



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** S. 0046 Amended by Senate Finance Sales and Income Tax  
Subcommittee on January 24, 2017

**Author:** Campsen

**Subject:** Taxpayer Inflation Protection Act

**Requestor:** Senate Finance

**RFA Analyst(s):** Jolliff

**Impact Date:** January 30, 2017

**Estimate of Fiscal Impact**

|                                  | <b>FY 2016-17</b> | <b>FY 2017-18</b> | <b>FY 2018-19</b> |
|----------------------------------|-------------------|-------------------|-------------------|
| <b>State Expenditure</b>         |                   |                   |                   |
| General Fund                     |                   | \$0               | \$0               |
| Other and Federal                |                   | \$0               | \$0               |
| Full-Time Equivalent Position(s) |                   | 0.00              | 0.00              |
| <b>State Revenue</b>             |                   |                   |                   |
| General Fund                     | (\$102,000)       | (\$1,850,000)     | \$0               |
| Other and Federal                |                   | \$0               | \$0               |
| <b>Local Expenditure</b>         |                   | \$0               | \$0               |
| <b>Local Revenue</b>             |                   | \$0               | \$0               |

**Fiscal Impact Summary**

This bill as amended is not expected to impact expenditures for the General Fund, Federal Funds, or Other Funds.

The bill as amended is expected to reduce General Fund individual income tax revenue by \$102,000 in FY 2016-17 and \$1,850,000 in FY 2017-18.

**Explanation of Fiscal Impact**

**Amended by Senate Finance Sales and Income Tax Subcommittee on January 24, 2017**

**State Expenditure**

This bill would require the Department of Revenue to increase the individual income tax brackets by the full inflation adjustment specified in Section 12-6-520 up to four percent a year, as opposed to one-half of the adjustment as currently required. The bill does not significantly change the current procedure to adjust the bracket amount annually and is not expected to impact expenditures for the agency.

**State Revenue**

This bill as amended requires that the individual income tax brackets be adjusted annually for the full inflation adjustment specified by Internal Revenue Code Section 1(f) beginning in tax year 2017. The amendment also retains the current requirement that the adjustment may not exceed

four percent a year, which was previously deleted in the bill as introduced. Based upon our current expectations for inflation, this change does not alter our analysis of the fiscal impact.

Presently, the tax brackets are indexed for one-half of the inflation adjustment. For tax year 2017, the full inflation adjustment is 0.79 percent. This would increase the bracket amount from \$2,930 to \$2,940. Individual income tax would be reduced by approximately \$1,952,000 in tax year 2017. The average reduction is \$2 per tax return. The impact by taxable income range is included in the attached detailed table. In a typical year, inflation is 2 percent or more, which potentially would double the income tax reduction in future years.

We anticipate that taxpayers who file estimated tax payments will reduce their quarterly declarations in response to the tax reduction. As such, 5.25 percent of the total tax year impact is recognized in the prior fiscal year for the first two calendar quarters of reduced estimated tax payments, and the remaining impact is reflected in next fiscal year through the remaining reduced payments and higher refunds. Given these assumptions, General Fund individual income tax revenue would be reduced by \$102,000 in FY 2016-17 and \$1,850,000 in FY 2017-18.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Introduced on January 10, 2017**

**State Expenditure**

This bill would require the Department of Revenue to increase the individual income tax brackets by the full inflation adjustment specified in Section 12-6-520, as opposed to one-half of the adjustment as currently required. The bill does not significantly change the current procedure to adjust the bracket amount annually and is not expected to impact expenditures for the agency.

**State Revenue**

This bill amends Section 12-6-520 to require that the individual income tax brackets be adjusted annually for the full inflation adjustment specified by Internal Revenue Code Section 1(f) beginning in tax year 2017. Currently, the tax brackets are indexed for one-half of the inflation adjustment. For tax year 2017, the full inflation adjustment is 0.79 percent. This would increase the bracket amount from \$2,930 to \$2,940. Individual income tax would be reduced by approximately \$1,952,000 in tax year 2017. The average reduction is \$2 per tax return. The impact by taxable income range is included in the attached detailed table. In a typical year, inflation is 2 percent or more, which potentially would double the income tax reduction in future years.

We anticipate that taxpayers who file estimated tax payments will reduce their quarterly declarations in response to the tax reduction. As such, 5.25 percent of the total tax year impact is recognized in the prior fiscal year for the first two calendar quarters of reduced estimated tax payments, and the remaining impact is reflected in next fiscal year through the remaining

reduced payments and higher refunds. Given these assumptions, General Fund individual income tax revenue would be reduced by \$102,000 in FY 2016-17 and \$1,850,000 in FY 2017-18.

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director