

# South Carolina Updates Presented to

**SOUTH CAROLINA ASSOCIATION OF AUDITORS, TREASURERS,  
AND TAX COLLECTORS**



**February 7, 2025**



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[rfa.sc.gov](http://rfa.sc.gov)*

# South Carolina Population Updates

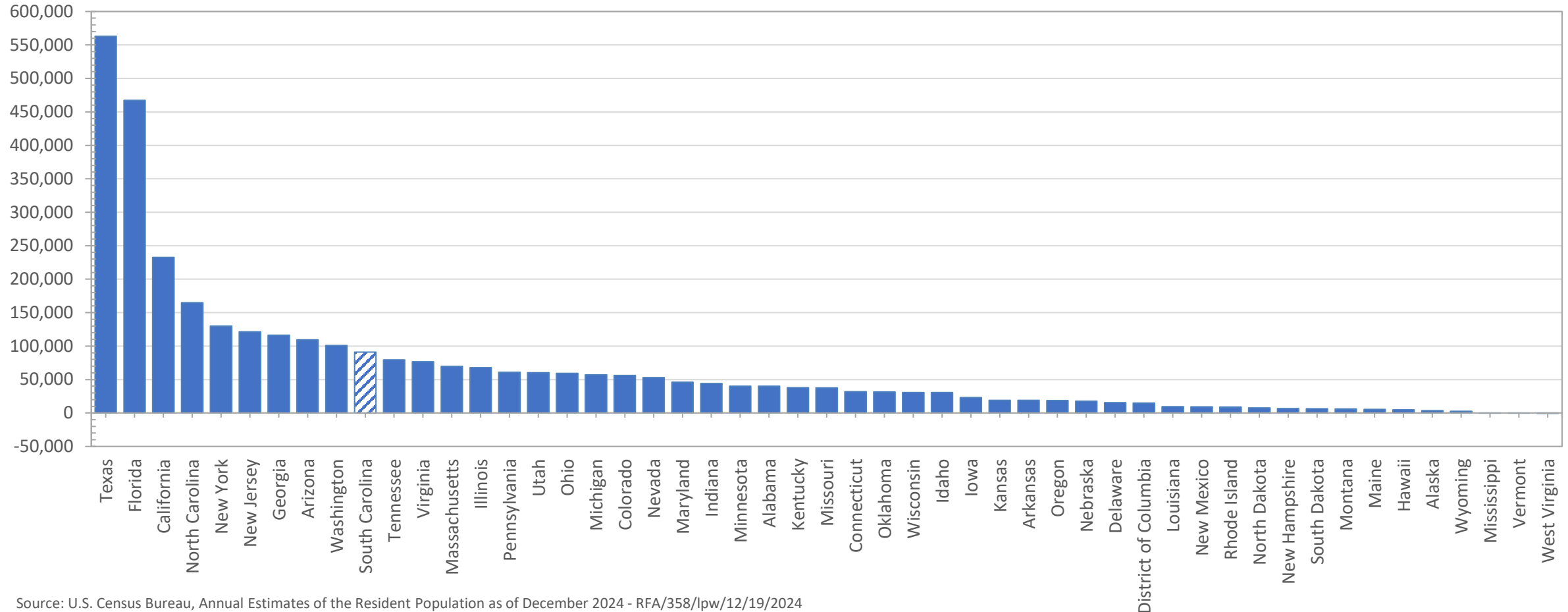


# South Carolina had the 10<sup>th</sup> Largest Population Increase in the US

Population increased by 91,001 (1.7%\*) from 2023 to 2024

\*5<sup>th</sup> Highest percent growth in the US

STATE RANKINGS BY TOTAL POPULATION CHANGE 2023 TO 2024

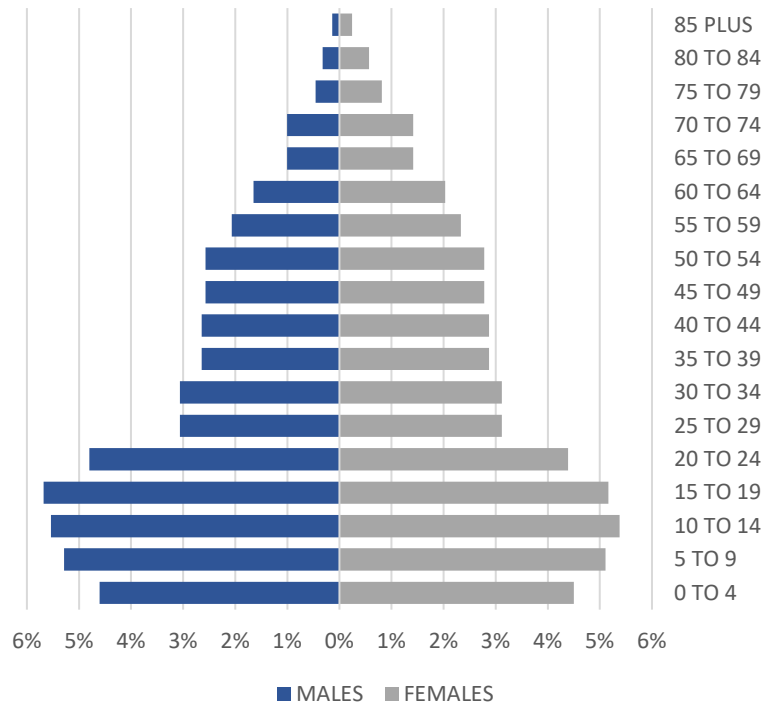


Source: U.S. Census Bureau, Annual Estimates of the Resident Population as of December 2024 - RFA/358/lpw/12/19/2024

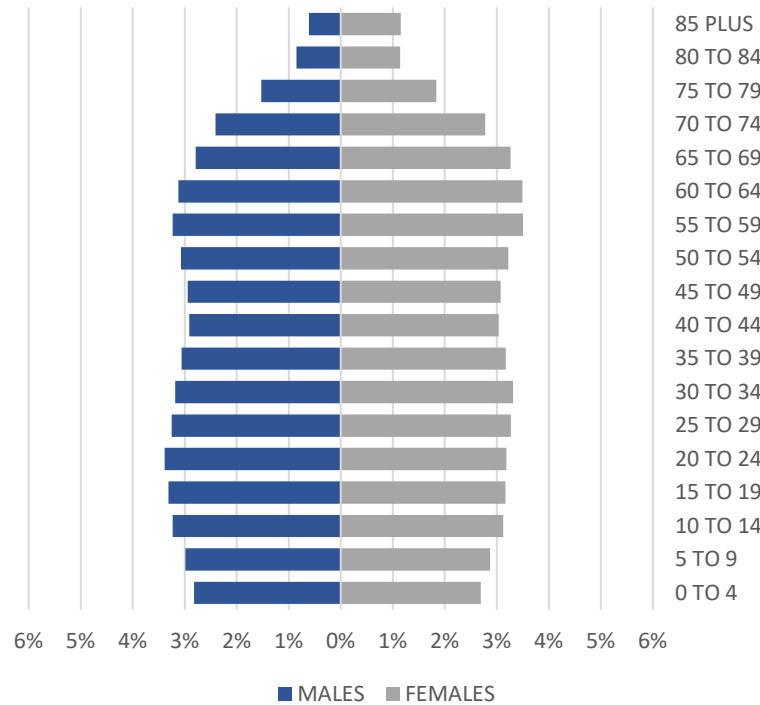
# SC Population Pyramids – 1970, 2020, and 2030

Ageing baby-boomers and retiree migration will continue to push more of the population into the older age brackets

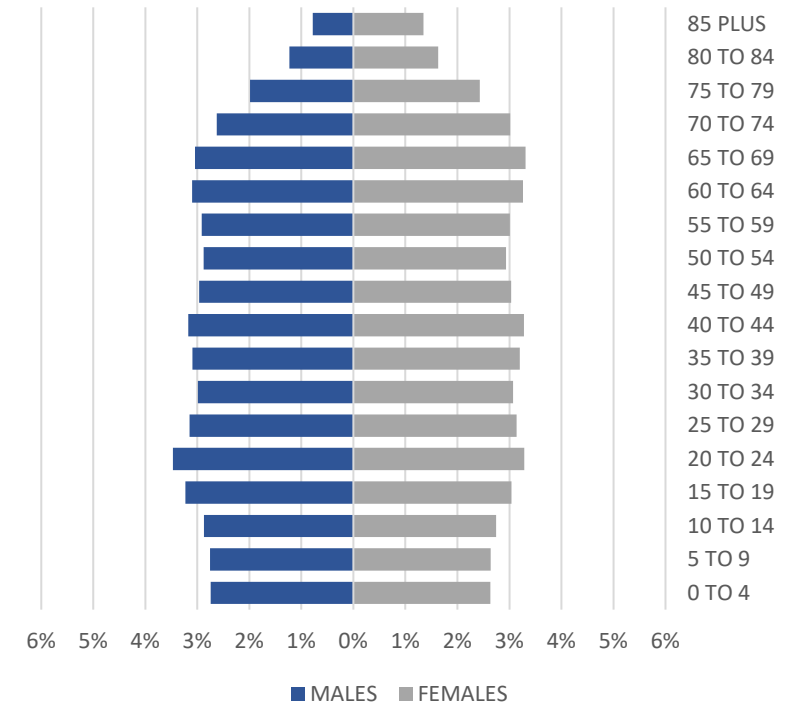
1970 POPULATION PYRAMID



2020 POPULATION PYRAMID



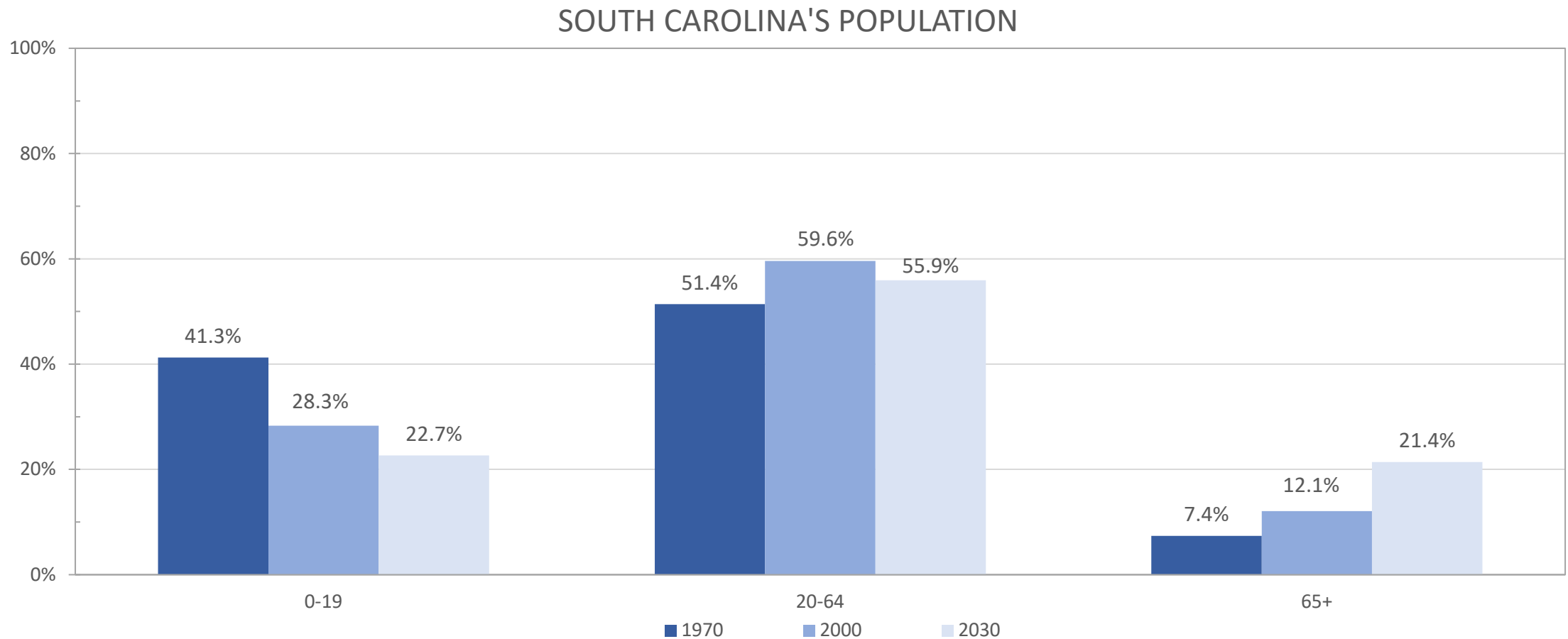
2030 POPULATION PYRAMID



Source: U.S. Census Bureau population estimates; S.C. Revenue and Fiscal Affairs population projections - RFA/356/lpw/12/17/2024

# SC Population Projections

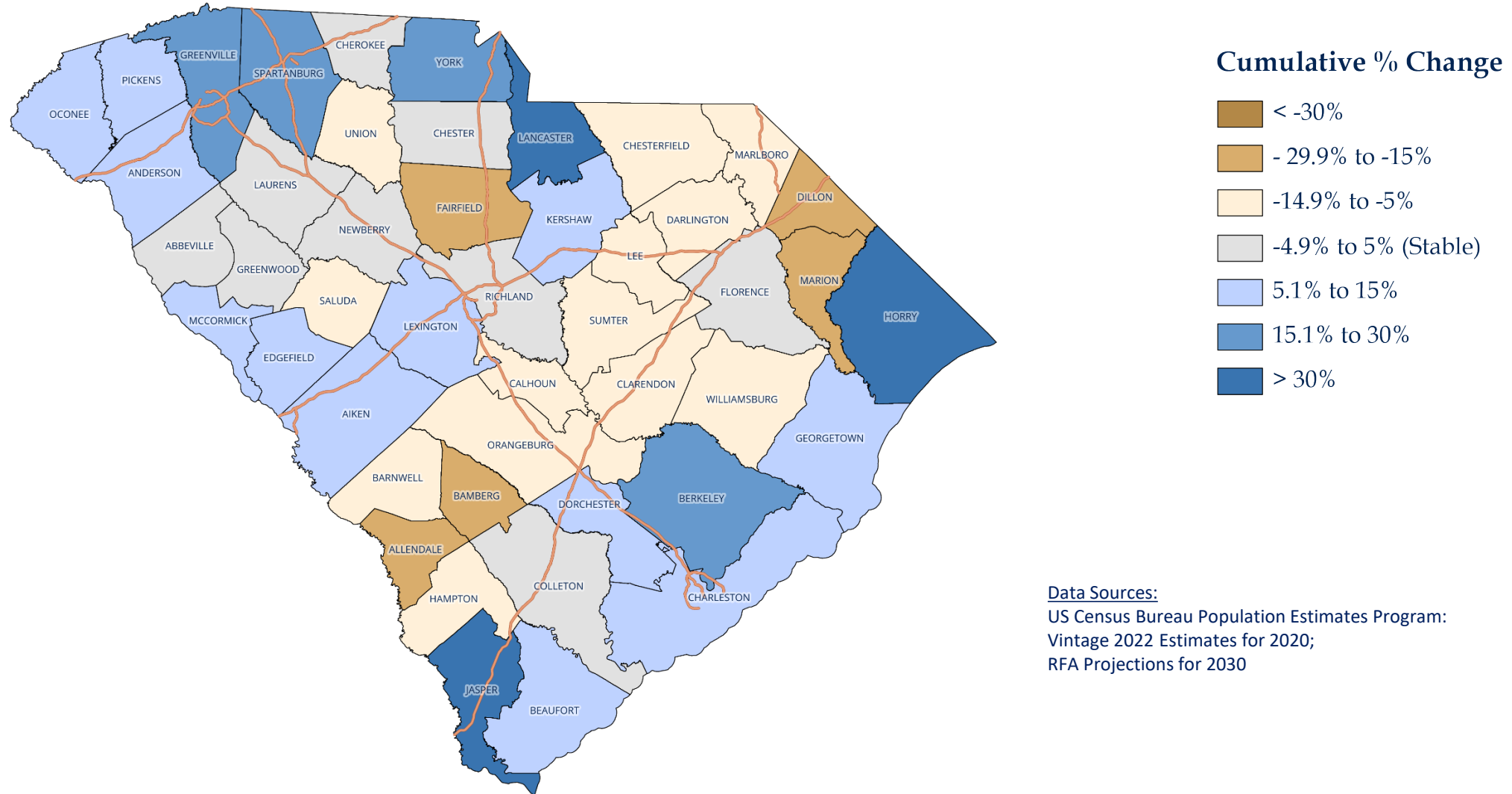
By 2030 there will be almost as many people 65 and over as people under 20; the percentage of people of workforce age is projected to decrease



Source: U.S. Census Bureau population estimates; S.C. Revenue and Fiscal Affairs population projections - RFA/356/lpw/12/17/2024

# Projected Total Population Change by County 2020 - 2030

Wide range of change by county

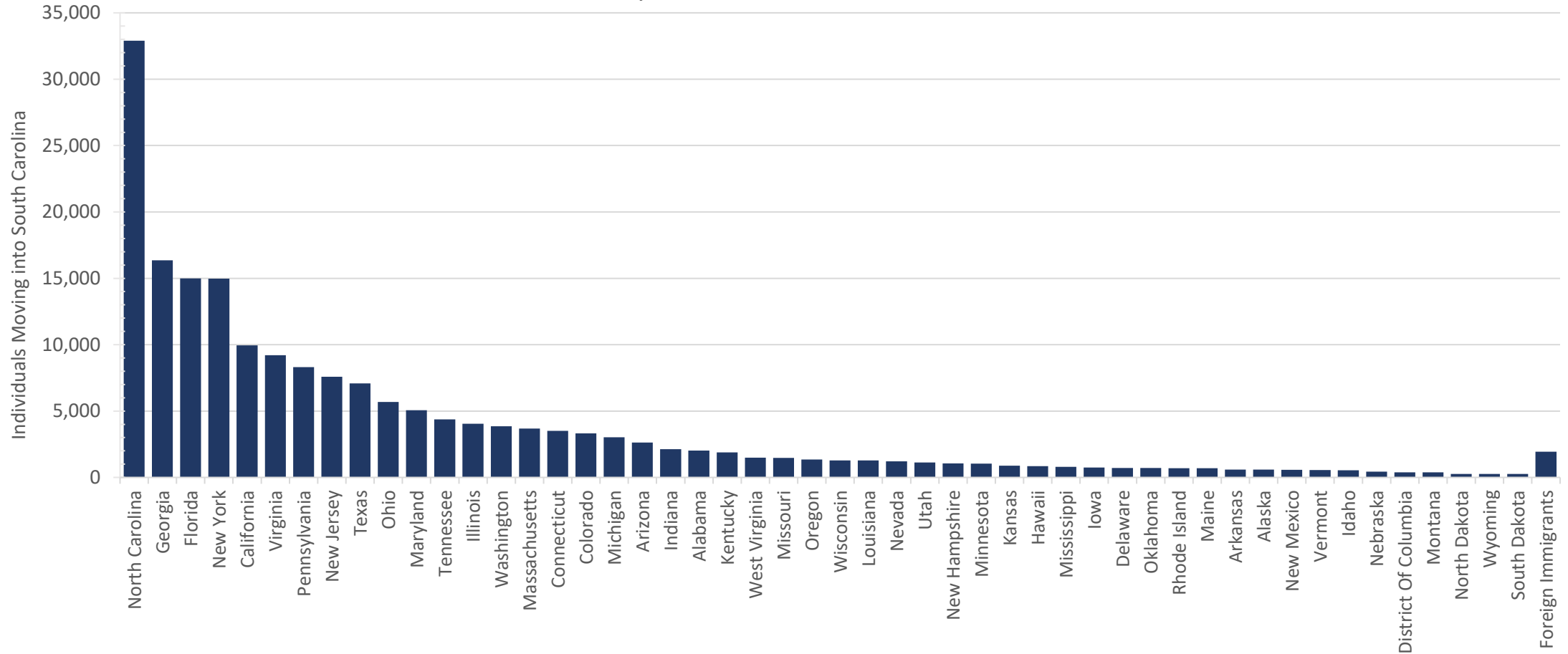


Data Sources:  
US Census Bureau Population Estimates Program:  
Vintage 2022 Estimates for 2020;  
RFA Projections for 2030

# South Carolina In-Migration

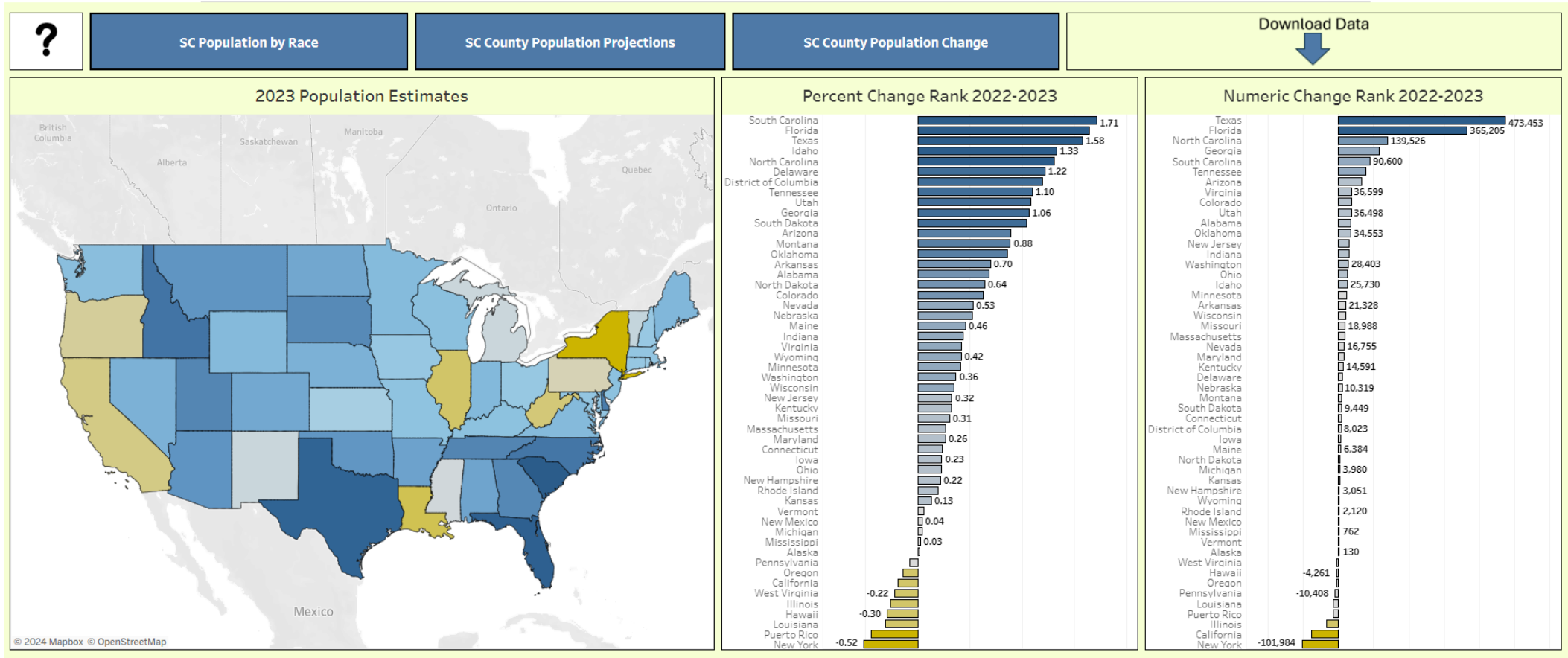
The majority of people moving to SC came from North Carolina and Georgia

