COMMITTEE REPORT

March 28, 2012

**H. 4997**

Introduced by Reps. Stringer, Bingham, Harrell, Norman, Clemmons, Quinn, Ballentine, Spires, Brannon, McCoy, Ryan, Patrick, Bedingfield, Parker, Taylor, Brady, Murphy, Bowen, Hearn, Nanney, Sottile, Loftis, Lowe, J.R. Smith, Allison, Atwater, Bannister, Chumley, Crosby, Daning, Delleney, Erickson, Hamilton, Hardwick, Henderson, Herbkersman, Hixon, Horne, Limehouse, Long, Merrill, D.C. Moss, V.S. Moss, Owens, Pinson, Pope, Sandifer, Simrill, G.M. Smith, G.R. Smith, Tallon, Willis, Young and Forrester

S. Printed 3/28/12--H.

Read the first time March 13, 2012.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 4997) to amend the Code of Laws of South Carolina, 1976, by adding Section 12‑6‑511 so as to eliminate the four, five, and six percent income, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking Section 12-6-511, as contained in SECTION 1, page 1, and inserting:

/ “Section 12-6-511. Notwithstanding the provisions of Section 12-6-510, for taxable years beginning after 2011, a tax is imposed on the South Carolina taxable income of individuals, estates, and trusts and any other entity except those taxed or exempted from taxation under Sections 12‑6‑530 through 12‑6‑550 computed at the following rates with the income brackets indexed in accordance with Section 12‑6‑520:

OVER BUT NOT OVER

$ 0 $ 2,800 0% Times the amount

2,800 14,000 3.75% Times the amount less $105

14,000 7% Times the amount less $560

(B) The department may prescribe tax tables consistent with the rates set pursuant to subsection (A).

(C) Notwithstanding any other provision of law, if a taxpayer’s income bracket required a three percent tax rate in 2011 and the taxpayer would remain in the three percent tax rate in 2012 but for the enactment of this section, the taxpayer shall remain at the three percent tax rate until the taxpayer’s income exceeds $5,600 or until the highest income qualifying for the zero percent tax bracket reaches $5,600, whichever occurs first.” /

Renumber sections to conform.

Amend title to conform.

W. BRIAN WHITE for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

The bill is expected to reduce general fund individual income tax revenue by $163,440,000 in FY 2012-13.

**Explanation**

This bill would change the state individual income tax structure by eliminating the current 4%, 5% and 6% brackets and taxing those income levels at 3% starting in tax year 2012. The bill does not change the current income levels or the indexation of the tax brackets. The 2012 tax bracket range will be $2,800. Currently, the tax brackets and rates for 2012 are 0% on taxable income from $0 to $2,800, 3% on $2,801 to $5,600, 4% on $5,601 to $8,400, 5% on $8,401 to $11,200, 6% on $11,201 to $14,000, and 7% on income over $14,000. Under the bill, income from $0 to $2,800 is taxed at 0%, $2,801 to $14,000 is taxed at 3%, and income over $14,000 is taxed at 7%. We estimate that the change in the tax rates will reduce general fund individual income tax revenue by $163,440,000 for FY 2012-13.

**HB 4997 - ESTIMATE OF 2012 INCOME TAX ADJUSTEMENT BY COLLAPSING 3%, 4%, 5% & 6% BRACKETS TO 3.0%**

**Objective: Keep 0% bracket, collapse 3%, 4%, 5% and 6% brackets to 3.0%, and keep 7% bracket.**

**With these brackets and rates, 100% of filers have a lower or unchanged liability and the General Fund is impact is ($ 163,440,000).**

