

South Carolina Individual Income Tax: Basic Statistics, Tax Structure, and Comparisons

South Carolina Revenue and Fiscal Affairs Office

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Preface

- Income tax liability is dependent upon a host of factors, which makes conclusions or comparisons difficult
- These factors include type of filer, type of income, level of income, federal and/or state exemptions, and tax rates
- Although “averages” may be determined mathematically, the results may be misleading; because of the many possible combinations of these factors, references to an “average” taxpayer are not appropriate
- One of the better measures, however, is the effective tax rate because it represents the net impact after all factors are considered
- The following charts and data attempt to provide key observations about South Carolina’s income taxpayers, liabilities, and comparisons to other states

Executive Summary

In South Carolina,

- the largest group of filers is single filers, accounting for 46% of all returns, followed by married joint filers at 36% of returns (p. 6)
- the median federal adjusted gross income (AGI) ranges from \$27,483 for single filers to \$96,516 for married filing jointly with dependents (p. 12)
- more deductions are offered than in many other states; taxable income is approximately 53% of federal AGI*
- the marginal tax rate is higher than most other states (p. 24); however, ***the effective tax rate is much lower than many other states*** (p. 27)

*State taxable income does not include active trade or business income taxed at the 3% alternative rate

Executive Summary (continued)

- while 44% of returns have no tax liability, 10% of the returns pay 63% of the total tax liability *(p. 16)*
- the tax liability follows the income distribution much more closely: the bottom 50% of returns have 11% of total income and pay 3% of the total tax, whereas the top 1% of returns have 23% of income and pay 24% of the tax *(p. 11)*

South Carolina's Individual Income Tax Structure



SC Income Tax Structure – Type of Filers

Tax Year 2021 - Estimates

Filing Status	Returns	Percentage	Federal Adjusted Gross Income	Percentage	State Income Tax Liability	Percentage	Effective Rate*
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%
Total	2,580,946	100%	\$188,715,741,861	100.0%	\$5,825,441,319	100.0%	3.1%

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



SC Income Tax Structure – 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

SC Income Tax Structure – 2017 Federal Tax Cuts and Jobs Act

- With the Tax Cuts and Jobs Act of 2017, the federal standard deduction was increased significantly, and the personal exemption eliminated
- South Carolina conformed to this change and implemented a dependent deduction
- **Most states' standard deductions are smaller than South Carolina's deductions, but many states still have personal exemptions of varying sizes**
- Most SC returns claim the standard deduction. After federal tax reform in 2017, only 9% of SC filers itemized deductions on their federal return in tax year 2018

SC Deductions - Tax Year 2023			
	Single	Married	Head of Household
Standard Deduction (same as federal)	\$13,850	\$27,700	\$20,800
SC Dependent Deduction	\$4,610	\$4,610	\$4,610
Personal Exemption (same as federal)	None	None	None



SC Tax Structure – State Deductions and Exemptions

South Carolina's other major state deductions contribute to low tax burden

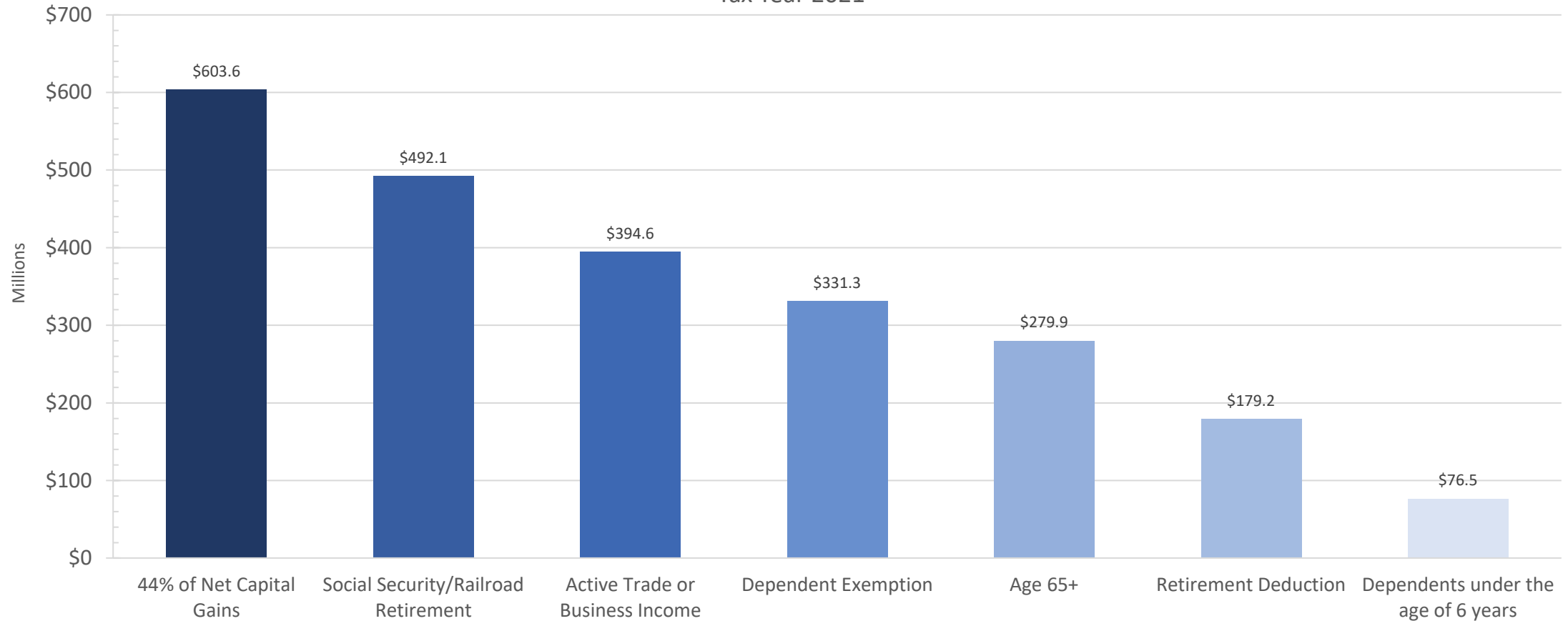
In addition to the federal standard deduction, SC provides other deductions and exemptions, the largest of which are:

- Dependent exemption - \$4,610 can be deducted for each eligible dependent in 2023
- Dependents under six - an additional deduction equal to the dependent deduction can be claimed for each dependent under age six
- Social Security - Social Security and Railroad Retirement Benefits that are included in federal AGI are excluded from taxable income
- Age 65 or older - any income up to \$15,000 can be deducted
- Retirement income - before age 65, a deduction of retirement income of up to \$3,000 can be claimed
- Net capital gains - 44% of net long-term capital gains can be deducted from income
- South Carolina also has a special 3% flat tax rate for active trade or business income

A complete listing of deductions is available in the Tax Expenditure Report: <http://rfa.sc.gov/TER>

Top State Income Tax Deductions - 2021

ESTIMATED TAX REDUCTION FROM TOP SC DEDUCTIONS
Tax Year 2021

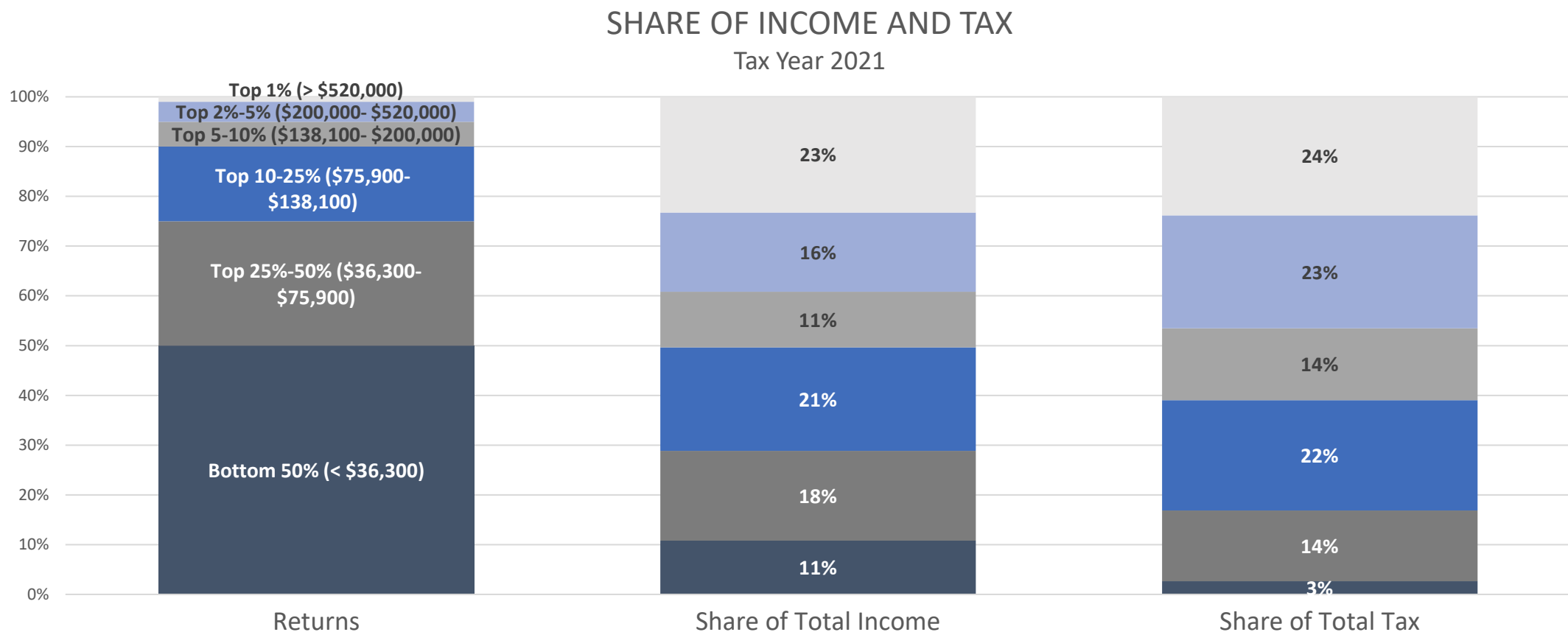


Data Source: S.C. Department of Revenue Individual Income Tax Returns; analysis by S.C. Revenue and Fiscal Affairs 10/8/1/2023