MIGRATION INTO SOUTH CAROLINA, 2021 to 2022  
by State of Previous Residence



Source: Internal Revenue Service, Individual Income Tax Filings, 360-RFA/kv/01/27/2025

# RFA Population Dashboard – rfa.sc.gov



Direct Link:

<https://rfa.sc.gov/data-research/population-demographics/census-state-data-center/estimates-projections-dashboard>



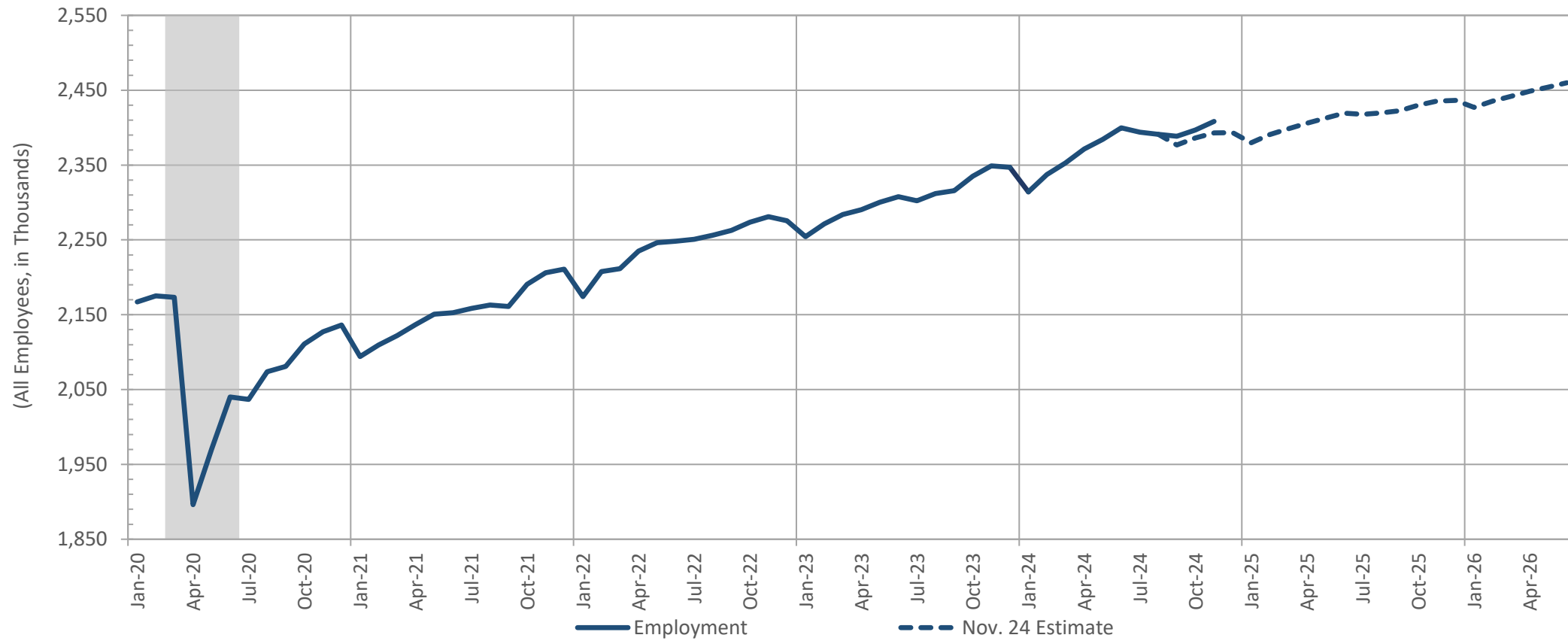
# State and National Economy



# SC Employment

Employment in November 2024 was 2.5% above the November 2023 level and above our estimate of 1.9%; our full FY 25 estimate is 2.2%

TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



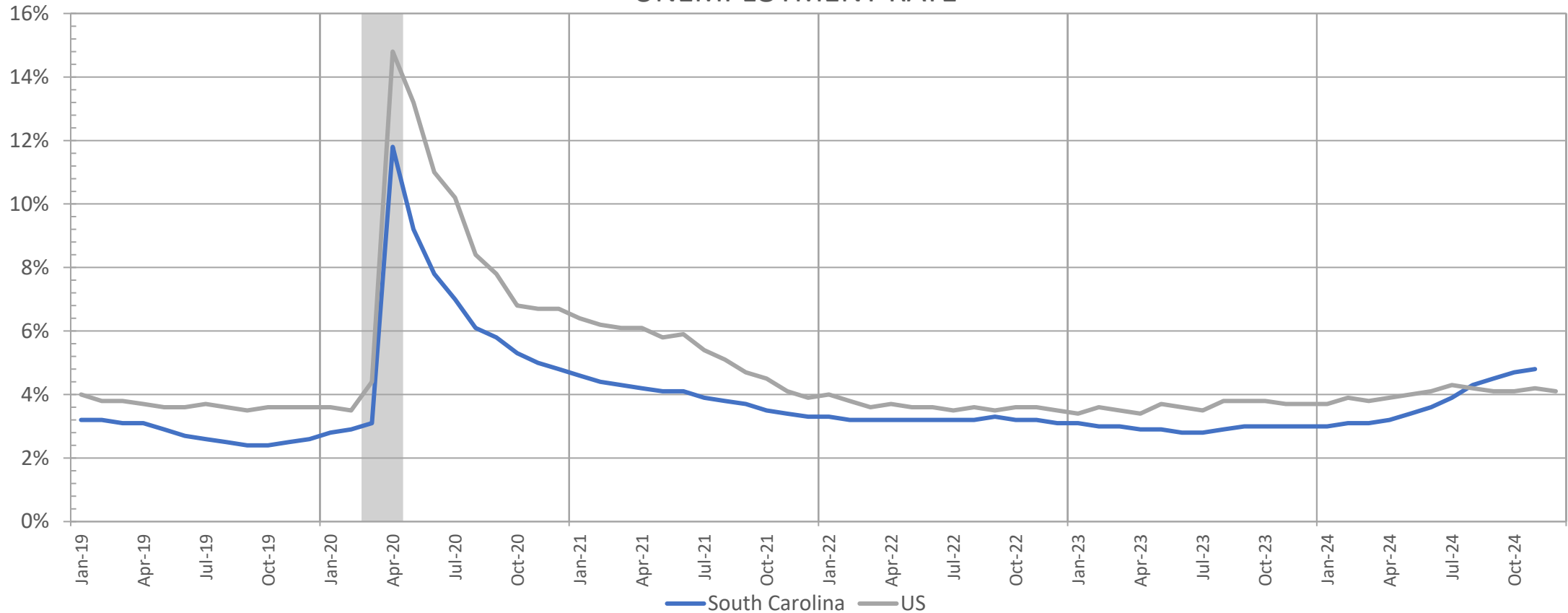
Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/kav/1/6/2025



# SC Unemployment

South Carolina's unemployment rate rose to 4.8% in November; most of this increase comes from rising labor force participation, though it appears that it is taking longer for labor force entrants to find jobs

UNEMPLOYMENT RATE

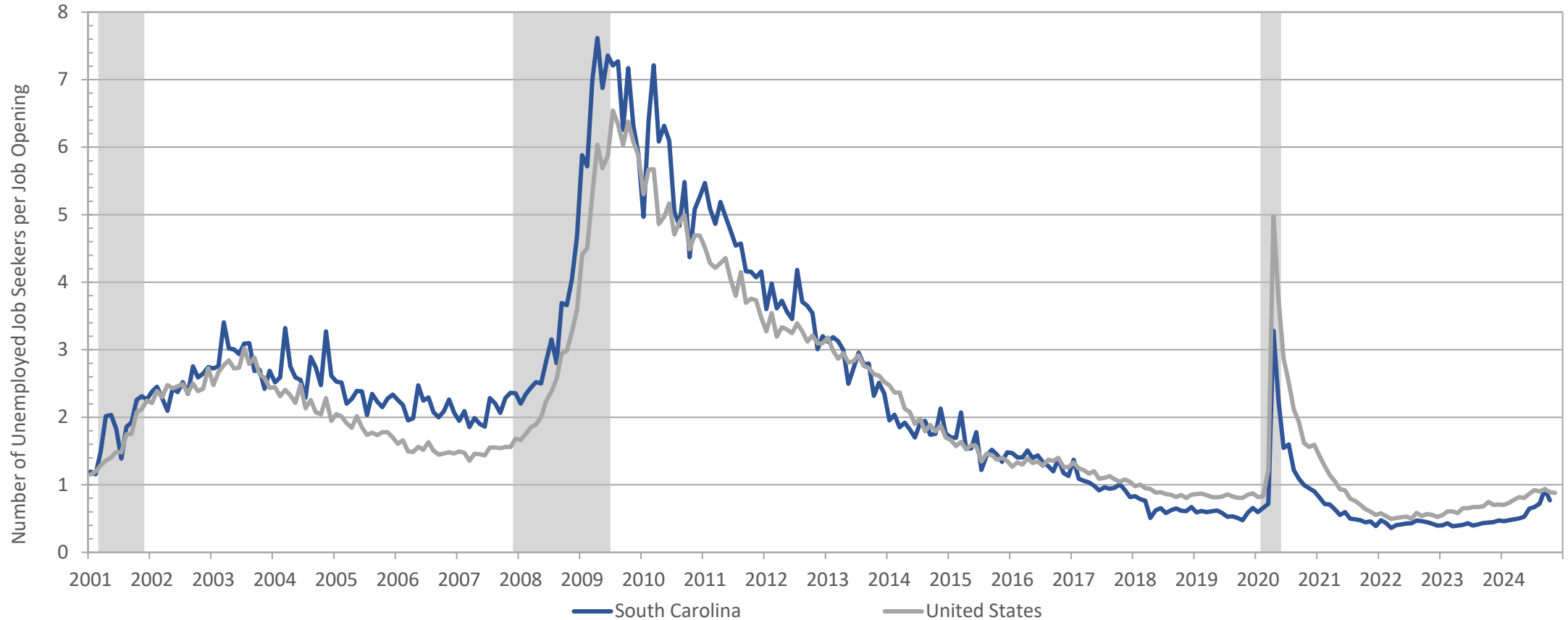


Source: U.S. Department of Labor, Bureau of Labor Statistics 129-RFA/kav/1/13/2025

# Unemployed Persons Per Job Opening

The labor market is starting to shift back to a 1:1 ratio of unemployed persons per job opening after years of more jobs than unemployed people

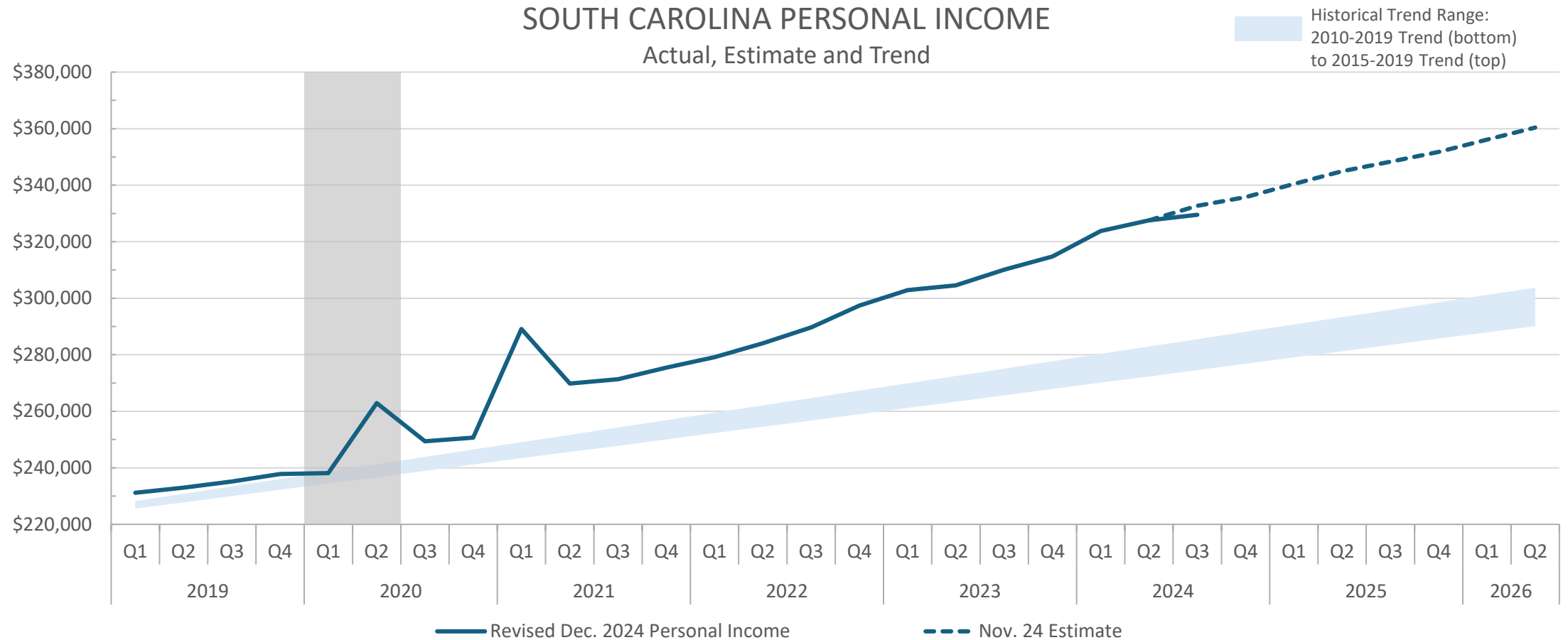
UNEMPLOYED PERSONS PER JOB OPENING



Source: U.S. Bureau of Labor Statistics, CPS and JOLTS; seasonally adjusted 259A2 - RFA/kv/1/14/2025

# SC Personal Income

Personal income remains close to the forecasted 6.1% growth over FY 25

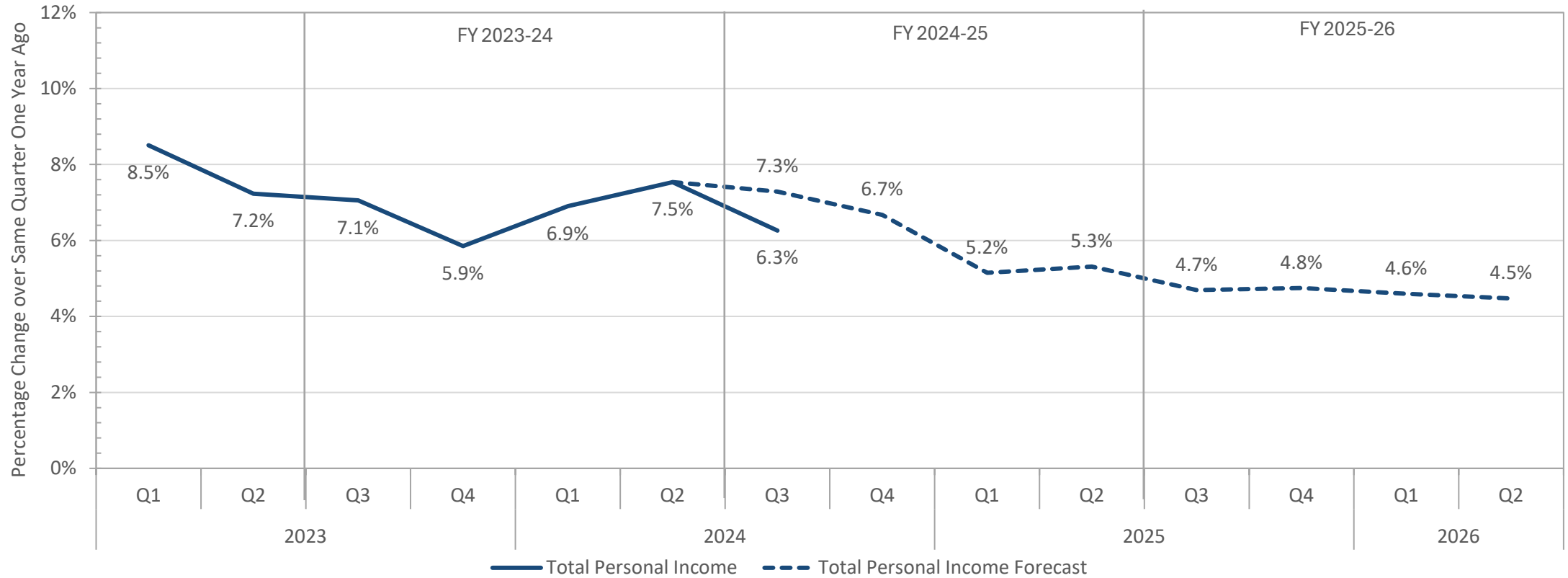


Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors - RFA/kav/1/6/2025

# SC Personal Income Growth

Personal income growth is expected to continue to slow over the forecast horizon  
FY 25: 5.7% FY 26: 4.6%

SOUTH CAROLINA PERSONAL INCOME  
Actual and November 2024 Estimate



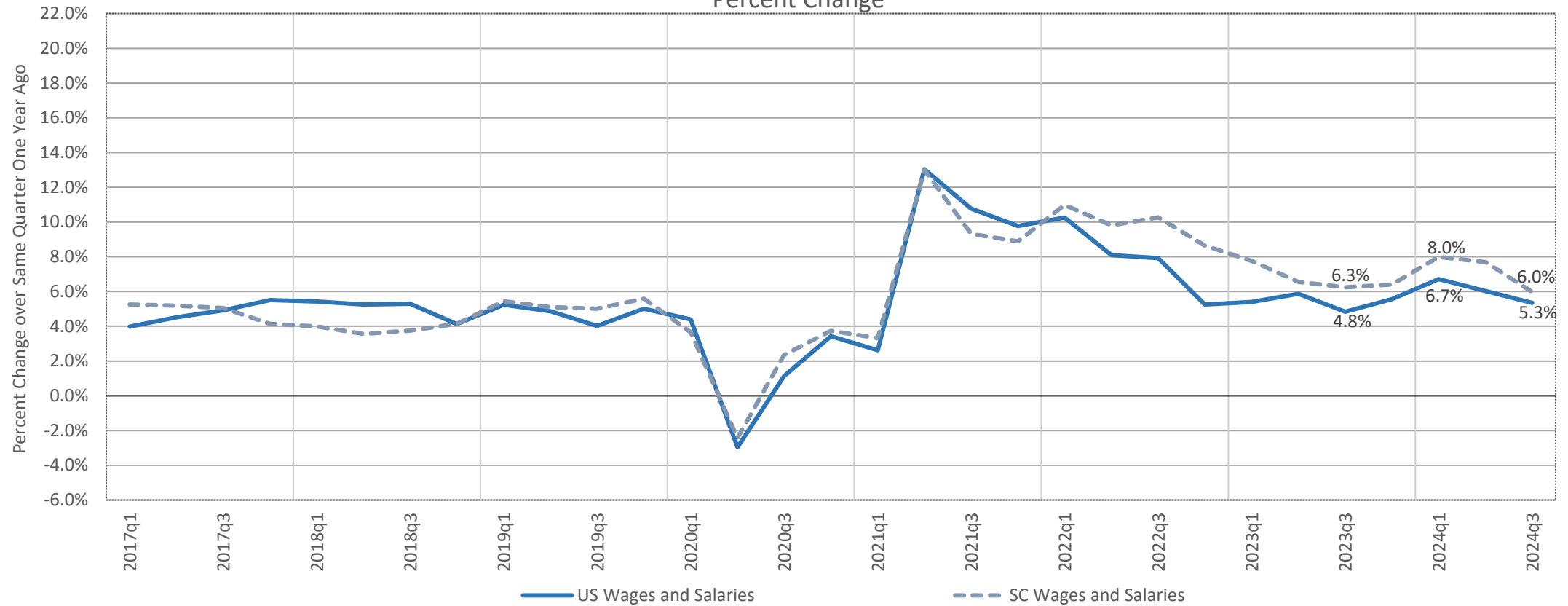
Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors - RFA/kv/1/15/2025

# US vs. SC Wage Growth – Percent Change

Wage growth continues to slow; US wage growth declined to 5.3% in Q3 of 2024; SC wage growth declined from 8% in Q1 to 6% in Q3 of 2024, but is still above US levels

