

STATE INDIVIDUAL INCOME TAX COMPARISONS

REQUESTED BY HOUSE TAX POLICY REVIEW COMMITTEE

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STATE INDIVIDUAL INCOME TAX COMPARISONS 2012 Report

<http://rfa.sc.gov/econ/reports/econanalysis>



MAJOR FINDINGS

- Forty-one states impose a broad based individual income tax.
- South Carolina has a relatively low individual income tax burden. Tax burden was the tenth lowest nationwide in tax year 2012.



STATE AVERAGE EFFECTIVE INDIVIDUAL INCOME TAX RATES

Tax Year 2012



Sources: State and Local Government Finances by Level of Government and by State: 2102, US Census Bureau and Internal Revenue Service, Statistics of Income Division, Individual Master File System, December 2013. Calculations by the S.C. Revenue and Fiscal Affairs Office.

MAJOR FINDINGS

Three Contributing Factors

- South Carolina taxpayers have lower incomes compared to taxpayers in other states.
- Tax deductions, exemptions, and brackets vary. South Carolina allows taxpayers to retain all federal deductions and exemptions and has a zero tax bracket.
- State tax rates vary widely. Top marginal tax rates ranged from 3.07% to 11%.

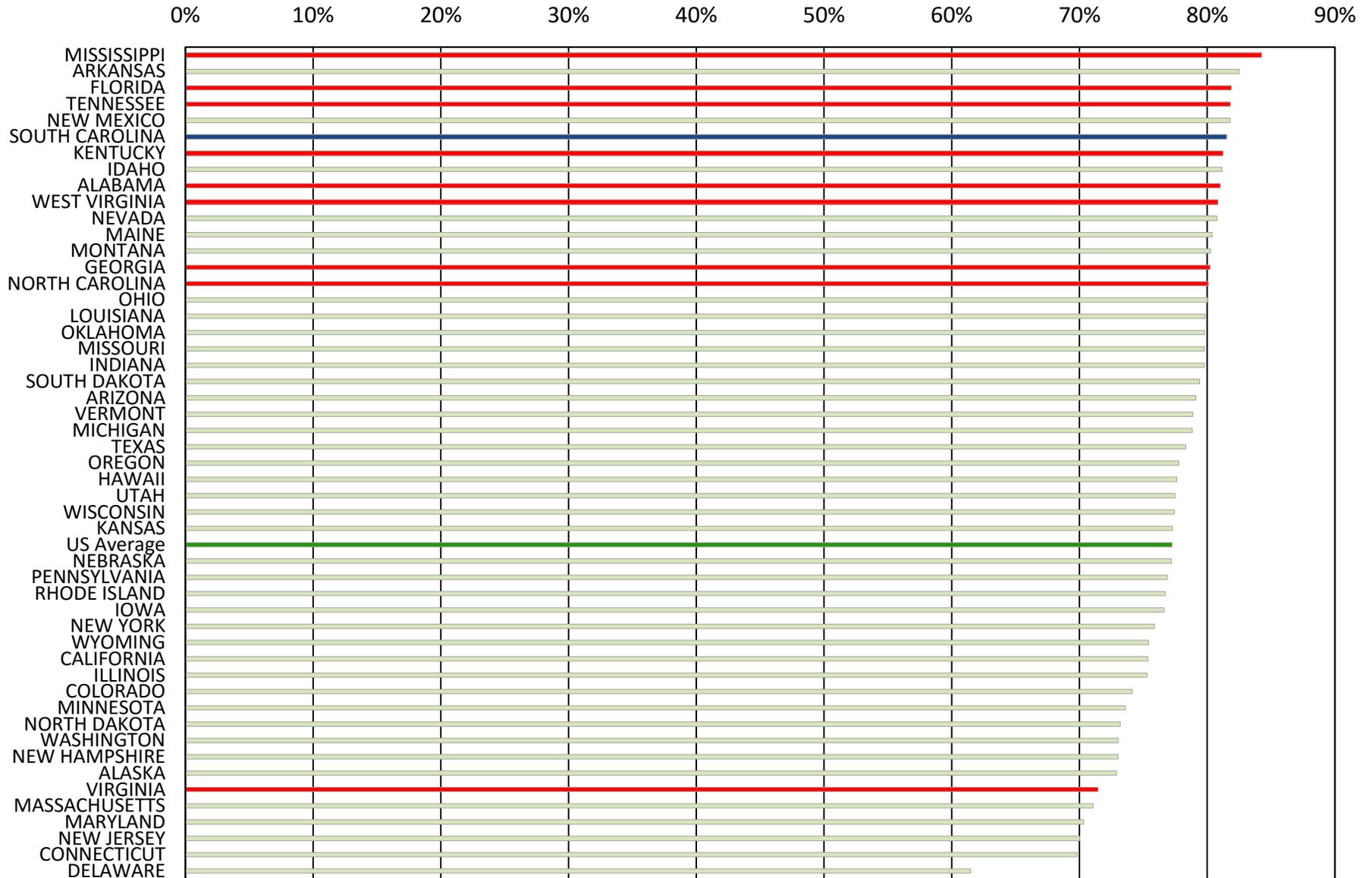