Share of SC Income and Tax – 2021

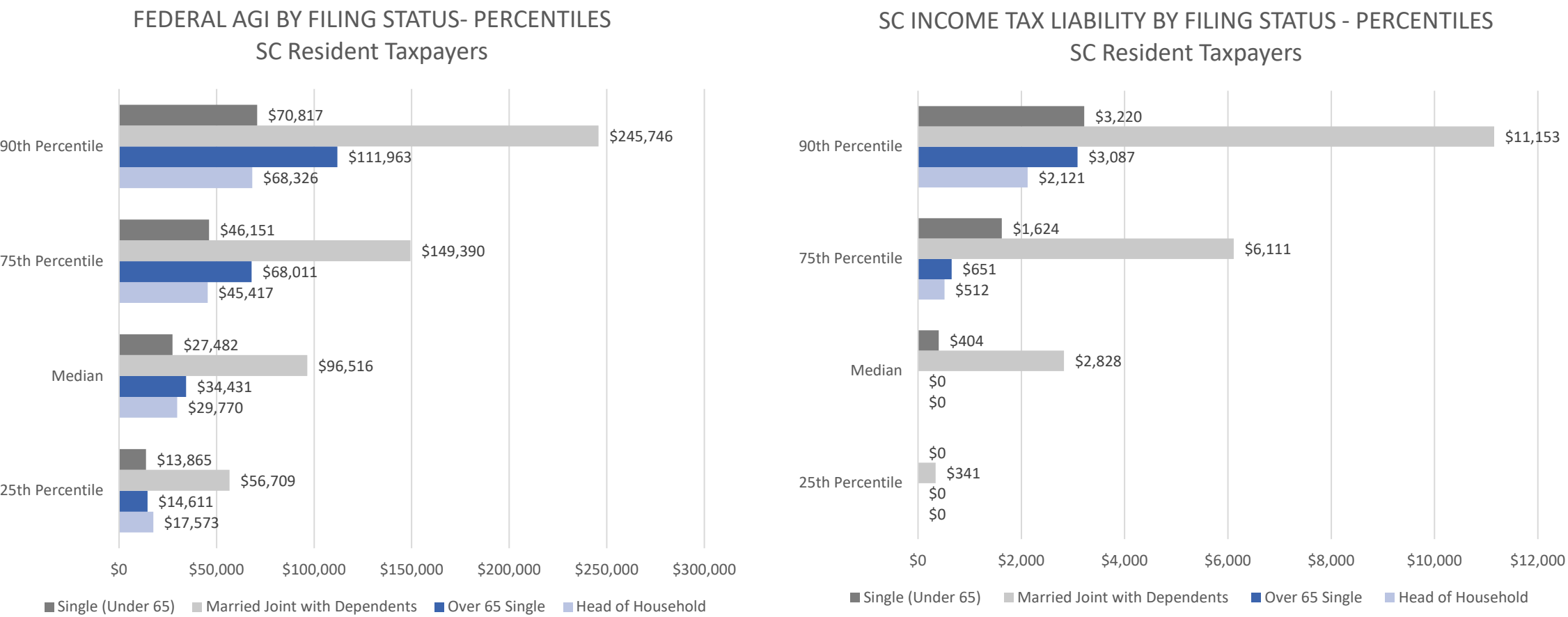
The bottom 50% of state returns have less than \$36,300 in income, make up 11% of total income, and pay 3% of total taxes; the top 1% make more than \$520,000, make up 23% of income, and pay 24% of the tax



Data Source: S.C. Department of Revenue Individual Income Tax Returns; analysis by S.C. Revenue and Fiscal Affairs 10/8/1/2023

SC Income and Tax Liability by Filing Status - 2021

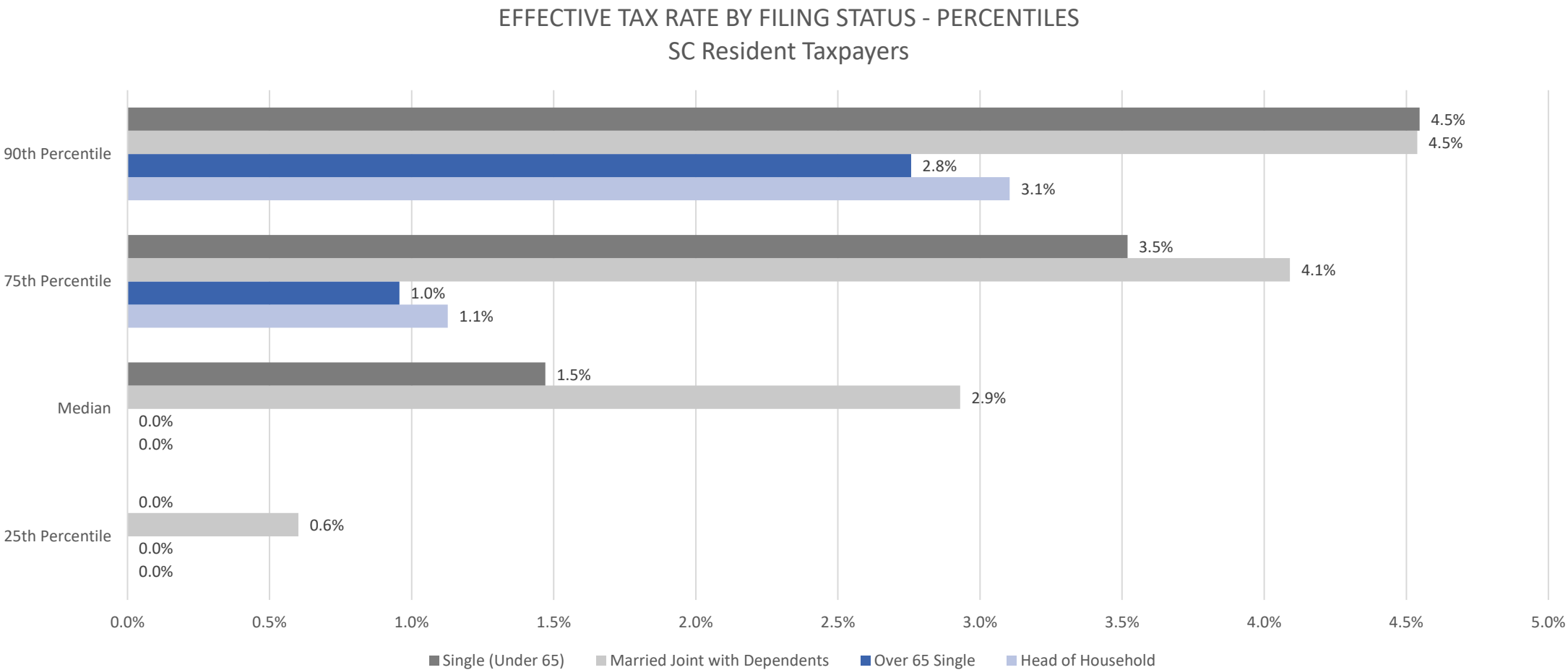
There is no “average” taxpayer; in addition to the amount of income, tax liability is highly dependent on filing status, income type, and other factors that affect deductions and exemptions



Data Source: S.C. Department of Revenue Individual Income Tax Returns – Resident Taxpayers Only ; analysis by S.C. Revenue and Fiscal Affairs 1hj/8/1/2023

SC Effective Tax Rate by Filing Status - 2021

Effective tax rate varies and is also highly dependent on filing status, income type, and other factors that affect deductions and exemptions



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

SC Tax Structure – Tax Rates and Reform

- 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.