NATIONAL AND SC EARNINGS GROWTH

Percent Change

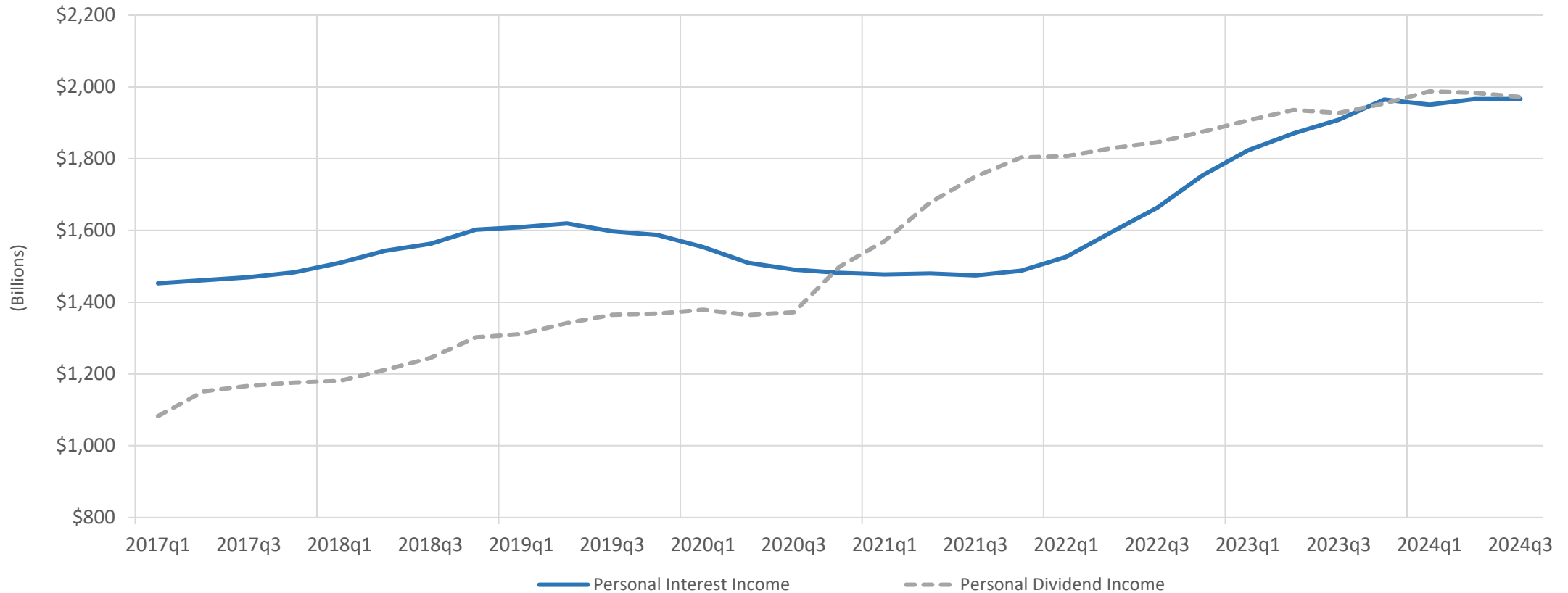


Source: U.S. Bureau of Economic Analysis 309E - RFA/mam/01/09/2025

# US Personal Interest and Dividend Income

Dividend income dominated personal income receipts on assets from 2021 through Q3 of 2023; interest income caught up with dividend income after the increase in interest rates that started in 2022, remained flat in 2024, and is expected to dip again in 2025

US PERSONAL INTEREST AND DIVIDEND INCOME

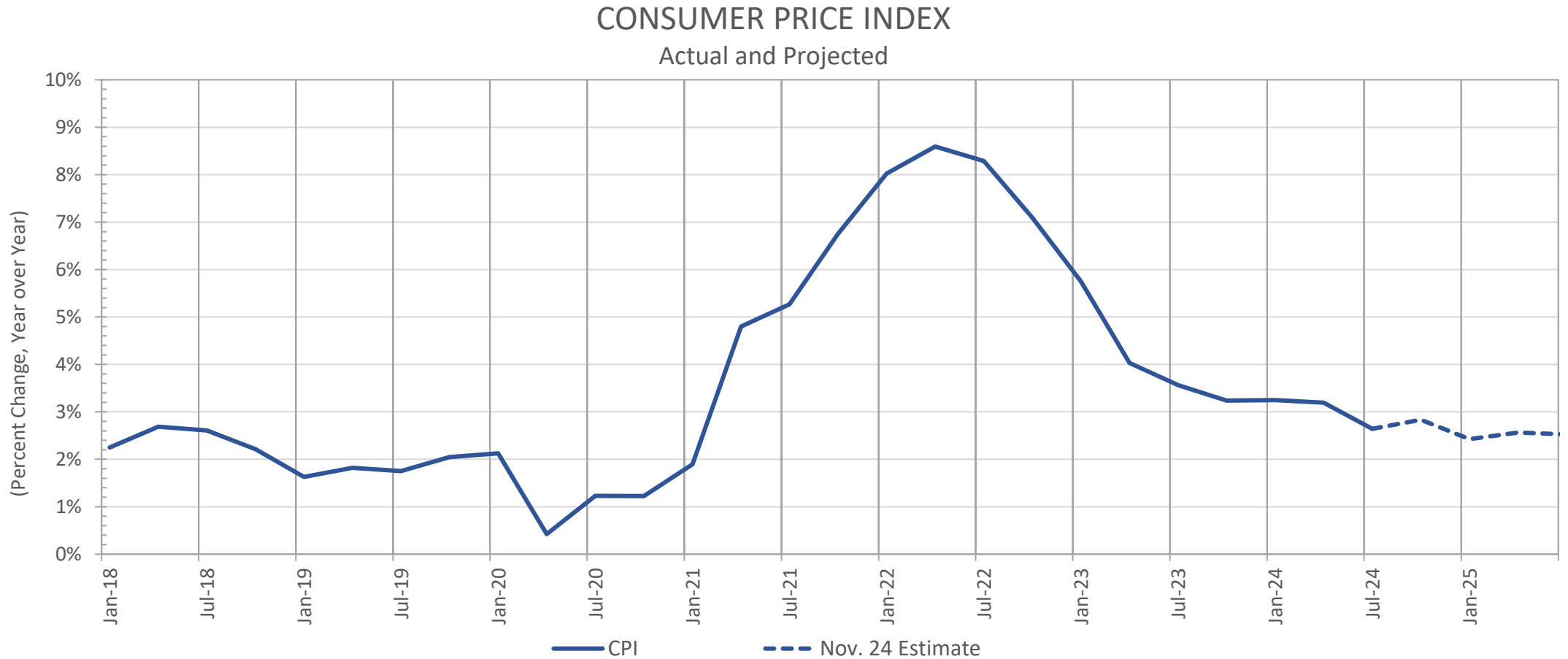


Source: U.S. Bureau of Economic Analysis (retrieved from FRED) 338 - RFA/mam/01/10/2025



# Consumer Price Index

Inflation has come down, but is expected to remain above 2.0% over FY 2024-25

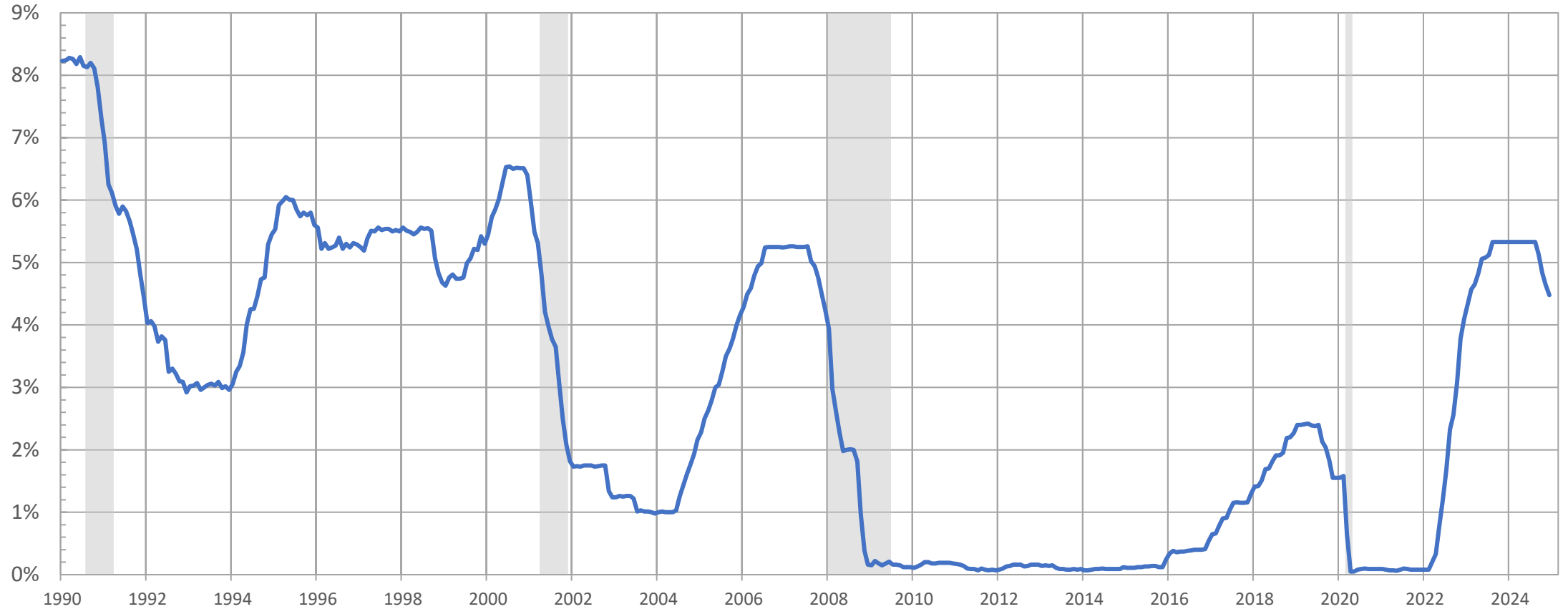


Source: US Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers 216-RFA/kav/1/6/2025

# Interest Rates and Monetary Policy

Federal Reserve has indicated that pace of Fed Funds rate cuts may slow down in response to sticky inflation—in December, projects 0.50 percentage points of rate cuts over 2025

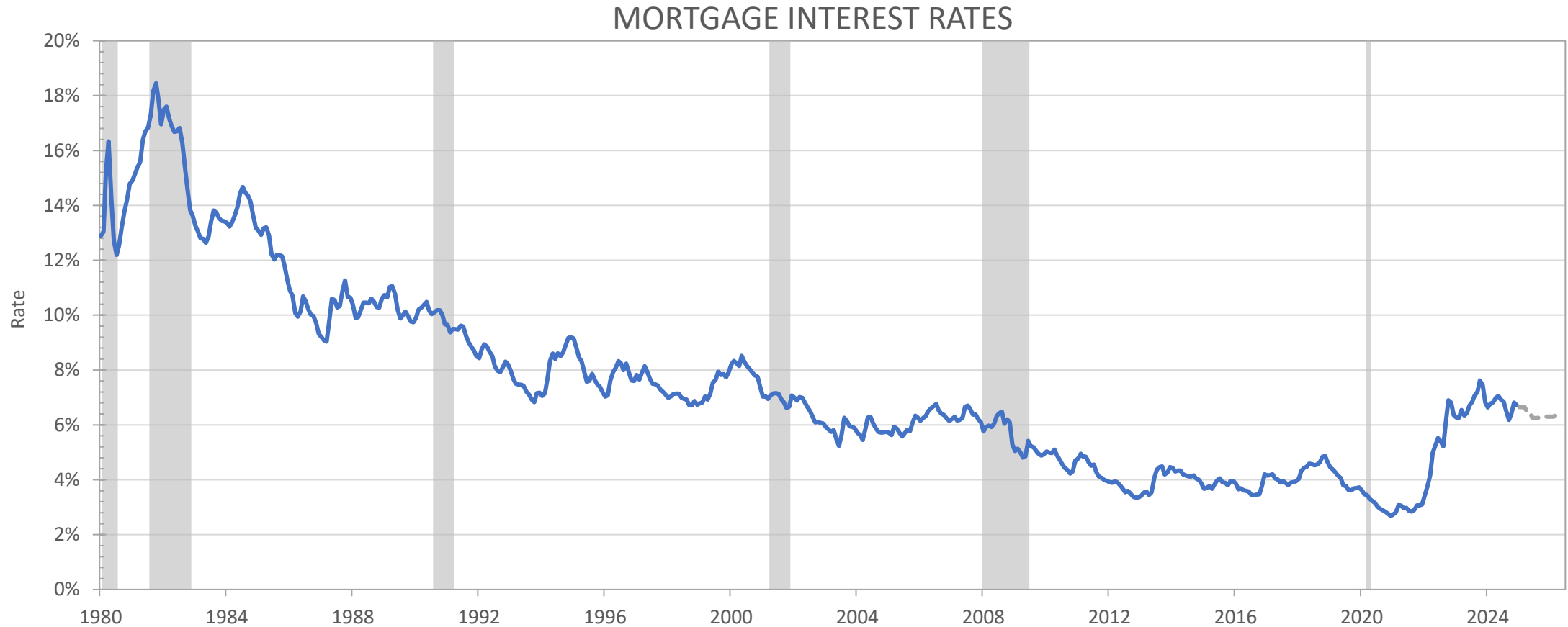
FEDERAL FUNDS INTEREST RATE



Source: Board of Governors of the Federal Reserve System via FRED Economic Data 277A -RFA/kav/1/13/2025

# Mortgage Interest Rates

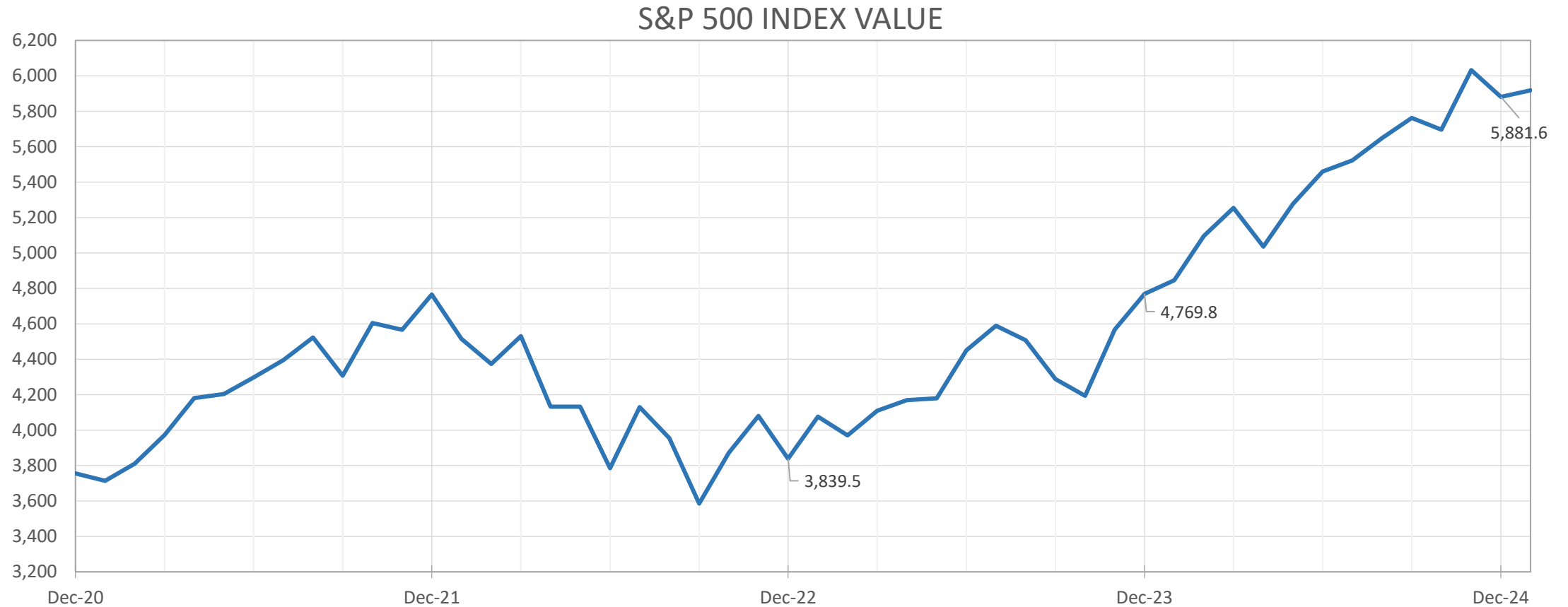
Wells Fargo is forecasting conventional mortgage rates to remain above 6% through 2025



Source: Freddie Mac, 30-Year Fixed Rate Mortgage Average in the United States [MORTGAGE30US], retrieved from FRED, Federal Reserve Bank of St. Louis; Wells Fargo Economic Forecast Dec. 12, 2024.  
RFA/340/lhj/01/14/25

# US Stock Market

In 2024, financial markets had a similarly strong performance as in 2023



Source: Yahoo Finance, S&P 500 Index 337 - RFA/mam/01/10/2025



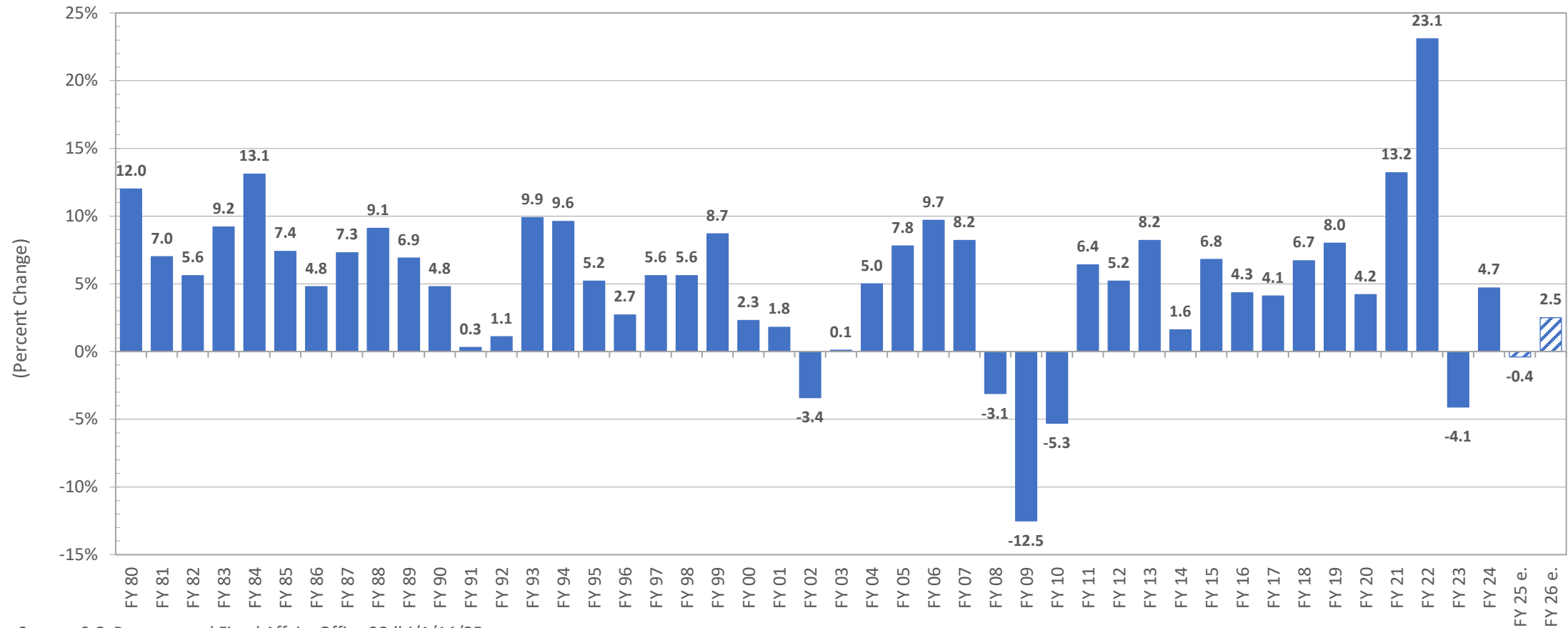
# State Revenues and the Budget



# General Fund Revenue Growth

FY 23 revenue declined 4.1% due to individual income tax rate cut

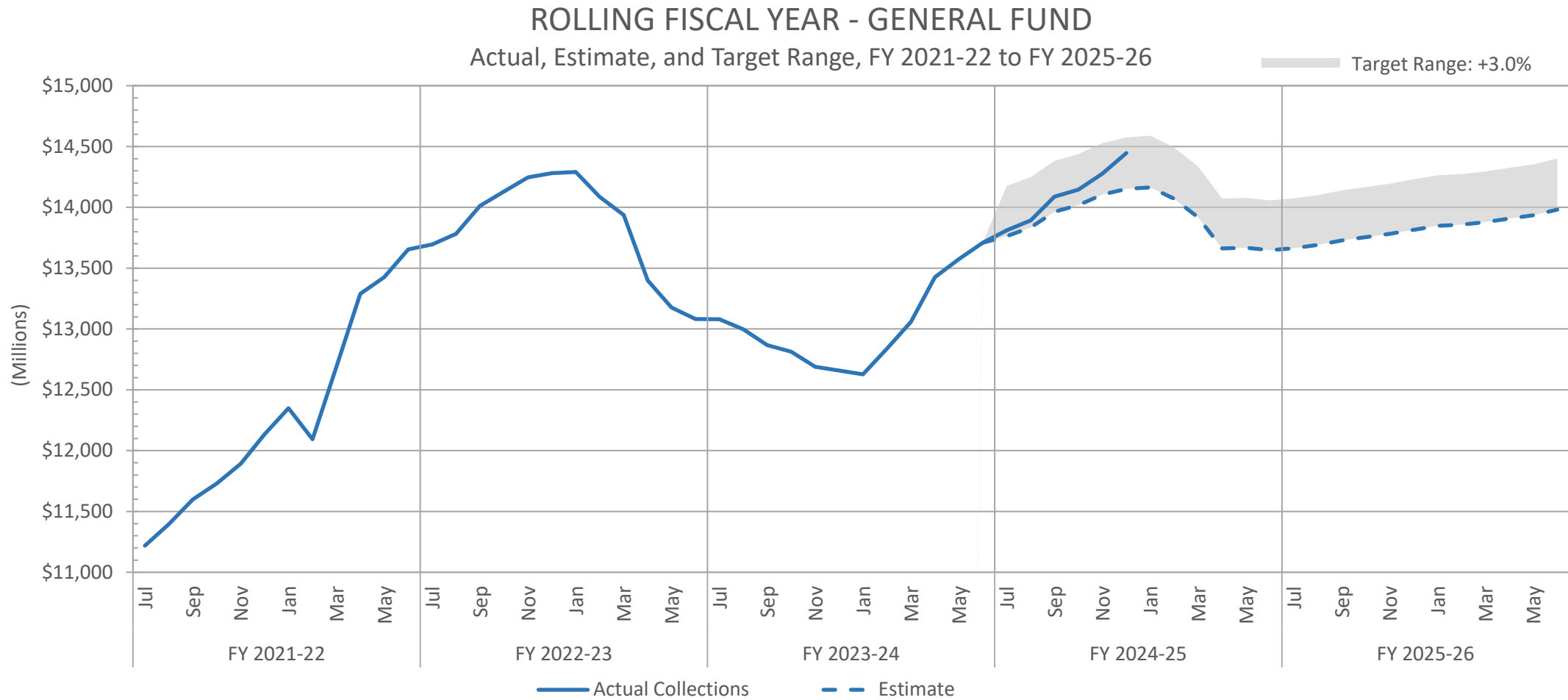
GENERAL FUND REVENUE GROWTH



Source: S.C. Revenue and Fiscal Affairs Office 28.Ibi/1/11/25

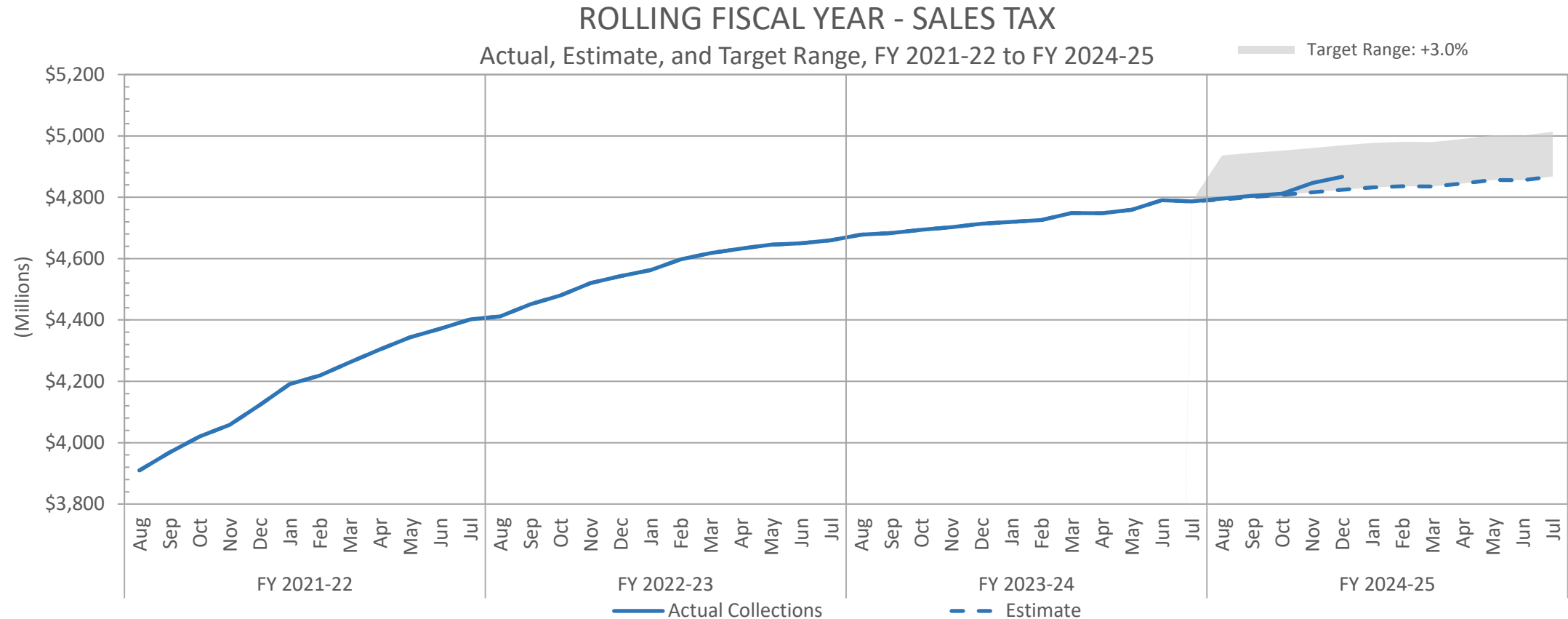
# General Fund – November 2024 Estimate

Collections are **11.5%** above last year and **\$295.8 million** ahead of year-to-date expectations