LOWER FEDERAL ADJUSTED GROSS INCOMES

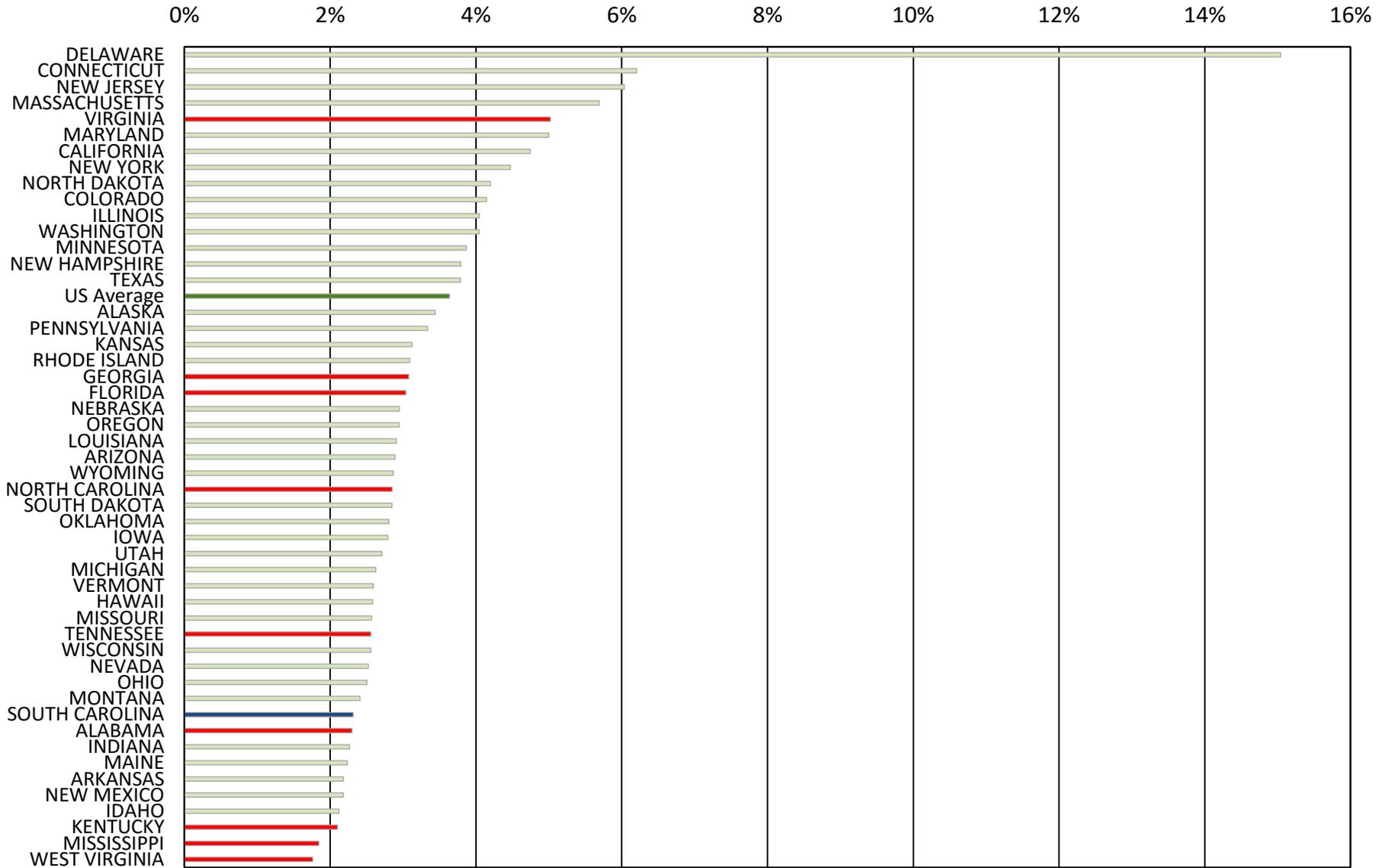


TAX YEAR 2012 PERCENTAGE OF FEDERAL RETURNS UNDER \$50,000 OF AGI

By State

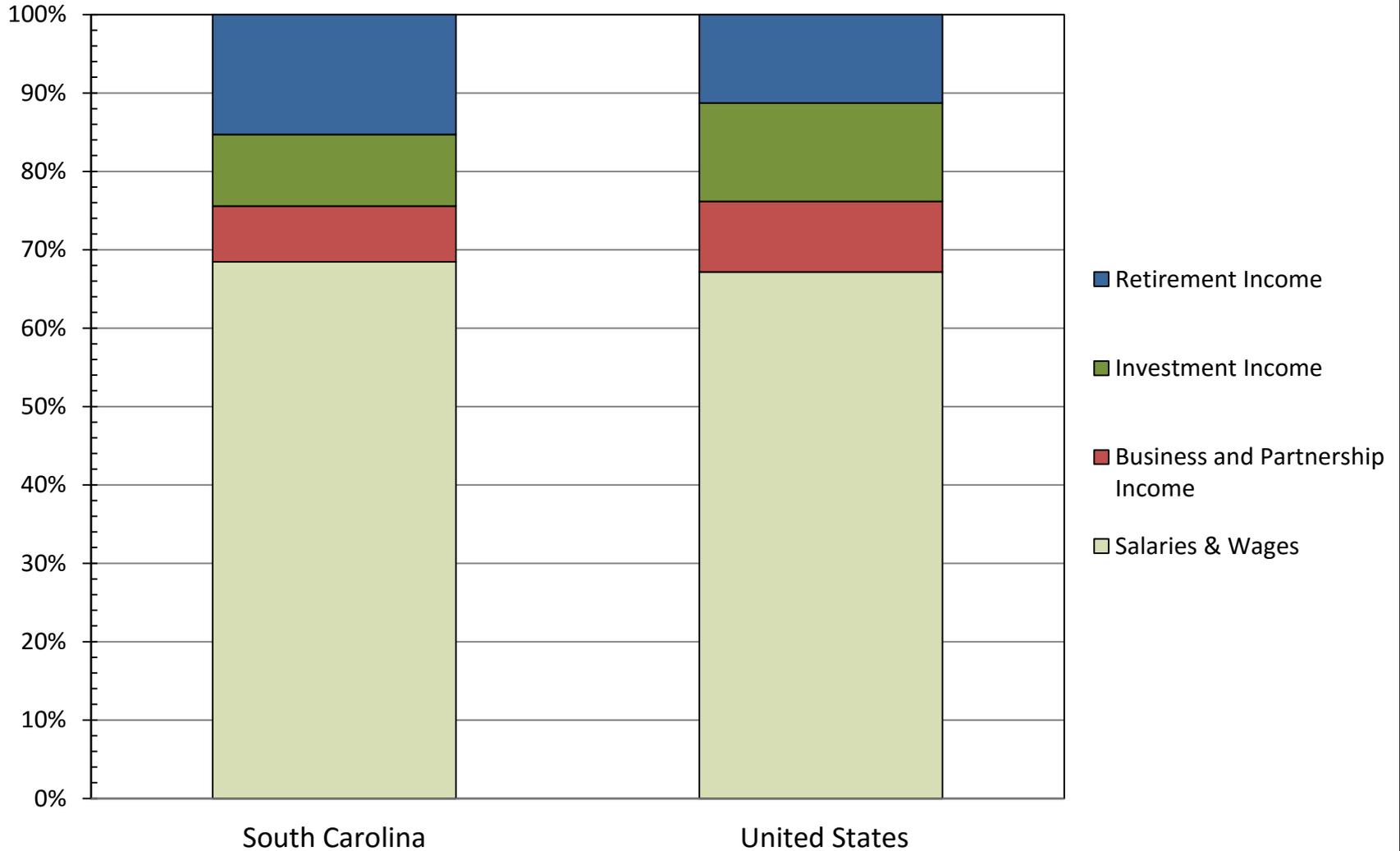


TAX YEAR 2012 PERCENTAGE OF FEDERAL RETURNS OVER \$200,000 OF AGI By State



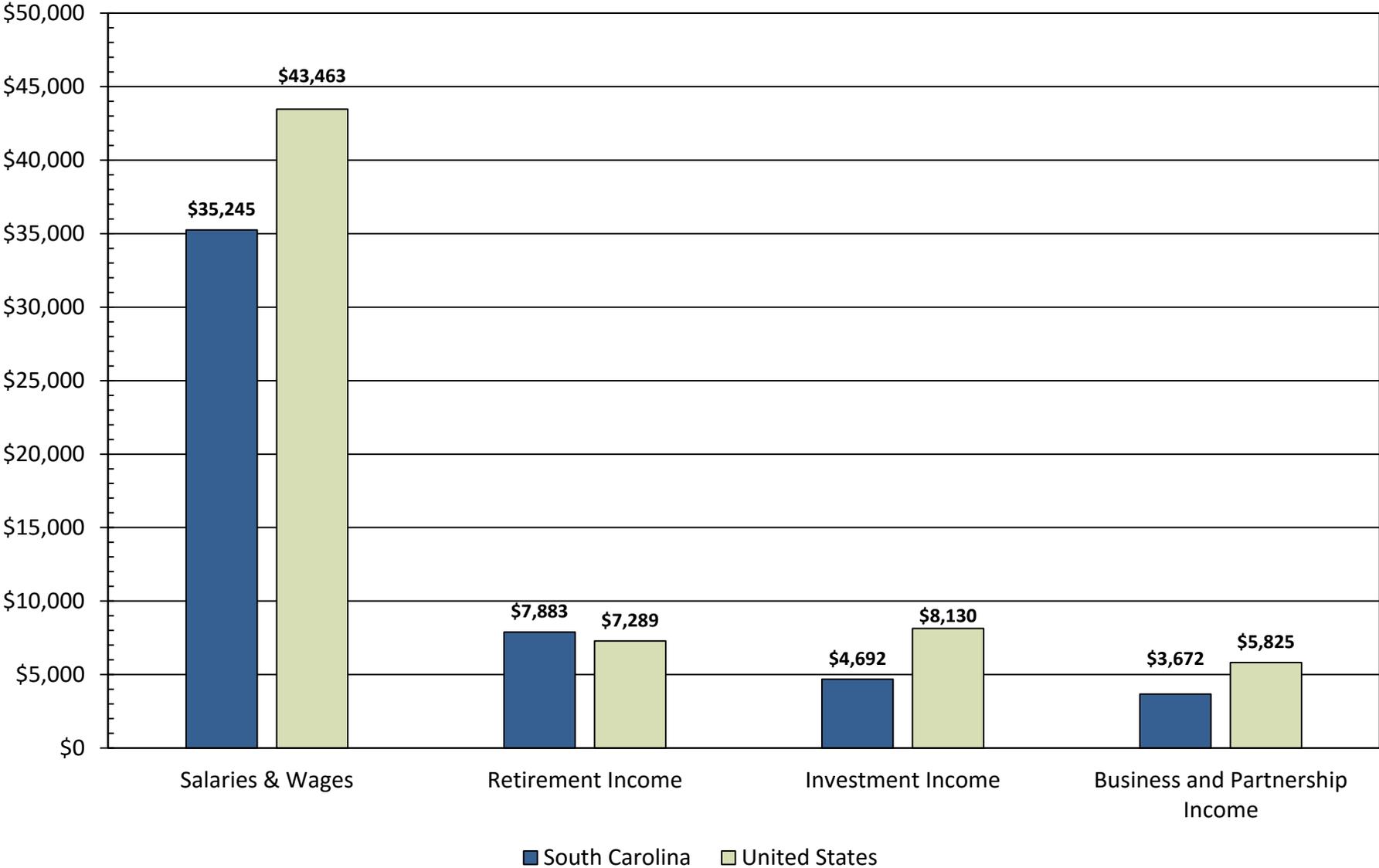
Source: Internal Revenue Service, Statistics of Income Division, Individual Master File System, December 2013. Calculations by the S. C. Revenue and Fiscal Affairs Office.

FEDERAL ADJUSTED GROSS INCOME COMPONENTS As a Percentage of Total Federal Adjusted Gross Income



FEDERAL ADJUSTED GROSS INCOME COMPONENTS

Average Per Return



Source: Internal Revenue Service, Statistics of Income Division, Tax Year 2012. <http://www.irs.gov/uac/SOI-Tax-Stats-Historic-Table-2> RFA: GOS: 09/07/16.

TAX STRUCTURE



ADJUSTED GROSS INCOME AND TAXABLE INCOME

Married Filing Jointly Family of Four for Tax Year 2014

	<u>South Carolina</u>	<u>Georgia</u>	<u>North Carolina</u>
Adjusted Gross Income	\$50,000	\$50,000	\$50,000
Less			
Standard Deduction	(\$12,400)	(\$3,000)	(\$15,000)
Personal Exemptions	(\$15,800)	(\$13,400)	\$0
Equals			
Taxable Income	\$21,800	\$33,600	\$35,000