Tax Year 2021		→	Tax Year 2022		→	Tax Year 2023		→	Tax Year 2027* (Estimated - Contingent on Revenue Growth)	
Tax Bracket	Tax Rate		Tax Bracket	Tax Rate		Tax Bracket	Tax Rate		Tax Bracket	Tax Rate
>\$0	0%		>\$0	0%		>\$0	0%		>\$0	0%
>\$3,110	3%		>\$3,200	3%		>\$3,330	3%		>\$3,870	3%
>\$6,220	4%		>\$16,040	6.5%		>\$16,680	6.4%		>\$19,380	6%
>\$9,330	5%									
>\$12,440	6%									
>\$15,560	7%									

SC Income Tax Structure – Impact of Tax Reform

Total income tax liability is approximately \$754.6 million less for tax year 2023 post tax reform compared to SC's old tax structure

Estimated Taxable Income Range	Tax Structure – Before Tax Reform				Estimate of Tax Reform Impact - Tax Year 2023			
	Projected # of Returns	Projected Average % of Returns	Projected Average Taxable Income	Old Average Tax Liability	New Average Tax Liability	Average Tax Change	% Change in Tax Liability	Total Dollar Change
	col 2 (/a)	col 3	col 4 (/b)	col 5	col 6	col 7	col 8	col 9
0	878,379	33.2%	\$0	\$0	\$0	\$0	n/a	\$0
1-25,000	819,444	31.0%	\$11,373	\$389	\$297	(\$93)	(23.8%)	(\$75,753,585)
25,000-50,000	398,987	15.1%	\$37,954	\$2,090	\$1,762	(\$329)	(15.7%)	(\$130,925,449)
50,000-100,000	323,704	12.2%	\$74,180	\$4,626	\$4,080	(\$546)	(11.8%)	(\$176,579,857)
100,000-250,000	181,031	6.8%	\$154,165	\$10,225	\$9,200	(\$1,026)	(10.0%)	(\$185,631,599)
250,000-500,000	32,727	1.2%	\$353,185	\$24,156	\$21,937	(\$2,220)	(9.2%)	(\$72,637,398)
500,000-\$1M	9,173	0.3%	\$708,480	\$49,027	\$44,676	(\$4,352)	(8.9%)	(\$39,915,630)
\$1M +	4,175	0.2%	\$2,904,135	\$202,723	\$185,198	(\$17,526)	(8.6%)	(\$73,175,977)
Total	2,647,620	100.0%	\$40,250	\$2,251	\$1,909	(\$342)	(15.2%)	(\$754,619,000)

Old Tax Brackets	Tax Rate	Taxable Income Range	New Tax Brackets	Tax Rate	Taxable Income Range
	0.00%	\$0 to 3,330		0.00%	\$0 to 3,330
	3.00%	\$3,330 to 6,660		3.00%	\$3,330 to 16,680
	4.00%	\$6,660 to 10,000		6.40%	Over \$16,680
	5.00%	\$10,000 to 13,330			
	6.00%	\$13,330 to 16,680			
	7.00%	Over \$16,680			

Notes: estimates subject to change with additional tax return data

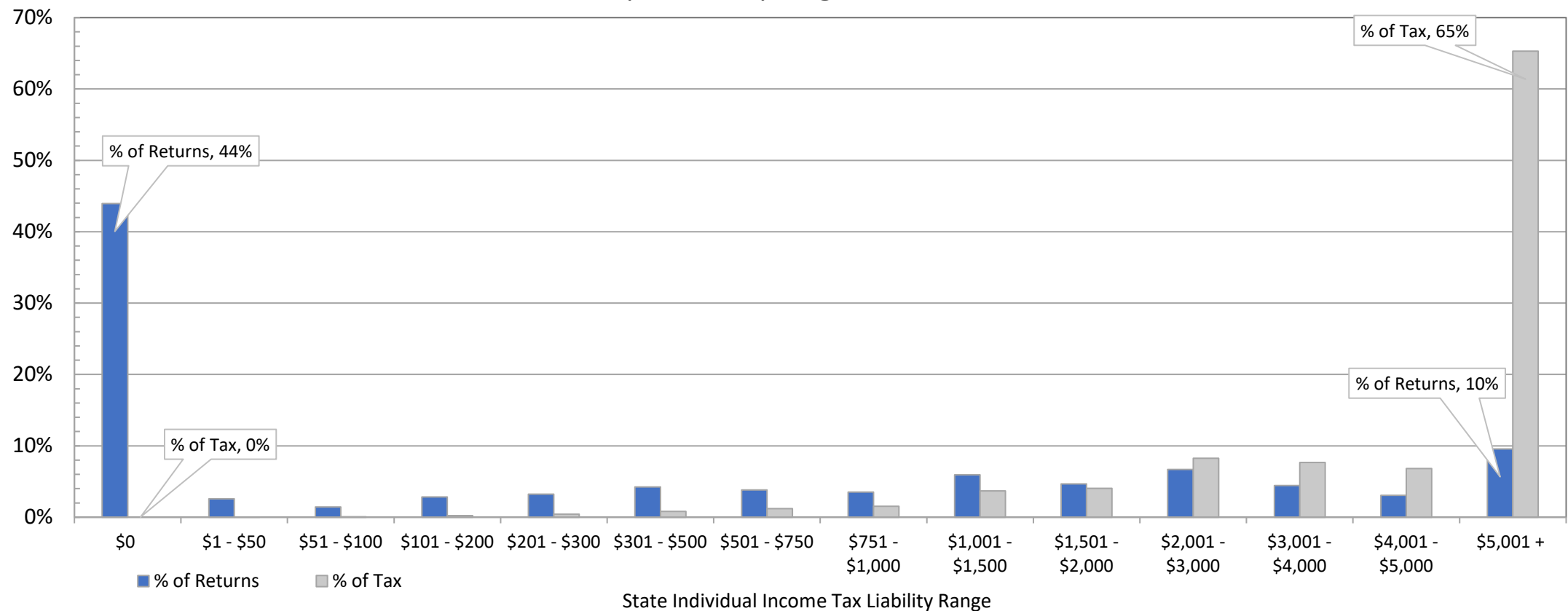


Estimated South Carolina Tax Liability for Tax Year 2023 – After Reform

SC’s tax reform 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 1hj/8/1/2023



National Comparisons of Income Tax Factors

(Post Tax Reform Data Are Limited)

Comparing Tax Year 2020 Income Tax Burden Across States

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

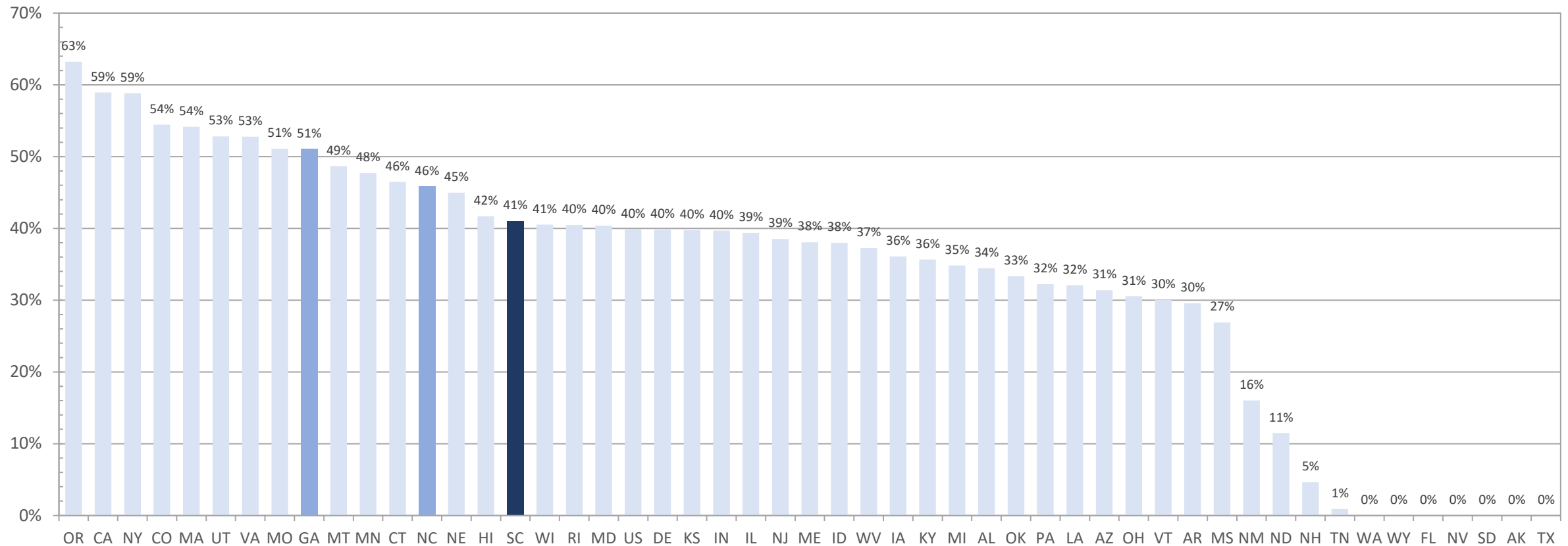
Because states have different levels of income, definitions of taxable income, exemptions, and tax rates, this analysis:

- 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)

