



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0046 Amended by Senate Finance Sales and Income Tax Subcommittee on January 24, 2017
Author: Campsen
Subject: Taxpayer Inflation Protection Act
Requestor: Senate Finance
RFA Analyst(s): Jolliff
Impact Date: January 30, 2017

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18	FY 2018-19
State Expenditure			
General Fund		\$0	\$0
Other and Federal		\$0	\$0
Full-Time Equivalent Position(s)		0.00	0.00
State Revenue			
General Fund	(\$102,000)	(\$1,850,000)	\$0
Other and Federal		\$0	\$0
Local Expenditure		\$0	\$0
Local Revenue		\$0	\$0

Fiscal Impact Summary

This bill as amended is not expected to impact expenditures for the General Fund, Federal Funds, or Other Funds.

The bill as amended is expected to reduce General Fund individual income tax revenue by \$102,000 in FY 2016-17 and \$1,850,000 in FY 2017-18.

Explanation of Fiscal Impact

Amended by Senate Finance Sales and Income Tax Subcommittee on January 24, 2017

State Expenditure

This bill would require the Department of Revenue to increase the individual income tax brackets by the full inflation adjustment specified in Section 12-6-520 up to four percent a year, as opposed to one-half of the adjustment as currently required. The bill does not significantly change the current procedure to adjust the bracket amount annually and is not expected to impact expenditures for the agency.

State Revenue

This bill as amended requires that the individual income tax brackets be adjusted annually for the full inflation adjustment specified by Internal Revenue Code Section 1(f) beginning in tax year 2017. The amendment also retains the current requirement that the adjustment may not exceed

four percent a year, which was previously deleted in the bill as introduced. Based upon our current expectations for inflation, this change does not alter our analysis of the fiscal impact.

Presently, the tax brackets are indexed for one-half of the inflation adjustment. For tax year 2017, the full inflation adjustment is 0.79 percent. This would increase the bracket amount from \$2,930 to \$2,940. Individual income tax would be reduced by approximately \$1,952,000 in tax year 2017. The average reduction is \$2 per tax return. The impact by taxable income range is included in the attached detailed table. In a typical year, inflation is 2 percent or more, which potentially would double the income tax reduction in future years.

We anticipate that taxpayers who file estimated tax payments will reduce their quarterly declarations in response to the tax reduction. As such, 5.25 percent of the total tax year impact is recognized in the prior fiscal year for the first two calendar quarters of reduced estimated tax payments, and the remaining impact is reflected in next fiscal year through the remaining reduced payments and higher refunds. Given these assumptions, General Fund individual income tax revenue would be reduced by \$102,000 in FY 2016-17 and \$1,850,000 in FY 2017-18.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 10, 2017

State Expenditure

This bill would require the Department of Revenue to increase the individual income tax brackets by the full inflation adjustment specified in Section 12-6-520, as opposed to one-half of the adjustment as currently required. The bill does not significantly change the current procedure to adjust the bracket amount annually and is not expected to impact expenditures for the agency.

State Revenue

This bill amends Section 12-6-520 to require that the individual income tax brackets be adjusted annually for the full inflation adjustment specified by Internal Revenue Code Section 1(f) beginning in tax year 2017. Currently, the tax brackets are indexed for one-half of the inflation adjustment. For tax year 2017, the full inflation adjustment is 0.79 percent. This would increase the bracket amount from \$2,930 to \$2,940. Individual income tax would be reduced by approximately \$1,952,000 in tax year 2017. The average reduction is \$2 per tax return. The impact by taxable income range is included in the attached detailed table. In a typical year, inflation is 2 percent or more, which potentially would double the income tax reduction in future years.

We anticipate that taxpayers who file estimated tax payments will reduce their quarterly declarations in response to the tax reduction. As such, 5.25 percent of the total tax year impact is recognized in the prior fiscal year for the first two calendar quarters of reduced estimated tax payments, and the remaining impact is reflected in next fiscal year through the remaining

reduced payments and higher refunds. Given these assumptions, General Fund individual income tax revenue would be reduced by \$102,000 in FY 2016-17 and \$1,850,000 in FY 2017-18.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

ESTIMATE OF TAX YEAR 2017 INCOME TAX ADJUSTEMENT BY FULLY INDEXING THE BRACKETS FOR INFLATION

Objective: Increase tax bracket amount from \$2,930 to \$2,940.

With these brackets and rates, 100.0% of filers have a lower or unchanged liability and the General Fund impact is (\$ 1,952,000).

