



**SOUTH CAROLINA
REVENUE AND FISCAL AFFAIRS OFFICE**

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MEMORANDUM

Date: March 11, 2026

Subject: Estimated Impact of H. 3368 as amended by the House of Representatives on March 10, 2026, (Income Tax Conformity) assuming enactment of H. 4216 as enrolled for ratification on March 10, 2026

Approved by: Mr. Frank A. Rainwater, Executive Director

A handwritten signature in blue ink, appearing to read "FAR", is written over the name of the Executive Director.

Attachments: Table 1 and Table 2

This memo is to provide our analysis of the revenue impact of income tax conformity as specified in H. 3368 as amended by the House of Representatives on March 10, 2026, **assuming** that H. 4216 as enrolled for ratification on March 10, 2026, is enacted.

H. 3368 as amended will update South Carolina's conformity to the IRC through December 31, 2025. Research by the Department of Revenue (DOR) identified one federal tax law enacted by Congress that impacts South Carolina's conformity through December 31, 2025:

- H.R. 1 of 2025 (Public Law 119-21), known as the One Big Beautiful Bill Act (OBBBA)

This analysis is based on the information provided in our memorandum *Income Tax Conformity with H.R. 1 of 2025 (Public Law 119-21), the One Big Beautiful Bill Act* dated December 11, 2025.¹ However, H. 4216 changes South Carolina's individual income tax structure beginning in tax year 2026. The bill imposes a tax rate of 1.99 percent on taxable income up to \$30,000 and 5.21 percent on \$30,000 and over, eliminates the federal standard and itemized deductions, and allows taxpayers with lower federal adjusted gross income (AGI) to claim a new South Carolina income adjusted deduction. As such, the impact of conforming with the OBBBA beginning in tax year 2026, assuming H. 4216 is enacted, will differ from our original analysis due to these tax law changes.

To estimate the impact of conforming to the OBBBA changes, Revenue and Fiscal Affairs (RFA) utilized U.S. estimates by the Joint Committee on Taxation and the Congressional Budget Office and adjusted those estimates to project the impact of

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Revenue and Fiscal Affairs, *Income Tax Conformity with H.R. 1 of 2025 (Public Law 119-21), the One Big Beautiful Bill Act*, December 11, 2025, <https://rfa.sc.gov/sites/default/files/2026-01/Public%20Memo%20-%20Conformity%20Provisions%20-%2012.11.2025.pdf>

adopting these federal provisions on South Carolina. Further, RFA made additional adjustments to refine these estimates with respect to South Carolina. Our analysis incorporates the latest growth assumptions and income tax return data for tax year 2024 and feedback provided by the SC Association of CPAs.

The provisions affecting South Carolina, assuming H. 4216 is enacted, are listed in Table 1 with adjustments to remove the impact of those provisions that will no longer impact state income taxes beginning in 2026 under the bill since state income taxes will start with federal AGI instead of federal taxable income. We also updated the estimates to account for the tax rates included in H. 4216 beginning in tax year 2026.

Further, there are several provisions that we believe will impact South Carolina regardless of conformity because federal law determines how these provisions are implemented, and the impact cannot be avoided. Essentially, federal law will dictate taxpayer behavior, and the change in revenue resulting from these provisions will occur regardless of whether South Carolina adopts the bill to extend conformity. These provisions are provided in Table 2 for reference and will be accounted for by the Board of Economic Advisors (BEA) in the revenue forecast. The estimates for these provisions are also updated for the tax rate changes in H. 4216.

Please note also, in our December 2025 memo, we specified under “Other Issues” that the OBBBA includes a charitable deduction allowance up to \$1,000 (\$2,000 for married filing jointly) for taxpayers who do not itemize beginning in tax year 2026. SC did not adopt IRC §170(p) specifically for 2021 in Act 87 of 2021. We understand the year reference should be updated to continue to non-conform. Although this provision will not impact South Carolina under H. 4216, we have added it to Table 1 for completeness.

The table below provides the estimated total General Fund impact by fiscal year of conformity with the provisions included in the OBBBA as listed in Table 1. The impact of provisions in Table 2 that will impact South Carolina regardless of conformity as outlined above is not included in the table below and will be accounted for by the BEA. Please note, the figures do not include the overall General Fund impact of H. 4216, only the impact of H. 3368 as amended.

