

REPORT OF THE SALES, USE AND INCOME TAX SUBCOMMITTEE

(Newton, Stavrinakis, Dillard, Taylor & Hyde - Staff Contact: Teesha Trapp)

SENATE BILL 969

S. 969 -- Sen. Alexander, Peeler, Setzler, K. Johnson, Young, Malloy, Senn, Stephens and McLeod: A BILL TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-6-1140, RELATING TO DEDUCTIONS FROM INDIVIDUAL TAXABLE INCOME, SO AS TO INCREASE THE SUBSISTENCE DEDUCTION AMOUNT FOR CERTAIN PAID PUBLIC SERVANTS SUCH AS LAW ENFORCEMENT AND FIREFIGHTERS, AND TO INCREASE THE VOLUNTEER EXEMPTION AMOUNT FOR CERTAIN UNPAID PUBLIC SERVANTS SUCH AS LAW ENFORCEMENT AND FIREFIGHTERS.

Received by Ways and Means: 3/21/24

Summary of Bill:

Section 1 of this bill increases the individual income tax subsistence allowance deduction from \$8 to \$16 per day for law enforcement officers and full-time firefighters and emergency medical service personnel beginning in tax year 2024.

Section 2 of this bill increases the maximum deduction from \$3,000 to \$6,000 for volunteer firefighters, rescue squad members, hazardous materials response team members, reserve police officers, Department of Natural Resources deputy enforcement officers, members of the State Guard, and volunteer state constables who meet the volunteer activity requirements as specified in the statute.

Estimated Revenue Impact:

This bill is expected to reduce General Fund individual income tax revenue by a total of \$2,602,000 beginning in FY 2024-25.

Subcommittee Action/Explanation

Received **FAVORABLE REPORT W/ AMENDMENT** on April 17, 2024

Full Committee Action/Explanation

Other Notes/Comments:

SOUTH CAROLINA
HOUSE AMENDMENT

AMENDMENT NO. _____

David Good
April 16, 2024

ADOPTED	REJECTED	TABLED	ADJOURN DEBATE	RECONSIDERED	ROO

Clerk of the House

ADOPTION NO. _____

BILL NO: S. 969

(Reference is to the original version)

The Sales, Use, and Income Tax Subcommittee proposes the following amendment (LC-969.DG0002H):

Amend the bill, as and if amended, by adding an appropriately numbered SECTION to read:

SECTION X. (A) Notwithstanding the deduction amount set forth in Section 12-6-1140(6), as amended by this act, the increased deduction amount must be phased-in over four years in equal and cumulative installments. The first year of implementation is income tax year 2024.

(B) Notwithstanding the maximum deduction amount set forth in Section 12-6-1140(10)(b), as amended by this act, the increased maximum deduction amount must be phased-in over four years in equal and cumulative installments. The first year of implementation is income tax year 2024.

Renumber sections to conform.
Amend title to conform.



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number: S. 0969 Introduced on January 17, 2024
Author: Alexander
Subject: Income Tax Deductions
Requestor: Senate Finance
RFA Analyst(s): Jolliff
Impact Date: February 15, 2024

Fiscal Impact Summary

This bill increases the individual income tax subsistence allowance deduction for law enforcement officers and full-time firefighters and emergency medical service personnel from \$8 to \$16 per day beginning in tax year 2024. The bill also increases the maximum deduction for volunteer firefighters, rescue squad members, hazardous materials response team members, reserve police officers, Department of Natural Resources deputy enforcement officers, members of the State Guard, and volunteer state constables who meet the volunteer activity requirements as specified in the statute from \$3,000 to \$6,000. The allowable deduction per taxpayer must be certified by Revenue and Fiscal Affairs (RFA) annually such that the total revenue loss does not exceed an aggregate limit of \$3,100,000 per year in total, which remains unchanged.

This bill is not expected to impact expenditures for the Department of Revenue (DOR). We anticipate that the necessary updates to tax forms and guidance can be completed in the revisions that are completed annually. Further, the bill will not impact expenditures for RFA as the agency currently provides this certification annually.

