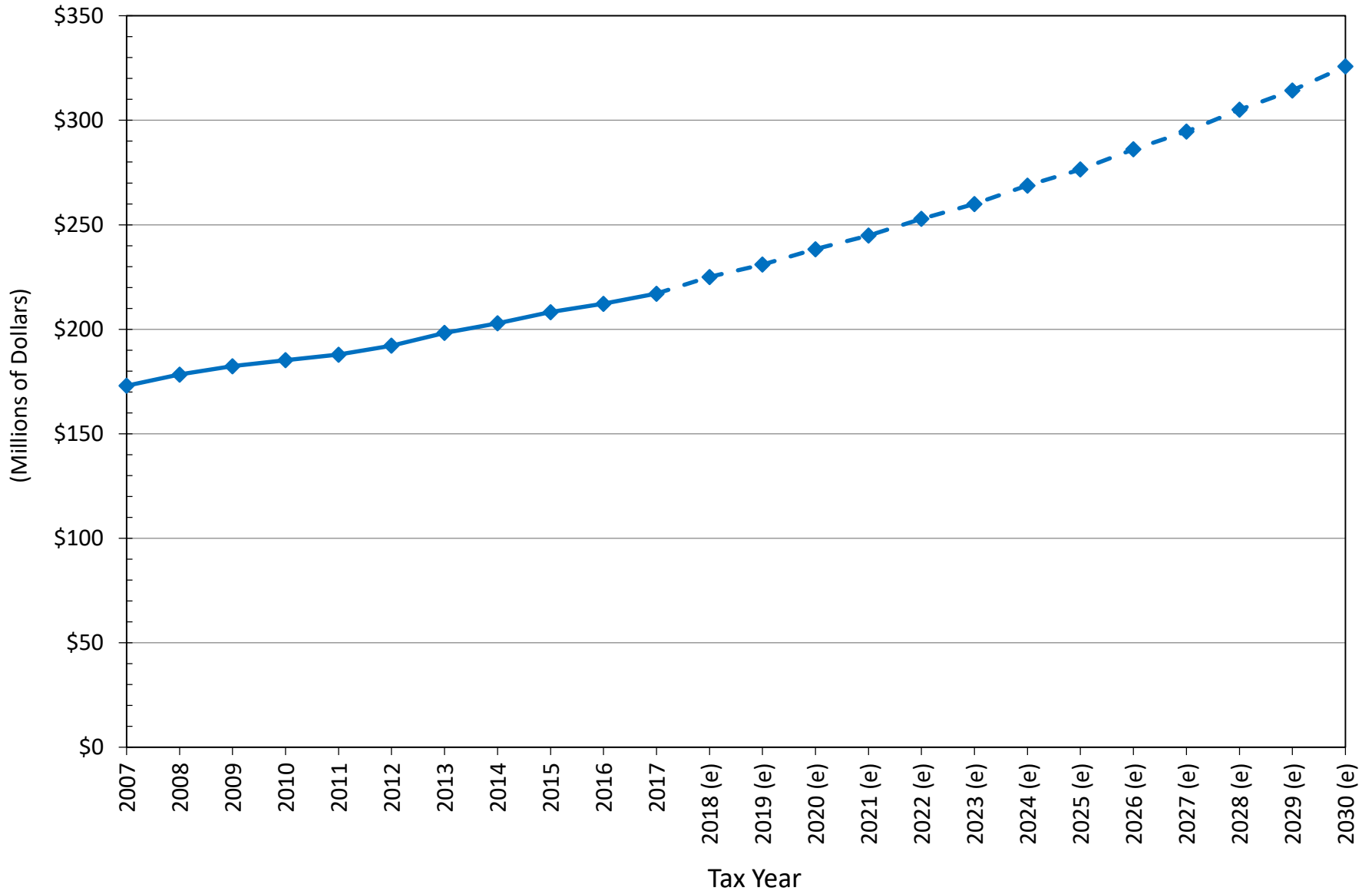
PROPERTY TAX RELIEF REIMBURSEMENTS

Trust Fund and Homestead Exemption Fund



The Trust Fund tax exemption reimbursements include: \$100K residential school operating exemption, Homestead Exemption (age 65+) Manufacturer's Depreciation Reimbursements, Merchant's Inventory Tax Exemption, and Manufacturer's Exemption of 14.285 percent