TAXABLE INCOME REDUCTIONS BY STATE IN TAX YEAR 2014

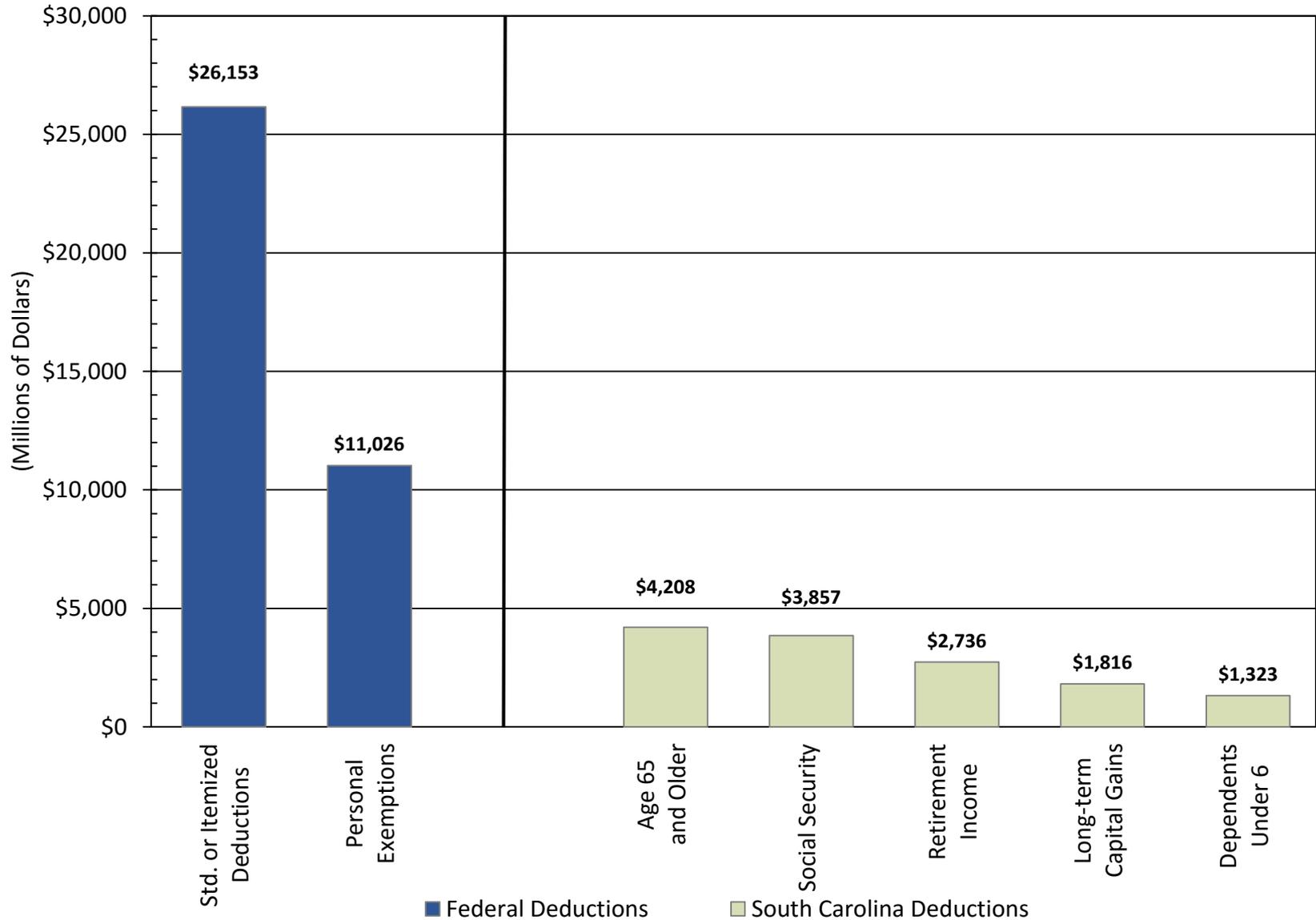
Combined Standard Deduction, Personal Exemptions, and Zero Tax Brackets For a Married Filing Joint Return with Two Dependents



For states that allow a personal credit rather than a personal exemption, RFA calculates an exemption amount by dividing the allowable personal credit