**South Carolina General Assembly**

122nd Session, 2017-2018

**A266, R295, H5341**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. Lucas, White, Simrill, Rutherford, Murphy, S. Rivers and Davis

Document Path: l:\council\bills\bbm\9789dg18.docx

Companion/Similar bill(s): 1258

Introduced in the House on May 1, 2018

Introduced in the Senate on May 8, 2018

Last Amended on October 2, 2018

Passed by the General Assembly on October 3, 2018

Governor's Action: October 3, 2018, Signed

Summary: SC Taxpayer Protection and Relief Act

**HISTORY OF LEGISLATIVE ACTIONS**

 Date Body Action Description with journal page number

 5/1/2018 House Introduced and read first time ([House Journal‑page 62](file:///h%3A%5Chj%5C20180501.docx))

 5/1/2018 House Referred to Committee on **Ways and Means** ([House Journal‑page 62](file:///h%3A%5Chj%5C20180501.docx))

 5/1/2018 House Recalled from Committee on **Ways and Means** ([House Journal‑page 82](file:///h%3A%5Chj%5C20180501.docx))

 5/1/2018 House Roll call Yeas‑113 Nays‑0 ([House Journal‑page 83](file:///h%3A%5Chj%5C20180501.docx))

 5/2/2018 House Member(s) request name added as sponsor: Murphy, S.Rivers

 5/3/2018 House Member(s) request name added as sponsor: Davis

 5/3/2018 House Read second time ([House Journal‑page 16](file:///h%3A%5Chj%5C20180503.docx))

 5/3/2018 House Roll call Yeas‑100 Nays‑0 ([House Journal‑page 16](file:///h%3A%5Chj%5C20180503.docx))

 5/3/2018 House Unanimous consent for third reading on next legislative day ([House Journal‑page 17](file:///h%3A%5Chj%5C20180503.docx))

 5/4/2018 House Read third time and sent to Senate ([House Journal‑page 1](file:///h%3A%5Chj%5C20180504.docx))

 5/8/2018 Senate Introduced and read first time ([Senate Journal‑page 16](file:///h%3A%5Csj%5C20180508.docx))

 5/8/2018 Senate Referred to Committee on **Finance** ([Senate Journal‑page 16](file:///h%3A%5Csj%5C20180508.docx))

 10/2/2018 Senate Committee report: Favorable with amendment **Finance** ([Senate Journal‑page 3](file:///h%3A%5Csj%5C20181002.docx))

 10/2/2018 Senate Committee Amendment Adopted ([Senate Journal‑page 3](file:///h%3A%5Csj%5C20181002.docx))

 10/2/2018 Senate Read second time ([Senate Journal‑page 9](file:///h%3A%5Csj%5C20181002.docx))

 10/2/2018 Senate Roll call Ayes‑37 Nays‑4 ([Senate Journal‑page 9](file:///h%3A%5Csj%5C20181002.docx))

 10/3/2018 Scrivener's error corrected

 10/3/2018 Senate Read third time and returned to House with amendments

 10/3/2018 House Concurred in Senate amendment and enrolled ([House Journal‑page 25](file:///h%3A%5Chj%5C20181003.docx))

 10/3/2018 House Roll call Yeas‑117 Nays‑0 ([House Journal‑page 26](file:///h%3A%5Chj%5C20181003.docx))

 10/3/2018 Ratified R 295

 10/3/2018 Signed By Governor

 10/9/2018 Effective date See Act

 10/9/2018 Act No. 266

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**VERSIONS OF THIS BILL**

[5/1/2018](file:///p%3A%5Cpprever%5C2017-18%5C5341_20180501.docx)

[5/1/2018-A](file:///p%3A%5Cpprever%5C2017-18%5C5341_20180501A.docx)

[10/2/2018](file:///p%3A%5Cpprever%5C2017-18%5C5341_20181002.docx)

[10/2/2018-A](file:///p%3A%5Cpprever%5C2017-18%5C5341_20181002A.docx)

[10/3/2018](file:///p%3A%5Cpprever%5C2017-18%5C5341_20181003.docx)

(A266, R295, H5341)