**Estimated General Fund Impact of Conformity with OBBBA
Assuming H. 4216 as Enrolled for Ratification Is Enacted - (\$ in Millions)**

| Tax Type | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| Individual Income | (\$240.0) | (\$1.1) | (\$0.6) | (\$1.6) |
| Corporate Income | (\$48.5) | (\$5.1) | (\$1.3) | \$1.3 |
| Total | (\$288.5) | (\$6.2) | (\$1.9) | (\$0.3) |

IMPACT OF H. 3368 AS AMENDED BY THE HOUSE IF H. 4216 IS ENACTED - TABLE 1 - PROVISIONS BY TAX YEAR AND TYPE

Provisions that will not affect SC under H. 4216 are shown with strikethrough. Figures are updated for tax rates in H. 4216 as enrolled for ratification.

(Amounts are in millions of dollars)

| Line No. | Provision | §IRC | Tax Type | Affects Fed. AGI (Y/N) [1] | Effective | Amount by Tax Year | | | | | Impact by Fiscal Year | | | |
|----------|---|---------------------|----------|----------------------------|-----------|--------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|------------|------------|------------|
| | | | | | | Tax Year 2025 | Tax Year 2026 | Tax Year 2027 | Tax Year 2028 | Tax Year 2029 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
| 1 | 2025 - Individual Provisions | | | | | | | | | | | | | |
| 2 | Temporary senior deduction (\$6,000) [2] | §151(c) and (d)(5) | I | N | 2025 | (\$62.7) | (\$63.8) | (\$64.9) | (\$66.0) | \$0 | (\$62.7) | \$0 | \$0 | \$0 |
| 3 | Increase to standard deduction (S: \$750, MFJ: \$1,500, HOH: \$1,125) [2] | §63(c)(7) | I | N | 2025 | (\$80.8) | (\$82.2) | (\$83.6) | (\$85.0) | (\$86.5) | (\$80.8) | \$0 | \$0 | \$0 |
| 4 | Temporary increase to limitation on deduction for state and local taxes (exp 12/31/29) [2] | §164(b)(6) | I | N | 2025 | (\$2.7) | (\$2.7) | (\$2.7) | (\$2.8) | (\$2.8) | (\$2.7) | \$0 | \$0 | \$0 |
| 5 | No tax on overtime (exp 12/31/28) | §225 | I | N | 2025 | (\$47.1) | (\$49.2) | (\$51.7) | (\$54.3) | \$0 | (\$47.1) | \$0 | \$0 | \$0 |
| 6 | No tax on tips (exp 12/31/28) | §224 | I | N | 2025 | (\$18.2) | (\$18.4) | (\$19.4) | (\$20.5) | \$0 | (\$18.2) | \$0 | \$0 | \$0 |
| 7 | No tax on car loan interest (exp 12/31/28) | §163(h)(4) | I | N | 2025 | (\$13.0) | (\$19.4) | (\$23.8) | (\$29.3) | \$0 | (\$13.0) | \$0 | \$0 | \$0 |
| 8 | 2025 - Business Provisions | | | | | | | | | | | | | |
| 9 | Treatment of payments from partnerships to partners for property or services | §707(a)(2) | I | n/a | 2025 | \$2.2 | \$3.2 | \$2.7 | \$2.2 | \$1.6 | \$5.4 | \$2.7 | \$2.2 | \$1.6 |
| 10 | Full expensing of domestic research and experimental expenditures | §174 | B | n/a | 2025 | (\$50.4) | (\$11.8) | (\$8.0) | (\$4.3) | (\$1.8) | (\$62.2) | (\$8.0) | (\$4.3) | (\$1.8) |
| 11 | Increased dollar limitations for expensing of certain depreciable business assets | §179(b) | B | Y | 2025 | (\$6.1) | (\$5.1) | (\$4.3) | (\$3.6) | (\$3.0) | (\$11.2) | (\$4.3) | (\$3.6) | (\$3.0) |
| 12 | Termination of cost recovery for energy property | §168(e)(3)(B)(vi) | B | n/a | 2025 | \$0.1 | \$0.1 | \$0.1 | \$0.1 | \$0.1 | \$0.2 | \$0.1 | \$0.1 | \$0.1 |
| 13 | Spaceports are treated like airports under exempt facility bond rules | §142 | B | n/a | 2025 | Negligible | Negligible | Negligible | Negligible | Negligible | \$0 | \$0 | \$0 | \$0 |
| 14 | 2026 - Individual Provisions | | | | | | | | | | | | | |
| 15 | Deduction for charitable contributions for individuals who do not itemize [3] | §170(p) (see Notes) | I | N | 2026 | \$0 | (\$18.7) | (\$19.6) | (\$20.4) | (\$21.6) | \$0 | \$0 | \$0 | \$0 |
| 16 | Extension and modification of limitation on deduction for qualified residence interest | §163(h)(3)(F) | I | N | 2026 | \$0 | (\$0.6) | (\$0.6) | (\$0.6) | (\$0.5) | \$0 | \$0 | \$0 | \$0 |
| 17 | Extension and modification of limitation on casualty loss deduction | §165(h)(5) | I | N | 2026 | \$0 | (\$0.2) | (\$0.2) | (\$0.2) | (\$0.2) | \$0 | \$0 | \$0 | \$0 |
| 18 | Termination of miscellaneous itemized deductions other than educator expenses | §67(g) | I | N | 2026 | \$0 | (\$0.1) | (\$0.1) | (\$0.1) | (\$0.1) | \$0 | \$0 | \$0 | \$0 |
| 19 | Adjustment of charitable deduction for certain expenses incurred in support of native Alaskan subsistence whaling | §170(n) | I | N | 2026 | \$0 | Negligible | Negligible | Negligible | Negligible | \$0 | \$0 | \$0 | \$0 |
| 20 | Extension and modification of limitation on wagering losses | §165(d) | I | N | 2026 | \$0 | \$0.3 | \$0.3 | \$0.3 | \$0.3 | \$0 | \$0 | \$0 | \$0 |
| 21 | 0.5 percent floor on deduction of charitable contributions made by individuals | §170(b)(1) | I | N | 2026 | \$0 | \$8.7 | \$8.9 | \$9.1 | \$9.3 | \$0 | \$0 | \$0 | \$0 |
| 22 | Exclusion for employer payments of student loans | §127 | I | Y | 2026 | \$0 | (\$2.0) | (\$2.2) | (\$2.3) | (\$2.5) | (\$2.0) | (\$2.2) | (\$2.3) | (\$2.5) |
| 23 | Enhancement of the dependent care assistance program | §129(a) | I | Y | 2026 | \$0 | (\$1.1) | (\$1.2) | (\$1.3) | (\$1.4) | (\$1.1) | (\$1.2) | (\$1.3) | (\$1.4) |
| 24 | Qualified transportation fringe benefits – qualified bicycle commuting reimbursement | §§132(f)(8) | I | Y | 2026 | \$0 | (\$0.5) | (\$0.5) | (\$0.5) | (\$0.5) | (\$0.5) | (\$0.5) | (\$0.5) | (\$0.5) |

