



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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|                 |                                                     |                                                      |
|-----------------|-----------------------------------------------------|------------------------------------------------------|
| Bill Number:    | H. 3579                                             | As amended by House Ways and Means on March 26, 2015 |
| Author:         | Simrill                                             |                                                      |
| Requestor:      | House Ways and Means                                |                                                      |
| Date:           | April 15, 2015                                      |                                                      |
| Subject:        | Transportation Infrastructure Bank                  |                                                      |
| RFA Analyst(s): | Rainwater, Dunbar, Jolliff, Martin, Shealy and Wren |                                                      |

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**Estimate of Fiscal Impact**

|                                     | <b>FY 2015-16</b> | <b>FY 2016-17</b> | <b>FY 2017-18</b> |
|-------------------------------------|-------------------|-------------------|-------------------|
| <b>State Expenditure</b>            |                   |                   |                   |
| General Fund                        | \$0               | \$0               | \$0               |
| Other and Federal                   | See below         | See below         | See below         |
| Full-Time Equivalent<br>Position(s) | 0.00              | 0.00              | 0.00              |
| <b>State Revenue</b>                |                   |                   |                   |
| General Fund                        | (\$62,737,963)    | (\$26,848,740)    | (\$48,759,298)    |
| Other and Federal                   | \$427,958,631     | N/A               | N/A               |
| <b>Local Expenditure</b>            | See below         | See below         | See below         |
| <b>Local Revenue</b>                | N/A               | N/A               | N/A               |

**Fiscal Impact Summary**

**State General Fund Revenue.** This bill is expected to reduce General Fund sales and use tax revenue by an estimated \$61,400,000 in FY 2015-16 as the result of the transfer of sales tax revenue to Other Funds. (This transfer would have a corresponding decrease in general fund expenditures.) This bill would also reduce General Fund individual income tax revenue by a total of \$1,337,963 in FY 2015-16, \$26,848,740 in FY 2016-17, and \$48,759,298 in FY 2017-18.

**Other Funds.** This bill is expected to increase Other Funds for the Department of Transportation from several sources for a net increase of \$427,958,631. Motor fuel user fees are lowered from \$0.16 to \$0.10 per gallon which reduces revenue by \$190,221,506 in FY 2015-16. An excise tax based on the price of motor fuel is expected to generate \$497,880,137\*. The transfer of existing sales tax revenue on the purchase of vehicles is estimated to generate \$61,400,000. Finally, the maximum sales tax cap on motor vehicles is increased by \$200 which is estimated to generate \$58,900,000. These items net a total of \$427,958,631. This amount does not reflect the potential reallocation of any motor fuel user fee collections that may be distributed to the State Secondary "C" Fund Program from the transfer of state roads to the counties. Since county transportation committees may elect not to accept the transfer of any state roads, we are unable to determine the potential reallocation of these motor fuel user fee collections.

\*The average wholesale price of gasoline and diesel fuel is held constant at 2014 levels in this analysis. Future motor fuel revenue estimates are dependent on changes in the average wholesale prices of gasoline and diesel fuel.

**Local Revenue.** The local revenue impact does not reflect the potential reallocation of any motor fuel user fee collections that may be distributed to the State Secondary “C” Fund Program from the transfer of state roads to the counties. Since county transportation committees may elect not to accept the transfer of any state roads, we are unable to determine the potential reallocation of these motor fuel user fee collections.

**Local Expenditure.** The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and all forty-six county governments regarding the expenditure impact of this amendment. The Municipal Association nor the county governments have had ample time to review the amendment. Therefore, our office will provide an update on the expenditure impact of this amendment once the Municipal Association and county governments have had ample time to review our request.

## **Explanation of Fiscal Impact**

### **Explanation of Amendment (March 26, 2015) – By the Ways and Means Committee State Expenditure**

General Fund expenditures would be reduced by the transfer of sales tax on motor vehicles to the Department of Transportation.

**The Department of Transportation.** The department reports that any expenditure impact for implementing these changes would be minimal and can be absorbed by the agency. There would not be any impact on the General Funds or Federal Funds.

**The Transportation Infrastructure Fund Board.** The board reports that this bill would not result in additional expenditures or savings. Program expenditures for road projects would increase by the amount of additional revenue.