This bill is expected to reduce General Fund individual income tax revenue by a total of \$2,602,000 beginning in FY 2024-25. Of this amount, \$1,547,000 is due to the increase in the subsistence allowance. The remaining impact of \$1,055,000 is for the increase in the volunteer deduction. For reference, the total volunteer deduction impact is estimated to be \$2,157,000, which is less than the \$3,100,000 maximum, and taxpayers will be allowed to claim the full increased deduction of \$6,000 in tax year 2024.

Explanation of Fiscal Impact

Introduced on January 17, 2024

State Expenditure

This bill increases the individual income tax subsistence allowance deduction for law enforcement officers and full-time firefighters and emergency medical service personnel from \$8 to \$16 beginning in tax year 2024. The bill also increases the maximum deduction for volunteer firefighters, rescue squad members, hazardous materials response team members, reserve police officers, Department of Natural Resources deputy enforcement officers, members of the State Guard, and volunteer state constables who meet the volunteer activity requirements as specified

in the statute from up to \$3,000 to \$6,000. The allowable deduction per taxpayer must be certified by RFA annually such that the total revenue loss does not exceed an aggregate limit of \$3,100,000 per year in total, which remains unchanged.

This bill is not expected to impact expenditures for DOR. We anticipate that the necessary updates to tax forms and guidance can be completed in the revisions that are completed annually. Further, the bill will not impact expenditures for RFA as the agency currently provides this certification annually.

State Revenue

Section 1 of the bill increases the individual income tax subsistence allowance for federal, state, and local law enforcement officers and full-time firefighters and emergency medical service personnel from \$8 to \$16 per day. These taxpayers receive a subsistence allowance for each regular workday in a taxable year. As of tax year 2021, approximately 22,118 tax returns claimed a total of \$31,664,000 in deductions. The deduction reduced income taxes by approximately \$1,963,000 in tax year 2021, which equates to approximately \$89 per return. Further, based on a recalculation of these tax returns, doubling the subsistence allowance would reduce income taxes by slightly less than the current tax reduction, approximately 98.2 percent of the current amount, because these taxpayers do not have sufficient tax liabilities to claim the full increased deduction.

Based on historical growth trends and the applicable marginal tax rates for 2024, we estimate that this deduction will reduce individual income taxes by approximately \$1,575,000 in FY 2024-25. Therefore, increasing the subsistence allowance from \$8 to \$16 per day will reduce General Fund individual income tax revenue by approximately \$1,547,000 beginning in FY 2024-25 after accounting for the returns that will not be able to use the full increased deduction.

Section 2 of the bill increases the amount volunteers are allowed to deduct for individual income tax purposes from \$3,000 to \$6,000 beginning in tax year 2024. Currently, specified volunteers are allowed a maximum \$3,000 individual income tax deduction or a deduction amount certified by RFA that restricts the income tax revenue loss to a maximum of \$3,100,000 per year. Taxpayers eligible for this deduction include volunteer firefighters, rescue squad members, hazardous materials response team members, reserve police officers, Department of Natural Resources deputy enforcement officers, members of the State Guard, and volunteer state constables who meet the volunteer activity requirements as specified in the statute. RFA has certified the maximum deduction at \$3,000 for tax year 2024.

In tax year 2021, approximately 5,923 returns claimed deductions totaling \$18,661,414. This deduction reduced income taxes by approximately \$1,157,000, or \$195 per return. Based on a recalculation of these tax returns, doubling the maximum deduction to \$6,000 would reduce income taxes by slightly less than the current tax reduction, approximately 95.7 percent of the current amount, because these taxpayers do not have sufficient tax liabilities to claim the full increase in the deduction.

Based on historical growth trends and the applicable marginal tax rates for 2024, the total income tax reduction from the current deduction is expected to be \$1,102,000 in tax year 2024. Therefore, after accounting for the returns that will not be able to use the full increased deduction, we estimate that increasing the volunteer deduction amount to \$6,000 will reduce General Fund individual income taxes by approximately \$1,055,000 beginning in FY 2024-25. Based on these estimates, the total revenue reduction will be approximately \$2,157,000, which is less than the \$3,100,000 maximum, and taxpayers will be allowed to claim the full increased deduction of \$6,000 in tax year 2024.