by the highest marginal tax rate. This may overstate the value of the calculated personal exemption for taxpayers with lower incomes.

Source: Information on Deductions, exemptions, and tax brackets for each state were obtained from 2014 state tax forms.

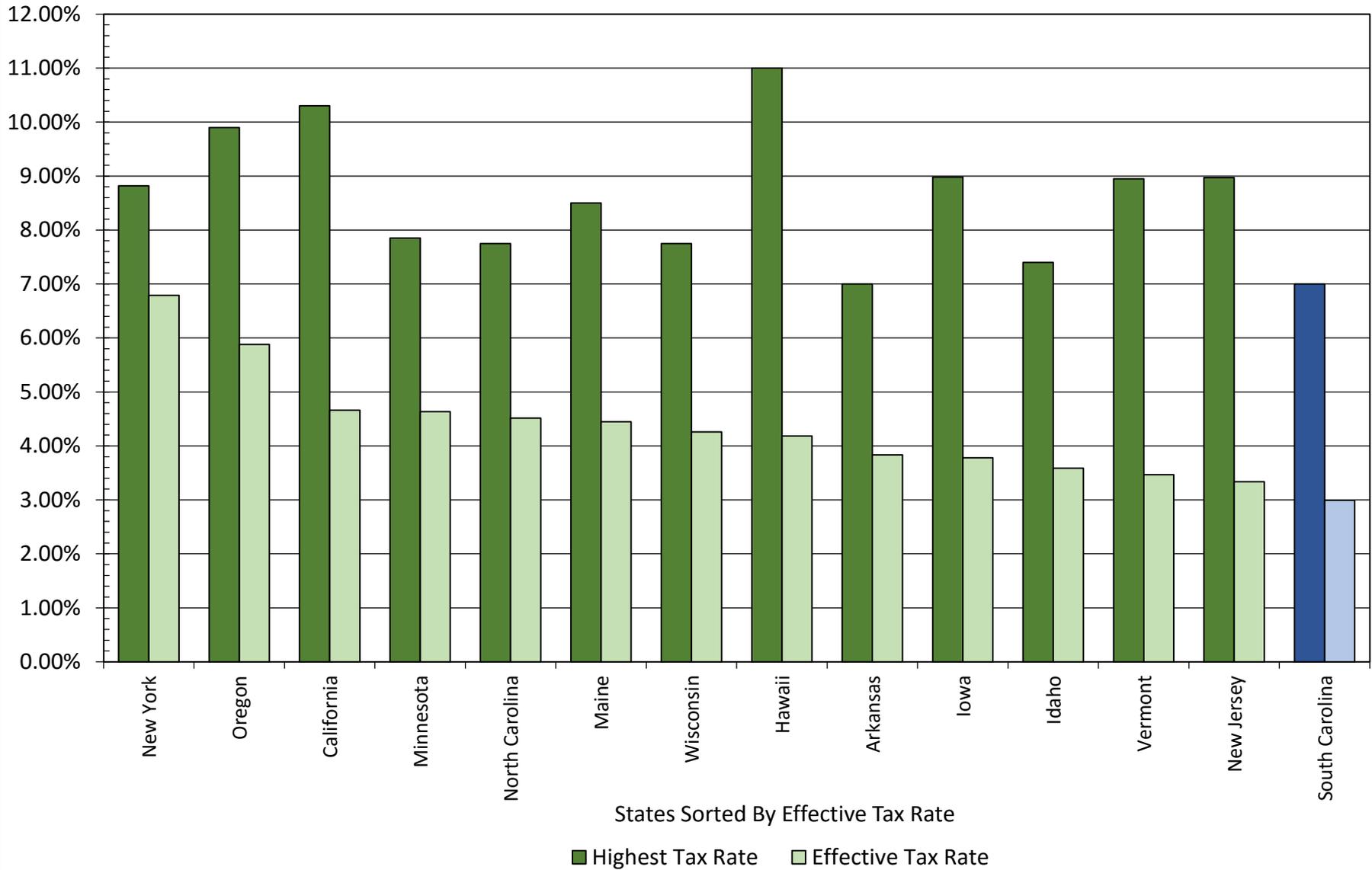
FEDERAL AND STATE DEDUCTIONS FROM SOUTH CAROLINA INCOME Tax Year 2014