### **State Revenue**

The following sections would affect state revenue as follows:

**Section 12.** This section amends Article 1 of Title 57 by changing the amount of the motor fuel user fee collections that are allocated to the State Secondary “C” Fund Program. This section provides a framework for a portion of state roads to be transferred to the counties. County transportation boards would have the option of refusing the transfer. For counties participating in the transfer, the allocation of the motor fuel user fee would be increased. The additional county “C” fund revenue must first be distributed to each participating county based on the time the county began participating. For counties that participated in the 2016 transfer, each county shall receive one million dollars. For counties that began participating in the 2018 or 2020 transfers, each county shall receive five hundred thousand dollars or two hundred and fifty

thousand dollars, respectively. The remaining funds will then be distributed in the same manner pursuant to Section 12-28-2740(A). Any money apportioned to a county that is not participating must instead be credited to the State Highway Fund.

Currently, the county "C" fund program receives \$0.0266 of the \$0.16 per gallon of gasoline revenue for local road improvements. Beginning July 1, 2016, an additional \$0.0134 will be distributed to county "C" funds for a total of \$0.04 per gallon of gasoline revenue. The additional distribution to county "C" funds is an estimated \$33,339,241 in FY 2016-17. Beginning July 1, 2018, the amount distributed to county "C" funds will be increased by an additional one-cent per gallon to a total of \$0.05 per gallon of gasoline, and the additional distribution is estimated to be \$24,296,006 in FY 2018-19. Finally, beginning July 1, 2020, a total of \$0.06 per gallon of gasoline would be distributed to county "C" funds. The additional distribution for FY 2020-21 is estimated to be \$23,425,240. As a result of the July 1 start date, the motor fuel user fee revenue for July is to be remitted in August; therefore, additional revenue estimates represent eleven months of a full fiscal year. The total estimated additional distribution to county "C" funds from increasing the allocation amount from \$0.0266 to \$0.06 per gallon of gasoline is \$87,625,647.

**Sections 15, 16, and 17.** Sections 12-28-310 and 56-11-410 are amended to lower the motor fuel user fee from the current rate of \$0.16 per gallon to \$0.010 per gallon. This analysis uses estimated motor fuel consumption trends based upon data from the U.S. Department of Energy. The estimated reduction in total motor fuel revenue from the user fee decrease is \$190,221,506 in FY 2015-16. This change would take effect July 1, 2015. As a result of this start date, the motor fuel fee for July is remitted in August; therefore, the revenue reduction in FY 2015-16 represents eleven months of a full fiscal year. A full year reduction is approximately \$207,514,370.

**Section 18.** This section would amend Section 12-36-2110 so as beginning after June 30, 2015, the maximum sales and use tax limitation would be increased from the current \$300 per motor vehicle to \$500 per motor vehicle. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an additional estimated \$58,900,000 in FY 2015-16. Section 19 of this bill requires this revenue to be credited to the State Highway Fund, otherwise, \$47,120,000 would be credited to state General Fund and \$11,780,000 would be deposited in the Education Improvement Act Fund.

**Section 19.** Currently, Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax credited to the General Fund and does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in General Fund sales and use tax revenue of \$59,543,949 and a concomitant increase in State Non-Federal Aid Highway Fund revenue in FY 2013-14.

This section would amend Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to the State Highway Fund. Again, this transfer only affects the four percent component of the sales and use tax and does not affect the one percent for EIA. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue of an estimated \$153,500,000 in FY 2015-16. Under current law, \$61,400,000 is expected to be transferred to the Department of Transportation, \$61,400,000 is expected for deposit to the General Fund, and \$30,700,000 is to be credited to the Education Improvement Act Fund. Pursuant to this amended bill, the remaining General Fund allocation of \$61,400,000 would be transferred to the State Highway Fund once the General Fund receives \$50,000,000 in these revenues. This transfer would affect the amount of general funds available for other projects and programs in FY 2015-16. This section also changed the recipient of the revenue transfer from the State Non-Federal Aid Highway Fund to the State Highway Fund within the Department of Transportation.

This section would also further amend Section 12-36-2647 to redirect any increase in revenue as the result of increasing the maximum sales and use tax cap from \$300 per motor vehicle to \$500 per motor vehicle to the State Highway Fund. This transfer would include the four percent component of the sales and use tax in the General Fund as well as the one percent component of the sales and use tax in the EIA Fund. As mentioned in Section 18 above, based upon the latest data on motor vehicle sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an estimated \$58,900,000 in FY 2015-16. This includes the General Fund portion of the sales and use tax of \$47,120,000 as well as the EIA Fund portion of \$11,780,000 in FY 2015-16. These revenues must be used exclusively for highway, road, and bridge maintenance, construction, and repair. This section is further amended to limit the amount transferred to the State Highway Fund to no more than \$50,000,000 more than was transferred to the State Non-Federal Highway Fund in FY 2014-15.