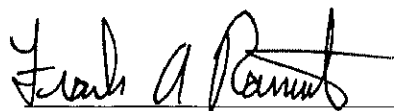
In total, the bill will reduce General Fund individual income tax revenue by approximately \$2,602,000 beginning in FY 2024-25.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
125th Session, 2023-2024

S. 969

STATUS INFORMATION

General Bill

Sponsors: Senators Alexander, Peeler, Setzler, K. Johnson, Young, Malloy, Senn, Stephens and McLeod
Document Path: LC-0331DG24.docx

Introduced in the Senate on January 17, 2024

Introduced in the House on March 21, 2024

Currently residing in the House Committee on **Ways and Means**

Summary: Income tax deductions

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
1/17/2024	Senate	Introduced and read first time (Senate Journal-page 4)
1/17/2024	Senate	Referred to Committee on Finance (Senate Journal-page 4)
2/28/2024	Senate	Committee report: Favorable Finance (Senate Journal-page 14)
3/19/2024	Senate	Read second time (Senate Journal-page 15)
3/19/2024	Senate	Roll call Ayes-40 Nays-0 (Senate Journal-page 15)
3/20/2024	Senate	Read third time and sent to House (Senate Journal-page 11)
3/21/2024	House	Introduced and read first time (House Journal-page 18)
3/21/2024	House	Referred to Committee on Ways and Means (House Journal-page 18)

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VERSIONS OF THIS BILL

01/17/2024

02/28/2024

- 1 ~~Indicates Matter Stricken~~
- 2 Indicates New Matter
- 3
- 4 COMMITTEE REPORT
- 5 February 28, 2024
- 6
- 7
- 8

S. 969

1 Introduced by Senators Alexander, Peeler, Setzler, K. Johnson and Young

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3 S. Printed 02/28/24--S.

4 Read the first time January 17, 2024

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8 **THE COMMITTEE ON SENATE FINANCE**

9 To whom was referred a Bill (S. 969) to amend the South Carolina Code of Laws by amending
10 Section 12-6-1140, relating to deductions from individual taxable income, so as to increase the
11 subsistence, etc., respectfully

12 **REPORT:**

13 That they have duly and carefully considered the same, and recommend that the same do pass:

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15 HARVEY S. PEELER, JR. for Committee.

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A BILL

11 TO AMEND THE SOUTH CAROLINA CODE OF LAWS BY AMENDING SECTION 12-6-1140,
12 RELATING TO DEDUCTIONS FROM INDIVIDUAL TAXABLE INCOME, SO AS TO
13 INCREASE THE SUBSISTENCE DEDUCTION AMOUNT FOR CERTAIN PAID PUBLIC
14 SERVANTS SUCH AS LAW ENFORCEMENT AND FIREFIGHTERS, AND TO INCREASE THE
15 VOLUNTEER EXEMPTION AMOUNT FOR CERTAIN UNPAID PUBLIC SERVANTS SUCH AS
16 LAW ENFORCEMENT AND FIREFIGHTERS.
17

18 Be it enacted by the General Assembly of the State of South Carolina:

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20 SECTION 1. Section 12-6-1140(6) of the S.C. Code is amended to read:

21

22 (6) a subsistence allowance of ~~eight-sixteen~~ dollars a day for federal, state, and local law enforcement
23 officers paid by a political subdivision of this State, the government of this State, or the federal
24 government, for each regular work day in a taxable year and full-time firefighters and emergency
25 medical service personnel may deduct as a subsistence allowance ~~eight-sixteen~~ dollars a day for each
26 regular work day in a taxable year;

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28 SECTION 2. Section 12-6-1140(10)(b) of the S.C. Code is amended to read:

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30 (b) An individual may receive only one deduction pursuant to this item. The Revenue and Fiscal
31 Affairs Office annually shall estimate a maximum deduction that may be permitted under this section
32 for a taxable year based on an individual income tax revenue loss of three million one hundred thousand
33 dollars attributable to this deduction and shall certify that maximum deduction to the Department of
34 Revenue and for the applicable taxable year, the maximum deduction amount must not exceed the
35 lesser of the certified estimate or ~~three-six~~ thousand dollars.

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37 SECTION 3. This act takes effect upon approval by the Governor and applies to tax years beginning
38 after 2023.

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