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

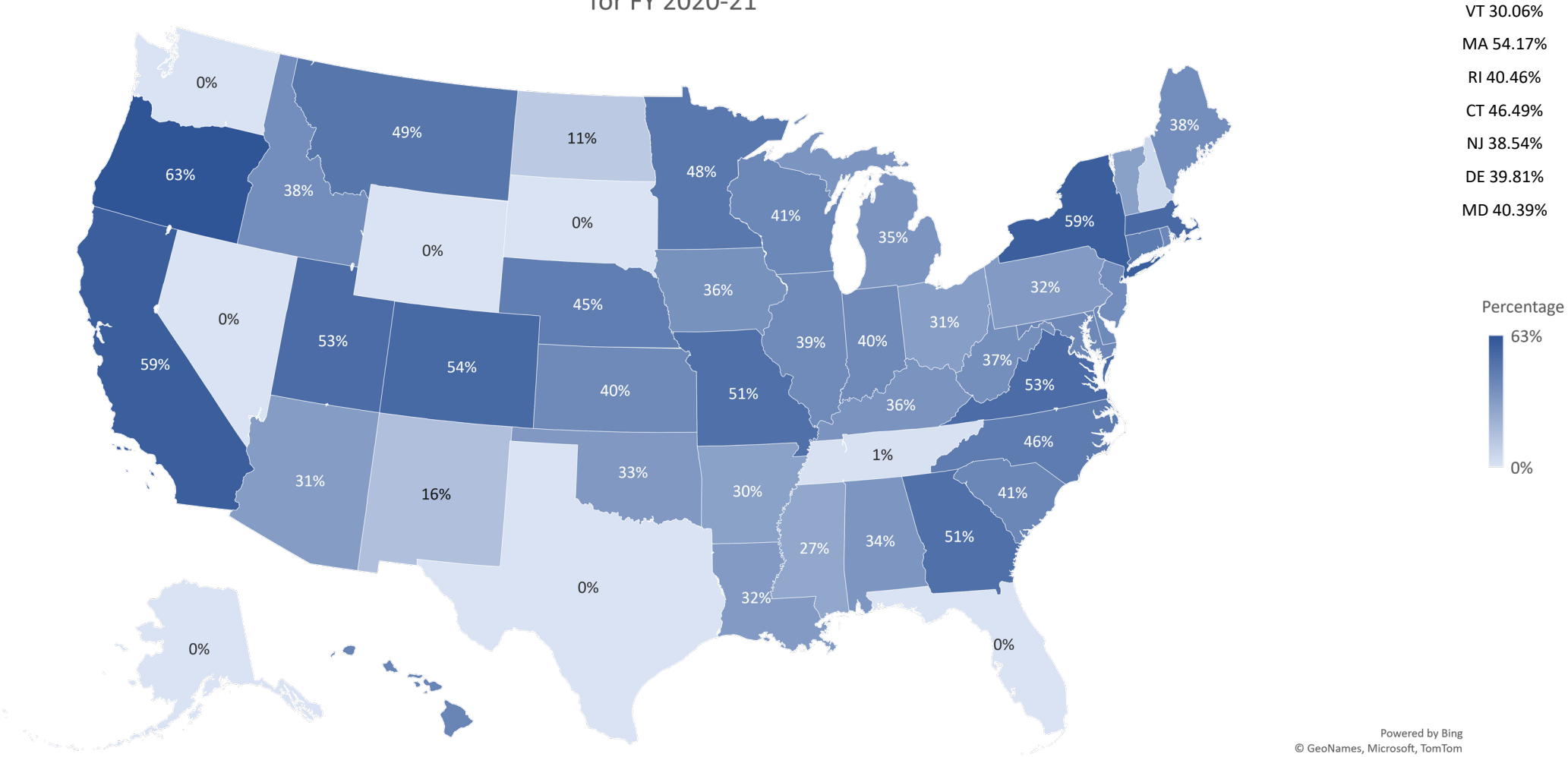


Source: U.S. Census Bureau, 2021 Annual Surveys of State and Local Government Finances. Includes all state tax revenue from income tax, sales tax, motor fuel tax, and others.



State Tax Revenue from Income Taxes – FY 2020-21

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.

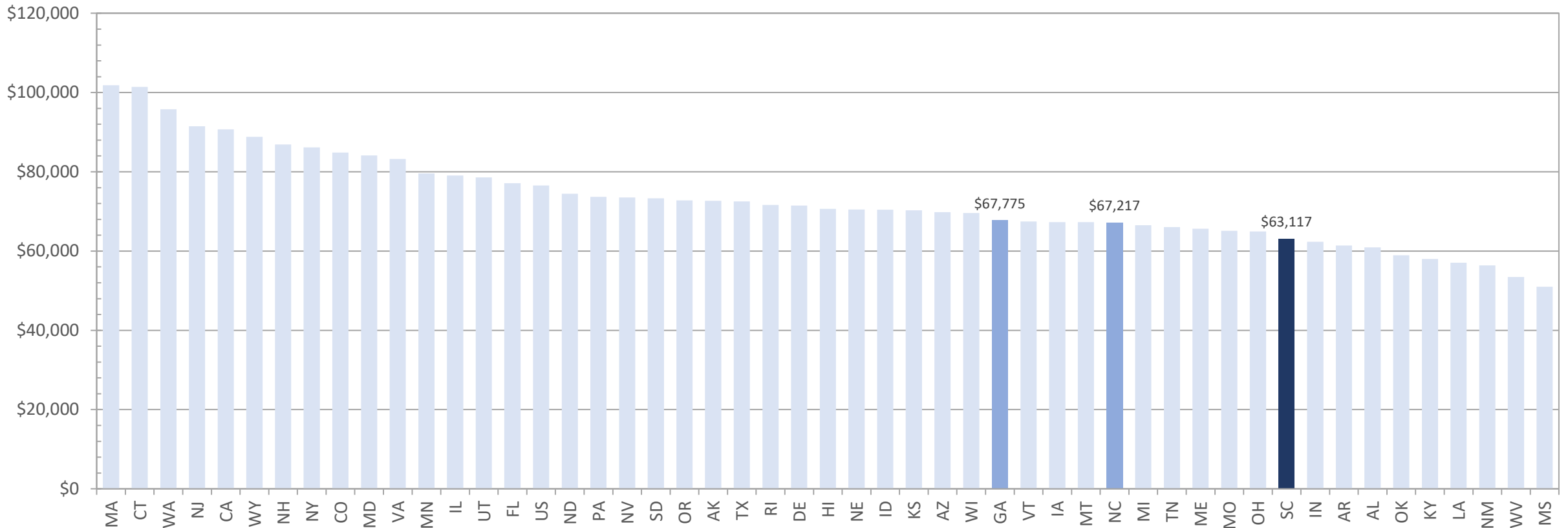
Key Points for Comparison – Tax Year 2020

- 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 AGI compared to final tax liability, allow for a better comparison of the tax burden in each state
- As will be explained, South Carolina has a relatively low individual income tax burden as measured by the average effective tax rate, ranking seventh lowest in tax year 2020 among states with a typical individual income tax structure
- South Carolina's zero tax bracket and overall tax structure contribute to the state's smaller effective tax burden

Average Federal AGI – Tax Year 2020

South Carolina had the 10th 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.

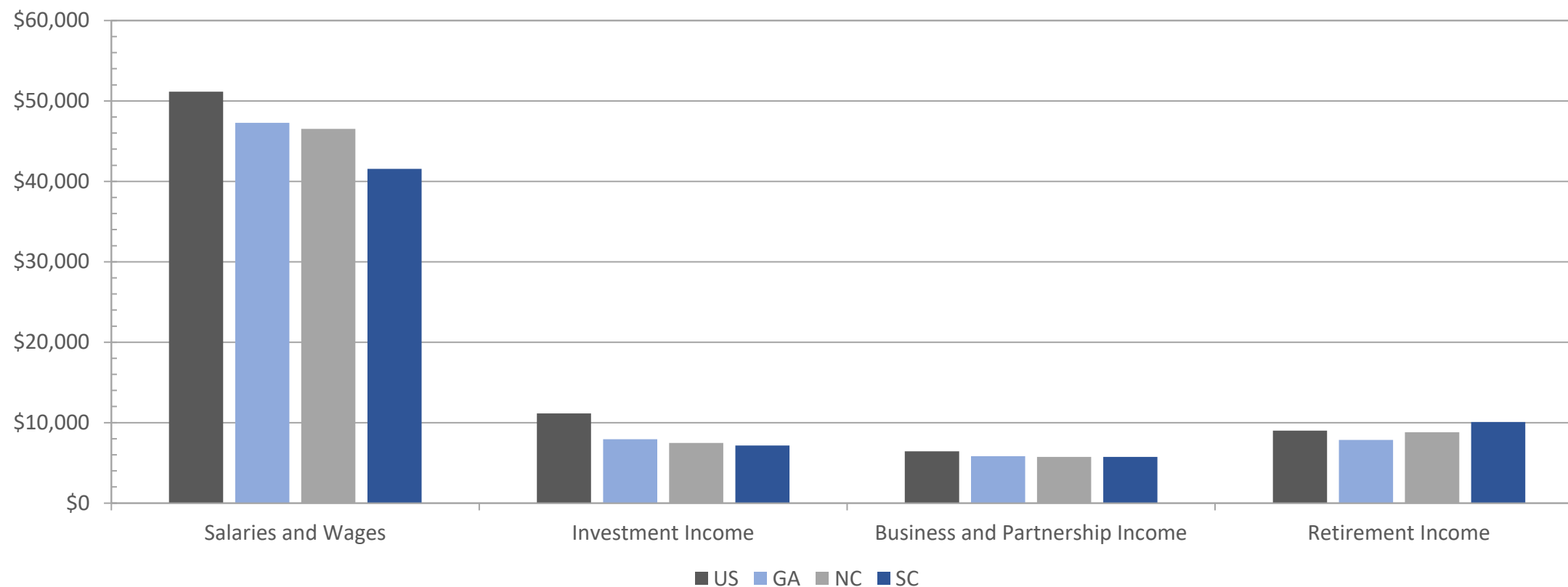


Average AGI Components – Tax Year 2020

South Carolina average income lags in all categories except retirement income; the state's retirement income deduction is especially important in reducing the overall tax burden