**AN ACT TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, SO AS TO ENACT THE “SOUTH CAROLINA TAXPAYER PROTECTION AND RELIEF ACT”; TO AMEND SECTION 12‑6‑40, RELATING TO THE APPLICATION OF THE INTERNAL REVENUE CODE TO STATE INCOME TAX LAWS, SO AS TO UPDATE THE REFERENCE TO THE INTERNAL REVENUE CODE AND TO PROVIDE THAT IF THE INTERNAL REVENUE CODE SECTIONS ADOPTED BY THIS STATE ARE EXTENDED, THEN THESE SECTIONS ALSO ARE EXTENDED FOR SOUTH CAROLINA INCOME TAX; TO AMEND SECTION 12‑6‑50, RELATING TO PROVISIONS OF THE INTERNAL REVENUE CODE NOT ADOPTED BY THIS STATE, SO AS TO NOT ADOPT CERTAIN PROVISIONS; TO AMEND SECTION 12‑6‑520, RELATING TO THE ANNUAL ADJUSTMENT TO THE INCOME TAX BRACKETS, SO AS TO DELETE A PROVISION THAT LIMITS THE INFLATION ADJUSTMENT TO ONE‑HALF OF THE ACTUAL INFLATION RATE AND TO USE THE CHAINED CONSUMER PRICE INDEX TO MAKE THE ADJUSTMENT; TO AMEND SECTION 12‑6‑1140, RELATING TO INCOME TAX DEDUCTIONS, SO AS TO ADD A SOUTH CAROLINA DEPENDENT EXEMPTION AND TO ADJUST THE AMOUNT OF THE EXEMPTION EACH YEAR FOR INFLATION; AND TO AMEND SECTION 12‑6‑1160, RELATING TO THE DEPENDENT EXEMPTION FOR CHILDREN UNDER SIX YEARS OLD, SO AS TO PROVIDE THAT THE AMOUNT OF THE DEDUCTION IS EQUAL TO THE AMOUNT OF THE SOUTH CAROLINA DEPENDENT EXEMPTION.**

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

**Citation**

SECTION 1. This act may be referred to as the “South Carolina Taxpayer Protection and Relief Act”.

**Internal Revenue Code conformity**

SECTION 2. Section 12‑6‑40(A)(1)(a) and (c) of the 1976 Code is amended to read:

 “(a) Except as otherwise provided, ‘Internal Revenue Code’ means the Internal Revenue Code of 1986, as amended through February 9, 2018, and includes the effective date provisions contained in it.

 (c) If Internal Revenue Code sections adopted by this State which expired or portions thereof expired on December 31, 2017, are extended, but otherwise not amended, by congressional enactment during 2018, these sections or portions thereof also are extended for South Carolina income tax purposes in the same manner that they are extended for federal income tax purposes.”

**Internal Revenue Code sections not adopted**

SECTION 3. A. Section 12‑6‑50 of the 1976 Code is amended to read:

 “Section 12‑6‑50. For purposes of this title and all other titles that provide for taxes administered by the department, except as otherwise specifically provided, the following Internal Revenue Code sections are specifically not adopted by this State:

 (1) Sections 1(a) through 1(e), 3, 11, and 1201 relating to federal tax rates;

 (2) Sections 22 through 54, 515, 853, 901 through 908, and 960 relating to tax credits;

 (3) Sections 55 through 59A relating to minimum taxes;

 (4) Sections 78, 85(c), 86, 87, 168(k), 168(l), 168(m), 168(n), 196, and 280C relating to dividends received from certain foreign corporations by domestic corporations, unemployment compensation, taxation of social security and certain railroad retirement benefits, the alcohol fuel credit, bonus depreciation, deductions for certain unused business credits, and certain expenses for which credits are allowable;

 (5) Sections 72(m)(5)(B), 72(f), 72(o), 72(q), and 72(t) relating to penalty taxes on certain retirement plan distributions;

 (5A) Section 108(i) relating to the deferral and ratable inclusion of income arising from business indebtedness discharged by the reacquisition of a debt instrument;

 (5B) Section 163(e)(5)(F) relating to original issue discount on certain high yield obligations, Section 163(j) relating to limitation on business interest expense, and Section 381(c)(20) and 382(d)(3) relating to carryover of limited business interest;

 (6) Section 172(b)(1) relating to net operating loss carrybacks;

 (7) Reserved;

 (8) Sections 531 through 564 relating to certain special taxes on corporations;

 (9) Sections 581, 582, and 585 through 596 relating to the taxation of banking institutions;

 (10) Sections 665 through 668 relating to taxation of certain accumulation distributions from trusts;

 (11) Sections 801 through 848 relating to taxation of insurance companies;

 (12) Sections 250, 267A, and 861 through 909, 912, 931 through 940, and 944 through 989 relating to the taxation of foreign income;

 (13) Sections 1352 through 1359 relating to an alternative tax on qualifying shipping activities;

 (14) Sections 1400 through 1494, except 1400Z;

 (15) Sections 1501 through 1505 relating to consolidated tax returns;

