



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H. 3878
Author:	White
Requestor:	House Ways and Means
Date:	March 20, 2015
Subject:	Individual income tax brackets
RFA Analyst(s):	Jolliff and Shealy

Estimate of Fiscal Impact

	FY 2015-16	FY 2016-17	FY 2017-18
State Expenditure			
General Fund	\$0	\$0	\$0
Other and Federal	\$0	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00	0.00
State Revenue			
General Fund	(\$1,337,963)	(\$26,848,740)	(\$48,759,298)
Other and Federal	N/A	N/A	N/A
Local Expenditure	N/A	N/A	N/A
Local Revenue	N/A	N/A	N/A

Fiscal Impact Summary

This bill is not expected to impact state expenditures. The bill would 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.

Explanation of Fiscal Impact

State Expenditure

This bill is not expected to impact expenditures of the Department of Revenue. The department currently adjusts the individual income tax brackets annually as required in statute. This bill would change the amount of the adjustment for tax years 2016 and 2017.

State Revenue

This bill 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.

Local Expenditure

N/A

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 Income Range 2013	Current Tax Structure					Estimate of Adjusted Tax Structure		
	Projected # of Filers 2016	Cumulative # of Filers	Cumulative % of Filers	Projected Average Taxable Income 2016	Average Tax Liability 2016	Adjusted Average Tax Liability 2016	Average Tax Increase/ (Decrease) 2016	Total Dollar Increase/ (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)
Total	2,251,176			\$28,330	\$1,483	\$1,460	(\$24)	(\$25,485,000)

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.

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 Income Range 2013	Current Tax Structure					Estimate of Adjusted Tax Structure		
	Projected # of Filers 2017	Cumulative # of Filers	Cumulative % of Filers	Projected Average Taxable Income 2017	Average Tax Liability 2017	Adjusted Average Tax Liability 2017	Average Tax Increase/ (Decrease) 2017	Total Dollar Increase/ (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)
Total	2,273,688			\$29,256	\$1,540	\$1,492	(\$48)	(\$51,461,000)

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