FEDERAL AGI COMPONENTS

Average Per Return, Tax Year 2020

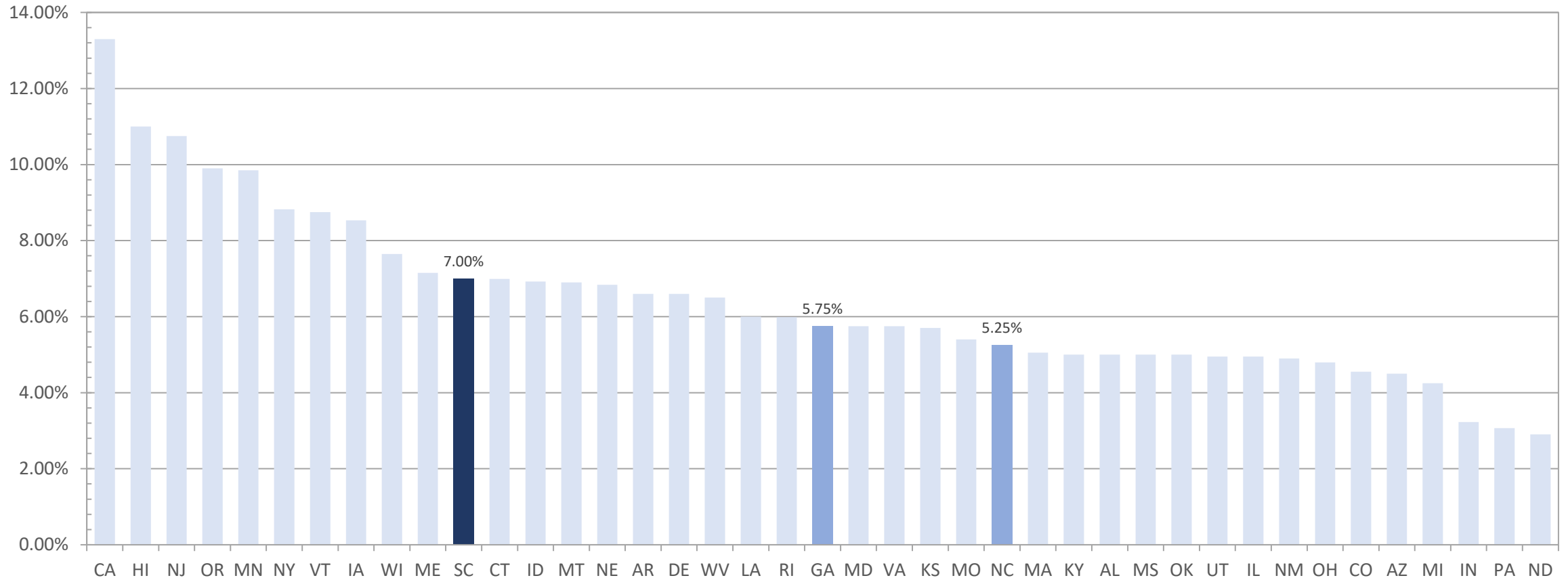


Source: IRS, Statistics of Income Division, Individual Master File System, December 2022. Calculations by the S.C. Revenue and Fiscal Affairs Office.

State Top Marginal Income Tax Rates – Tax Year 2020

South Carolina had the 11th highest top marginal individual income tax rate in 2020

HIGHEST STATE MARGINAL INDIVIDUAL INCOME TAX RATES
for Tax Year 2020

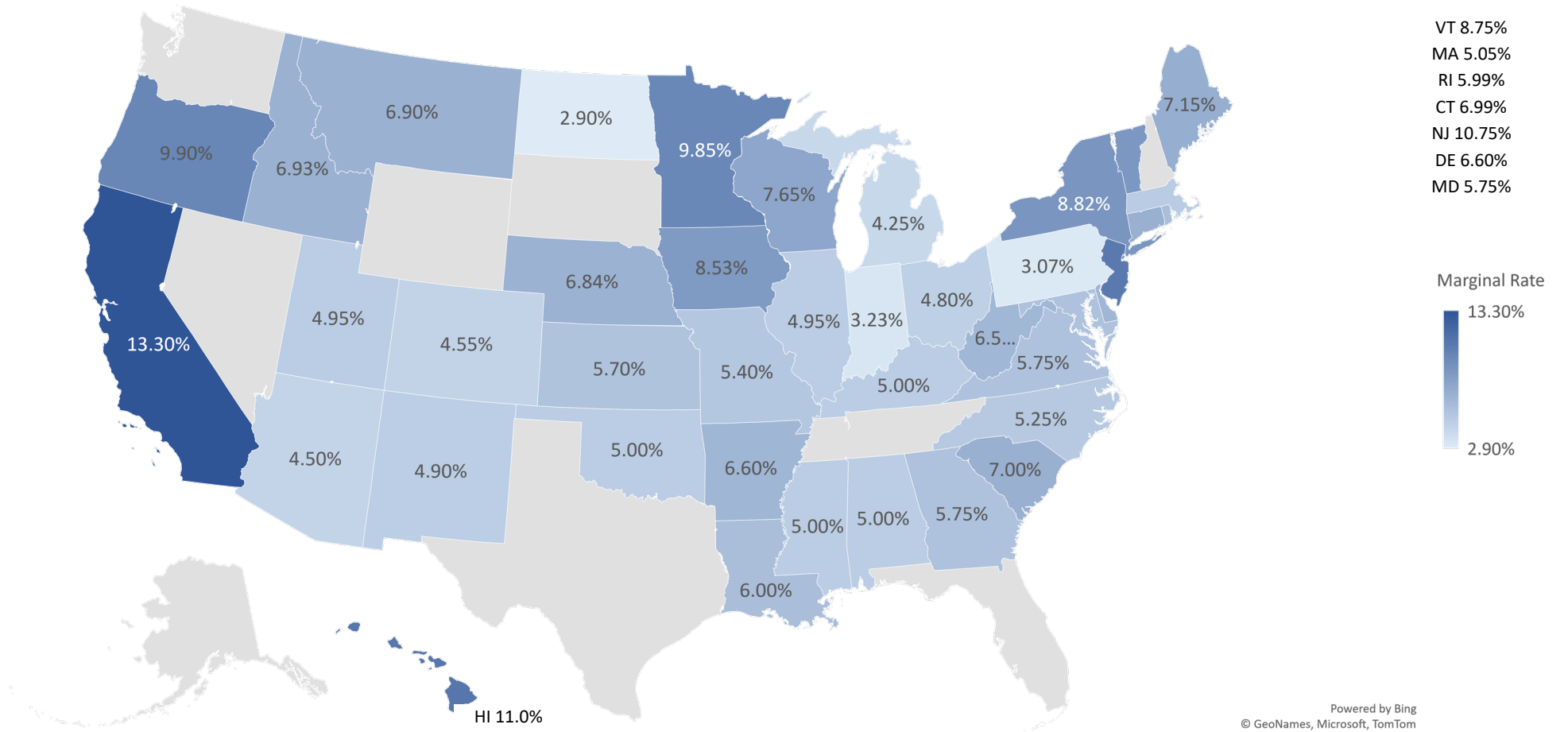


Source: Tax Foundation.org <https://taxfoundation.org/publications/state-individual-income-tax-rates-and-brackets/>



State Top Marginal Income Tax Rates - 2020

HIGHEST STATE MARGINAL INDIVIDUAL INCOME TAX RATES for Tax Year 2020



Source: Tax Foundation.org. <https://taxfoundation.org/publications/state-individual-income-tax-rates-and-brackets/>