PROJECTED OVER 65 HOMESTEAD EXEMPTION REIMBURSEMENTS 2007 to 2030



Policy Issues – Property Tax

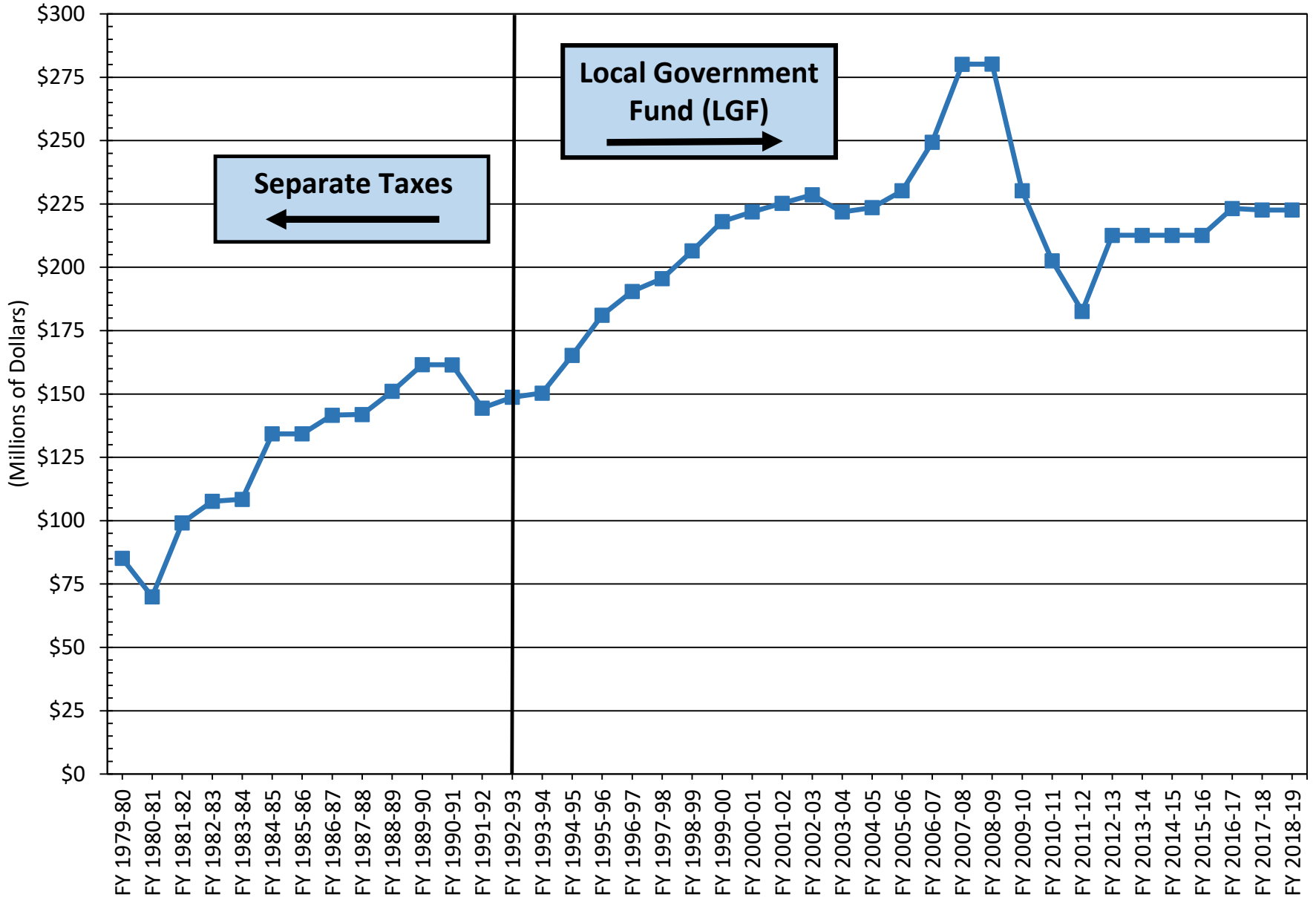
- Act 388 of 2006
- Millage Cap Issues – annexation
- Disparities in tax base
 - Value of one mil range: \$6,120 to \$2,329,918