**Sections 20 and 21.** Sections 12-28-410 and 56-11-910 are added to impose an excise tax on motor fuel. The excise tax is determined by applying the cumulative state sales tax rate to a weighted average of the wholesale price of motor fuel and is recalculated at six month intervals. The current cumulative state sales tax rate is six percent. A wholesale price for gasoline and diesel is determined by averaging the wholesale price of each over a six month period ending March 31st and September 30th. The average wholesale prices of gasoline and diesel are then weighted by the relative proportion of their respective \$0.10 excise tax collections to determine a weighted average price of the two. The excise tax is then determined by multiplying the cumulative state sales tax rate by the weighted average wholesale price and the excise tax is set for the six month period beginning January 1st and July 1st. Based upon data from the U.S. Department of Energy, we obtained the average wholesale prices of gasoline and diesel fuel in South Carolina for 2014. As a result, an average wholesale price of \$2.56 per gallon of gasoline and \$2.81 per gallon of diesel fuel was used for this estimate and based upon the current excise tax collections a relative weight of 78.67% was given to gasoline and 21.33% to diesel to create a weighted average of the wholesale price of \$2.62. Applying the cumulative sales tax rate to this weighted average wholesale price results in an excise tax of \$0.157 per gallon of motor fuel. Based upon these figures, the total motor fuel excise tax revenue is expected to raise

\$497,880,137 in FY 2015-16. Actual collections for FY 2015-16 and each year thereafter, will depend on the actual wholesale prices of motor fuel in the applicable periods. This change would take effect July 1, 2015. As a result of this start date, the motor fuel excise taxes charged in July will be remitted in August; therefore, the estimate for FY 2015-16 represents eleven months for the first fiscal year. A full fiscal year estimate is \$543,141,968.

In sum, the net estimated impact from this bill on motor fuel revenue from the imposed excise tax and the reduced user fee is \$307,658,631 for FY 2015-16. The full fiscal year estimate is \$335,627,597.

**Section 22.** This section changes the individual income tax bracket range for tax year 2016 and 2017. Under current law, the tax brackets are adjusted annually by one-half the amount of inflation. Based upon our current assumptions for inflation, the taxable income bracket range for each marginal income tax rate is expected to be \$2,940 for tax year 2016. Increasing the bracket amount for each tax rate by \$140 to \$3,080 as specified in the bill would reduce individual income tax revenue by approximately \$25,485,000 for tax year 2016. For tax year 2017, the taxable income bracket range for each marginal income tax rate is expected to be \$2,990. Increasing the projected 2017 bracket amount for each tax rate by \$280 to \$3,270 would reduce individual income tax revenue by approximately \$51,461,000 for tax year 2017 compared to the current projected 2017 tax brackets. The impact by tax year is outlined in the attached detailed tables by taxable income range.

The impact on the General Fund would be a reduction in individual income tax revenue of \$1,337,963 in FY 2015-16, \$26,848,740 in FY 2016-17, and \$48,759,298 in FY 2017-18. The tax year estimates provided are adjusted to a fiscal year basis by recognizing two quarters of reduced estimated tax payments for the first half of the tax year, or second half of the fiscal year. We anticipate that taxpayers will reduce their estimated tax payments in response to the tax reduction by five and one-quarter percent of the total tax year impact, and the remaining impact is reflected in the following fiscal year for the remaining estimated tax payments and refunds.

**Section 27.** Except as otherwise provided, this act takes effect July 1, 2015.

### **Local Expenditure**

The Revenue and Fiscal Affairs Office contacted the Municipal Association of South Carolina and all forty-six county governments regarding the expenditure impact of this amendment. The Municipal Association nor the county governments have had ample time to review the amendment. Therefore, our office will provide an update on the expenditure impact of this amendment once the Municipal Association and county governments have had ample time to review our request.

### **Local Revenue**

N/A

## **Explanation of the bill filed on February 11, 2015**

### **State Expenditure**

General Fund expenditures would be reduced by the transfer of sales tax on motor vehicles to the Department of Transportation.

**The Department of Transportation.** The department reports that any expenditure impact for implementing these changes would be minimal and can be absorbed by the agency. There would not be any impact on the General Funds or Federal Funds.

**The Transportation Infrastructure Fund Board.** The board reports that this bill would not result in additional expenditures or savings. Program expenditures for road projects would increase by the amount of additional revenue.