# Sales Tax - Actual vs. Estimate

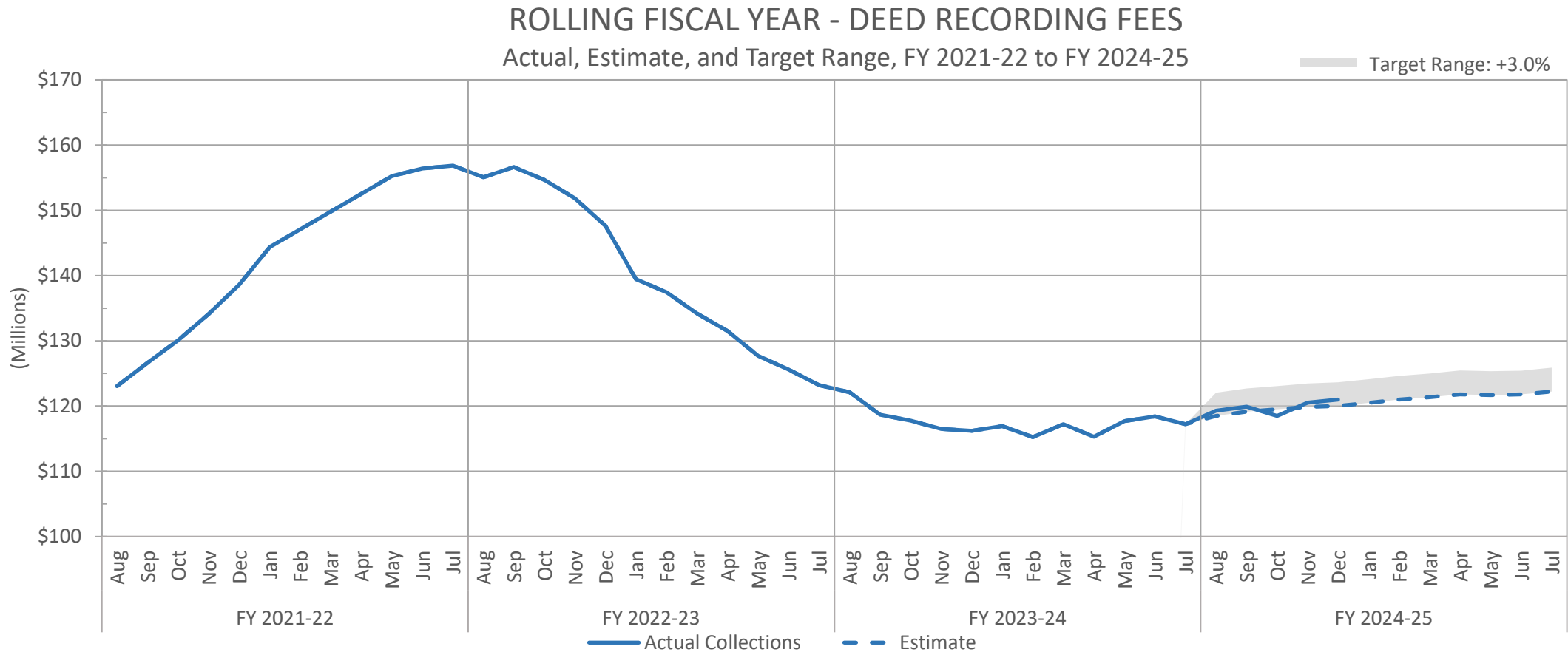
December collections are \$11.5 million above expectations and grew by 5.3% over last year; fiscal year-to-date revenues are up 4.0% and are \$41.5 million above monthly estimates; the large increase in growth is likely due to Hurricane Helene relief efforts and holiday spending and may settle back toward expectations





# Deed Recording Fees - Actual vs. Estimate

December collections are \$0.3 million above the estimate; fiscal year-to-date collections are growing by 7.7% over last year and are \$1.0 million above expectations

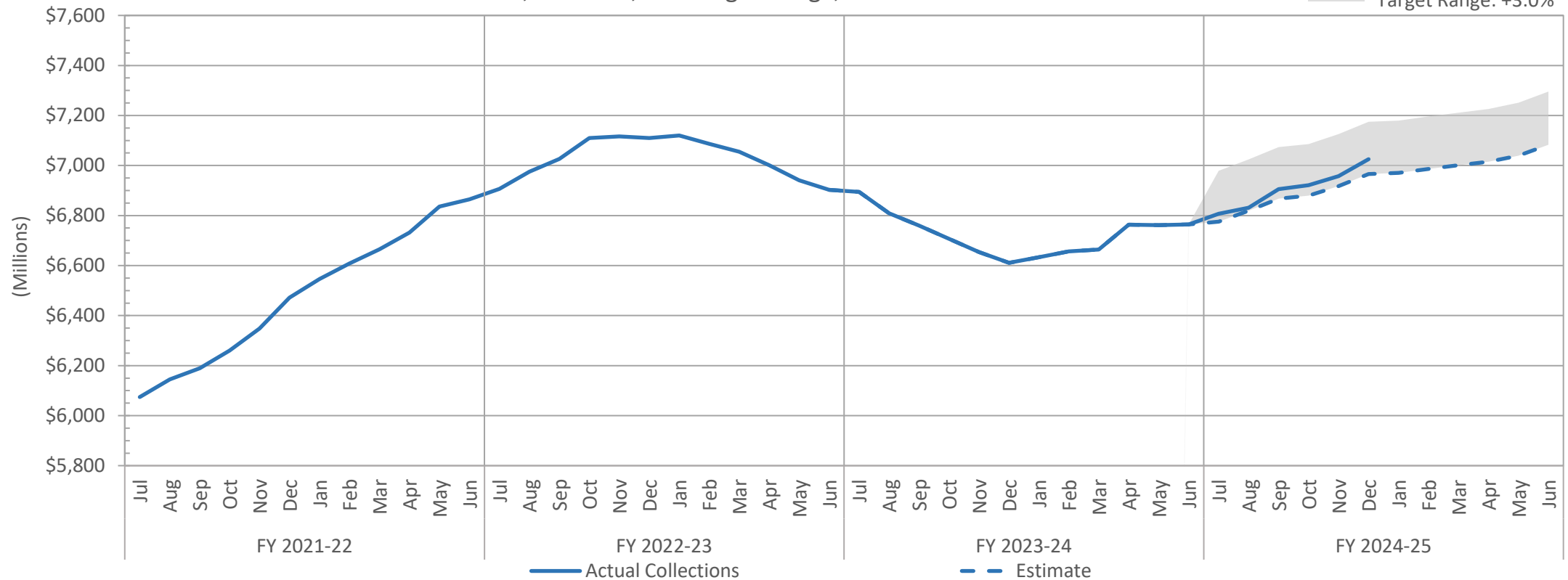


# Withholdings - Actual vs. Estimate

Withholdings are \$60.2 million above the estimate after strong growth of 11.2% in December; fiscal-year-to-date collections are 7.9% higher than the same period last year, but growth is expected to moderate in the second half of the fiscal year

## ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25

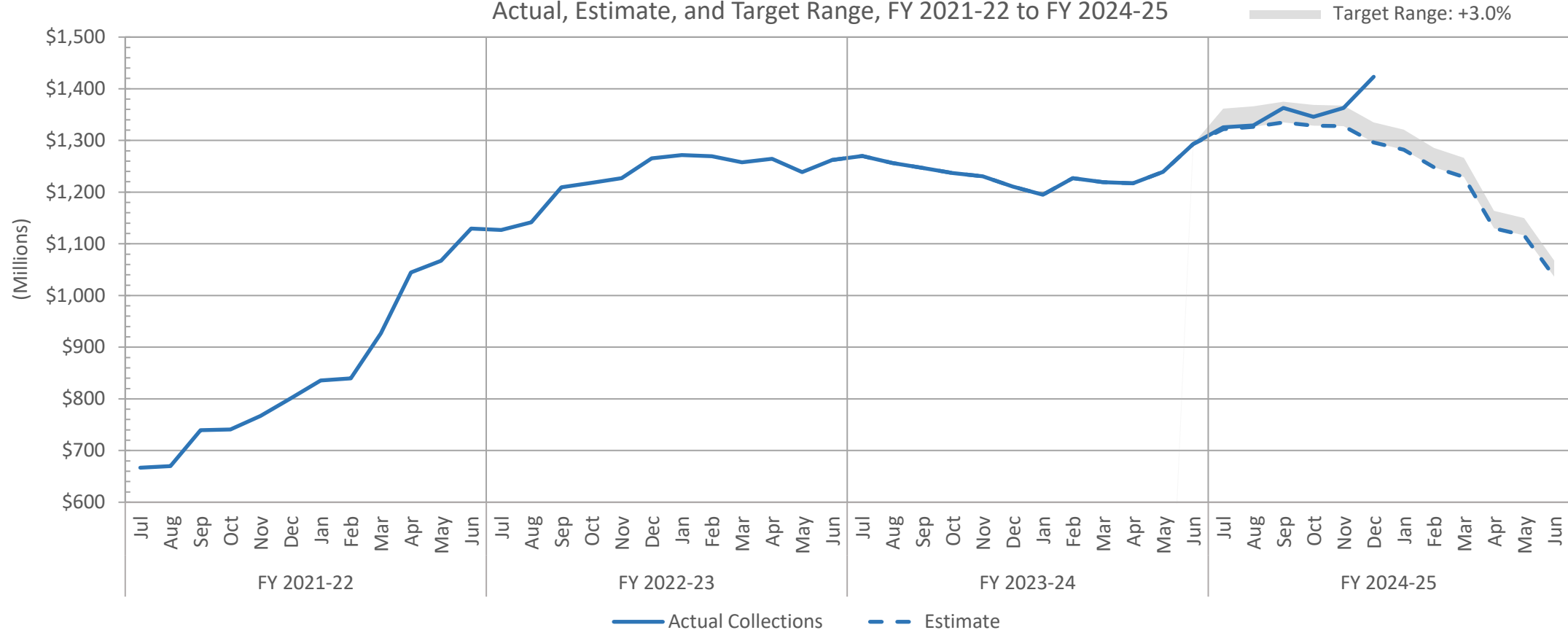


# Corporate Income Tax – Actual vs. Estimate

December collections from quarterly payments exceeded expectations by \$91.7 million, significantly boosting collections year-to-date; in total, revenues are now above the November estimate by \$127.0 million

## ROLLING FISCAL YEAR - CORPORATE INCOME TAX

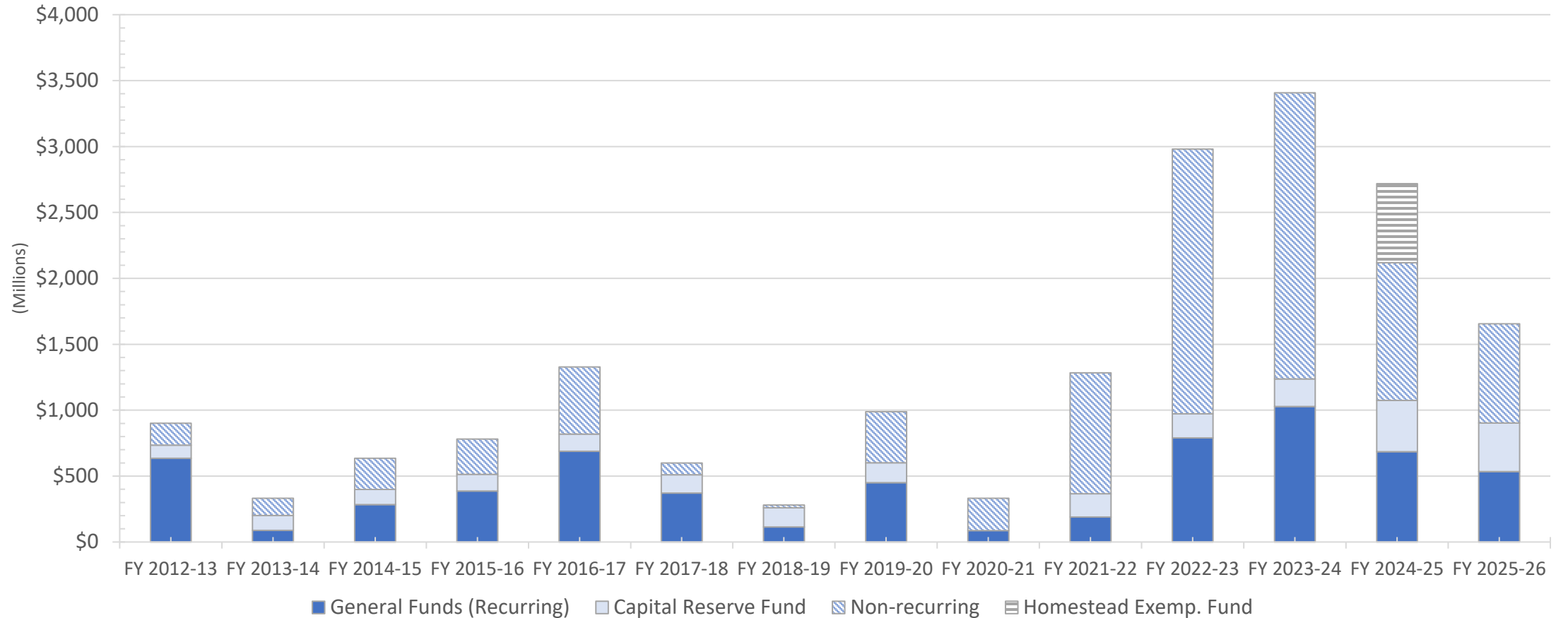
Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25



# New Budget Funds by Year

## FY 26 budget funds will be much lower than recent years

AVAILABLE "NEW" FUNDS BY BUDGET YEAR

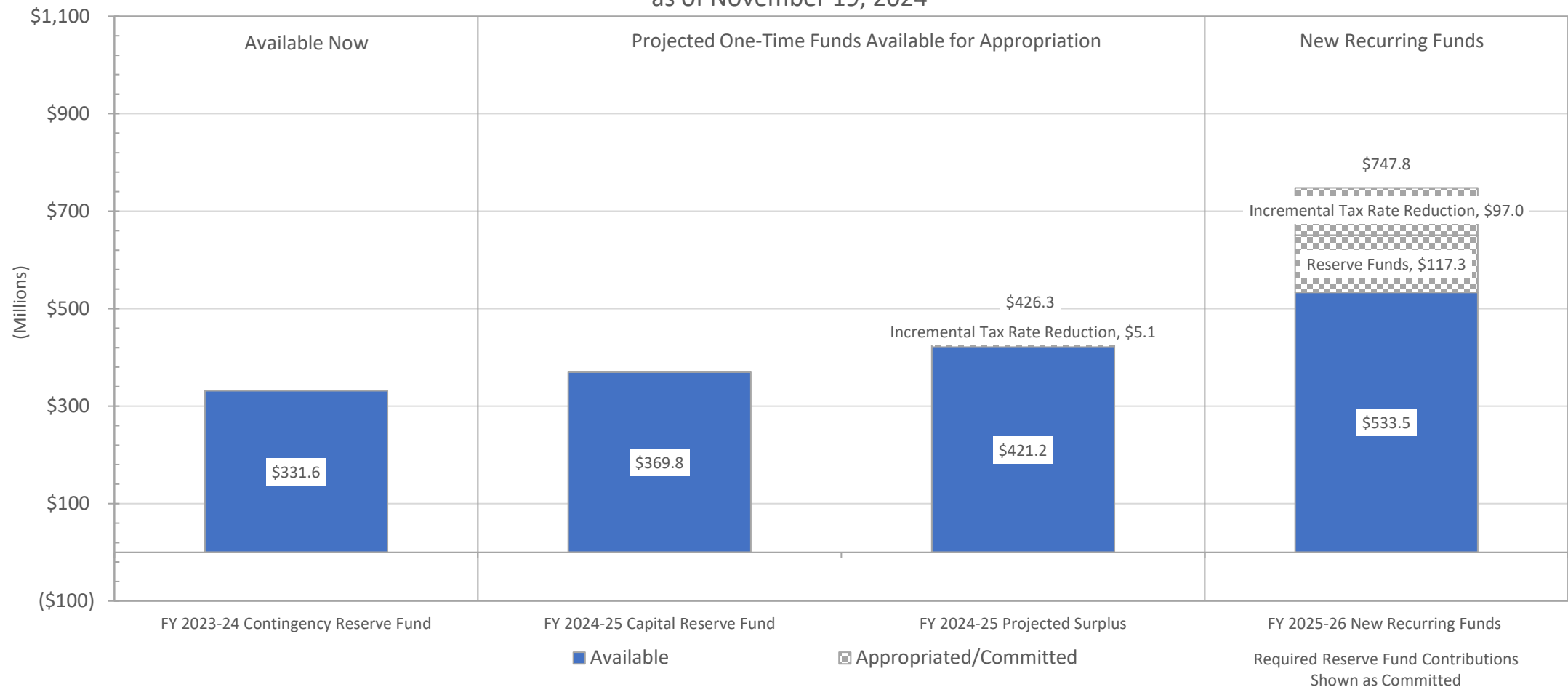


Source: Revenue and Fiscal Affairs Office 333-lhj/11/19/24

# FY 2025-26 Available Funds

## 4.3% increase in recurring budget funds

AVAILABLE FUNDS - FY 2025-26 BUDGET PROCESS  
as of November 19, 2024

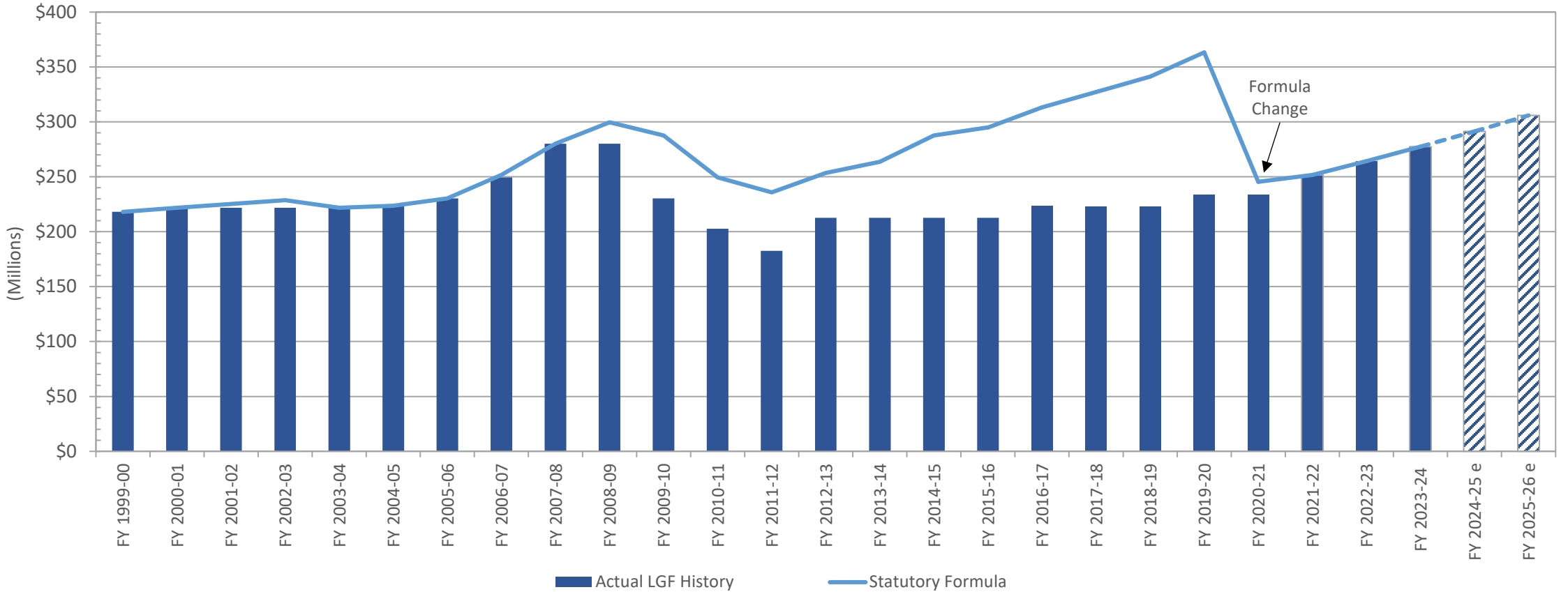


Source: S.C. Revenue and Fiscal Affairs 297/RFA/11/19/2024

# Local Government Fund

Under the statutory formula, the Local Government Fund is set to increase 5% in FY 26 (\$14.6 million)