LOCAL GOVERNMENT FUND

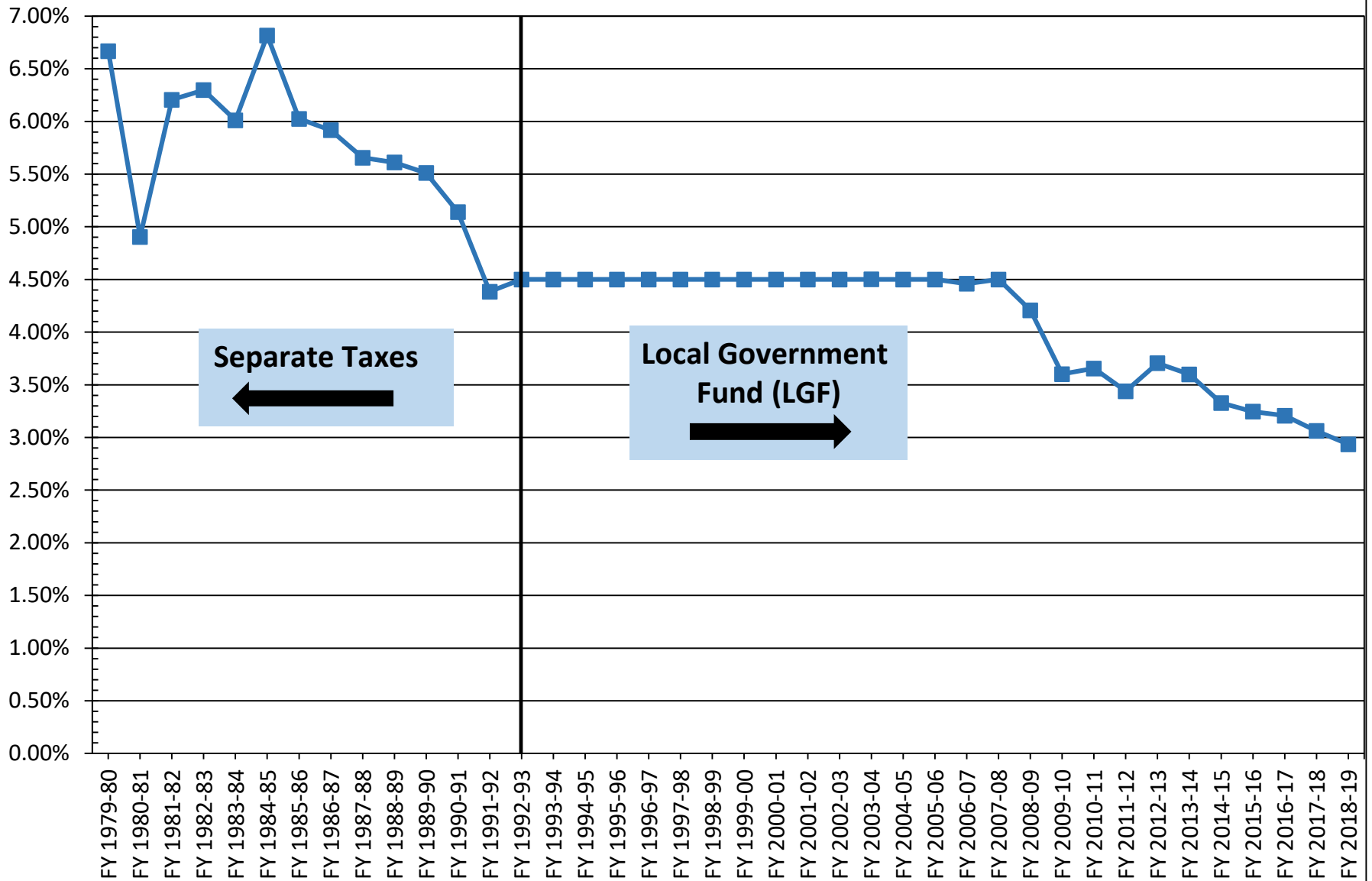


AID TO SUBDIVISIONS APPROPRIATIONS



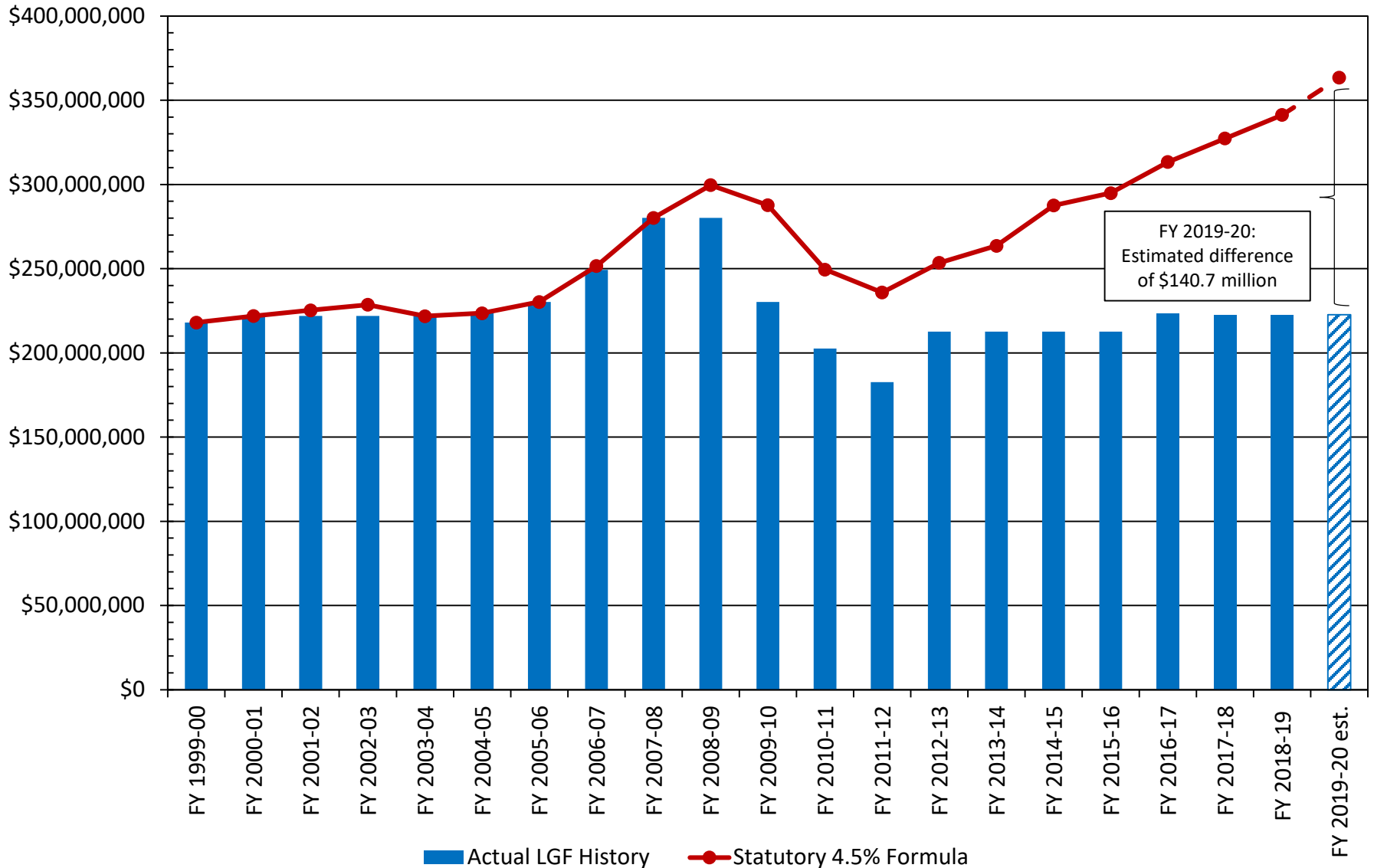