| Line No. | Provision | §IRC | Tax Type | Affects Fed. AGI (Y/N) [1] | Effective | Tax Year 2025 | Tax Year 2026 | Tax Year 2027 | Tax Year 2028 | Tax Year 2029 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|----------|---|---------------------|----------|----------------------------|-----------|---------------|---------------|---------------|---------------|---------------|------------|------------|------------|------------|
| 25 | Extension and modification of limitation on deduction and exclusion for moving expenses | §132(g)(2), §217(k) | I | Y | 2026 | \$0 | (\$0.2) | (\$0.2) | (\$0.2) | (\$0.2) | (\$0.2) | (\$0.2) | (\$0.2) | (\$0.2) |
| 26 | Treatment of certain individuals performing services in Sinai Peninsula of Egypt | §112 | I | Y | 2026 | \$0 | Negligible | Negligible | Negligible | Negligible | \$0 | \$0 | \$0 | \$0 |
| 27 | Extension and modification of exclusion from gross income of student loans discharged on account of death or disability | §108(f)(5) | I | Y | 2026 | \$0 | Negligible | Negligible | Negligible | Negligible | \$0 | \$0 | \$0 | \$0 |
| 28 | Exceptions from limitations on deduction for business meals | §274(o) | I | Y | 2026 | \$0 | \$6.5 | \$6.7 | \$7.0 | \$7.2 | \$6.5 | \$6.7 | \$7.0 | \$7.2 |
| 29 | Trump accounts and contribution pilot program | §530A | I | n/a | 2026 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 30 | 2026 - Business Provisions | | | | | | | | | | | | | |
| 31 | Treatment of capital gains from the sale of certain farmland property | §1062 | B | n/a | 2026 | \$0 | (\$2.8) | (\$1.8) | (\$0.9) | (\$0.2) | (\$2.8) | (\$1.8) | (\$0.9) | (\$0.2) |
| 32 | Exception to percentage of completion method of accounting for certain residential construction contracts | §460(e) | B | n/a | 2026 | \$0 | (\$0.8) | (\$0.5) | (\$0.3) | (\$0.2) | (\$0.8) | (\$0.5) | (\$0.3) | (\$0.2) |
| 33 | Restoration of taxable REIT subsidiary asset test | §856(c)(4)(B)(ii) | I | n/a | 2026 | \$0 | (\$0.3) | (\$0.3) | (\$0.4) | (\$0.5) | (\$0.3) | (\$0.3) | (\$0.4) | (\$0.5) |
| 34 | Treatment of certain qualified sound recording productions | §181 | B | n/a | 2026 | \$0 | (\$0.2) | (\$0.2) | \$0.2 | \$0.3 | (\$0.2) | (\$0.2) | \$0.2 | \$0.3 |
| 35 | Termination of energy efficient commercial buildings deduction | §179D | B | n/a | 2026 | \$0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| 36 | Expansion of qualified small business stock gain exclusion | §1202 | I | Y | 2026 | \$0 | \$0.1 | \$0.0 | (\$0.2) | (\$1.5) | \$0.1 | \$0.0 | (\$0.2) | (\$1.5) |
| 37 | Modification and extension of limitation on excess business losses of noncorporate taxpayers | §461(l) | I | n/a | 2026 | \$0 | \$0.2 | \$0.1 | \$0.1 | \$0.1 | \$0.2 | \$0.1 | \$0.1 | \$0.1 |
| 38 | Excessive employee remuneration from controlled group members and allocation of deduction | §162(m) | B | n/a | 2026 | \$0 | \$2.2 | \$2.5 | \$2.6 | \$2.7 | \$2.2 | \$2.5 | \$2.6 | \$2.7 |
| 39 | 1 percent floor on deduction of charitable contributions made by corporations | §170(b)(2)(A) | C | n/a | 2026 | \$0 | \$2.8 | \$3.2 | \$2.9 | \$2.7 | \$2.8 | \$3.2 | \$2.9 | \$2.7 |
| 40 | Permanent renewal and enhancement of opportunity zones | §1400Z | B | n/a | 2026 | \$0 | * | * | * | * | * | * | * | * |
| 41 | 2027 - Individual Provisions | | | | | | | | | | | | | |
| 42 | Income exclusion for education expenses paid by a scholarship granting organization | §139K | I | Y | 2027 | \$0 | \$0 | (\$2.6) | (\$3.0) | (\$3.4) | \$0 | (\$2.6) | (\$3.0) | (\$3.4) |