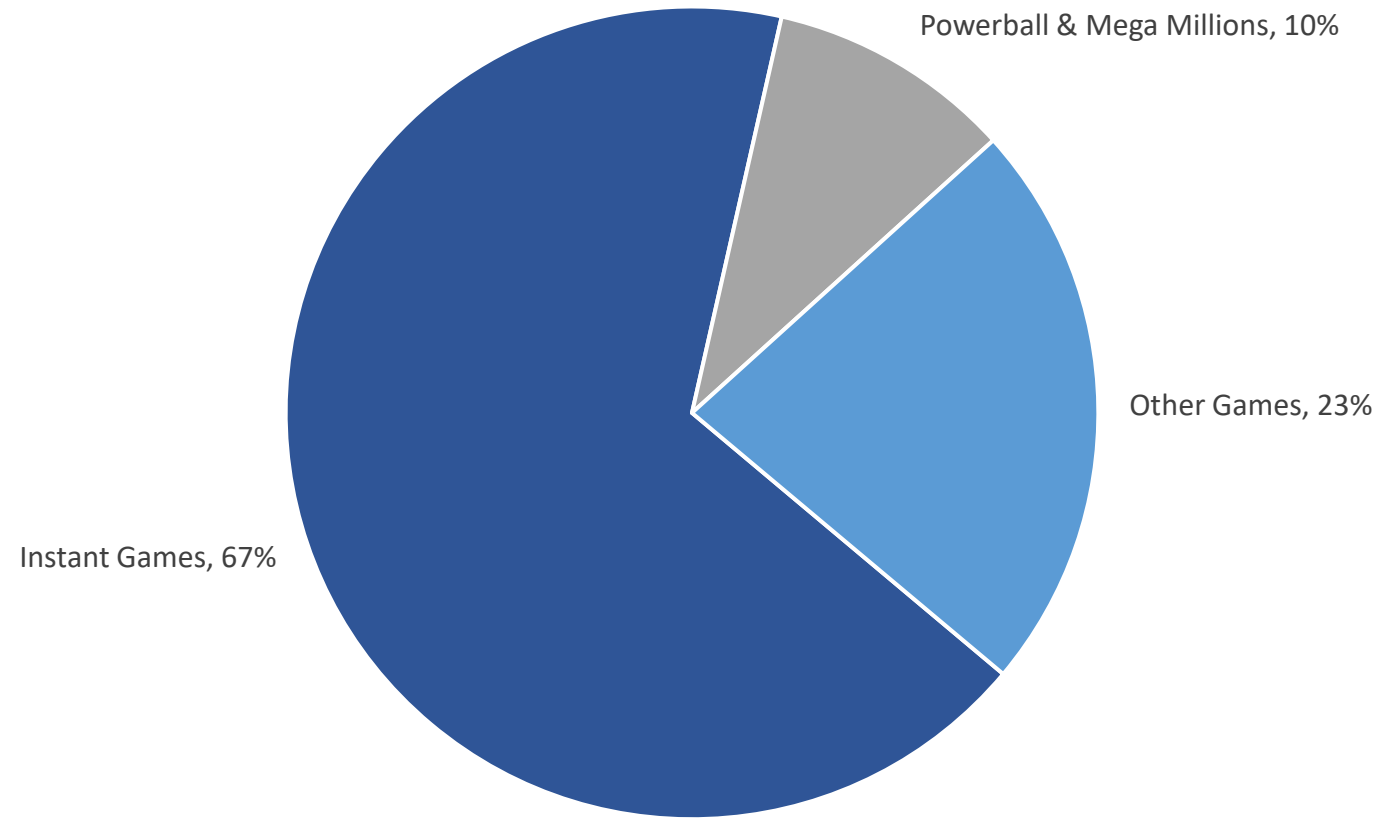
LOCAL GOVERNMENT FUND  
Comparison of Actual Funding to Statutory Formula



Source: S.C. Revenue and Fiscal Affairs Office - 193/lpw/11/25/2024

# SC Education Lottery - Online and Instant Games

FY 2023-24 SOUTH CAROLINA EDUCATION LOTTERY SALES BY GAME TYPE

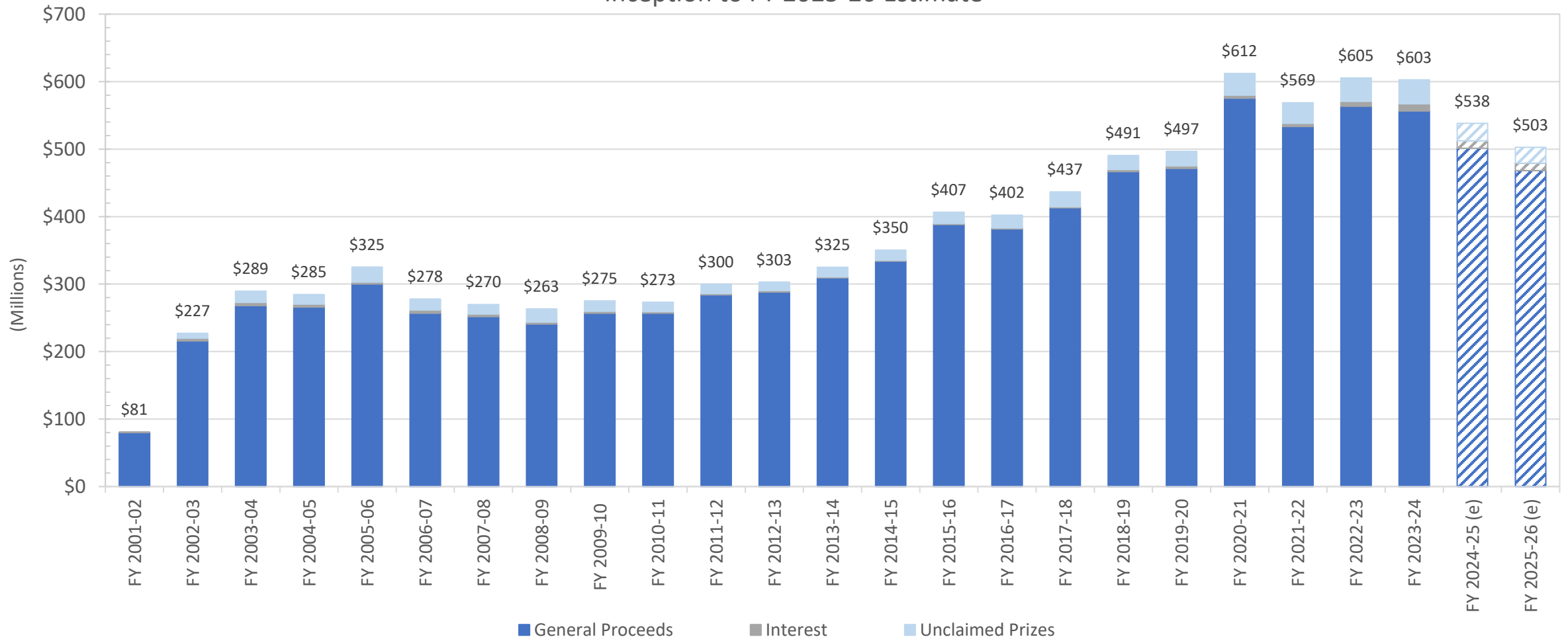


Other Games includes Cash Pop, Palmetto Cash 5, Pick 3, and Pick 4

Source: SC Education Lottery Weekly Sales by Product RFA-351/lhj/08/01/2024

# SC Education Lottery Proceeds

## TRANSFERS TO SC EDUCATION LOTTERY ACCOUNTS Inception to FY 2025-26 Estimate

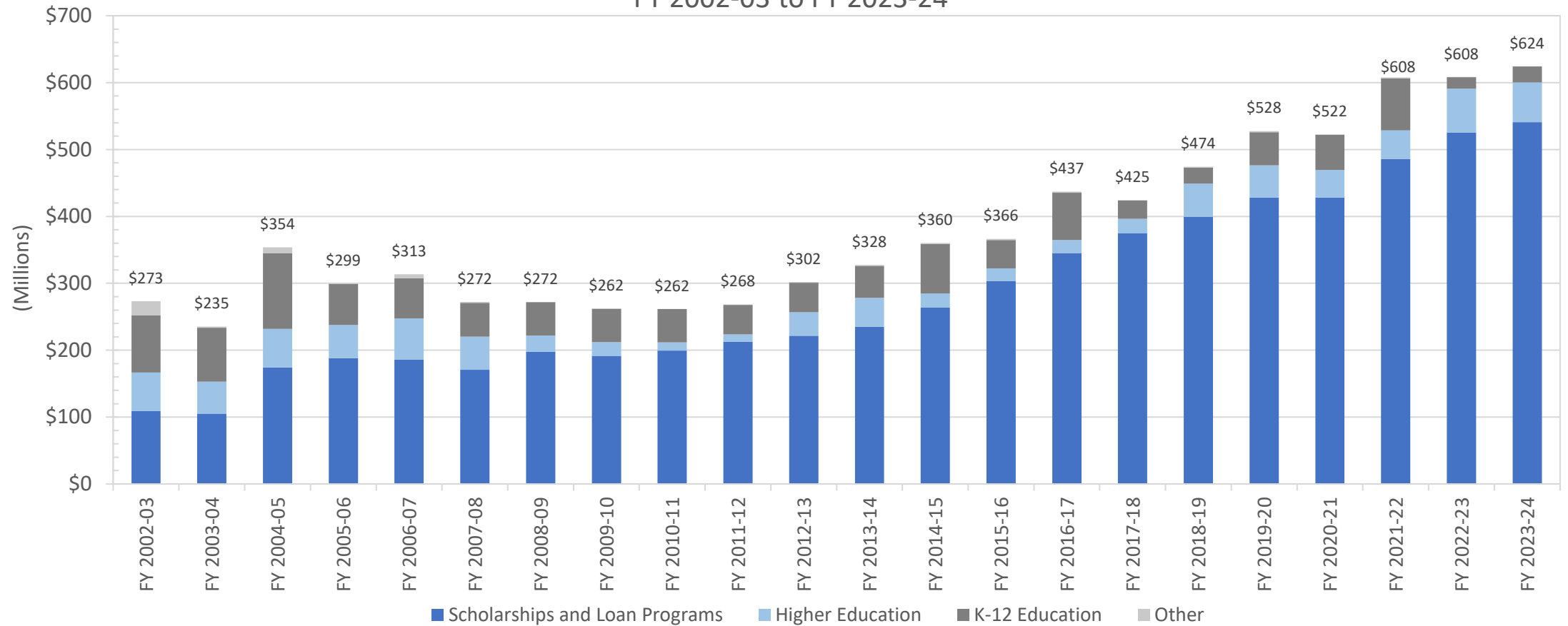


Source: South Carolina Revenue and Fiscal Affairs Office RFA/265/lpw/11/19/2024 Based on BEA General Fund Revenue Forecast as of November 19, 2024



# SC Education Lottery Appropriations by Type

SC EDUCATION LOTTERY EXPENDITURES  
FY 2002-03 to FY 2023-24



Source: South Carolina Revenue and Fiscal Affairs Office RFA/265A/lpw/11/19/2024

# Education Funding Dashboard - Update

<https://www.rfa.sc.gov/education-funding-dashboard>



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## SC EDUCATION FUNDING DASHBOARD

For more information, see <https://rfa.sc.gov/education-funding-dashboard>

Select Fiscal Year

FY 2022-23

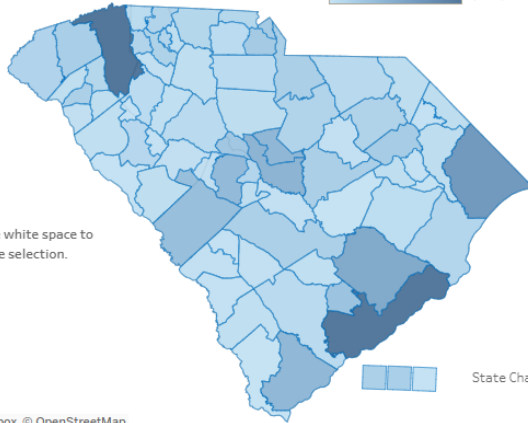
Go to Data Tables

Select Districts: All

Select Map Type

Revenues

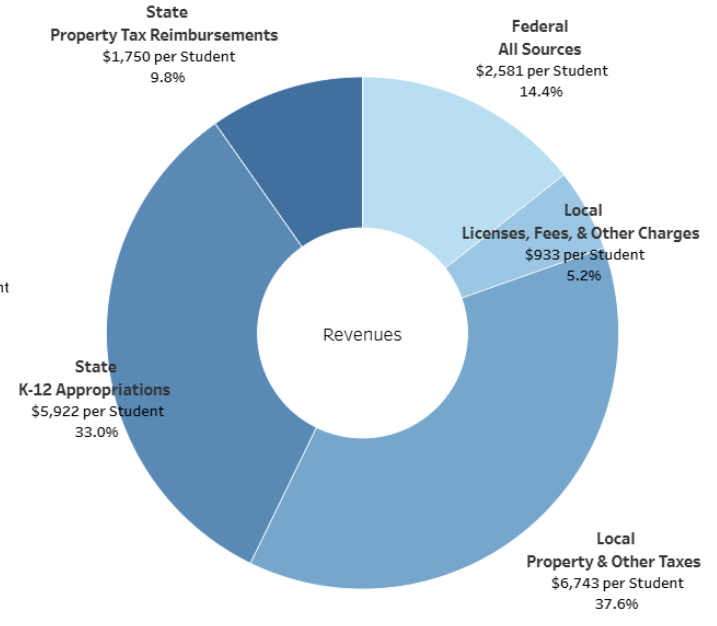
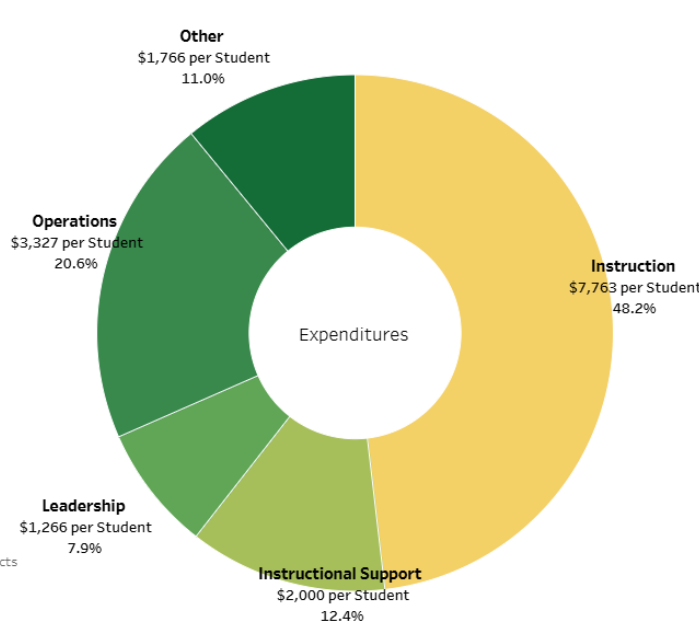
0 1,240,577,795



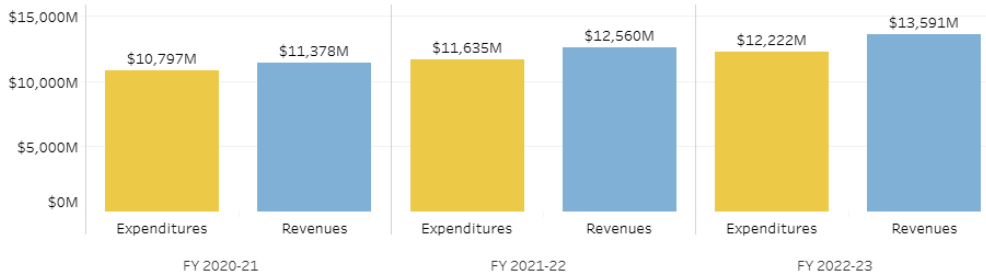
© 2024 Mapbox © OpenStreetMap

- Funding
- Quick Facts
- Compare Districts
- Build a Graph
- Aid to Classrooms

Trouble viewing dashboard? Try zooming out (Ctrl with +/-)



Revenues & Expenditures Over Time



Last Updated 11/13/2024 6:30 pm

<b>\$12,221,949,653</b> Total Expenditures	<b>\$13,590,923,997</b> Total Revenues	<b>\$2,019,430,159</b> Fund Balance	<b>61.4%</b> Students in Poverty
<b>\$16,122</b> Expenditures per Student	<b>\$17,928</b> Revenues per Student	<b>16.5%</b> Fund Balance as a % of Expenditures	<b>\$57,695</b> Avg. Teacher Salary



# South Carolina Individual Income Tax Structure

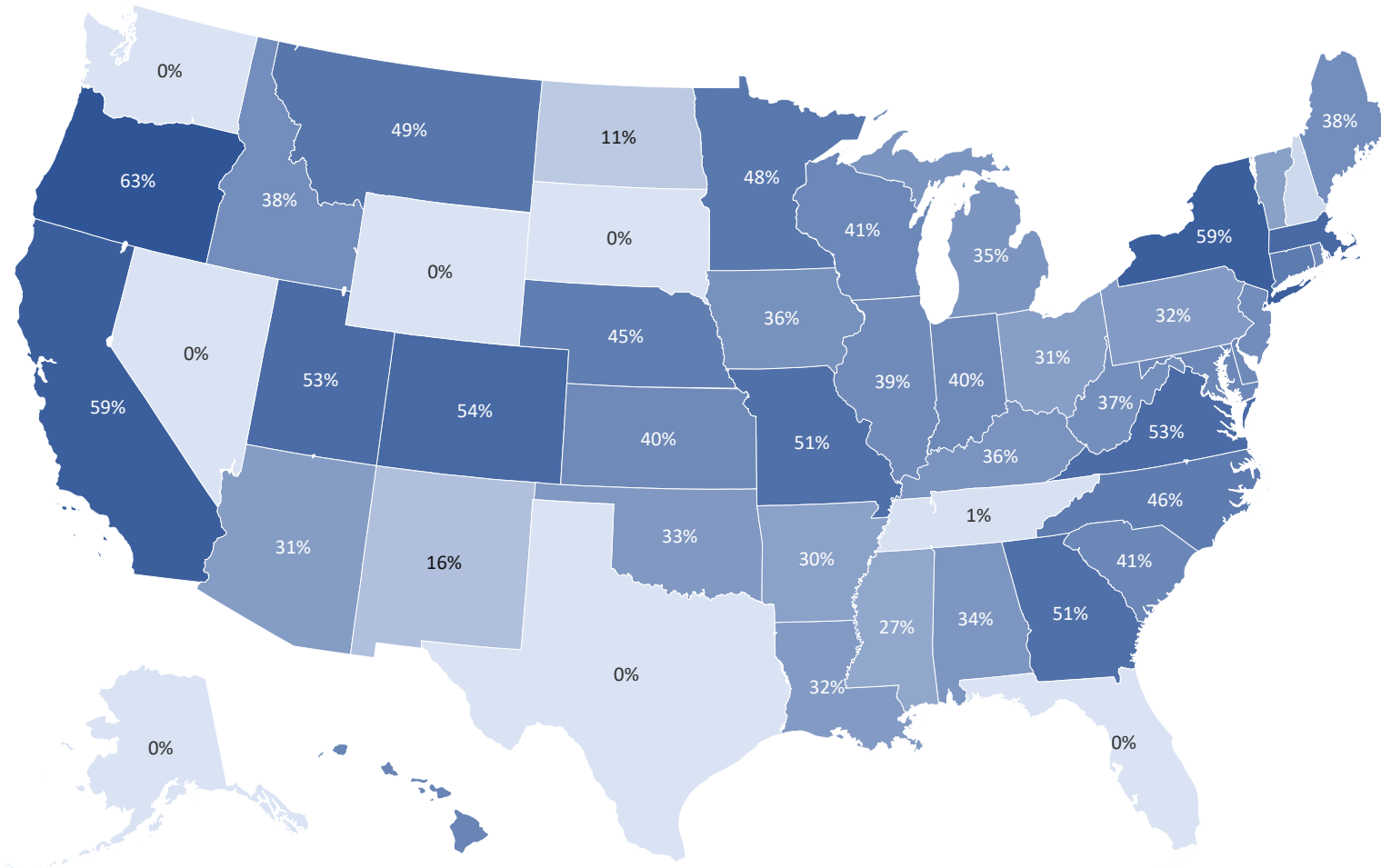


# State Income Taxes

- RFA's report analyzing SC's income tax structure: [South Carolina Individual Income Tax: Basic Statistics, Tax Structure, and Comparisons - 2023](#)
  - <https://rfa.sc.gov/media/9281>
- State tax structures differ: forty-one states impose a broad-based individual income tax, two impose an individual income tax on dividends and interest, and seven impose no individual income tax
- Top marginal tax rates around the country range from 2.9% to 13.3%, but deductions, exemptions, and brackets vary widely
- Each state's deductions, exemptions, and the resulting taxable income can result in different levels of tax liability at similar marginal rates
- Average effective tax rates, as measured by federal adjusted gross income (AGI) compared to final tax liability, allow for a better comparison of the tax burden in each state
- South Carolina has a relatively low individual income tax burden as measured by the average effective tax rate
- South Carolina's zero tax bracket and overall tax structure contribute to the state's smaller effective tax burden

# State Tax Revenue from Income Taxes – FY 2020-21

PERCENTAGE OF STATE TAX REVENUE FROM INCOME TAX  
for FY 2020-21



VT 30.06%  
MA 54.17%  
RI 40.46%  
CT 46.49%  
NJ 38.54%  
DE 39.81%  
MD 40.39%

Percentage  
63%  
0%

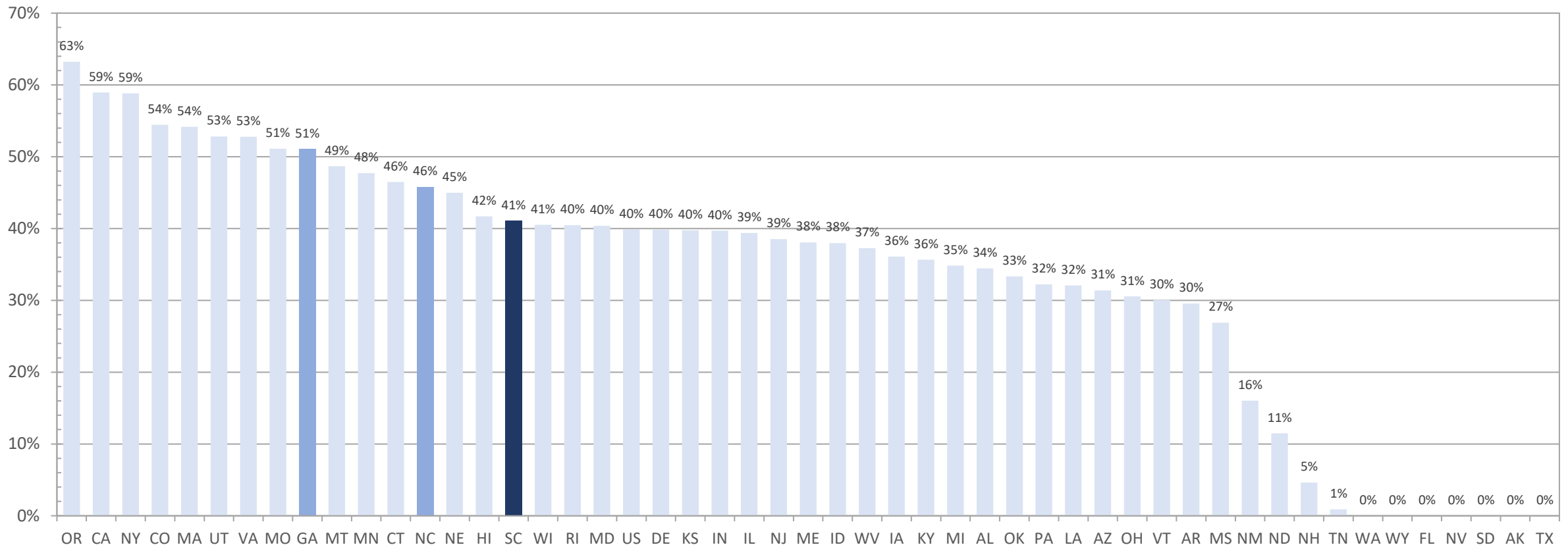
Source: U.S. Census Bureau, 2021 Annual Surveys of State and Local Government Finances. Includes all state tax revenue from income tax, sales tax, motor fuel tax, and others.