MARGINAL TAX RATES AND EFFECTIVE TAX RATES

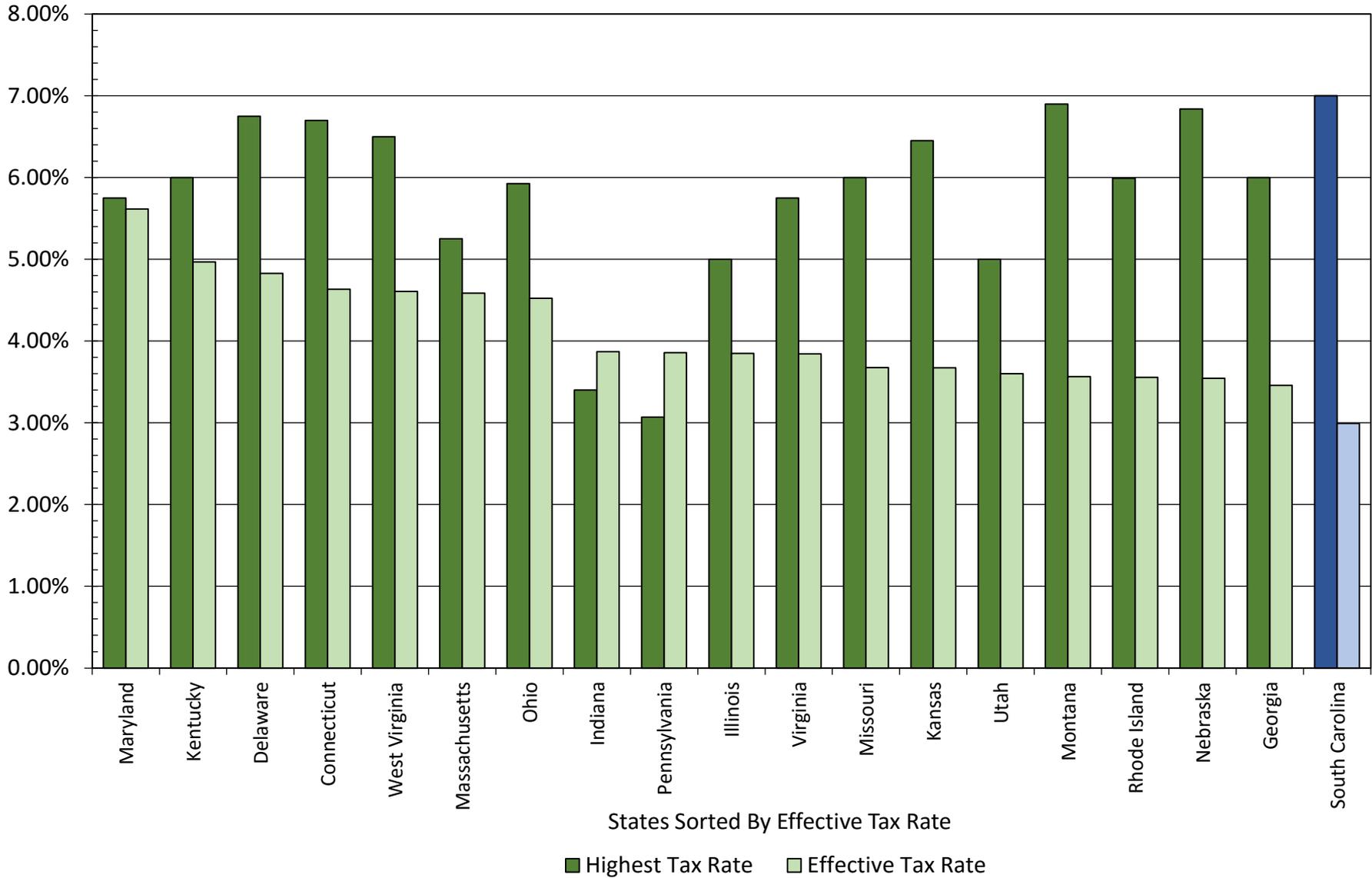


STATES WITH HIGHER MARGINAL TAX RATES & HIGHER EFFECTIVE RATES Relative to South Carolina



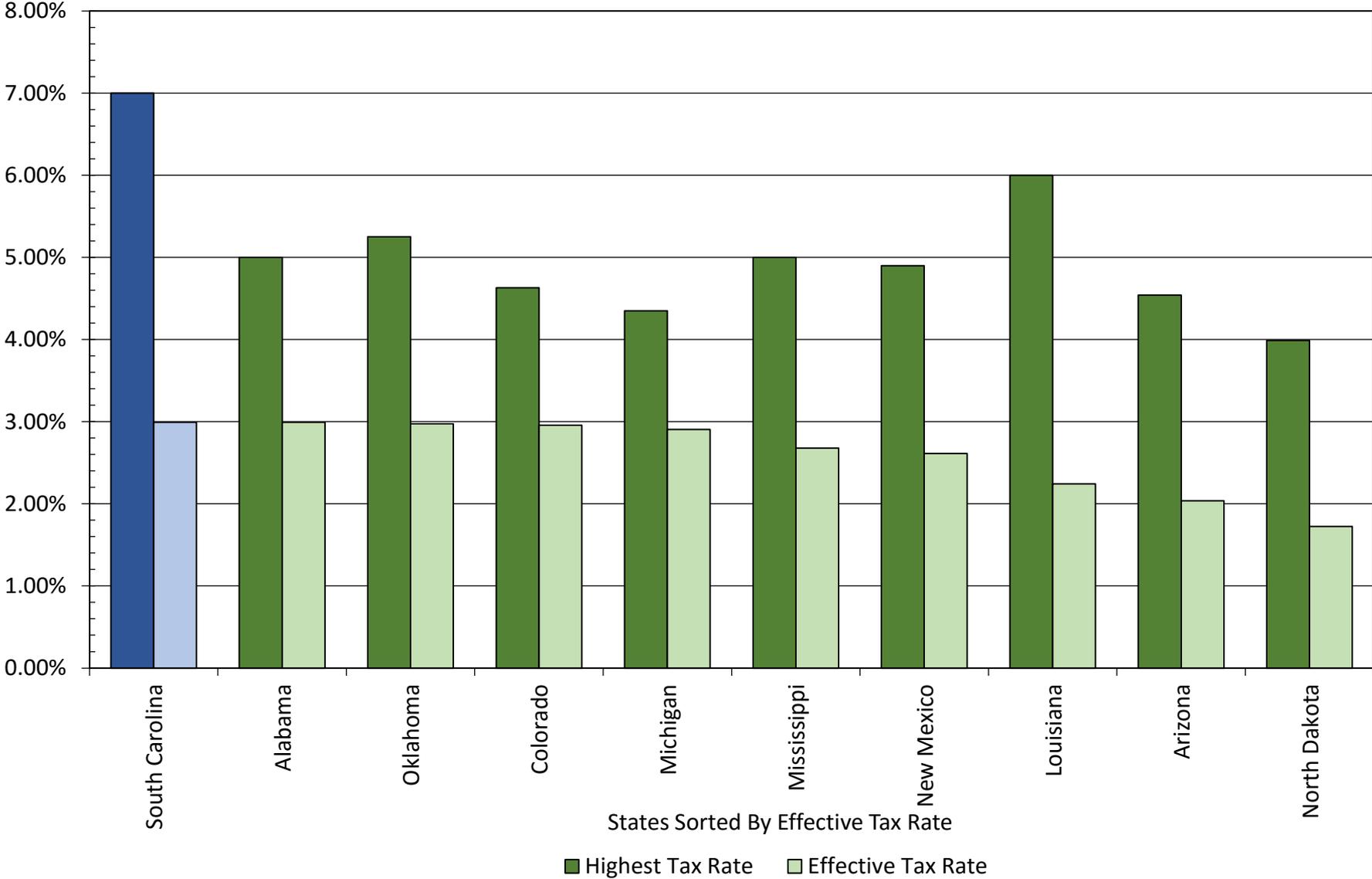
Source: Tax rate and brackets for each state were obtained from 2012 state tax forms. Data compiled by the S.C. Revenue and Fiscal Affairs Office. GOS/09/09/16