| Line No. | Provision | §IRC | Tax Type | Affects Fed. AGI (Y/N) [1] | Effective | Tax Year 2025 | Tax Year 2026 | Tax Year 2027 | Tax Year 2028 | Tax Year 2029 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 | |
|----------|---|---|----------|----------------------------|-----------|------------------|----------------|----------------|----------------|----------------|------------------|----------------|----------------|----------------|--|
| 43 | Other Tax Types | | | | | | | | | | | | | | |
| 44 | Nonprofit Community Development Activities in Remote Native Villages | Subchapter F, Chapter 1, Exempt Organizations | NP | n/a | 2025 | Negligible | Negligible | Negligible | Negligible | Negligible | \$0 | \$0 | \$0 | \$0 | |
| 45 | Exclusion of interest on loans secured by rural or agricultural real property | §139L | S&L | n/a | 2025 | Negligible | Negligible | Negligible | Negligible | Negligible | \$0 | \$0 | \$0 | \$0 | |
| 46 | | | | | | | | | | | | | | | |
| 47 | Total Individual (includes portion of business provisions) | | | | | (\$240.1) | \$0.1 | (\$1.1) | (\$0.6) | (\$1.6) | (\$240.0) | (\$1.1) | (\$0.6) | (\$1.6) | |
| 48 | Total Corporate (includes portion of business provisions) | | | | | (\$38.6) | (\$9.9) | (\$5.1) | (\$1.3) | \$1.3 | (\$48.5) | (\$5.1) | (\$1.3) | \$1.3 | |
| 49 | Total | | | | | (\$278.7) | (\$9.8) | (\$6.2) | (\$1.9) | (\$0.3) | (\$288.5) | (\$6.2) | (\$1.9) | (\$0.3) | |

Notes:

n/a - See note [1]

Negligible - impact of provision is immaterial

* - Provision extends existing program in current revenue base; no additional impact

Internal revenue code section references provided by SC Department of Revenue

[1] - Federal AGI column only applies to individuals; does not address businesses (pass-through or corporate)

[2] - Impact is an allocation of the net impact of all three provisions- each provision would have a higher impact separately

[3] - SC did not adopt IRC 170(p) for 2021. Year reference would need to be updated to avoid the impact.