**Current Tax Structure**

**Baseline Projected Cumulative Cumulative Projected Average**

**Taxable #of Filers # of Filers % of Filers Average Tax**

**Income 2012 Taxable Liability**

**Range Income 2012**

**2012 2012**

**2010 2012**

**col 1 col 2 (/a) col 3 col 4 col 5 (/b) col 6**

**0 737,287 737,287 34.10% 0 0**

**1-5,000 267,109 1,004,397 46.45% 2,384 0**

**5,000-10,000 185,691 1,190,087 55.04% 7,896 176**

**10,000-20,000 265,592 1,455,680 67.32% 15,603 616**

**20,000-30,000 183,439 1,639,119 75.81% 26,311 1,366**

**30,000-40,000 130,326 1,769,445 81.84% 36,999 2,114**

**40,000-50,000 94,198 1,863,643 86.19% 47,678 2,861**

**50,000-60,000 70,498 1,934,141 89.45% 58,336 3,608**

**60,000-70,000 52,547 1,986,689 91.88% 68,970 4,352**

**70,000-80,000 39,541 2,026,230 93.71% 79,641 5,099**

**80,000-90,000 28,731 2,054,961 95.04% 90,274 5,843**

**90,000-100,000 21,460 2,076,421 96.03% 100,918 6,588**

**100,000-110,000 15,784 2,092,205 96.76% 111,621 7,337**

**110,000-120,000 11,841 2,104,046 97.31% 122,328 8,087**

**120,000-130,000 9,335 2,113,381 97.74% 132,938 8,830**

**130,000-140,000 7,184 2,120,564 98.08% 143,556 9,573**

**140,000-150,000 5,695 2,126,260 98.34% 154,267 10,323**

**150,000-160,000 4,603 2,130,862 98.55% 164,937 11,070**

**160,000-170,000 3,686 2,134,548 98.72% 175,535 11,811**

**170,000-180,000 3,096 2,137,644 98.87% 186,256 12,562**

**180,000-190,000 2,547 2,140,191 98.98% 196,804 13,300**

**190,000-200,000 2,127 2,142,318 99.08% 207,580 14,055**

**200,000-225,000 4,002 2,146,320 99.27% 225,248 15,291**

**225,000-250,000 2,761 2,149,081 99.39% 252,434 17,194**

**250,000-300,000 3,830 2,152,912 99.57% 290,464 19,856**

**300,000-400,000 3,835 2,156,746 99.75% 365,153 25,085**

**400,000-500,000 1,928 2,158,674 99.84% 473,008 32,635**

**500,000- $1M 2,565 2,161,239 99.96% 712,816 49,421**

**$1 M - $2 M 661 2,161,900 99.99% 1,429,786 99,609**

**$2 M + 283 2,162,183 100.00% 4,830,808 337,681**

**Total 2,162,183     $25,197 $1,288**

**Estimate of Adjusted Tax Structure**

**Baseline Adjusted Total**

**Taxable Average Average Dollar**

**Income Tax Tax Increase/ Increase/**

**Range Liability (Decrease) (Decrease)**

**2010 2012 2012 2012**

**col 1 col 7 col 8 col 9**

**0 0 0 0**

**1-5,000 0 0 0**

**5,000-10,000 153 (23) (5,082,859)**

**10,000-20,000 448 (168) (39,667,967)**

**20,000-30,000 1,198 (168) (30,817,833)**

**30,000-40,000 1,946 (168) (21,894,757)**

**40,000-50,000 2,693 (168) (15,825,276)**

**50,000-60,000 3,440 (168) (11,843,679)**

**60,000-70,000 4,184 (168) (8,827,962)**

**70,000-80,000 4,931 (168) (6,642,908)**

**80,000-90,000 5,675 (168) (4,826,828)**

**90,000-100,000 6,420 (168) (3,605,254)**

**100,000-110,000 7,169 (168) (2,651,713)**

**110,000-120,000 7,919 (168) (1,989,342)**

**120,000-130,000 8,662 (168) (1,568,269)**

**130,000-140,000 9,405 (168) (1,206,835)**

**140,000-150,000 10,155 (168) (956,797)**

**150,000-160,000 10,902 (168) (773,252)**

**160,000-170,000 11,643 (168) (619,184)**

**170,000-180,000 12,394 (168) (520,129)**

**180,000-190,000 13,132 (168) (427,928)**

**190,000-200,000 13,887 (168) (357,321)**

**200,000-225,000 15,123 (168) (672,311)**

**225,000-250,000 17,026 (168) (463,917)**

**250,000-300,000 19,688 (168) (643,520)**

**300,000-400,000 24,917 (168) (644,205)**

**400,000-500,000 32,467 (168) (323,902)**

**500,000- $1M 49,253 (168) (430,841)**

**$1 M - $2 M 99,441 (168) (111,052)**

**$2 M + 337,513 (168) (47,471)**

**Total $1,120 ($168) ($163,440,000)**

2012 Current Adjusted

Tax Brackets 0.00% $0 to 2,800 Brackets 0.00% $0 to 2,800

3.00% $2,800 to 5,600 3.00% $2,800 to 5,600

4.00% $5,600 to 8,400 3.00% $5,600 to 8,400

5.00% $8,400 to 11,200 3.00% $8,400 to 11,200

6.00% $11,200 to 14,000 3.00% $11,200 to 14,000

7.00% Over $14,000 7.00% Over $14,000

*Approved By:*

Frank A. Rainwater

Board of Economic Advisors

1/ This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 12‑6‑511 SO AS TO ELIMINATE THE FOUR, FIVE, AND SIX PERCENT INCOME BRACKETS AND INSTEAD TAX THOSE INCOMES AT THREE PERCENT.

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

SECTION 1. Article 5, Chapter 6, Title 12 of the 1976 Code is amended by adding:

“Section 12‑6‑511. Notwithstanding the provisions of Section 12‑6‑510, for taxable years beginning after 2011, a tax is imposed on the South Carolina taxable income of individuals, estates, and trusts and any other entity except those taxed or exempted from taxation under Sections 12‑6‑530 through 12‑6‑550 computed at the following rates with the income brackets indexed in accordance with Section 12‑6‑520:

OVER BUT NOT OVER

$ 0 $ 2,800 0% times the amount

2,800 14,000 3% times the amount less $84

14,000 7% times the amount less $644

(B) The department may prescribe tax tables consistent with the rates set pursuant to subsection (A).”

SECTION 2. This act takes effect upon approval by the Governor.

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