### **State Revenue**

The following sections would affect state revenue as follows:

**Section 10.** This section amends Article 1 of Title 57 by changing the amount of the motor fuel user fee collections that are allocated to the State Secondary "C" Fund Program. This section provides a framework for a portion of state roads to be transferred to the counties. County transportation boards would have the option of refusing the transfer. For counties participating in the transfer, the allocation of the motor fuel user fee would be increased. The additional county "C" fund revenue will first be apportioned equally until each participating county receives one million dollars, then the remaining funds will be distributed in the same manner pursuant to Section 12-28-2740(A). Any money apportioned to a county that is not participating must instead be credited to the State Highway Fund. Currently, the county "C" fund program receives \$0.0266 of the \$0.16 per gallon of gasoline revenue for local road improvements. Beginning July 1, 2016, an additional \$0.0134 will be distributed to county "C" funds for a total of \$0.04 per gallon of gasoline revenue. The additional distribution to county "C" funds is an estimated \$33,339,241 in FY 2016-17. Beginning July 1, 2018, the amount distributed to county "C" funds will be increased by an additional one-cent per gallon to a total of \$0.05 per gallon of gasoline and the additional distribution is estimated to be \$24,296,006 in FY 2018-19. Finally, beginning July 1, 2020, a total of \$0.06 per gallon of gasoline would be distributed to county "C" funds. The additional distribution for FY 2020-21 is estimated to be \$23,425,240. As a result of this start date, the motor fuel user fee revenue for July is to be remitted in August; therefore, additional revenue estimates represent eleven months of a full fiscal year. The total estimated additional distribution to county "C" funds from increasing the allocation amount from \$0.0266 to \$0.06 per gallon of gasoline is \$87,625,647.

**Sections 12 and 13.** These sections amend Sections 12-28-310 and 56-11-410, which lowers the motor fuel user fee from the current rate of \$0.16 per gallon to \$0.010 per gallon. This analysis uses estimated motor fuel consumption trends based upon data from the U.S. Department of Energy. The estimated reduction in total motor fuel revenue from the user fee decrease is \$190,221,506 in FY 2015-16. This change would take effect July 1, 2015. As a result of this start date, the motor fuel fee for July is remitted in August; therefore, the revenue reduction in FY 2015-16 represents eleven months of a full fiscal year. A full year reduction is approximately \$207,514,370.

**Section 15.** This section would amend Section 12-36-2110 so as beginning after June 30, 2015, the maximum sales and use tax limitation would be increased from the current \$300 per motor vehicle to \$500 per motor vehicle. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an additional estimated \$58,900,000 in FY 2015-16. Section 16 of this bill requires this revenue to be credited to the State Highway Fund, otherwise, \$47,120,000 would be credited to state General Fund and \$11,780,000 would be deposited in the Education Improvement Act Fund.

**Section 16.** Currently, Act 98 of 2013 allows fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to be redirected from the state public school building fund and credited to the State Non-Federal Aid Highway Fund. This transfer only affects the four percent component of the sales and use tax credited to in the General Fund and does not affect EIA Fund revenue collections. According to the Department of Revenue, this transfer amounted to a reduction in General Fund sales and use tax revenue of \$59,543,949 and a concomitant increase in State Non-Federal Aid Highway Fund revenue in FY 2013-14.

This section would amend Section 12-36-2647 to credit the remaining fifty percent of the revenues derived from the sale of motor vehicles pursuant to Sections 12-36-2620(1) and 12-36-2640(1) to the State Highway Fund. Again, this transfer only affects the four percent component of the sales and use tax and does not affect the one percent for EIA. Based upon the latest data on motor vehicle sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue of an estimated \$153,500,000 in FY 2015-16. Under current law, \$61,400,000 is expected to be transferred to the Department of Transportation, \$61,400,000 is expected for deposit to the General Fund, and \$30,700,000 is to be credited to the Education Improvement Act Fund. Pursuant to this bill, the remaining General Fund allocation of \$61,400,000 would be transferred to the State Highway Fund. This transfer would affect the amount of general funds available for other projects and programs in FY 2015-16. This section also changed the recipient of the revenue transfer from the State Non-Federal Aid Highway Fund to the State Highway Fund within the Department of Transportation.

This section would also further amend Section 12-36-2647 to redirect any increase in revenue as the result of increasing the maximum sales and use tax cap from \$300 per motor vehicle to \$500 per motor vehicle to the State Highway Fund. This transfer would include the four percent component of the sales and use tax in the General Fund as well as the one percent component of the sales and use tax in the EIA Fund. As mentioned in Section 15 above, based upon the latest data on motor vehicle sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests motor vehicle sales and use tax revenue would be increased by an estimated \$58,900,000 in FY 2015-16. This includes the General Fund portion of the sales and use tax of \$47,120,000 as well as the EIA Fund portion of \$11,780,000 in FY 2015-16. These revenues must be used exclusively for highway, road, and bridge maintenance, construction, and repair.