Powered by Bing  
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# State Tax Revenue from Income Taxes – FY 2020-21

The percentage of tax revenue states receive from income taxes varies widely

PERCENTAGE OF STATE TAX REVENUE FROM INCOME TAX  
for FY 2020-21



Source: U.S. Census Bureau, 2021 Annual Surveys of State and Local Government Finances. Includes all state tax revenue from income tax, sales tax, motor fuel tax, and others.

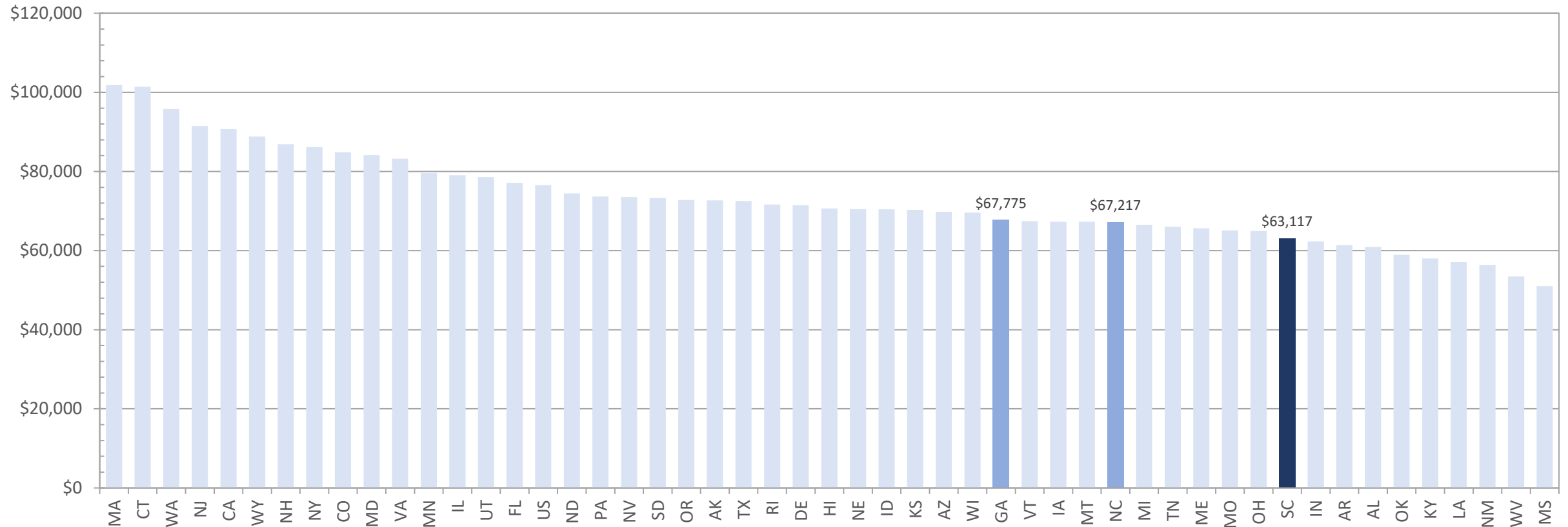
# Income Definitions

- Federal adjusted gross income (AGI) is gross income, such as wages or capital gains, minus adjustments to income, such as contributions to a retirement account or student loan interest
- Most state individual income tax systems adopt the federal AGI and have state-specific deductions and exemptions
- Federal taxable income is federal AGI adjusted for the federal standard deduction or itemized deductions
- Only five states conform to federal taxable income
- As South Carolina adopts the federal standard deduction or itemized deductions (with a few exceptions), federal taxable income is the starting point for determining South Carolina taxable income

# Average Federal AGI – Tax Year 2020

## South Carolina had the 10<sup>th</sup> lowest average AGI per return in 2020

AVERAGE FEDERAL AGI PER TAX RETURN  
for Tax Year 2020



Source: IRS, Statistics of Income Division, Individual Master File System, December 2022. Calculations by the S.C. Revenue and Fiscal Affairs Office.

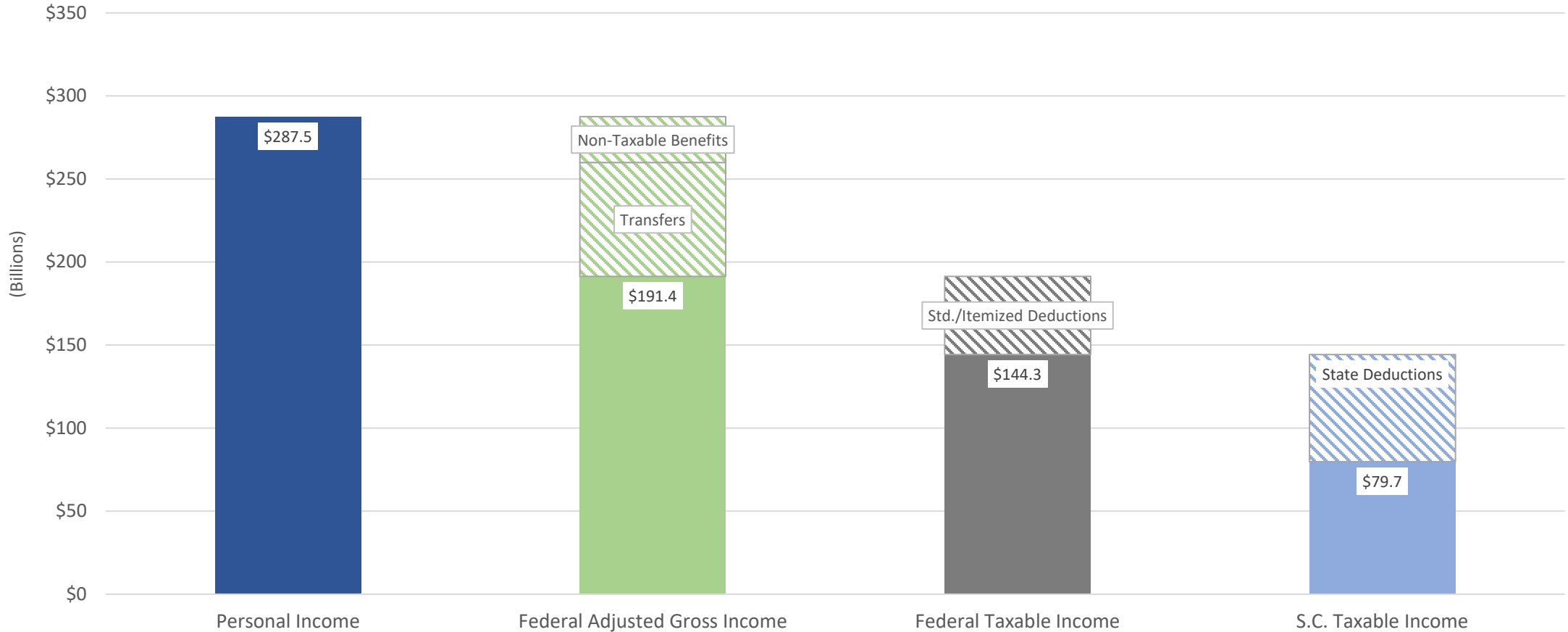


# Estimated SC Income – 2022

SC taxable income is approximately 28% of personal income

## MEASURES OF SOUTH CAROLINA INCOME

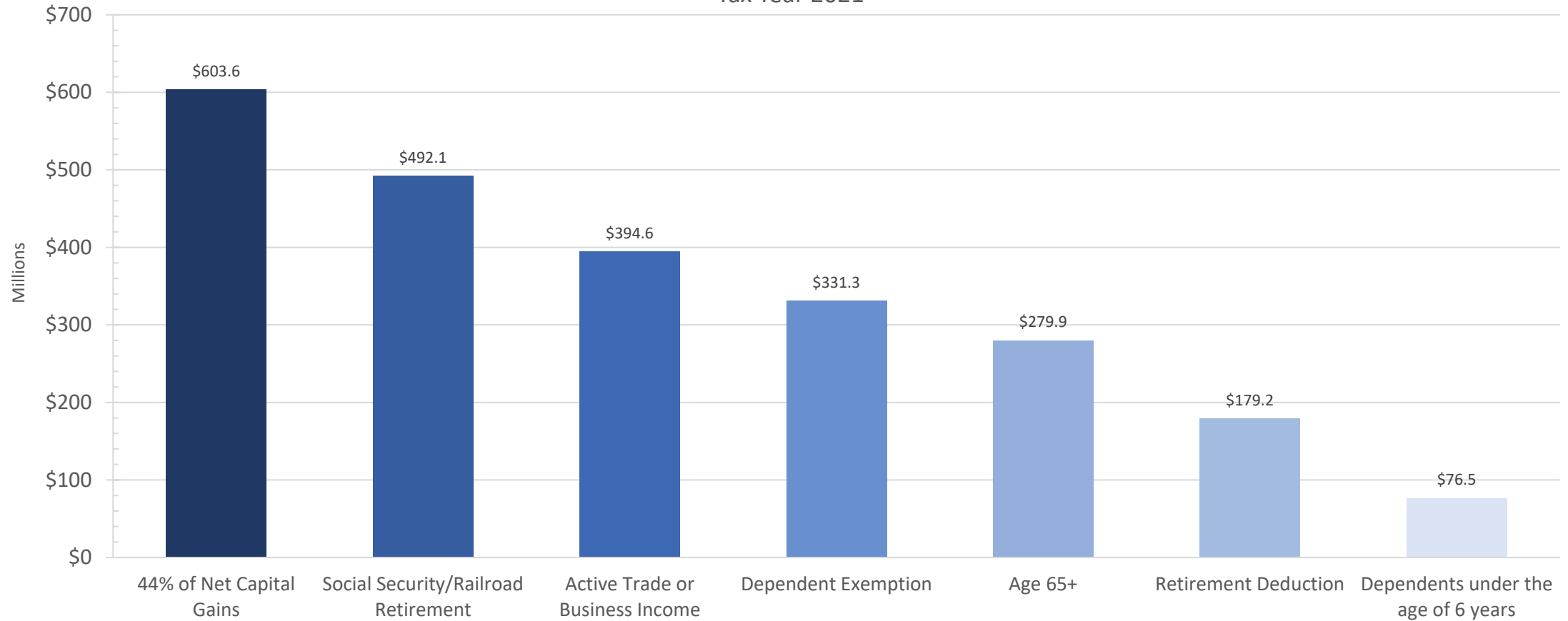
Estimates for Resident Tax Filers - Tax Year 2022



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 186B-lhj/01/24/2025

# Top State Income Tax Deductions - 2021

ESTIMATED TAX REDUCTION FROM TOP SC DEDUCTIONS  
Tax Year 2021



Data Source: S.C. Department of Revenue Individual Income Tax Returns; analysis by S.C. Revenue and Fiscal Affairs 1h/8/1/2023

# SC Income Tax Structure – Type of Filers

## Tax Year 2021 - Estimates

Filing Status	Returns		Federal Adjusted Gross Income		State Income Tax Liability		Effective Rate*
	Percentage		Percentage		Percentage		
Single	1,187,852	46%	\$44,527,765,848	23.6%	\$1,394,039,345	23.9%	3.1%
Married Joint	939,650	36%	\$125,517,195,684	66.5%	\$4,002,216,827	68.7%	3.2%
Married Separate	81,246	3%	\$4,714,353,427	2.5%	\$164,073,618	2.8%	3.5%
Head of Household	372,198	14%	\$13,956,426,902	7.4%	\$265,111,529	4.6%	1.9%
<b>Total</b>	<b>2,580,946</b>	<b>100%</b>	<b>\$188,715,741,861</b>	<b>100.0%</b>	<b>\$5,825,441,319</b>	<b>100.0%</b>	<b>3.1%</b>

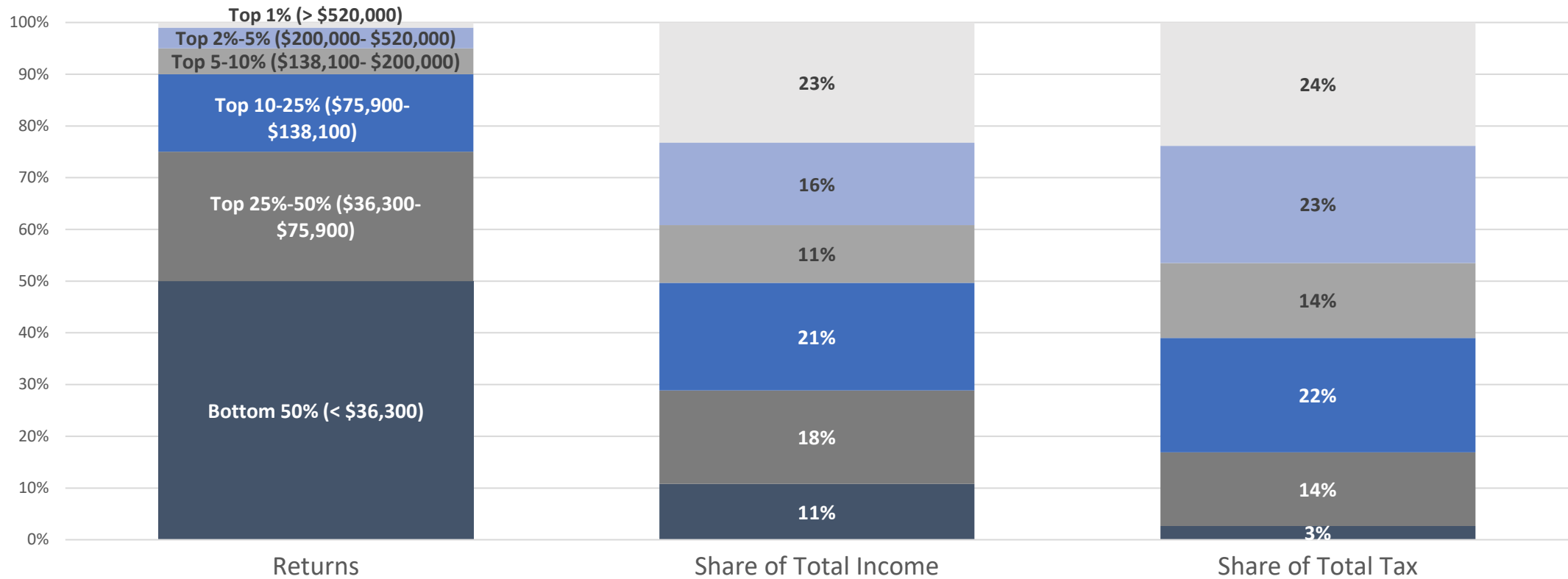
Data Source: 2021 S.C. Department of Revenue Individual Income Tax Returns; analysis and estimates by S.C. Revenue and Fiscal Affairs

\*Estimates include non-resident filers and may differ from calculations using other data sources

# Share of SC Income and Tax – 2021

The bottom 50% of state returns have less than \$36,300 in income, make up 11% of total income, and pay 3% of total state income taxes; the top 1% make more than \$520,000, make up 23% of income, and pay 24% of the tax

SHARE OF FEDERAL ADJUSTED GROSS INCOME AND STATE INCOME TAX  
Tax Year 2021



Data Source: S.C. Department of Revenue Individual Income Tax Returns; analysis by S.C. Revenue and Fiscal Affairs 1h/8/1/2023

# SC Tax Structure – Tax Rates and Changes

- South Carolina has a marginal tax rate structure that applies to taxable income after all deductions and exemptions have been subtracted.
- In Act 228 of 2022, South Carolina enacted changes to the state’s marginal income tax rates and brackets beginning with tax year 2022. The tax rates were collapsed from six brackets to three brackets.
- If revenue growth thresholds are met, the top marginal tax rate will continue to decrease by 0.1% per year until the rate reaches 6%. The rate will decrease to 6.4% for tax year 2023 and 6.2% for tax year 2024 (additional reduction included in budget).

Tax Year 2021	
Tax Bracket	Tax Rate
>\$0	0%
>\$3,110	3%
>\$6,220	4%
>\$9,330	5%
>\$12,440	6%
>\$15,560	7%



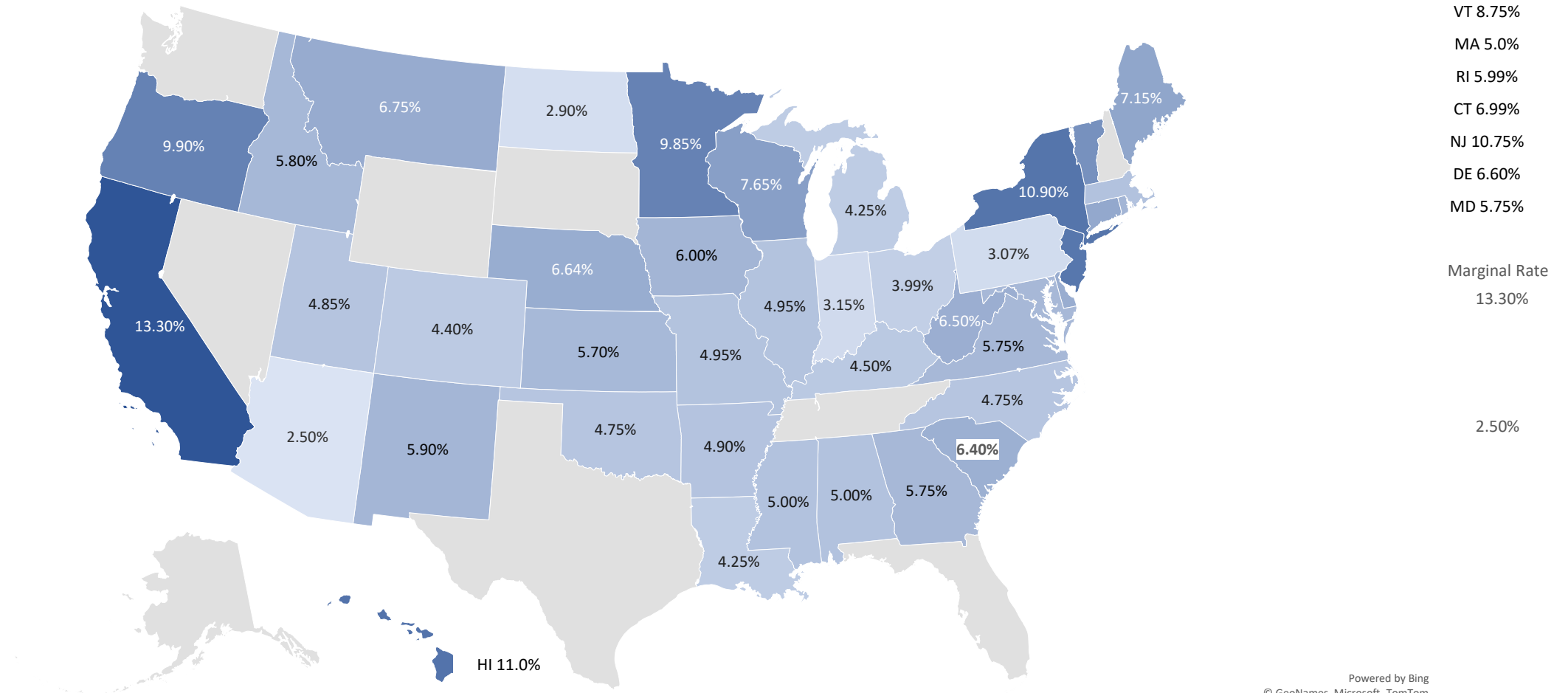
Tax Year 2022	
Tax Bracket	Tax Rate
>\$0	0%
>\$3,200	3%
>\$16,040	6.5%



Tax Year 2027* (Estimated - Contingent on Revenue Growth)	
Tax Bracket	Tax Rate
>\$0	0%
>\$3,870	3%
>\$19,380	6%

# State Top Marginal Income Tax Rates – Tax Year 2023

HIGHEST STATE MARGINAL INDIVIDUAL INCOME TAX RATES  
for Tax Year 2023 as of January 1, 2023