AID TO SUBDIVISIONS APPROPRIATIONS

Percent of Previous Fiscal Year's Actual General Fund Revenue

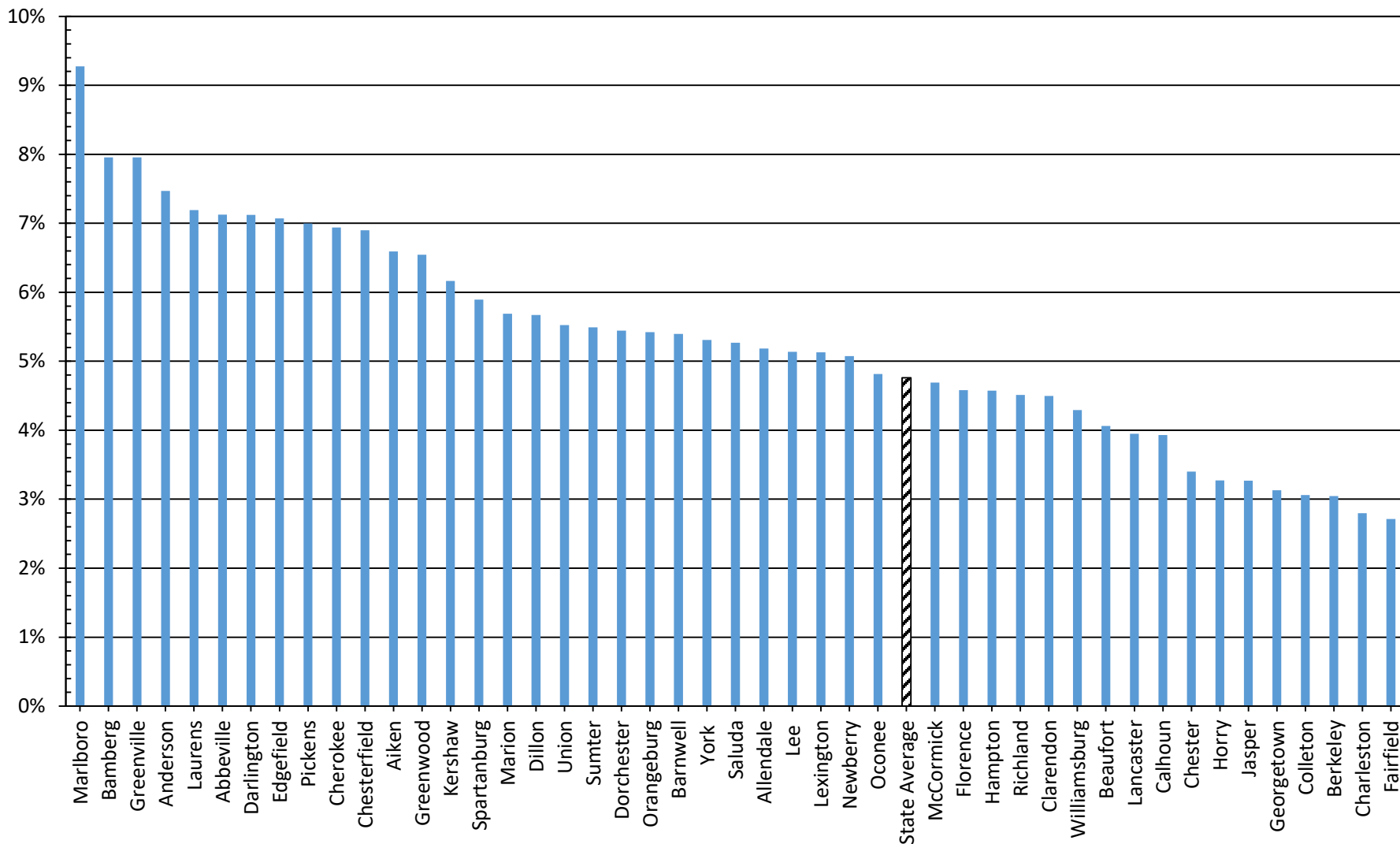


LOCAL GOVERNMENT FUND

Comparison of Actual Funding to Statutory Formula



COUNTY AID TO SUBDIVISIONS FUNDING As a Percent of Total County Revenues - FY 2015-16