**Section 17 and 18.** These sections add Sections 12-28-410 and 56-11-910 to impose an excise tax on motor fuel. The excise tax is determined by applying the cumulative state sales tax rate to

a weighted average of the wholesale price of motor fuel and is recalculated at six month intervals. The current cumulative state sales tax rate is six percent. A wholesale price for gasoline and diesel is determined by averaging the wholesale price of each over a six month period ending March 31st and September 30th. The average wholesale prices of gasoline and diesel are then weighted by the relative proportion of their respective \$0.10 excise tax collections to determine a weighted average price of the two. The excise tax is then determined by multiplying the cumulative state sales tax rate by the weighted average wholesale price and the excise tax is set for the six month period beginning January 1st and July 1st. Based upon data from the U.S. Department of Energy, we obtained the average wholesale prices of gasoline and diesel fuel in South Carolina for 2014. As a result, an average wholesale price of \$2.56 per gallon of gasoline and \$2.81 per gallon of diesel fuel was used for this estimate and based upon the current excise tax collections a relative weight of 78.67% was given to gasoline and 21.33% to diesel to create a weighted average of the wholesale price of \$2.62. Applying the cumulative sales tax rate to this weighted average wholesale price results in an excise tax of \$0.157 per gallon of motor fuel. Based upon these figures, the total motor fuel excise tax revenue is expected to raise \$497,880,137 in FY 2015-16. Actual collections for FY 2015-16 and each year thereafter, will depend on the actual wholesale prices of motor fuel in the applicable periods. This change would take effect July 1, 2015. As a result of this start date, the motor fuel excise taxes charged in July will be remitted in August; therefore, the estimate for FY 2015-16 represents eleven months for the first fiscal year. A full fiscal year estimate is \$543,141,968.

In sum, the net estimated impact from this bill on motor fuel revenue from the imposed excise tax and the reduced user fee is \$307,658,631 for FY 2015-16. The full fiscal year estimate is \$335,627,597.

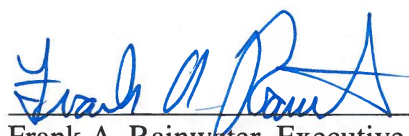
**Section 21.** Except as otherwise provided, this act takes effect July 1, 2015.

#### **Local Expenditure**

The Revenue and Fiscal Affairs Office contacted twenty-five county governments regarding the expenditure impact of this bill. One county responded but could not place a dollar amount on the impact of this bill. Therefore, our office does not have sufficient data to determine the expenditure impact on county governments from accepting the responsibility of acquiring state roads.

#### **Local Revenue**

N/A



Frank A. Rainwater, Executive Director

# ESTIMATE OF TAX YEAR 2016 INCOME TAX ADJUSTEMENT BY INCREASING BRACKETS FROM \$2,940 TO \$3,080

Objective: Increase tax brackets from \$2,940 to \$3,080 with rates unchanged.

With these brackets and rates, 100% of filers have a lower or unchanged liability and the General Fund is impact is (\$ 25,485,000).