STATES WITH LOWER MARGINAL TAX RATES & HIGHER EFFECTIVE RATES Relative to South Carolina



Source: Tax rate and brackets for each state were obtained from 2012 state tax forms. Data compiled by the S.C. Revenue and Fiscal Affairs Office. GOS/09/09/16

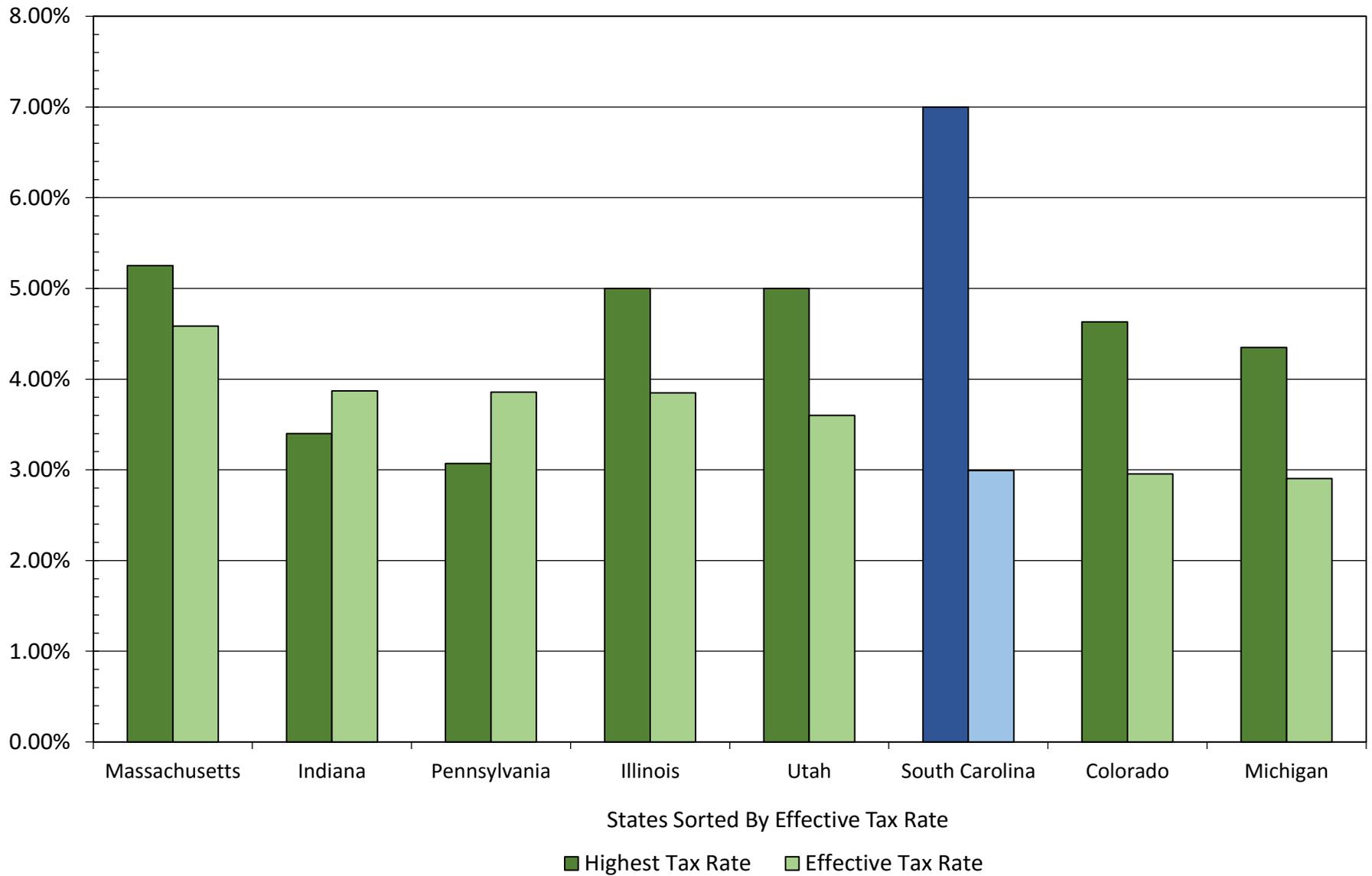
STATES WITH LOWER MARGINAL TAX RATES & LOWER EFFECTIVE RATES Relative to South Carolina



Source: Tax rate and brackets for each state were obtained from 2012 state tax forms. Data compiled by the S.C. Revenue and Fiscal Affairs Office. GOS/09/09/16

STATES WITH A FLAT INCOME TAX RATE

Compared to South Carolina's Marginal and Effective Tax Rates



Source: Tax rate and brackets for each state were obtained from 2012 state tax forms. Data compiled by the S.C. Revenue and Fiscal Affairs Office. GOS/09/09/16

QUESTIONS