Average Effective Income Tax Rates

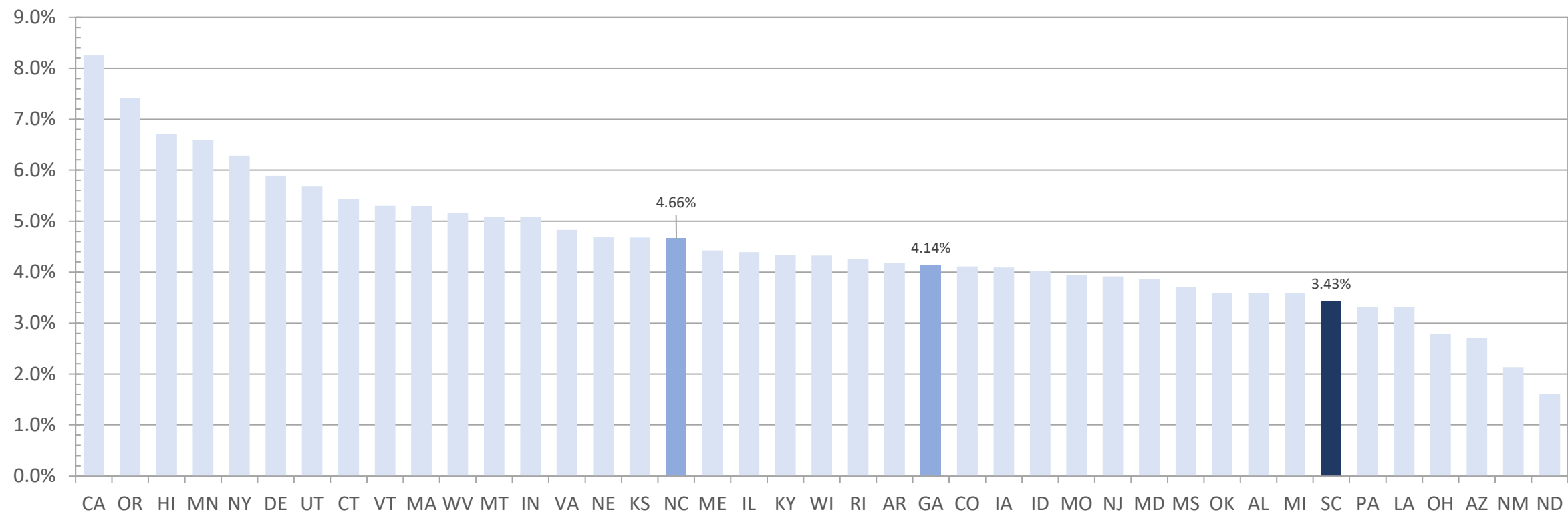
Effective rates provide a method to compare the tax burden across states

- 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

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

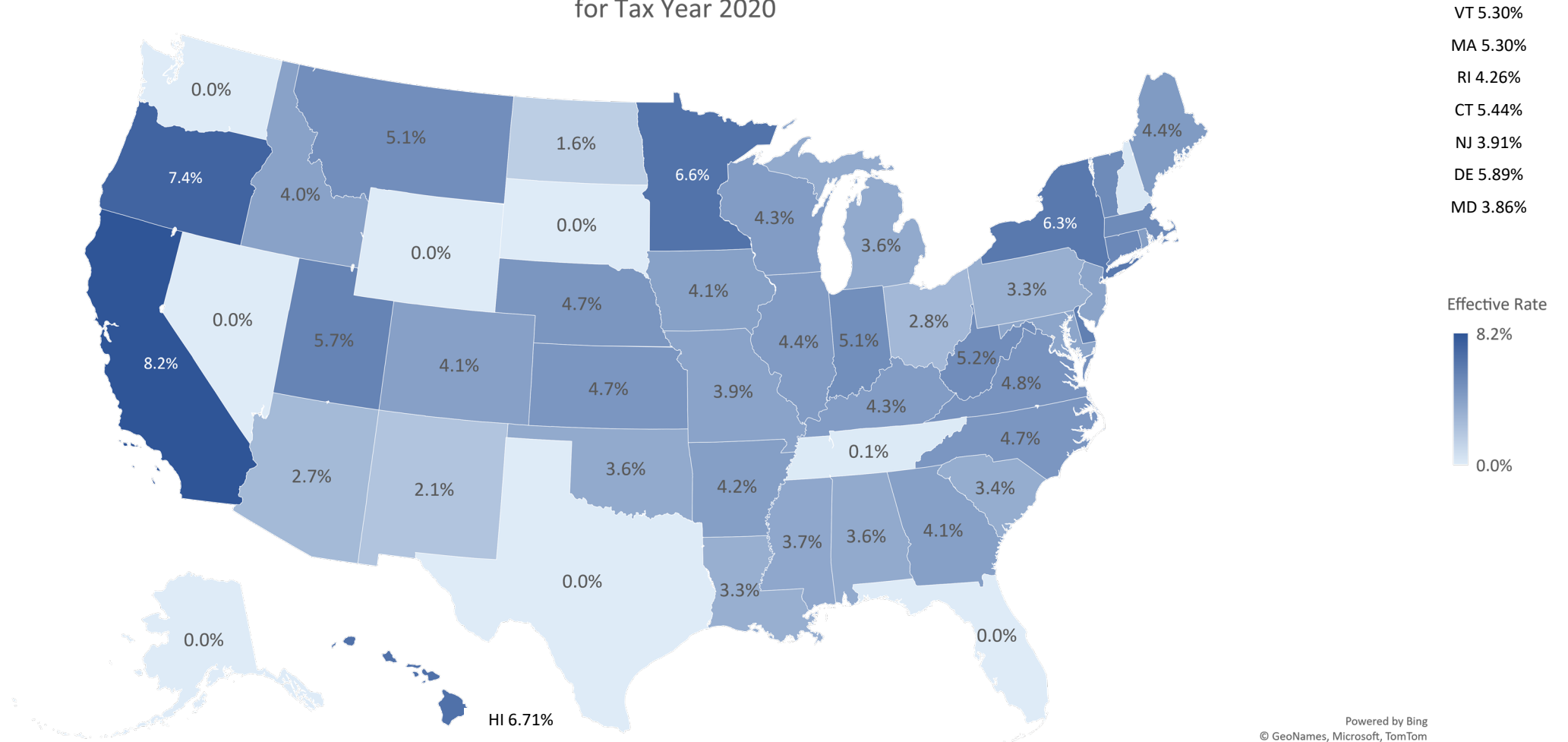


Source: IRS, Statistics of Income Division, Individual Master File System, Tax Year 2020 returns. U.S. Census Bureau, 2021 Annual Surveys of State and Local Government Finances.
Calculations by the S.C. Revenue and Fiscal Affairs Office.

State Average Effective Income Tax Rates - 2020

AVERAGE EFFECTIVE INDIVIDUAL INCOME TAX RATES

for Tax Year 2020

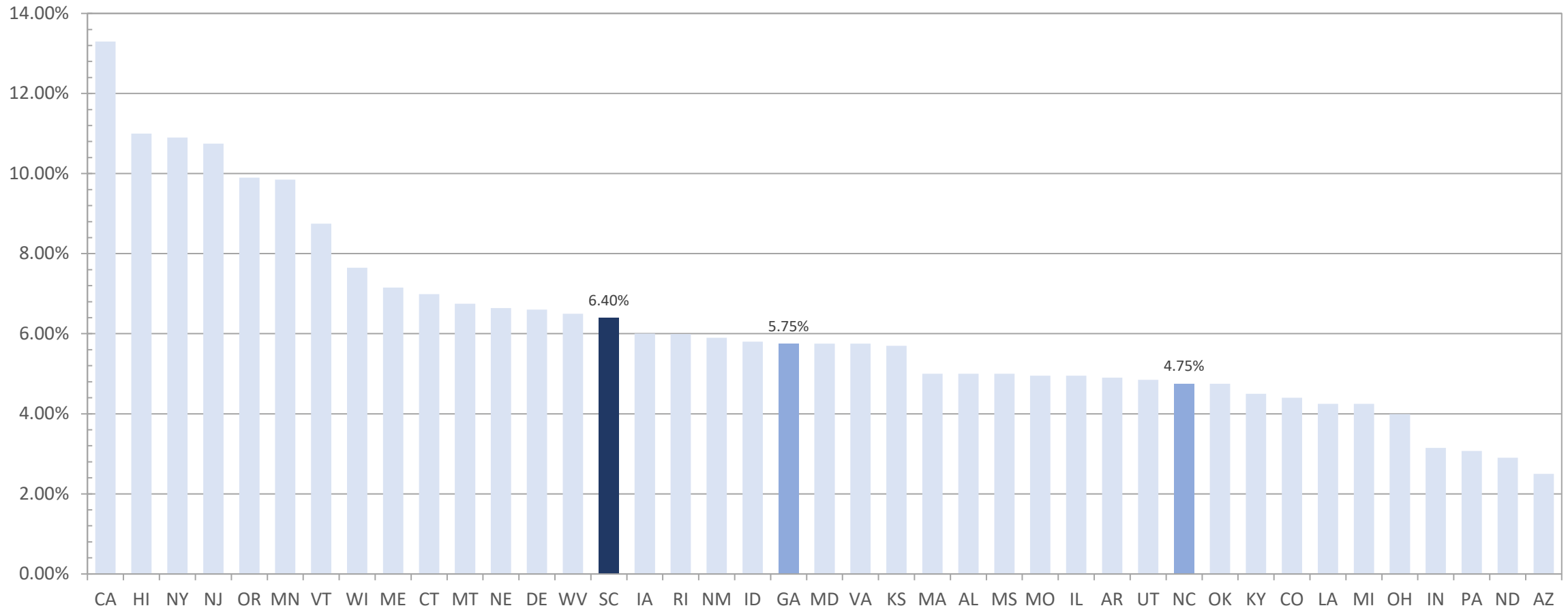


Source: IRS, Statistics of Income Division, Individual Master File System, Tax Year 2020 returns. U.S. Census Bureau, 2021 Annual Surveys of State and Local Government Finances. Calculations by the S.C. Revenue and Fiscal Affairs Office.