| Baseline Taxable<br>Income Range<br>2013 | Current Tax Structure            |                           |                           |                                             |                               | Estimate of Adjusted Tax Structure        |                                                |                                              |
|------------------------------------------|----------------------------------|---------------------------|---------------------------|---------------------------------------------|-------------------------------|-------------------------------------------|------------------------------------------------|----------------------------------------------|
|                                          | Projected #<br>of Filers<br>2016 | Cumulative<br># of Filers | Cumulative<br>% of Filers | Projected<br>Average Taxable<br>Income 2016 | Average Tax<br>Liability 2016 | Adjusted<br>Average Tax<br>Liability 2016 | Average Tax<br>Increase/<br>(Decrease)<br>2016 | Total Dollar<br>Increase/<br>(Decrease) 2016 |
| col 1                                    | col 2 (a)                        | col 3                     | col 4                     | col 5 (b)                                   | col 6                         | col 7                                     | col 8                                          | col 9                                        |
| 0                                        | 763,872                          | 763,872                   | 33.93%                    | 0                                           | 0                             | 0                                         | 0                                              | 0                                            |
| 1-5,000                                  | 269,839                          | 1,033,711                 | 45.92%                    | 2,448                                       | 0                             | 0                                         | 0                                              | (430,235)                                    |
| 5,000-10,000                             | 185,378                          | 1,219,089                 | 54.15%                    | 8,107                                       | 177                           | 170                                       | (7)                                            | (1,492,557)                                  |
| 10,000-20,000                            | 268,170                          | 1,487,259                 | 66.07%                    | 16,060                                      | 624                           | 601                                       | (24)                                           | (5,380,738)                                  |
| 20,000-30,000                            | 187,592                          | 1,674,851                 | 74.40%                    | 27,086                                      | 1,396                         | 1,372                                     | (24)                                           | (4,464,681)                                  |
| 30,000-40,000                            | 135,422                          | 1,810,272                 | 80.41%                    | 38,063                                      | 2,165                         | 2,141                                     | (24)                                           | (3,223,032)                                  |
| 40,000-50,000                            | 98,703                           | 1,908,975                 | 84.80%                    | 49,010                                      | 2,931                         | 2,907                                     | (24)                                           | (2,349,138)                                  |
| 50,000-60,000                            | 74,177                           | 1,983,153                 | 88.09%                    | 60,028                                      | 3,702                         | 3,678                                     | (24)                                           | (1,765,424)                                  |
| 60,000-70,000                            | 57,177                           | 2,040,330                 | 90.63%                    | 70,972                                      | 4,468                         | 4,444                                     | (24)                                           | (1,360,806)                                  |
| 70,000-80,000                            | 43,346                           | 2,083,675                 | 92.56%                    | 81,900                                      | 5,233                         | 5,209                                     | (24)                                           | (1,031,628)                                  |
| 80,000-90,000                            | 33,165                           | 2,116,841                 | 94.03%                    | 92,856                                      | 6,000                         | 5,976                                     | (24)                                           | (789,339)                                    |
| 90,000-100,000                           | 24,985                           | 2,141,826                 | 95.14%                    | 103,782                                     | 6,765                         | 6,741                                     | (24)                                           | (594,643)                                    |
| 100,000-110,000                          | 19,054                           | 2,160,880                 | 95.99%                    | 114,820                                     | 7,538                         | 7,514                                     | (24)                                           | (453,478)                                    |
| 110,000-120,000                          | 14,882                           | 2,175,762                 | 96.65%                    | 125,722                                     | 8,301                         | 8,277                                     | (24)                                           | (354,193)                                    |
| 120,000-130,000                          | 11,640                           | 2,187,402                 | 97.17%                    | 136,708                                     | 9,070                         | 9,046                                     | (24)                                           | (277,040)                                    |
| 130,000-140,000                          | 9,150                            | 2,196,552                 | 97.57%                    | 147,638                                     | 9,835                         | 9,811                                     | (24)                                           | (217,772)                                    |
| 140,000-150,000                          | 7,237                            | 2,203,789                 | 97.90%                    | 158,702                                     | 10,609                        | 10,586                                    | (24)                                           | (172,240)                                    |
| 150,000-160,000                          | 5,861                            | 2,209,650                 | 98.16%                    | 169,648                                     | 11,376                        | 11,352                                    | (24)                                           | (139,501)                                    |
| 160,000-170,000                          | 4,877                            | 2,214,528                 | 98.37%                    | 180,526                                     | 12,137                        | 12,113                                    | (24)                                           | (116,077)                                    |
| 170,000-180,000                          | 3,937                            | 2,218,464                 | 98.55%                    | 191,509                                     | 12,906                        | 12,882                                    | (24)                                           | (93,696)                                     |
| 180,000-190,000                          | 3,351                            | 2,221,816                 | 98.70%                    | 202,506                                     | 13,676                        | 13,652                                    | (24)                                           | (79,761)                                     |
| 190,000-200,000                          | 2,957                            | 2,224,772                 | 98.83%                    | 213,518                                     | 14,446                        | 14,423                                    | (24)                                           | (70,372)                                     |
| 200,000-225,000                          | 5,469                            | 2,230,241                 | 99.07%                    | 231,800                                     | 15,726                        | 15,702                                    | (24)                                           | (130,161)                                    |
| 225,000-250,000                          | 3,784                            | 2,234,026                 | 99.24%                    | 259,375                                     | 17,656                        | 17,633                                    | (24)                                           | (90,070)                                     |
| 250,000-300,000                          | 5,046                            | 2,239,072                 | 99.46%                    | 298,513                                     | 20,396                        | 20,372                                    | (24)                                           | (120,101)                                    |
| 300,000-400,000                          | 5,247                            | 2,244,319                 | 99.70%                    | 376,077                                     | 25,826                        | 25,802                                    | (24)                                           | (124,870)                                    |
| 400,000-500,000                          | 2,405                            | 2,246,723                 | 99.80%                    | 487,770                                     | 33,644                        | 33,620                                    | (24)                                           | (57,231)                                     |
| 500,000- \$1M                            | 3,271                            | 2,249,994                 | 99.95%                    | 729,139                                     | 50,540                        | 50,516                                    | (24)                                           | (77,848)                                     |
| \$1 M - \$2 M                            | 835                              | 2,250,829                 | 99.98%                    | 1,476,601                                   | 102,862                       | 102,838                                   | (24)                                           | (19,872)                                     |
| \$2 M +                                  | 347                              | 2,251,176                 | 100.00%                   | 5,460,272                                   | 381,719                       | 381,695                                   | (24)                                           | (8,247)                                      |
| <b>Total</b>                             | <b>2,251,176</b>                 |                           |                           | <b>\$28,330</b>                             | <b>\$1,483</b>                | <b>\$1,460</b>                            | <b>(\$24)</b>                                  | <b>(\$25,485,000)</b>                        |