Source: Federation of Tax Administrators (rates as of January 1, 2023) <https://taxadmin.org/tax-rates-new/>

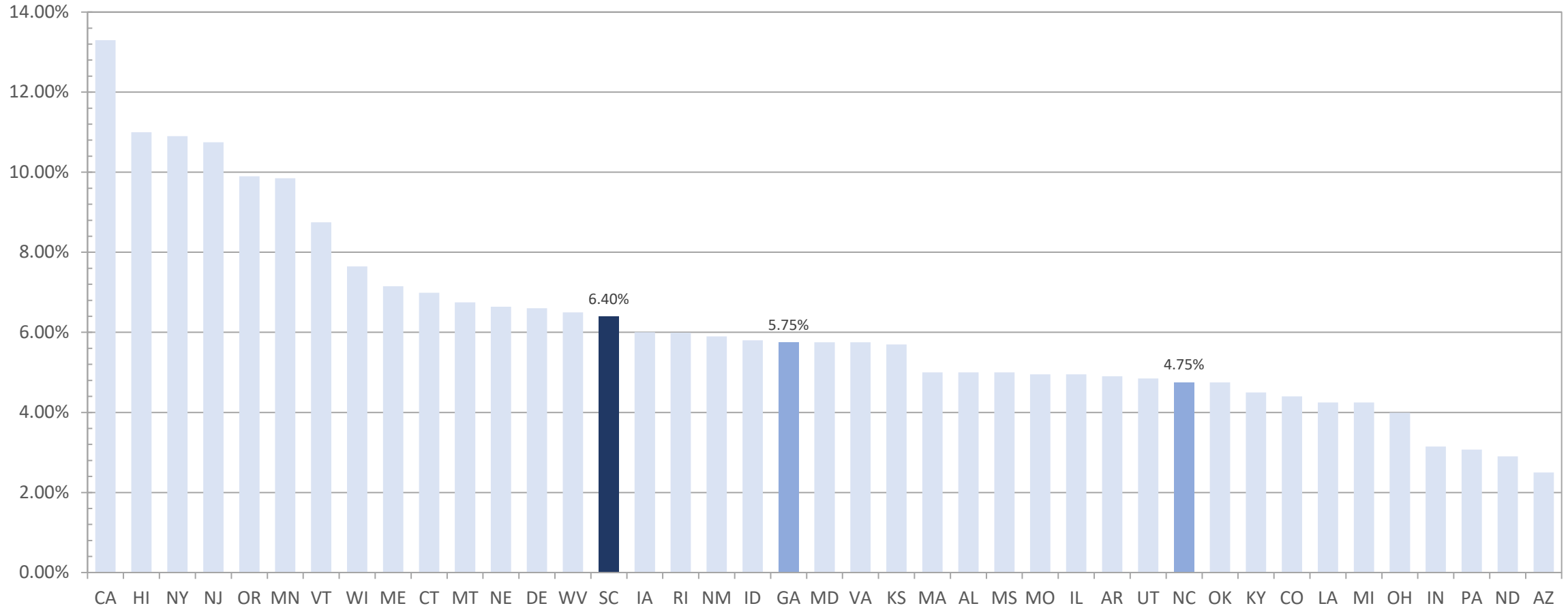
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# State Top Marginal Income Tax Rates – Tax Year 2023

South Carolina's highest top marginal individual income tax rate in 2023 ranks 15<sup>th</sup>

## HIGHEST STATE MARGINAL INDIVIDUAL INCOME TAX RATES

for Tax Year 2023 as of January 1, 2023



Source: Federation of Tax Administrators (rates as of January 1, 2023) <https://taxadmin.org/tax-rates-new/>

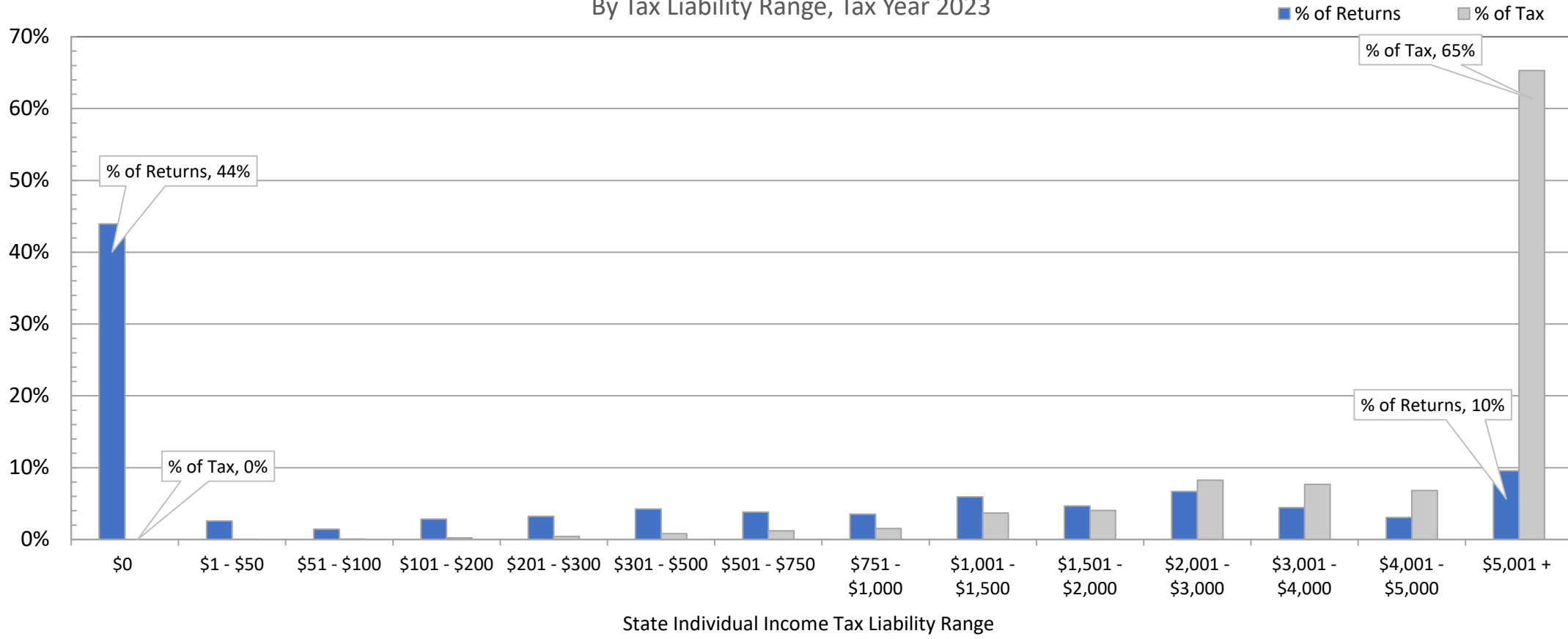


# Estimated South Carolina Tax Liability for Tax Year 2023

SC's 2022 tax cut was broad-based, which left the distribution of tax liability largely unaffected

ESTIMATED SC INDIVIDUAL INCOME TAX RETURNS AND STATE TAX LIABILITY

By Tax Liability Range, Tax Year 2023



Data Source: S.C. Department of Revenue Individual Income Tax Returns; analysis by S.C. Revenue and Fiscal Affairs lhj/8/1/2023



## FY 2025-26 – Potential Income Tax Changes

- Under the 2022 rate schedule, the tax rate for 2024 was scheduled to be 6.3% based on revenue growth over the base budget
- The 2024 tax rate, however, was lowered in the FY 25 budget an additional 0.1% to 6.2% for one year ahead of the statutory schedule but reverted to 6.3% for tax year 2025
- The growth in the FY 26 revenue estimate over the base budget is sufficient to enact the next reduction in the top marginal individual income tax rate for tax year 2025 (est. impact: \$97 million)
- This rate reduction for tax year 2025 will maintain the tax rate at the 6.2% rate currently in effect
- The Governor's FY 26 Executive Budget proposed reducing the tax rate to 6.0% for 2025

# Comparing Tax Year 2020 Income Tax Burden Across States

Based on Latest Available National Data (Tax Year 2020 / FY 2020-21)

Because states have different levels of income, definitions of taxable income, exemptions, and tax rates, this analysis:

- Highlights the key factors that contribute to the overall individual income tax burden
- Illustrates how these factors vary by state
- Attempts to combine these elements into a single tax burden calculation, as measured by the average effective tax rate
- Effective tax rate is total tax divided by total income (federal AGI)

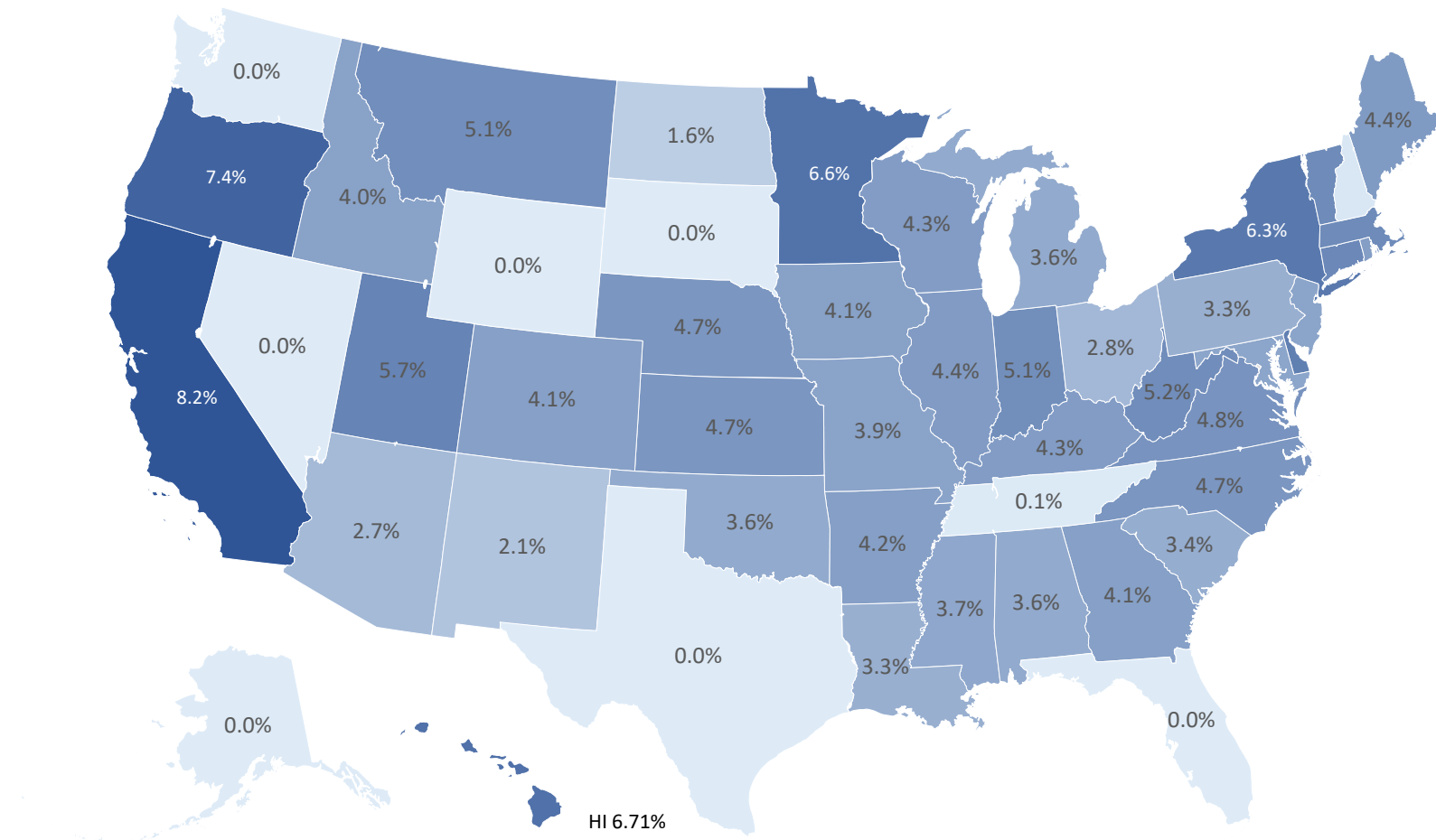
# Average Effective Income Tax Rates

Effective rates provide a method to compare the tax burden across states

- Due to widely varying state deductions, exemptions, and tax brackets, marginal tax rates may not represent the true tax burden across states
- Effective tax rates can be used to more accurately compare income tax liabilities relative to total income across states
- A state's average effective tax rate is calculated as total state income tax liability divided by total federal AGI

# State Average Effective Income Tax Rates - 2020

AVERAGE EFFECTIVE INDIVIDUAL INCOME TAX RATES  
for Tax Year 2020



- VT 5.30%
- MA 5.30%
- RI 4.26%
- CT 5.44%
- NJ 3.91%
- DE 5.89%
- MD 3.86%
  
- Effective Rate
- 8.2%
  
- 0.0%

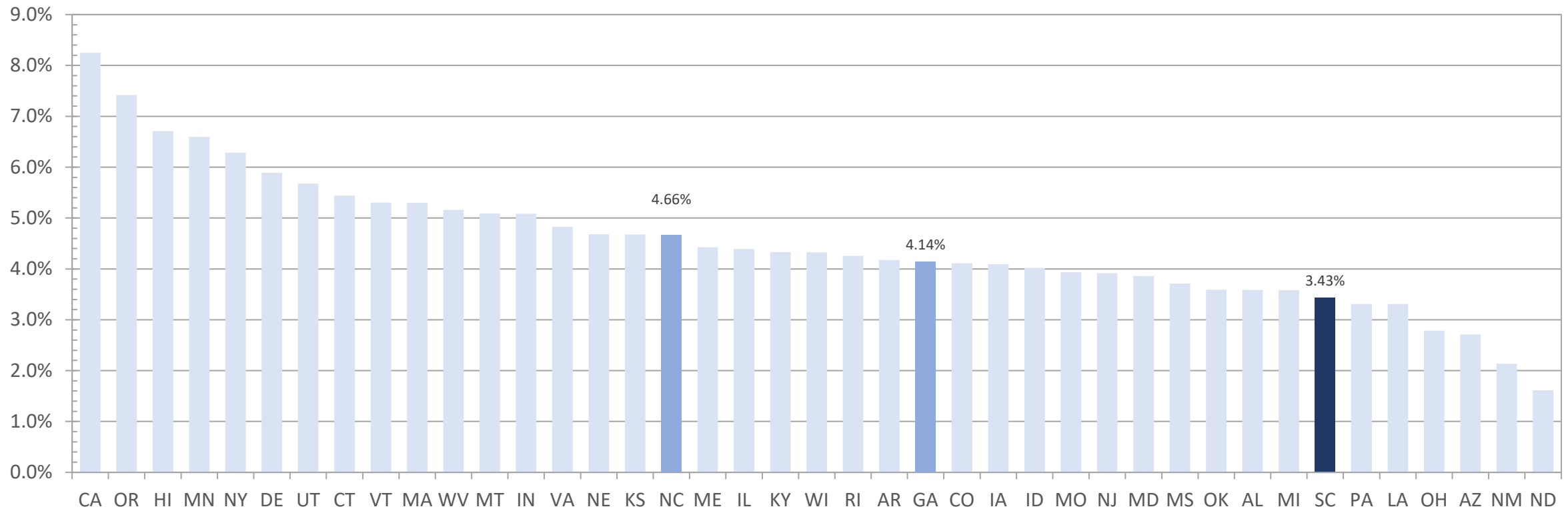
Source: IRS, Statistics of Income Division, Individual Master File System, Tax Year 2020 returns. U.S. Census Bureau, 2021 Annual Surveys of State and Local Government Finances. Calculations by the S.C. Revenue and Fiscal Affairs Office.

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# State Average Effective Income Tax Rates - 2020

South Carolina's effective individual income tax burden falls below neighboring states; after initial reforms, *the average effective rate is estimated to fall from 3.4% to 2.7% in 2022*; note that other states also adopted tax reform so changes in relative rankings are not known

STATE AVERAGE EFFECTIVE INDIVIDUAL INCOME TAX RATES  
for Tax Year 2020



Source: IRS, Statistics of Income Division, Individual Master File System, Tax Year 2020 returns. U.S. Census Bureau, 2021 Annual Surveys of State and Local Government Finances.  
Calculations by the S.C. Revenue and Fiscal Affairs Office.

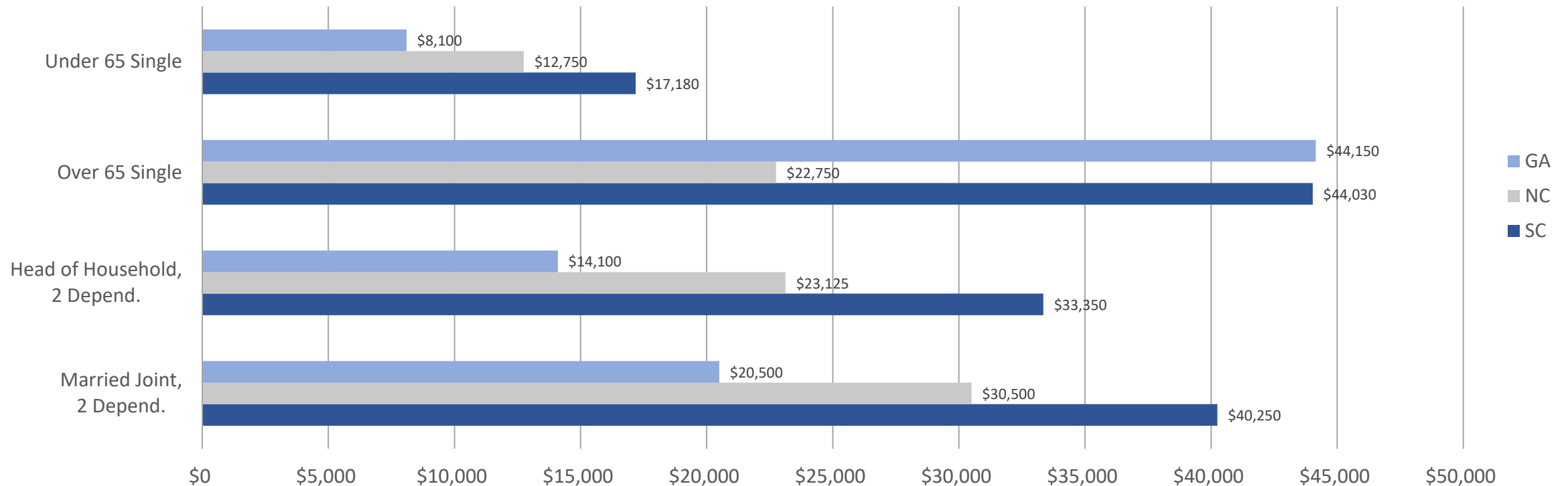
## State Tax Liability Comparisons– SC, GA, and NC

- South Carolina’s neighboring states, Georgia and North Carolina, have very different tax structures that can result in a higher or lower tax liability depending on a taxpayer's filing status and income level
- While there is not an “average” taxpayer, the following examples show a comparison of the tax liability for SC, GA, and NC at \$60,000 of income for different filing statuses
- Notably, the comparison of the tax burden changes at different levels of income, and SC may have a higher or lower tax liability relative to GA and NC

# State Income Tax Thresholds Comparison – Tax Year 2023

Using filers with \$60,000 of federal AGI, South Carolina’s income tax payments begin at a higher income level than neighbors due to the 0% tax bracket and larger deductions\*

STATE INCOME TAX THRESHOLDS – FEDERAL AGI OF \$60,000  
Level At Which Filer Begins Paying State Income Tax, Tax Year 2023



\*NC has income-specific deductions that will change these figures at different levels. Georgia retirement income exclusion: \$20,000 in taxable pensions and \$4,000 in eligible earned income. Over 65 reflects exclusion of \$10,000 in federally taxable social security.

Source: South Carolina Department of Revenue, Georgia Department of Revenue, North Carolina Department of Revenue. Calculations by the S.C. Revenue and Fiscal Affairs Office.