 (16) Sections 2001 through 7655, 7801 through 7871, and 8001 through 9602, except for Sections 6015 and 6701, and except for Sections 6654 and 6655 which are adopted as provided in Section 12‑6‑3910 and Section 12‑54‑55. However, Section 6654(d)(1)(D) relating to estimated tax payments for qualified individuals as defined in that item is not adopted;

 (17) Section 68 relating to the reduction on itemized deductions and Section 151(d)(3) relating to the reduction on the personal exemption for:

 (a) a joint return or surviving spouse with an adjusted gross income exceeding three hundred thousand dollars or the same adjusted gross income adjusted for inflation pursuant to Section 68, whichever is higher;

 (b) a head of household with an adjusted gross income exceeding two hundred seventy‑five thousand dollars or the same adjusted gross income adjusted for inflation pursuant to Section 68, whichever is higher; and

 (c) an individual who is not married and who is not a surviving spouse or head of household with an adjusted gross income exceeding two hundred fifty thousand dollars or the same adjusted gross income adjusted for inflation pursuant to Section 68, whichever is higher;

 (18) Section 118(b)(2) relating to any contribution by any governmental entity or civic group, other than a contribution made by a shareholder as such;

 (19) Section 199A relating to qualified business income;

 (20) Section 162(r) relating to FDIC premiums.”

B. The Department of Revenue shall make and publish rules and promulgate regulations to effectively administer the provisions of this SECTION.

**Full inflation adjustment for income tax brackets**

SECTION 4. A. Section 12‑6‑520 of the 1976 Code is amended to read:

 “Section 12‑6‑520. Beginning on December 15, 2018, and each December fifteenth thereafter, the department shall cumulatively adjust the brackets in Section 12‑6‑510 using the Chained Consumer Price Index for All Consumers, as published by the Bureau of Labor and Statistics of the Department of Labor, pursuant to Internal Revenue Code Section (1)(f). However, the adjustment may not exceed four percent a year, and notwithstanding the rounding amount provided in (1)(f)(7), the rounding amount is ten dollars. The brackets, as adjusted, apply instead of those provided in Section 12‑6‑510 for taxable years beginning in the succeeding calendar year. Inflation adjustments must be made cumulatively to the income tax brackets.”

B. This SECTION takes effect upon approval by the Governor and first applies to the adjustment made for tax year 2019, with the 2018 income tax brackets being used first as the base year upon which adjustments made pursuant to Section 12‑6‑520, as amended by this act, are made.

**South Carolina dependent exemption**

SECTION 5. A. Section 12‑6‑1140 of the 1976 Code is amended by adding an item at the end to read:

 “(13) a South Carolina dependent exemption equal to four thousand one hundred ten dollars for each eligible dependent of the taxpayer, including both qualifying children and qualifying relatives. To qualify for the deduction allowed by this item, each dependent must meet the eligibility requirements of Section 151 and 152, as applicable, mutatis mutandis, as those sections applied on January 1, 2017. Notwithstanding the deduction amount set forth in this item, each December fifteenth, the department shall cumulatively adjust the deduction amount using the Chained Consumer Price Index for All Consumers, as published by the Bureau of Labor and Statistics of the Department of Labor, pursuant to Internal Revenue Code Section (1)(f), except that the rounding amount is ten dollars.”

B. Notwithstanding Section 12‑6‑1140(13), as added by this SECTION, the Department of Revenue shall not adjust the deduction set forth in Section 12‑6‑1140(13) for tax year 2018.

**Conforming dependent exemption amount**

SECTION 6. Section 12‑6‑1160 of the 1976 Code is amended to read:

 “Section 12‑6‑1160. A resident individual taxpayer is allowed an additional deduction for each dependent eligible for the South Carolina dependent exemption pursuant to Section 12‑6‑1140 who has not yet attained the age of six years during the applicable tax year. The deduction allowed by this section is an amount equal to the South Carolina dependent exemption allowed pursuant to Section 12‑6‑1140.”

**Department of Revenue to implement and educate**

SECTION 7. The Department of Revenue shall take actions necessary to implement the provisions of this act and take the appropriate actions to educate taxpayers of the amendments contained within this act, especially those, if any, that impact filing requirements or determination of taxable income.

**Report by the Department of Revenue**

SECTION 8. By January 15, 2025, the Department of Revenue, in coordination with the Revenue and Fiscal Affairs Office, shall deliver a report to the General Assembly that specifies the many provisions of the Tax Cuts and Jobs Act of 2017 that expire after tax year 2025.

**Time effective**

SECTION 9. Except where specified otherwise, this act takes effect upon approval by the Governor and first applies to tax years beginning after 2017.

Ratified the 3rd day of October, 2018.

Approved the 3rd day of October, 2018.

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