2016 Current Tax 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

Adjusted Brackets

0.00% \$0 to 3,080  
3.00% \$3,080 to 6,160  
4.00% \$6,160 to 9,240  
5.00% \$9,240 to 12,320  
6.00% \$12,320 to 15,400  
7.00% Over \$15,400

Source: RFA, SC Dept. of Revenue Income Tax Data 2013

/a 2013 Base Year Grown by 1% per year

/b 2013 Base Year Taxable Income Grown by 3.75% for '14 and 4.3% for '15 and '16 respectively.

RFA/lhj/\$25Mbrkt/3/19/15

# ESTIMATE OF TAX YEAR 2017 INCOME TAX ADJUSTEMENT BY INCREASING BRACKETS FROM \$2,990 TO \$3,270

Objective: Increase tax brackets from \$2,990 to \$3,270 with rates unchanged.

With these brackets and rates, 100% of filers have a lower or unchanged liability and the General Fund is impact is (\$ 51,461,000).

| Baseline Taxable<br>Income Range<br>2013 | Current Tax Structure            |                           |                           |                                             |                               | Estimate of Adjusted Tax Structure        |                                                |                                              |
|------------------------------------------|----------------------------------|---------------------------|---------------------------|---------------------------------------------|-------------------------------|-------------------------------------------|------------------------------------------------|----------------------------------------------|
|                                          | Projected #<br>of Filers<br>2017 | Cumulative<br># of Filers | Cumulative<br>% of Filers | Projected<br>Average Taxable<br>Income 2017 | Average Tax<br>Liability 2017 | Adjusted<br>Average Tax<br>Liability 2017 | Average Tax<br>Increase/<br>(Decrease)<br>2017 | Total Dollar<br>Increase/<br>(Decrease) 2017 |
| col 1                                    | col 2 (a)                        | col 3                     | col 4                     | col 5 (b)                                   | col 6                         | col 7                                     | col 8                                          | col 9                                        |
| 0                                        | 771,511                          | 771,511                   | 33.93%                    | 0                                           | 0                             | 0                                         | 0                                              | 0                                            |
| 1-5,000                                  | 272,537                          | 1,044,048                 | 45.92%                    | 2,528                                       | 0                             | 0                                         | 0                                              | (853,179)                                    |
| 5,000-10,000                             | 187,232                          | 1,231,280                 | 54.15%                    | 8,372                                       | 185                           | 171                                       | (14)                                           | (2,994,168)                                  |
| 10,000-20,000                            | 270,852                          | 1,502,132                 | 66.07%                    | 16,585                                      | 653                           | 605                                       | (48)                                           | (10,887,913)                                 |
| 20,000-30,000                            | 189,468                          | 1,691,599                 | 74.40%                    | 27,971                                      | 1,450                         | 1,402                                     | (48)                                           | (9,018,656)                                  |
| 30,000-40,000                            | 136,776                          | 1,828,375                 | 80.41%                    | 39,306                                      | 2,243                         | 2,196                                     | (48)                                           | (6,510,524)                                  |
| 40,000-50,000                            | 99,690                           | 1,928,065                 | 84.80%                    | 50,611                                      | 3,034                         | 2,987                                     | (48)                                           | (4,745,258)                                  |
| 50,000-60,000                            | 74,919                           | 2,002,984                 | 88.09%                    | 61,989                                      | 3,831                         | 3,783                                     | (48)                                           | (3,566,157)                                  |
| 60,000-70,000                            | 57,749                           | 2,060,733                 | 90.63%                    | 73,291                                      | 4,622                         | 4,574                                     | (48)                                           | (2,748,829)                                  |
| 70,000-80,000                            | 43,779                           | 2,104,512                 | 92.56%                    | 84,576                                      | 5,412                         | 5,364                                     | (48)                                           | (2,083,888)                                  |
| 80,000-90,000                            | 33,497                           | 2,138,009                 | 94.03%                    | 95,890                                      | 6,204                         | 6,156                                     | (48)                                           | (1,594,464)                                  |
| 90,000-100,000                           | 25,235                           | 2,163,244                 | 95.14%                    | 107,173                                     | 6,994                         | 6,946                                     | (48)                                           | (1,201,179)                                  |
| 100,000-110,000                          | 19,244                           | 2,182,488                 | 95.99%                    | 118,572                                     | 7,792                         | 7,744                                     | (48)                                           | (916,025)                                    |