Tax Types:

B- Both individual and corporate income tax

C - Corporate income tax

I - Individual income tax

NP - Nonprofits

S&L - Savings and loan tax

IMPACT OF H. 3368 AS AMENDED BY THE HOUSE IF H. 4216 IS ENACTED - TABLE 2 - PROVISIONS BY TAX YEAR AND TYPE - (Impact will occur regardless of conformity)

Provisions that will not affect SC under H. 4216 are shown with strikethrough. Figures are updated for tax rates in H. 4216 as enrolled for ratification.

(Amounts are in millions of dollars)

| Line No. | Provision | §IRC | Tax Type | Affects Fed. AGI (Y/N) [1] | Effective | Amount by Tax Year | | | | | Impact by Fiscal Year | | | |
|----------|--|----------------|----------|----------------------------|-----------|--------------------|----------------|----------------|----------------|----------------|-----------------------|----------------|----------------|----------------|
| | | | | | | Tax Year 2025 | Tax Year 2026 | Tax Year 2027 | Tax Year 2028 | Tax Year 2029 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
| 1 | Allowance of bronze and catastrophic plans in connection with health savings accounts | §223 | I | n/a | 2025/26 | (\$0.3) | (\$0.6) | (\$0.7) | (\$0.9) | (\$0.9) | (\$0.9) | (\$0.7) | (\$0.9) | (\$0.9) |
| 2 | Permanent extension of safe harbor for absence of deductible for telehealth services | §223 | I | n/a | 2025/26 | (\$0.3) | (\$0.6) | (\$0.8) | (\$1.0) | (\$1.1) | (\$0.9) | (\$0.8) | (\$1.0) | (\$1.1) |
| 3 | Treatment of direct primary care service arrangements | §223 | I | n/a | 2025/26 | (\$0.2) | (\$0.3) | (\$0.5) | (\$0.6) | (\$0.7) | (\$0.6) | (\$0.5) | (\$0.6) | (\$0.7) |
| 4 | Certain postsecondary credentialing expenses treated as qualified higher education expenses for purposes of 529 accounts (impact included in line 5 below) | §529 | I | n/a | 2026 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 5 | Additional expenses treated as qualified higher education expenses of purposes of 529 accounts | §529 | I | n/a | 2026 | \$0 | (\$0.1) | (\$0.1) | (\$0.2) | (\$0.2) | (\$0.1) | (\$0.1) | (\$0.2) | (\$0.2) |
| 6 | Rollovers from 529 plans to qualified 529A plans (ABLE Plans) | §529(e)(3) | I | n/a | 2026 | \$0 | Negligible | Negligible | Negligible | Negligible | \$0 | \$0 | \$0 | \$0 |
| 7 | Extension and enhancement of increased limitation on contributions to ABLE accounts | §529A | I | n/a | 2026 | \$0 | Negligible | Negligible | Negligible | Negligible | \$0 | \$0 | \$0 | \$0 |
| 8 | Income from hydrogen storage, carbon capture, advanced nuclear, hydropower, and geothermal energy added to qualifying income of certain publicly traded partnerships | §7704(d)(1)(E) | I | n/a | 2026 | \$0 | (\$0.0) | (\$0.0) | (\$0.0) | (\$0.0) | (\$0.0) | (\$0.0) | (\$0.0) | (\$0.0) |
| 9 | | | | | | | | | | | | | | |
| 10 | Total Individual (includes portion of business provisions) | | | | | (\$0.8) | (\$1.6) | (\$2.2) | (\$2.6) | (\$2.8) | (\$2.4) | (\$2.2) | (\$2.6) | (\$2.8) |
| 11 | Total Corporate (includes portion of business provisions) | | | | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 12 | Total | | | | | (\$0.8) | (\$1.6) | (\$2.2) | (\$2.6) | (\$2.8) | (\$2.4) | (\$2.2) | (\$2.6) | (\$2.8) |

Notes:

n/a - See note [1]

Negligible - impact of provision is immaterial

Internal revenue code section references provided by SC Department of Revenue

[1] - Federal AGI column only applies to individuals; does not address businesses (pass-through or corporate)

Tax Types:

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