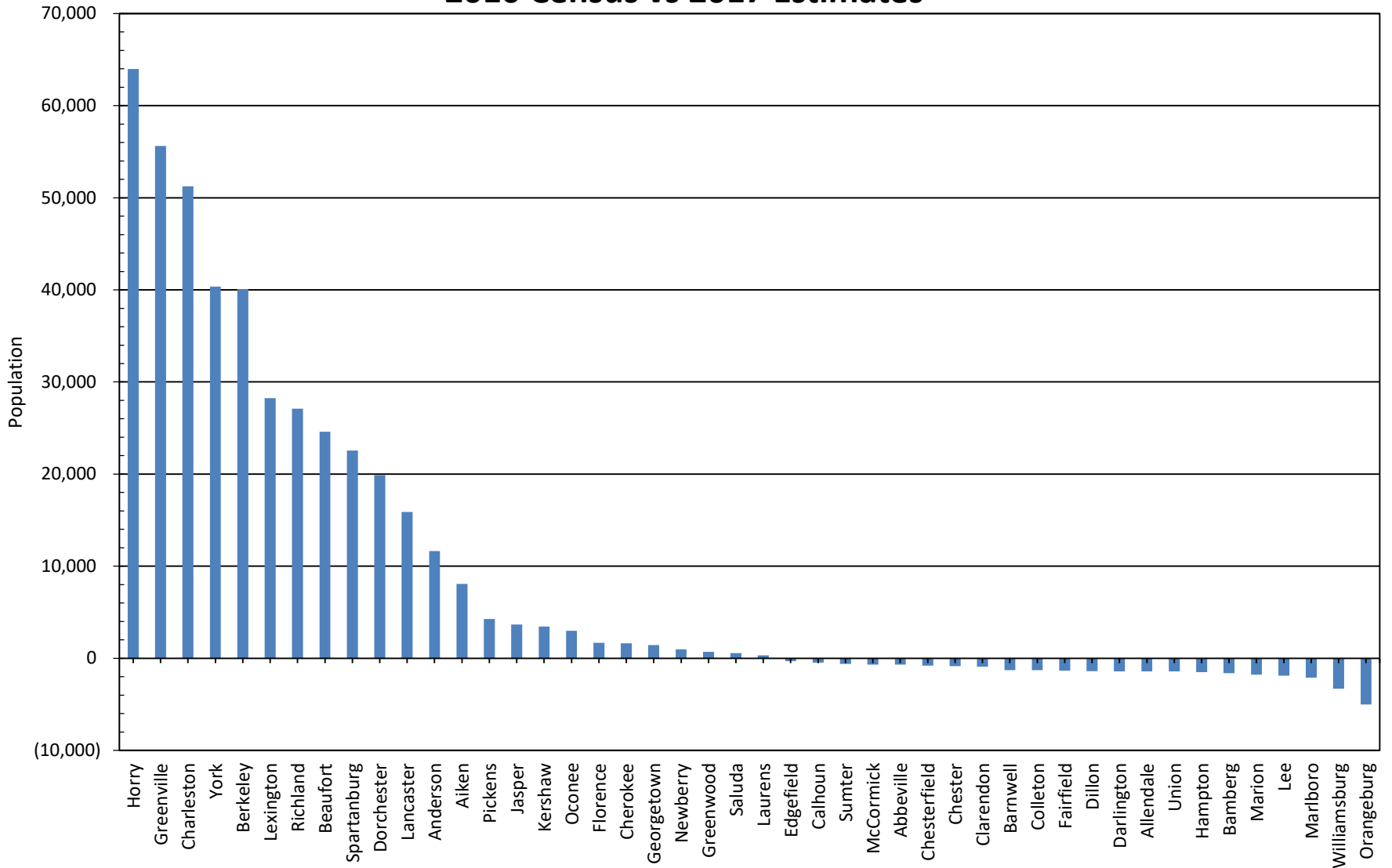
Note: Data are based upon actual aid to subdivisions funding from the State Treasurer's Office and revenues from the Local Government Finance Report. Revenues exclude bond proceeds.