| 110,000-120,000                          | 15,031                           | 2,197,519                 | 96.65%                    | 129,830                                     | 8,580                         | 8,532                                     | (48)                                           | (715,469)                                    |
| 120,000-130,000                          | 11,757                           | 2,209,276                 | 97.17%                    | 141,174                                     | 9,374                         | 9,326                                     | (48)                                           | (559,620)                                    |
| 130,000-140,000                          | 9,242                            | 2,218,517                 | 97.57%                    | 152,462                                     | 10,164                        | 10,116                                    | (48)                                           | (439,899)                                    |
| 140,000-150,000                          | 7,309                            | 2,225,827                 | 97.90%                    | 163,887                                     | 10,964                        | 10,916                                    | (48)                                           | (347,925)                                    |
| 150,000-160,000                          | 5,920                            | 2,231,747                 | 98.16%                    | 175,191                                     | 11,755                        | 11,707                                    | (48)                                           | (281,792)                                    |
| 160,000-170,000                          | 4,926                            | 2,236,673                 | 98.37%                    | 186,424                                     | 12,541                        | 12,494                                    | (48)                                           | (234,476)                                    |
| 170,000-180,000                          | 3,976                            | 2,240,649                 | 98.55%                    | 197,766                                     | 13,335                        | 13,288                                    | (48)                                           | (189,266)                                    |
| 180,000-190,000                          | 3,385                            | 2,244,034                 | 98.70%                    | 209,123                                     | 14,130                        | 14,083                                    | (48)                                           | (161,117)                                    |
| 190,000-200,000                          | 2,986                            | 2,247,020                 | 98.83%                    | 220,494                                     | 14,926                        | 14,879                                    | (48)                                           | (142,151)                                    |
| 200,000-225,000                          | 5,524                            | 2,252,544                 | 99.07%                    | 239,373                                     | 16,248                        | 16,200                                    | (48)                                           | (262,926)                                    |
| 225,000-250,000                          | 3,822                            | 2,256,366                 | 99.24%                    | 267,850                                     | 18,241                        | 18,194                                    | (48)                                           | (181,941)                                    |
| 250,000-300,000                          | 5,097                            | 2,261,463                 | 99.46%                    | 308,266                                     | 21,070                        | 21,023                                    | (48)                                           | (242,604)                                    |
| 300,000-400,000                          | 5,299                            | 2,266,762                 | 99.70%                    | 388,365                                     | 26,677                        | 26,630                                    | (48)                                           | (252,238)                                    |
| 400,000-500,000                          | 2,429                            | 2,269,191                 | 99.80%                    | 503,707                                     | 34,751                        | 34,704                                    | (48)                                           | (115,607)                                    |
| 500,000- \$1M                            | 3,304                            | 2,272,494                 | 99.95%                    | 752,963                                     | 52,199                        | 52,152                                    | (48)                                           | (157,254)                                    |
| \$1 M - \$2 M                            | 843                              | 2,273,338                 | 99.98%                    | 1,524,846                                   | 106,231                       | 106,183                                   | (48)                                           | (40,141)                                     |
| \$2 M +                                  | 350                              | 2,273,688                 | 100.00%                   | 5,638,677                                   | 394,199                       | 394,151                                   | (48)                                           | (16,659)                                     |
| <b>Total</b>                             | <b>2,273,688</b>                 |                           |                           | <b>\$29,256</b>                             | <b>\$1,540</b>                | <b>\$1,492</b>                            | <b>(\$48)</b>                                  | <b>(\$51,461,000)</b>                        |

2017 Current Tax Brackets

0.00% \$0 to 2,990  
3.00% \$2,990 to 5,980  
4.00% \$5,980 to 8,970  
5.00% \$8,970 to 11,960  
6.00% \$11,960 to 14,950  
7.00% Over \$14,950

Adjusted Brackets

0.00% \$0 to 3,270  
3.00% \$3,270 to 6,540  
4.00% \$6,540 to 9,810  
5.00% \$9,810 to 13,080  
6.00% \$13,080 to 16,350  
7.00% Over \$16,350

Source: RFA, SC Dept. of Revenue Income Tax Data 2013

/a 2013 Base Year Grown by 1% per year

/b 2013 Base Year Taxable Income Grown by 3.75% for '14 and 4.3% for '15 and '16 respectively.

RFA/lhj/\$50M bracket/3/19/15