State Top Marginal Income Tax Rates – Tax Year 2023

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

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

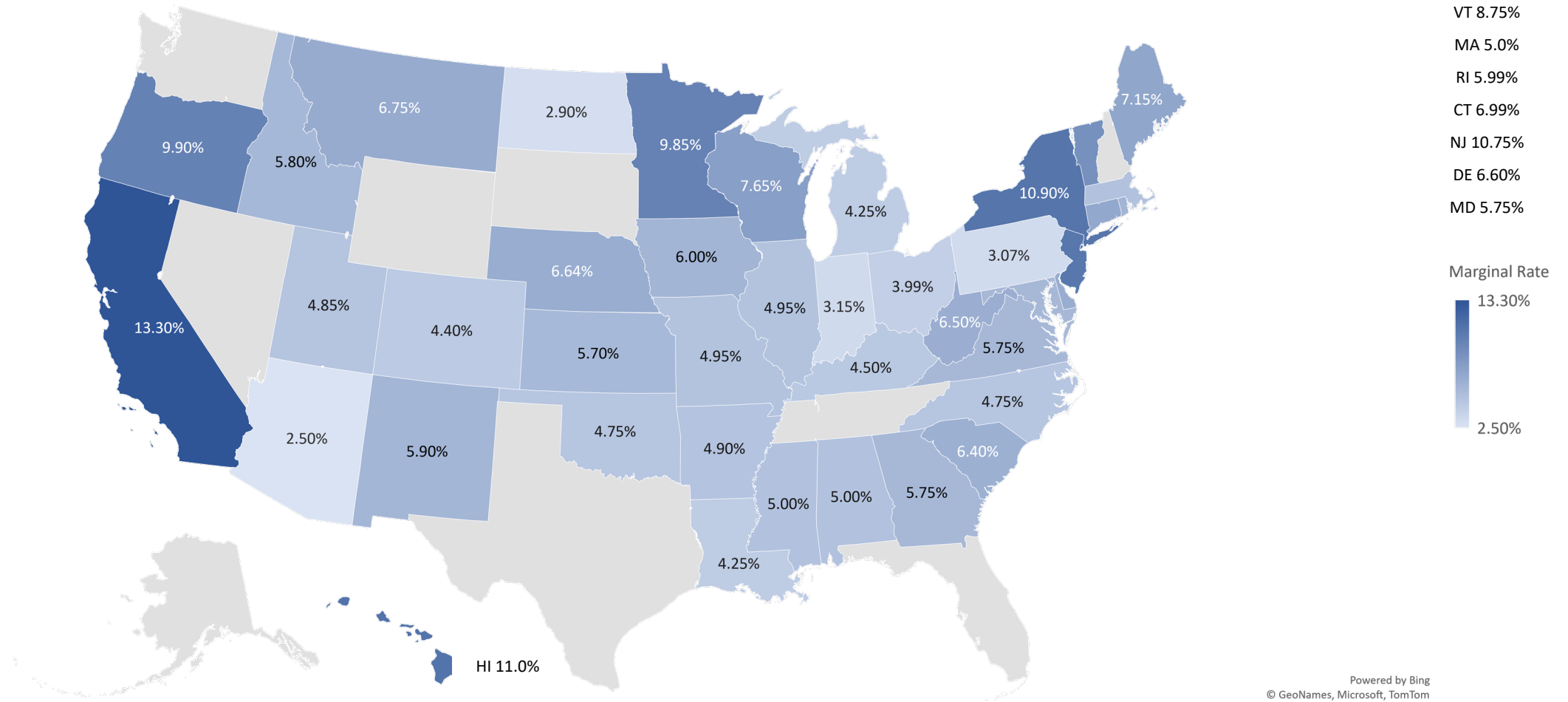


Source: Federation of Tax Administrators <https://taxadmin.memberclicks.net/current-tax-rates>



State Top Marginal Income Tax Rates – Tax Year 2023

HIGHEST STATE MARGINAL INDIVIDUAL INCOME TAX RATES
for Tax Year 2023



Source: Federation of Tax Administrators <https://taxadmin.memberclicks.net/current-tax-rates>



Income Tax Liability Comparisons South Carolina, North Carolina, Georgia 2023



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

Final Tax Reform Rate Comparison

- Recently enacted tax reform in SC and neighboring states, pending revenue growth targets, will reach full implementation within the decade.
- SC moves to a simplified tax structure with a zero bracket, GA to a flat tax, and NC to a lower flat tax

Tax Year	South Carolina	Georgia	North Carolina
2021	0%, 3%, 4%, 5%, 6%, 7%	1%, 2%, 3%, 4%, 5%, 5.75%	5.25%
2022	0%, 3%, 6.5%	1%, 2%, 3%, 4%, 5%, 5.75%	4.99%
2023	0%, 3%, 6.4%	1%, 2%, 3%, 4%, 5%, 5.75%	4.75%
2024*	0%, 3%, 6.3%	5.49%	4.6%
2025*	0%, 3%, 6.2%	5.39%	4.5%
2026*	0%, 3%, 6.1%	5.29%	4.25%
2027*	0%, 3%, 6%	5.19%	3.99%
2028*	0%, 3%, 6%	5.09%	3.99%
2029*	0%, 3%, 6%	4.99%	3.99%

* South Carolina rate decreases for 2024-2027 are contingent upon revenue growth, and Georgia rate decreases for 2025-2031 are contingent on revenue and reserve fund growth.
Source: Tax rate and brackets for each state were obtained from various sources. Data compiled by the S.C. Revenue and Fiscal Affairs Office. Rates as of 8/1/2023 and subject to change.



Estimated Tax Liability Comparison – Tax Year 2023

Married Filing Jointly Family of Four* with AGI of \$60,000

South Carolina		
Adjusted Gross Income	\$60,000	
Standard Deduction	(\$27,700)	
Dependent Deduction	(\$9,220)	
Taxable Income	\$23,080	
Tax Bracket	Tax Rate	Tax Liability
>\$0	0%	\$0
>\$3,330	3%	\$400
>\$16,680	6.4%	\$410
Total	\$810	
Effective Tax Rate	1.35%	

Georgia		
Adjusted Gross Income	\$60,000	
Standard Deduction and Personal Exemption	(\$14,500)	
Dependent Deduction	(\$6,000)	
Taxable Income	\$39,500	
Tax Bracket	Tax Rate	Tax Liability
>\$0	1%	\$10
>\$1,000	2%	\$40
>\$3,000	3%	\$60
>\$5,000	4%	\$80
>\$7,000	5%	\$150
>\$10,000	5.75%	\$1,696
Total	\$2,036	
Effective Tax Rate	3.39%	

North Carolina		
Adjusted Gross Income	\$60,000	
Standard Deduction	(\$25,500)	
Dependent Deduction	(\$5,000)	
Taxable Income	\$29,500	
Tax Bracket	Tax Rate	Tax Liability
>\$0	4.75%	\$1,401
Total	\$1,404	
Effective Tax Rate	2.34%	

*This analysis assumes two children over the age of six. The South Carolina dependent deduction is doubled for children six and under.
Source: Tax rate and brackets for each state were obtained from various sources. Data compiled by the S.C. Revenue and Fiscal Affairs Office.



Estimated Tax Liability Comparison – Tax Year 2023

65+ Single with AGI of \$60,000, including \$10,000 in federally taxable Social Security benefits and \$24,000 in retirement income*

South Carolina		
Adjusted Gross Income		\$60,000
Standard Deduction		(\$15,700)
Federally taxable Social Security Deduction		(\$10,000)
65 and Older Retirement Income Deduction		(\$15,000)
Taxable Income		\$19,300
Tax Bracket	Tax Rate	Tax Liability
>\$0	0%	\$0
>\$3,330	3%	\$400
>\$16,680	6.4%	\$168
Total		\$568
Effective Tax Rate		0.95%

Georgia		
Adjusted Gross Income		\$60,000
Standard Deduction (65+) and Personal Exemption		(\$9,400)
Federally taxable Social Security Deduction		(\$10,000)
Retirement Income Exclusion*		(\$24,000)
Taxable Income		\$16,600
Tax Bracket	Tax Rate	Tax Liability
>\$0	1%	\$8
>\$750	2%	\$30
>\$2,250	3%	\$45
>\$3,750	4%	\$60
>\$5,250	5%	\$87
>\$7,000	5.75%	\$552
Total		\$782
Effective Tax Rate		1.30%

North Carolina		
Adjusted Gross Income		\$60,000
Standard Deduction		(\$12,750)
Federally taxable Social Security Deduction		(\$10,000)
Taxable Income		\$37,250
Tax Bracket	Tax Rate	Tax Liability
>\$0	4.75%	\$1,769
Total		\$1,769
Effective Tax Rate		2.95%

*Georgia retirement income exclusion: \$20,000 in taxable pensions and \$4,000 in eligible earned income.