IMPACT OF 2020 CENSUS

- Local Government Fund allocations are based on the most recent official US Census
- 2020 Census will likely cause a major reallocation of existing funds
- Entities that grew faster than state average will gain additional funds; entities that grew slower than state average will lose funding



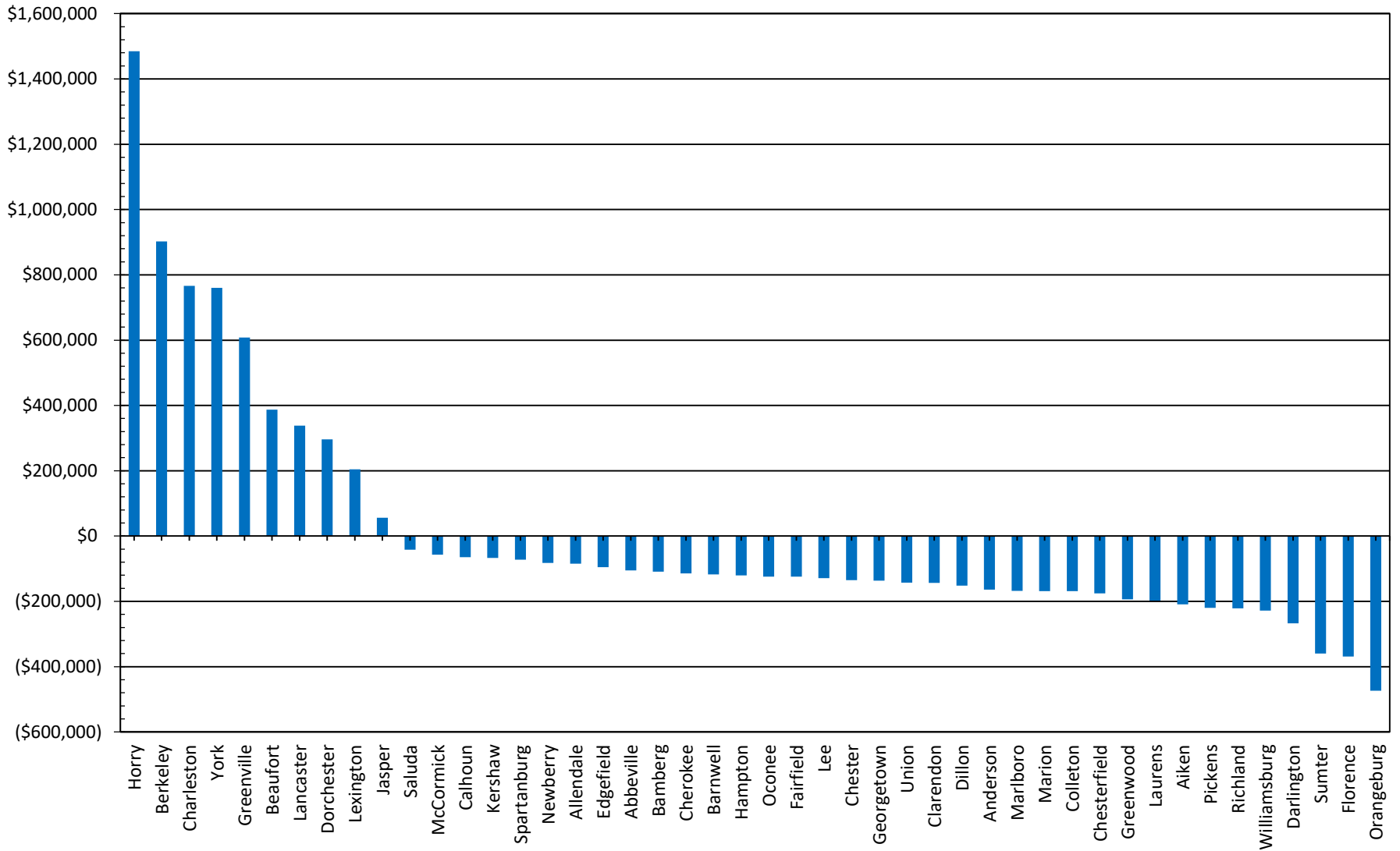
ESTIMATED CHANGE IN COUNTY POPULATION 2010 Census vs 2017 Estimates



Note: Population figures are based on 2010 U.S. Census Bureau data and 2017 U.S. Census population estimates.

