**A** **BILL**

TO AMEND SECTION 12-6-510 OF THE 1976 CODE, RELATING TO PERSONAL INCOME TAX RATES, TO REDUCE THE NUMBER OF TAX BRACKETS FROM FIVE BRACKETS TO THREE, INCLUDING A THREE PERCENT BRACKET, A FIVE PERCENT BRACKET, AND A SEVEN PERCENT BRACKET, TO PROVIDE THAT THE NEW BRACKETS ARE EFFECTIVE FOR TAX YEAR 2019 AND SUCCEEDING YEARS, AND TO PROVIDE FOR A FIVE YEAR PHASE IN OF EXPANDED INCOME RANGES WITHIN EACH BRACKET BEGINNING WITH TAX YEAR 2019; AND TO AMEND SECTION 12-6-520, RELATING TO ANNUAL INFLATION ADJUSTMENTS TO INDIVIDUAL STATE INCOME TAX BRACKETS, TO CONFORM WITH THE NEW BRACKETS AND INCOME RANGES WITHIN THE BRACKETS.

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

SECTION 1. Section 12-6-510 of the 1976 Code is amended to read:

“Section 12‑6‑510. (A) For taxable years beginning after 1994, 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:

Not over $2,220 2.5 percent of taxable income

Over $2,220 but not over $4,440 $56 plus 3 percent of the excess over $2,220;

Over $4,440 but not over $6,660 $123 plus 4 percent of the excess over $4,440;

Over $6,660 but not over $8,880 $212 plus 5 percent of the excess of $6,660;

Over $8,880 but not over $11,100 $323 plus 6 percent of the excess over $8,880;

Over $11,100 $456 plus 7 percent of the excess over $11,100.

(B) For tax year 2019, a tax is imposed on the South Carolina taxable income of individuals, estates, trusts, and any other entities except those taxed or exempted from taxation under Sections 12‑6‑530 through 12‑6‑550 computed at the following rates:

Not over $3,120 0 percent of taxable income;

Over $3,120 but not over $9,000 3 percent of the excess over $3,120;

Over $9,000 but not over $15,000 $176 plus 5 percent of the excess of $9,000; and

Over $15,000 $476 plus 7 percent of the excess over $15,000.

(C) For tax year 2020, a tax is imposed on the South Carolina taxable income of individuals, estates, trusts, and any other entities except those taxed or exempted from taxation under Sections 12‑6‑530 through 12‑6‑550 computed at the following rates:

Not over $3,500 0 percent of taxable income;

Over $3,500 but not over $9,200 3 percent of the excess over $3,500;

Over $9,200 but not over $18,000 $171 plus 5 percent of the excess of $9,200; and

Over $18,000 $611 plus 7 percent of the excess over $18,000.

(D) For tax year 2021, a tax is imposed on the South Carolina taxable income of individuals, estates, trusts, and any other entities except those taxed or exempted from taxation under Sections 12‑6‑530 through 12‑6‑550 computed at the following rates:

Not over $3,870 0 percent of taxable income;

Over $3,870 but not over $9,400 3 percent of the excess over $3,870;

Over $9,400 but not over $21,000 $165 plus 5 percent of the excess of $9,400; and

Over $21,000 $745 plus 7 percent of the excess over $21,000.

(E) For tax year 2022, a tax is imposed on the South Carolina taxable income of individuals, estates, trusts, and any other entities except those taxed or exempted from taxation under Sections 12‑6‑530 through 12‑6‑550 computed at the following rates:

Not over $4,250 0 percent of taxable income;

Over $4,250 but not over $9,600 3 percent of the excess over $4,250;

Over $9,600 but not over $24,000 $160 plus 5 percent of the excess of $9,600; and

Over $24,000 $880 plus 7 percent of the excess over $24,000.

(F) For tax year 2023, a tax is imposed on the South Carolina taxable income of individuals, estates, trusts, and any other entities except those taxed or exempted from taxation under Sections 12‑6‑530 through 12‑6‑550 computed at the following rates:

Not over $4,620 0 percent of taxable income;

Over $4,620 but not over $9,800 3 percent of the excess over $4,620;

Over $9,800 but not over $27,000 $155 plus 5 percent of the excess of $9,800; and

Over $27,000 $1,015 plus 7 percent of the excess over $27,000.

(G) For tax year 2024 and each tax year thereafter, a tax is imposed on the South Carolina taxable income of individuals, estates, trusts, and any other entities 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 for tax years after tax year 2023:

Not over $5,000 0 percent of taxable income;

Over $5,000 but not over $10,000 3 percent of the excess over $5,000;

Over $10,000 but not over $30,000 $150 plus 5 percent of the excess of $10,000; and

Over $30,000 $1,150 plus 7 percent of the excess over $30,000.

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

SECTION 2. Section 12-6-520 of the 1976 Code is amended to read:

“Section 12-6-520. Each December 15, the department shall cumulatively adjust the brackets in Section 12-6-510 in the same manner that brackets are adjusted in Internal Revenue Code Section (1)(f). However, the adjustment is limited to one-half of the adjustment determined by Internal Revenue Code Section (1)(f), may not exceed four percent a year, and the rounding amount provided in (1)(f)(6) is ten dollars. The brackets, as adjusted, apply in lieu of those provided in Section 12-6-510 for taxable years beginning in taxable year 2025 and succeeding calendar years ~~the succeeding calendar year~~. Inflation adjustments must be made cumulatively to the income tax brackets.”

SECTION 3. This act takes effect upon approval by the Governor.

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