Baseline Taxable Income Range 2014	Current Tax Structure					Estimate of Adjusted Tax Structure			
	Projected # of Filers 2017	Cumulative # of Filers	Cumulative % of Filers	Projected Average		Adjusted Average Tax Liability 2017	Average Tax Increase/ (Decrease) 2017	Total Dollar Increase/ (Decrease) 2017	
				Taxable Income 2017	Average Tax Liability 2017				
col 1	col 2 (a)	col 3	col 4	col 5 (b)	col 6	col 7	col 8	col 9	
0	790,763	790,763	33.47%	0	0	0	0	0	
1-5,000	281,793	1,072,556	45.40%	2,458	0	0	0	(36,184)	
5,000-10,000	193,898	1,266,454	53.61%	8,128	179	178	(1)	(114,154)	
10,000-20,000	281,445	1,547,899	65.53%	16,116	630	628	(2)	(416,778)	
20,000-30,000	196,469	1,744,368	73.84%	27,175	1,404	1,402	(2)	(333,997)	
30,000-40,000	141,403	1,885,771	79.83%	38,205	2,176	2,175	(2)	(240,385)	
40,000-50,000	103,563	1,989,334	84.21%	49,169	2,944	2,942	(2)	(176,057)	
50,000-60,000	78,674	2,068,008	87.54%	60,186	3,715	3,713	(2)	(133,745)	
60,000-70,000	60,598	2,128,606	90.11%	71,196	4,486	4,484	(2)	(103,017)	
70,000-80,000	47,320	2,175,925	92.11%	82,175	5,254	5,252	(2)	(80,443)	
80,000-90,000	35,973	2,211,898	93.64%	93,178	6,024	6,023	(2)	(61,154)	
90,000-100,000	27,344	2,239,243	94.79%	104,132	6,791	6,789	(2)	(46,486)	
100,000-110,000	20,995	2,260,238	95.68%	115,145	7,562	7,560	(2)	(35,692)	
110,000-120,000	16,356	2,276,594	96.37%	126,136	8,331	8,330	(2)	(27,804)	
120,000-130,000	12,829	2,289,422	96.92%	137,146	9,102	9,100	(2)	(21,809)	
130,000-140,000	10,219	2,299,641	97.35%	148,232	9,878	9,876	(2)	(17,372)	
140,000-150,000	8,281	2,307,923	97.70%	159,146	10,642	10,640	(2)	(14,078)	
150,000-160,000	6,627	2,314,549	97.98%	170,192	11,415	11,414	(2)	(11,266)	
160,000-170,000	5,394	2,319,943	98.21%	181,144	12,182	12,180	(2)	(9,170)	
170,000-180,000	4,680	2,324,623	98.41%	192,176	12,954	12,953	(2)	(7,956)	
180,000-190,000	3,856	2,328,479	98.57%	203,121	13,720	13,719	(2)	(6,555)	
190,000-200,000	3,296	2,331,775	98.71%	214,108	14,489	14,488	(2)	(5,602)	
200,000-225,000	6,316	2,338,091	98.98%	232,579	15,782	15,781	(2)	(10,738)	
225,000-250,000	4,393	2,342,484	99.16%	260,237	17,719	17,717	(2)	(7,467)	
250,000-300,000	5,853	2,348,337	99.41%	300,075	20,507	20,505	(2)	(9,949)	
300,000-400,000	5,730	2,354,066	99.65%	377,889	25,954	25,952	(2)	(9,740)	
400,000-500,000	2,871	2,356,937	99.77%	488,556	33,701	33,699	(2)	(4,880)	
500,000- \$1M	3,947	2,360,883	99.94%	732,443	50,773	50,771	(2)	(6,709)	
\$1 M - \$2 M	966	2,361,849	99.98%	1,474,187	102,695	102,693	(2)	(1,642)	
\$2 M +	406	2,362,255	100.00%	5,374,566	375,721	375,720	(2)	(690)	
Total	2,362,255			\$29,537	\$1,569	\$1,568	(\$2)	(\$1,952,000)	

2017 Current Tax Brackets

0.00%	\$0 to 2,930
3.00%	\$2,930 to 5,860
4.00%	\$5,860 to 8,790
5.00%	\$8,790 to 11,720
6.00%	\$11,720 to 14,650
7.00%	Over \$14,650

Adjusted Brackets

0.00%	\$0 to 2,940
3.00%	\$2,940 to 5,880
4.00%	\$5,880 to 8,820
5.00%	\$8,820 to 11,760
6.00%	\$11,760 to 14,700
7.00%	Over \$14,700

Source: RFA, SC Dept. of Revenue Income Tax Data 2014
/a 2014 Base Year Grown by 1.7% per year
/b 2014 Base Year Taxable Income Grown by 5.35% for '15 and 4.75% for '15 and thereafter.