Source: Tax rate and brackets for each state were obtained from various sources. Data compiled by the S.C. Revenue and Fiscal Affairs Office.



Estimated Tax Liability Comparison – Tax Year 2023

Single with AGI of \$60,000

South Carolina		
Adjusted Gross Income		\$60,000
Standard Deduction		(\$13,850)
Taxable Income		\$46,150
Tax Bracket	Tax Rate	Tax Liability
>\$0	0%	\$0
>\$3,330	3%	\$400
>\$16,680	6.4%	\$1,886
Total		\$2,286
Effective Tax Rate		3.81%

Georgia		
Adjusted Gross Income		\$60,000
Standard Deduction and Personal Exemption		(\$8,100)
Taxable Income		\$51,900
Tax Bracket	Tax Rate	Tax Liability
>\$0	1%	\$8
>\$750	2%	\$30
>\$2,250	3%	\$45
>\$3,750	4%	\$60
>\$5,250	5%	\$87
>\$7,000	5.75%	\$2,582
Total		\$2,812
Effective Tax Rate		4.69%

North Carolina		
Adjusted Gross Income		\$60,000
Standard Deduction		(\$12,750)
Taxable Income		\$47,250
Tax Bracket	Tax Rate	Tax Liability
>\$0	4.75%	\$2,244
Total		\$2,244
Effective Tax Rate		3.74%

Source: Tax rate and brackets for each state were obtained from various sources. Data compiled by the S.C. Revenue and Fiscal Affairs Office.



Estimated Tax Liability Comparison – Tax Year 2022

Head of Household and two dependents* with AGI of \$60,000

South Carolina		
Adjusted Gross Income	\$60,000	
Standard Deduction	(\$20,800)	
Dependent Deduction	(\$9,220)	
Taxable Income	\$29,980	
Tax Bracket	Tax Rate	Tax Liability
>\$0	0%	\$0
>\$3,330	3%	\$400
>\$16,680	6.4%	\$851
Total	\$1,251	
Effective Tax Rate	2.09%	

Georgia		
Adjusted Gross Income	\$60,000	
Standard Deduction and Personal Exemption	(\$8,100)	
Dependent Deduction	(\$6,000)	
Taxable Income	\$45,900	
Tax Bracket	Tax Rate	Tax Liability
>\$0	1%	\$10
>\$1,000	2%	\$40
>\$3,000	3%	\$60
>\$5,000	4%	\$80
>\$7,000	5%	\$150
>\$10,000	5.75%	\$2,064
Total	\$2,404	
Effective Tax Rate	4.01%	

North Carolina		
Adjusted Gross Income	\$60,000	
Standard Deduction	(\$19,125)	
Dependent Deduction	(\$4,000)	
Taxable Income	\$36,875	
Tax Bracket	Tax Rate	Tax Liability
>\$0	4.75%	\$1,752
Total	\$1,752	
Effective Tax Rate	2.92%	

*This analysis assumes two dependents over the age of six. The South Carolina dependent deduction is effectively doubled for dependents six and under.
Source: Tax rate and brackets for each state were obtained from various sources. Data compiled by the S.C. Revenue and Fiscal Affairs Office.

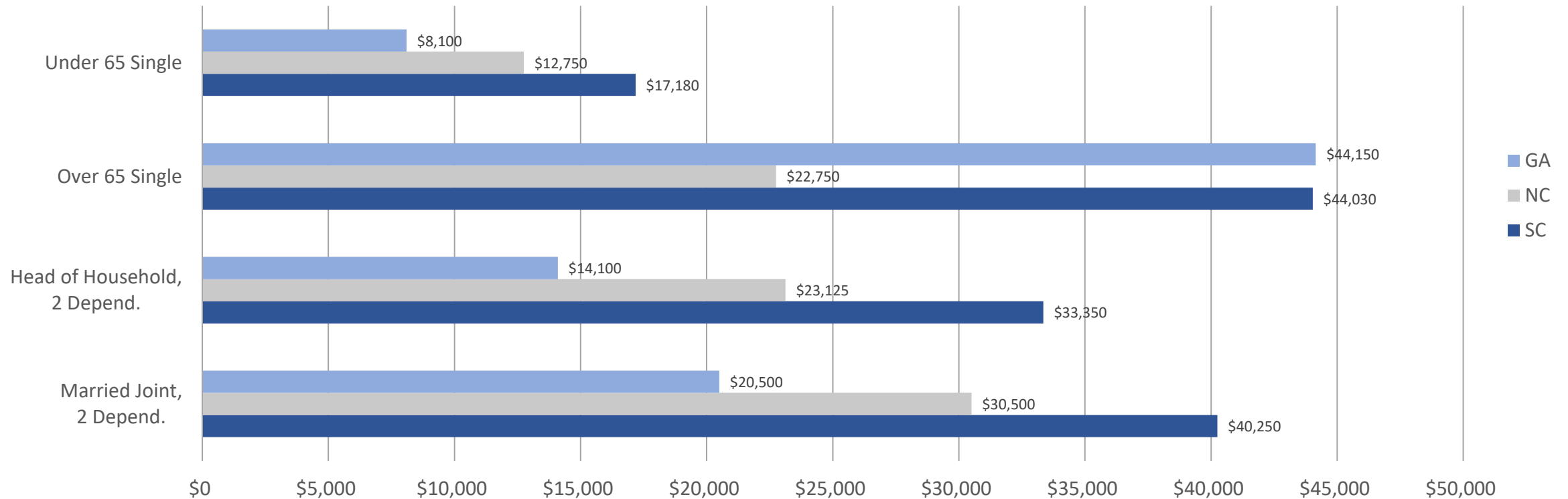


State Income Tax Thresholds Comparison – Tax Year 2023

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.

FLAT TAX EXAMPLE BASED ON SC TAX FILERS



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%
Total	2,598,218	100.0%	2,220,475	85.5%	\$0	\$0	498,195	19.2%	(\$1,060,300,000)	(\$2,128)	1,722,280	66.3%	\$1,060,300,000	\$616	377,743	14.5%

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.

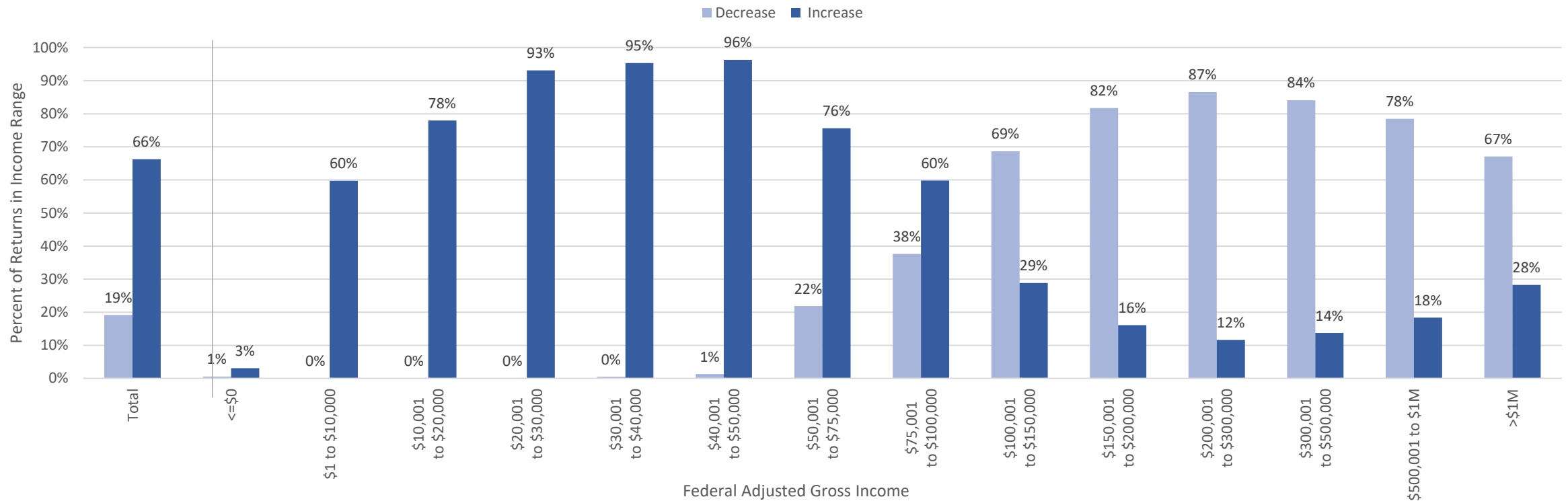
*Analysis of 2023 tax structure using 2021 tax returns with flat tax rate of 3.71% on federal AGI for 2023, no standard deductions but all SC adjustments to income and tax credits are retained; analysis subject to change based on income growth or changes to assumptions



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



**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

Note: Taxpayers may have \$0 federal AGI but positive SC tax liability due to federal provisions that the state does not adopt.

Other Resources

Income Tax Analyses:

<https://rfa.sc.gov/programs-services/fiscal-analysis/economic-analyses>

Tax Expenditure Report:

<http://rfa.sc.gov/TER>

Historical Revenue and Expenditure Reports:

<https://rfa.sc.gov/data-research/state-finances/historical-analyses>