## SC Flat Tax Example

- The following tables outline a comparison of SC's tax liability based on the current tax structure with the 2023 tax rates of 0%, 3%, and 6.4% compared to a flat tax structure
- State income tax liability would be effectively unchanged overall with a 3.71% flat tax rate on federal AGI if SC does not allow a standard deduction\*
- However, the change would cause a shift of \$1.06 billion in tax liability between taxpayers based on their filing situations; over 66% would pay more while 19% would pay less

\*All other state adjustments to income and credits are retained



# SC Flat Tax Example

SC's 2023 income tax liability is approximately the same as it would be with a flat 3.71% tax on federal AGI with no standard deduction\*; however, the change would increase taxes on 66.3% of returns and decrease taxes on 19.2% of returns; 14.5% of returns would be essentially unchanged

Estimated Federal Adjusted Gross Income Range 2021	Estimated Tax Return Distribution		Estimated Tax Change				Tax Returns with a Decrease in Liability				Tax Returns with an Increase in Liability				Tax Returns with No Change	
	Estimated # of Returns	Estimated % of Returns	Returns with Tax Change	% of Returns in Range	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
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
\$0	94,234	3.6%	3,414	3.6%	(\$616)	(\$2,102,000)	514	0.5%	(\$2,435,000)	(\$4,737)	2,900	3.1%	\$333,000	\$115	90,820	96.4%
\$1 to \$10,000	365,549	14.1%	218,524	59.8%	\$151	\$32,903,000	82	0.0%	(\$162,000)	(\$1,986)	218,442	59.8%	\$33,064,000	\$151	147,025	40.2%
\$10,001 to \$20,000	355,635	13.7%	277,314	78.0%	\$427	\$118,465,000	76	0.0%	(\$111,000)	(\$1,457)	277,238	78.0%	\$118,576,000	\$428	78,321	22.0%
\$20,001 to \$30,000	307,356	11.8%	286,378	93.2%	\$593	\$169,718,000	179	0.1%	(\$108,000)	(\$603)	286,198	93.1%	\$169,826,000	\$593	20,978	6.8%
\$30,001 to \$40,000	271,011	10.4%	259,684	95.8%	\$644	\$167,334,000	1,256	0.5%	(\$241,000)	(\$192)	258,429	95.4%	\$167,575,000	\$648	11,327	4.2%
\$40,001 to \$50,000	206,223	7.9%	201,415	97.7%	\$573	\$115,362,000	2,746	1.3%	(\$627,000)	(\$228)	198,668	96.3%	\$115,990,000	\$584	4,809	2.3%
\$50,001 to \$75,000	339,695	13.1%	331,223	97.5%	\$431	\$142,642,000	74,307	21.9%	(\$17,129,000)	(\$231)	256,917	75.6%	\$159,771,000	\$622	8,471	2.5%
\$75,001 to \$100,000	207,143	8.0%	201,858	97.4%	\$185	\$37,436,000	77,961	37.6%	(\$37,406,000)	(\$480)	123,897	59.8%	\$74,842,000	\$604	5,285	2.6%
\$100,001 to \$150,000	228,578	8.8%	222,866	97.5%	(\$331)	(\$73,749,000)	156,901	68.6%	(\$132,932,000)	(\$847)	65,964	28.9%	\$59,183,000	\$897	5,712	2.5%
\$150,001 to \$200,000	92,905	3.6%	90,907	97.8%	(\$1,269)	(\$115,403,000)	75,947	81.7%	(\$131,510,000)	(\$1,732)	14,961	16.1%	\$16,107,000	\$1,077	1,998	2.2%
\$200,001 to \$300,000	66,408	2.6%	65,195	98.2%	(\$2,393)	(\$156,024,000)	57,499	86.6%	(\$171,634,000)	(\$2,985)	7,696	11.6%	\$15,611,000	\$2,029	1,214	1.8%
\$300,001 to \$500,000	35,796	1.4%	35,029	97.9%	(\$4,289)	(\$150,223,000)	30,108	84.1%	(\$166,460,000)	(\$5,529)	4,920	13.7%	\$16,238,000	\$3,300	767	2.1%
\$500,001 to \$1,000,000	17,979	0.7%	17,413	96.8%	(\$7,199)	(\$125,357,000)	14,108	78.5%	(\$146,381,000)	(\$10,376)	3,305	18.4%	\$21,024,000	\$6,361	567	3.2%
Over \$1,000,000	9,704	0.4%	9,257	95.4%	(\$17,389)	(\$160,969,000)	6,512	67.1%	(\$253,171,000)	(\$38,878)	2,745	28.3%	\$92,201,000	\$33,587	448	4.6%
<b>Total</b>	<b>2,598,218</b>	<b>100.0%</b>	<b>2,220,475</b>	<b>85.5%</b>	<b>\$0</b>	<b>\$0</b>	<b>498,195</b>	<b>19.2%</b>	<b>(\$1,060,300,000)</b>	<b>(\$2,128)</b>	<b>1,722,280</b>	<b>66.3%</b>	<b>\$1,060,300,000</b>	<b>\$616</b>	<b>377,743</b>	<b>14.5%</b>

Figures may not add to totals due to rounding; taxpayers may have \$0 federal AGI but positive SC tax liability due to federal provisions that the state does not adopt.

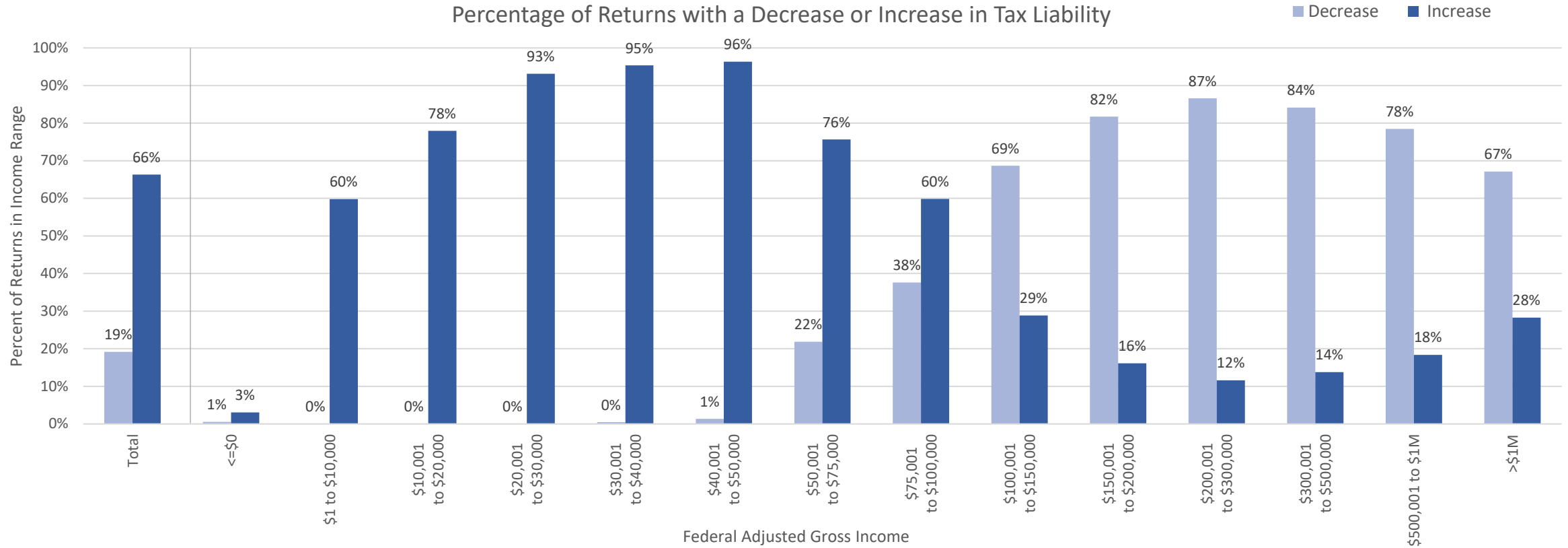
\*Analysis of 2023 tax structure using 2021 tax returns with flat tax rate of 3.71% on federal AGI for 2023, no standard deductions but all SC adjustments to income and tax credits are retained; analysis subject to change based on income growth or changes to assumptions; RFA September 2023

# SC Flat Tax Example

While the flat tax example has no impact on total tax liability overall, the change in tax structure does not have a consistent impact, even within income ranges; some taxpayers will pay more, and some will pay less

## SC FLAT TAX IMPACT EXAMPLE

Percentage of Returns with a Decrease or Increase in Tax Liability



Note: Taxpayers may have \$0 federal AGI but positive SC tax liability due to federal provisions that the state does not adopt. Analysis of 2023 tax structure using 2021 tax returns with flat tax rate of 3.71% on federal AGI for 2023, no standard deductions but all SC adjustments to income and tax credits are retained; analysis subject to change based on income growth or changes to assumptions - RFA September 2023

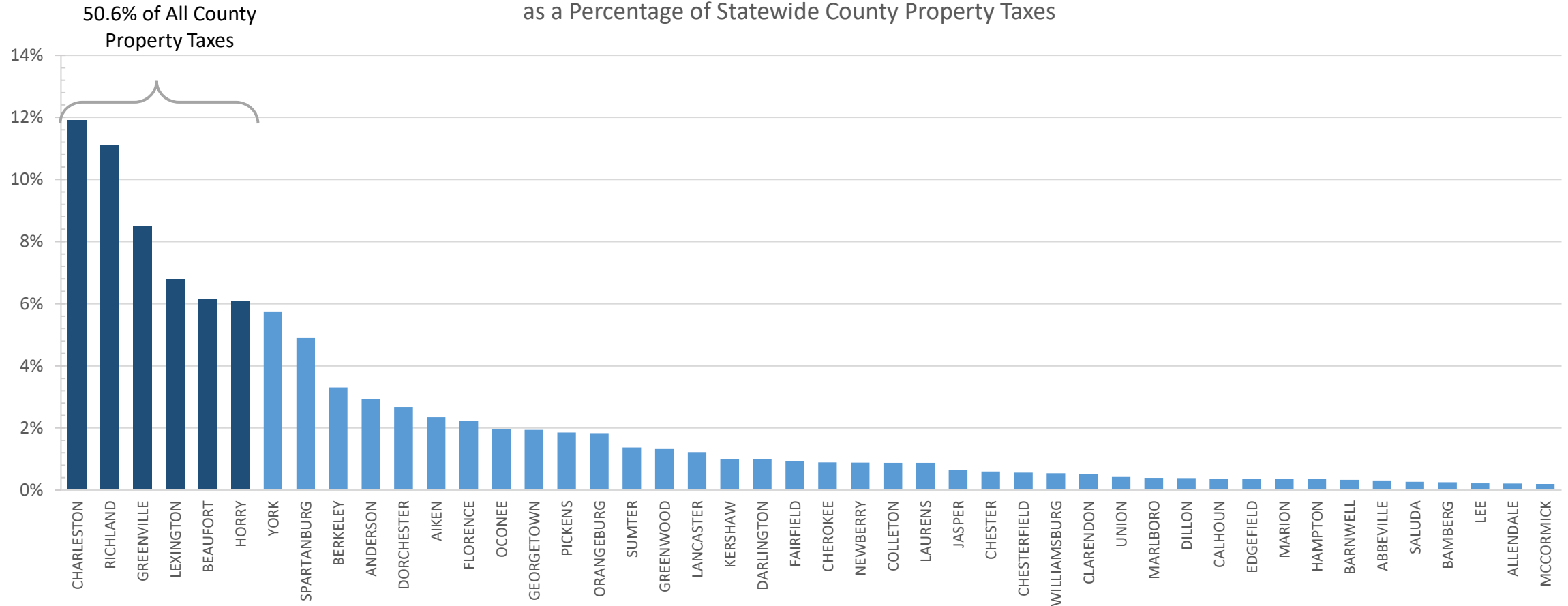
# Property Tax Issues



# County Property Tax Revenue

## The top 6 counties make up over 50% of statewide property taxes

COUNTY PROPERTY TAX REVENUE- TAX YEAR 2022  
as a Percentage of Statewide County Property Taxes

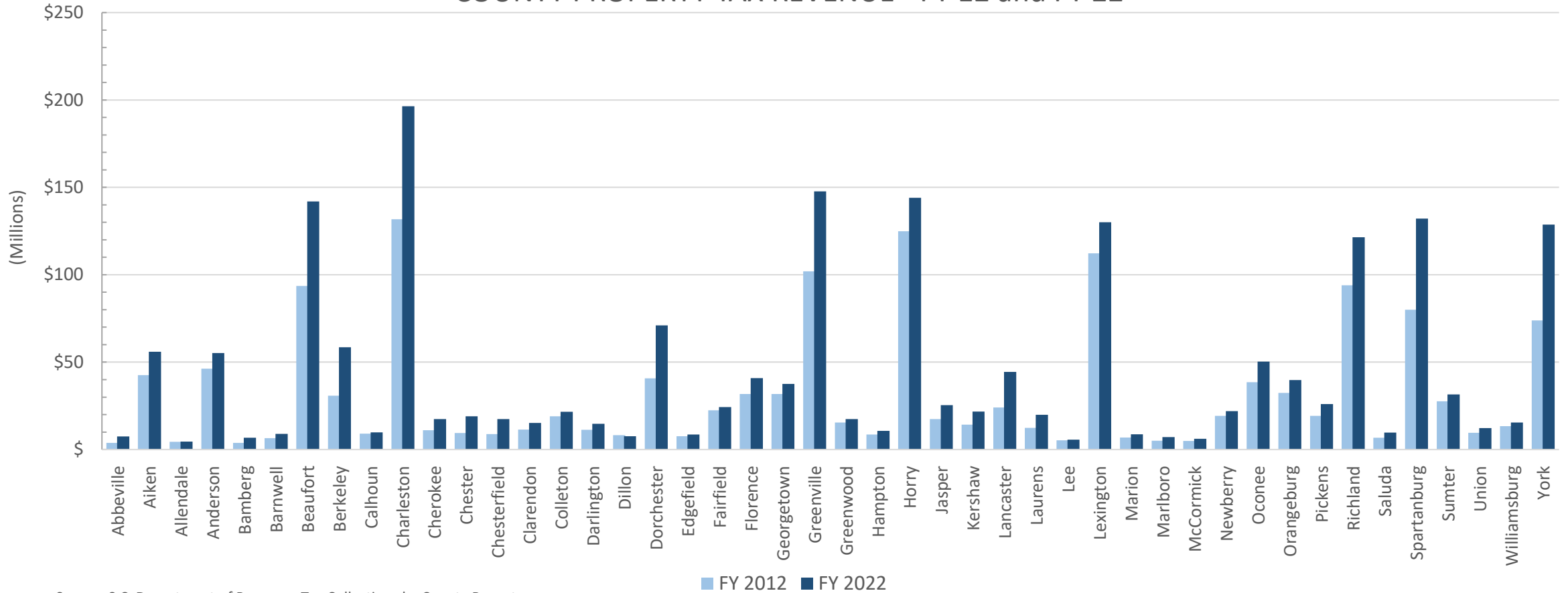


Source: S.C. Department of Revenue; Tax Collections by County Report

# County Property Tax Revenue - History

Some counties have had much larger growth in property taxes over the last 10 fiscal years than others; growth ranged from -0.8% to +99%

COUNTY PROPERTY TAX REVENUE - FY 12 and FY 22

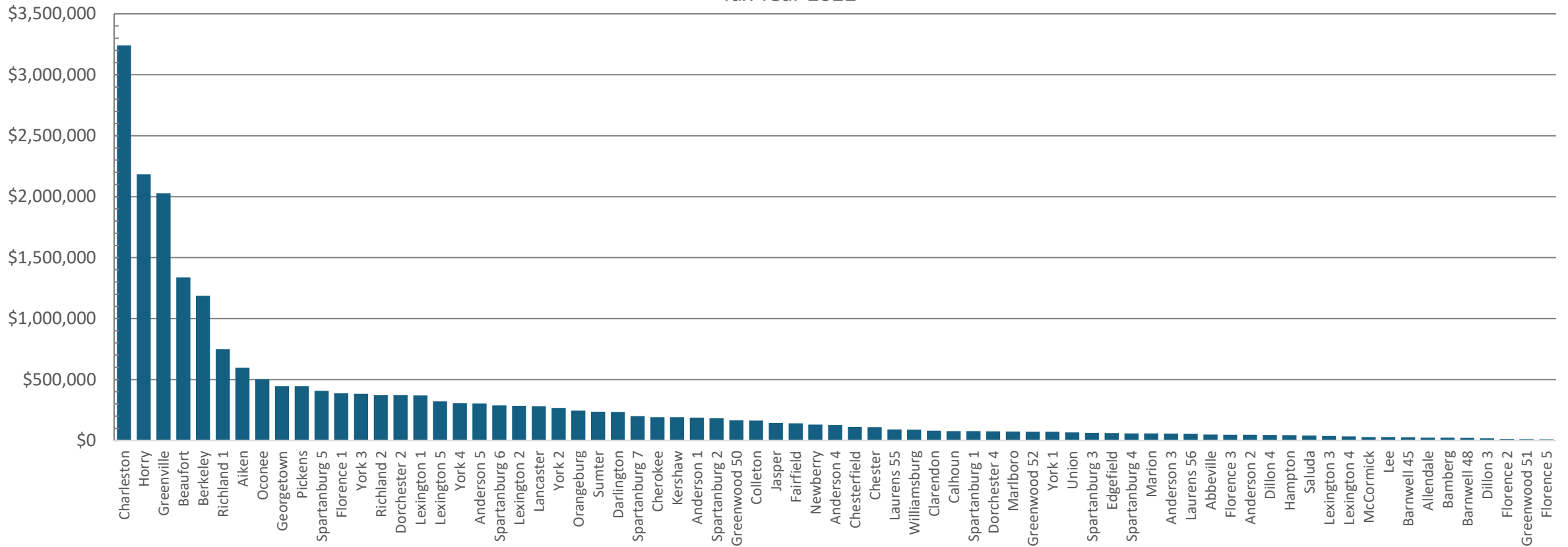


Source: S.C. Department of Revenue; Tax Collections by County Report

# Value of One Mill - 2022

One mill generates between \$10,136 and \$3.24 million for school district operating expenses

ESTIMATED VALUE OF ONE MILL - SCHOOL OPERATIONS  
Tax Year 2022



Note: Includes Fee-in-Lieu property

Source: Department of Revenue, Local Government Survey, Index of Taxpaying Ability 2024 RFA-mkm/06-03-24

# Millage Rate Increase Limitation

## Inflation component

- The inflation component for the millage rate increase limitation for FY 2025-26 is 2.95%
- Census Bureau Population Release Dates:
  - Counties and School Districts – March 2025
  - Incorporated Places (Municipalities) – May 2025

# Property Tax Exemptions and Reimbursements

## Tiers I, II, and III

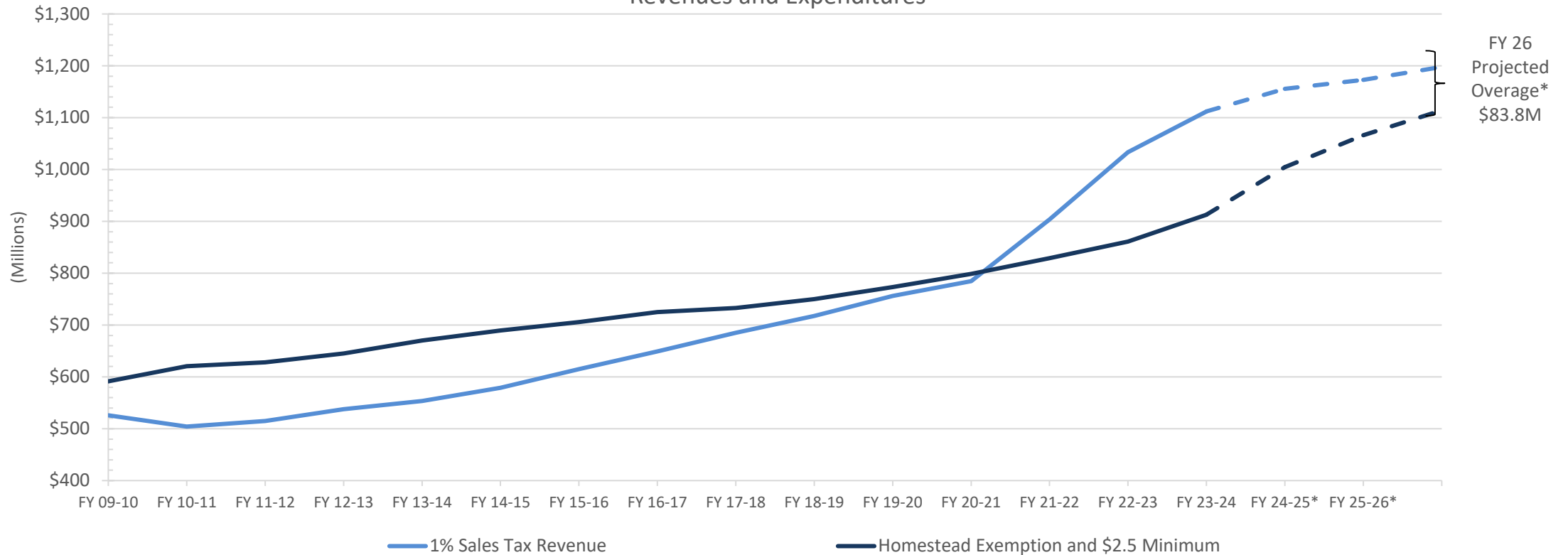
Property Tax Exemption	Reimbursement Title	Reimbursement Amount
\$100,000 Residential School Operating Property Tax Exemption	Tier I	Capped at \$249,069,750
Homestead Exemption (65+)	Tier II	School operating - capped at \$80,892,729 All other - dollar for dollar match
Exemption for Residential School Operating Millage above \$100,000 (Act 388 of 2006)	Tier III	Formula driven based on population and inflation



# Homestead Exemption

## Sales tax revenue projection continues to cover expenditures

HOMESTEAD EXEMPTION FUND (TIER III)  
Revenues and Expenditures



\*Does not include fund balance or appropriations.

Note: Tier III Expenditure includes \$2.5M minimum disbursements and lease purchase lawsuit revisions. Revenue and expenditure projection as of 11/19/2024 BEA forecast.

Source: SC Revenue and Fiscal Affairs Office MKM-40- 11/19/2024

# Homestead Exemption

## Excess revenue in the Homestead Exemption Fund

- Section 11-11-156(C) - Any excess revenue in the Homestead Exemption Fund after fully funding the Tier III reimbursements will be remitted to the counties in the following year to be used as a uniform credit for all owner-occupied properties
- The distribution will be on a pro-rata basis for each county's population relative to statewide population
- *This provision has been suspended in recent years*

# Homestead Exemption

## Calculating the credit

- Section 11-11-156(C) - The credit is an amount determined by dividing the total estimated revenues credited to the county during the applicable fiscal year by the number of parcels in the county eligible for the credit. Credit that exceeds the tax due on a parcel must be reallocated in a uniform amount to remaining parcels with a property tax liability for county operations....
- This is the current guidance on how to calculate the credit

# Homestead Exemption - Revenue Remittance Suspension

- Proviso 117.149 for FY 2024-25 suspends Section 11-11-156(C)
- This effectively allows the excess revenue to remain in the Homestead Exemption Fund
- Counties will not have to implement the owner-occupied property tax credit so long as the proviso remains in the budget

# Homestead Exemption

## Excess revenue in the Homestead Exemption Fund

- The beginning balance in the HEX fund in FY 2024-25 is \$651,165,494.

Homestead Exemption Fund Projected Balance				
	HEX Revenue	HEX Expenditures	Transfer In/Out	HEX Fund Balance
<b>FY 2024-25(e)*</b>	\$1,172,905,000	\$1,066,155,639	(\$600,000,000)	\$157,914,855
<b>FY 2025-26 (e)*</b>	\$1,197,878,000	\$1,114,061,993	TBD	\$241,730,862
<b>*Estimates based on BEA forecast as of November 19, 2024</b>				



## Homestead Exemption – Appropriation of Fund Balance

- Proviso 118.22 of the FY 2024-25 budget allocated a total of \$600 million of the balance of the HEX Fund for the acceleration of the income tax reduction, bridge repair across the state, and rural road safety, among other items
- Proviso 118.20 of the FY 2025-26 Executive Budget recommends allocating \$146.5 million of the balance including \$96.5 million for an acceleration of the income tax reduction and \$50 million for the Department of Transportation's Bridge Acceleration Fund

# Manufacturers Valuation Exemption

42.8571% of the value of the property is exempt

- The Comprehensive Tax Cut Act of 2022 increased the manufacturing property tax exemption to 42.8571% of the appraised value
  - Essentially, this exemption lowers the assessment ratio from 10.5% to 6%
- In any year that the reimbursements are projected by RFA to exceed the \$170 million limit, the exemption amount will be proportionally reduced so as not to exceed the limit
- Based on RFA's current projections, the reimbursement projection may exceed the cap beginning in FY 2025-26

# Questions

For additional information please visit our website: [www.rfa.sc.gov](http://www.rfa.sc.gov)

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