ESTIMATED IMPACT ON LOCAL GOVERNMENT FUND FOR COUNTIES

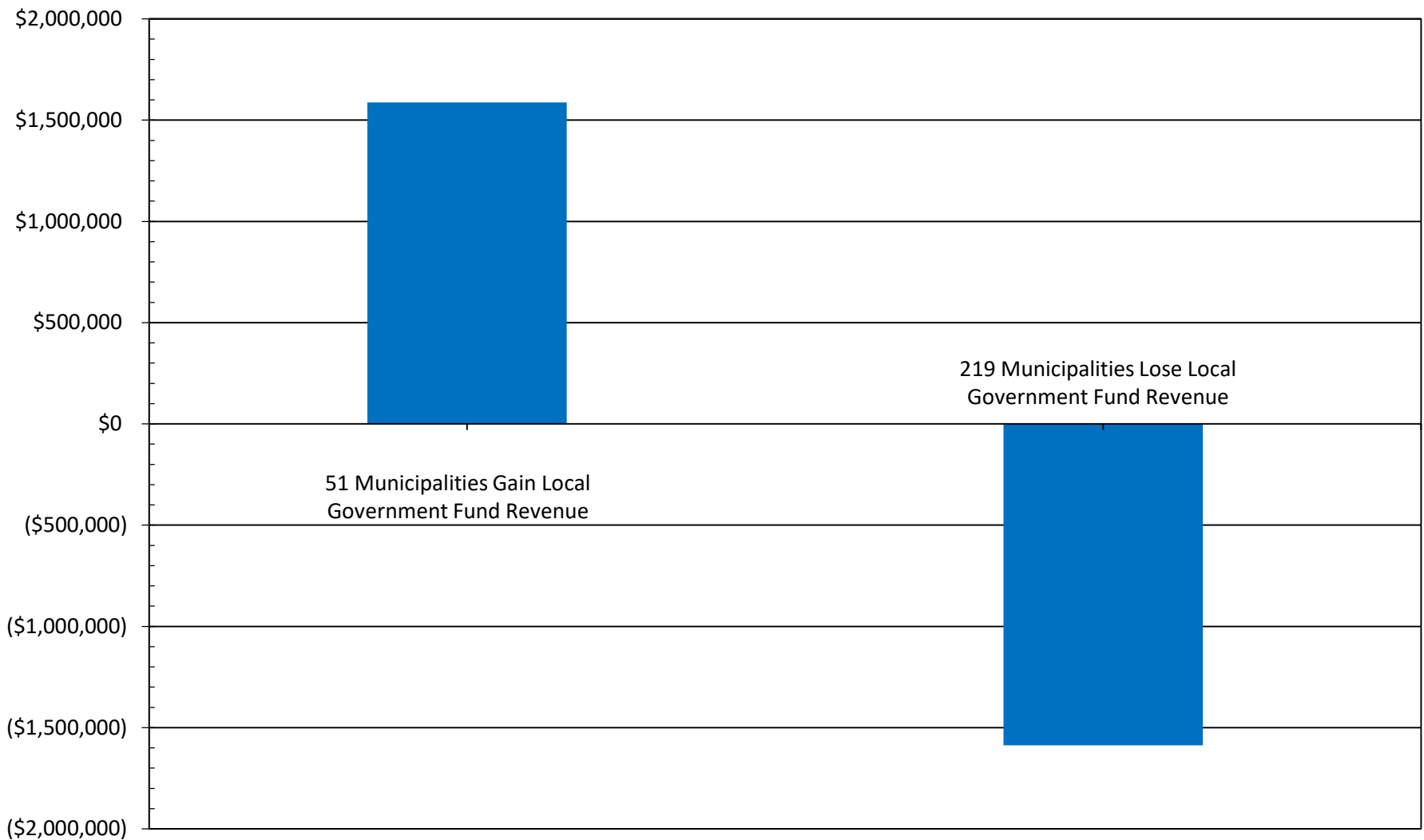
Change from 2010 Census vs 2017 Estimates



Note: Local Government Fund estimates are based upon recurring funds of \$222,619,411 as ratified by the General Assembly on June 29, 2018. The population figures are based on 2010 U.S. Census Bureau data and 2017 U.S. Census population estimates.

MUNICIPAL LOCAL GOVERNMENT FUND CENSUS POPULATION IMPACT

Funding with 2010 Census vs Estimated Population



Note: Local Government Fund estimates are based upon recurring funds of \$222,619,411 as ratified by the General Assembly on June 29, 2018. The population figures are based on 2010 U.S. Census Bureau data and 2017 U.S. Census population estimates.

ANY
QUESTIONS
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