~~Indicates Matter Stricken~~

Indicates New Matter

RECALLED

May 1, 2018

**H. 5341**

Introduced by Reps. Lucas, White, Simrill and Rutherford

S. Printed 5/1/18--H.

Read the first time May 1, 2018.

**A** **BILL**

TO AMEND SECTION 12‑6‑40, CODE OF LAWS OF SOUTH CAROLINA, 1976, 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, TO PROVIDE AN EXCEPTION FOR PERSONAL AND DEPENDENT EXEMPTION AMOUNTS, 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; AND 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.

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

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

“(1)(a) Except as otherwise provided, ‘Internal Revenue Code’ means the Internal Revenue Code of 1986, as amended through ~~December 31, 2016~~ February 9, 2018, and includes the effective date provisions contained in it.

(b) ~~For purposes of Sections 63 and 179 of the Internal Revenue Code, the amendments made by Sections 103 and 202 of the Jobs and Growth Tax Relief Reconciliation Act of 2003, P.L. 108‑27 (May 28, 2003) are effective only for taxable years beginning after December 31, 2003.~~ For South Carolina income tax purposes, for tax years beginning after December 31, 2017, and before January 1, 2026, the zero personal exemption amount provided for under Section 151 of the Internal Revenue Code, shall be one thousand five hundred twenty‑five dollars, and must be adjusted annually and cumulatively pursuant to Section 1(f) of the Internal Revenue Code. For tax years beginning after December 31, 2017, and before January 1, 2026, all references in this title to the federal personal exemption amount shall mean the amount provided in this item and the deduction set forth in Section 12‑6‑1160 for a dependent under the age of six is not allowed.

(c) If Internal Revenue Code sections adopted by this State which expired or portions thereof expired on December 31, ~~2016~~ 2017, are extended, but otherwise not amended, by congressional enactment during ~~2017~~ 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.”

SECTION 2. 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 and Section 163(j) relating to limitation on business interest expense;

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

(7) Section 199 relating to the deduction attributable to domestic production activities;

(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, 381(c)(20), 382(d)(3), 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 1400(Z);

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

(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.”

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

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