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Subject: S 261

S.261 is Sen. Leatherman's bill to keep us conformed to the federal tax code. There's a similar bill each year to make a handful of changes that keep us coupled with the feds. The difference this year is that, partially because of the fiscal cliff deal, there's a \$3.1 million net increase in taxes for the state General Fund under this bill.

It's not a good veto candidate because doing a partial decoupling in that way would create all kinds of administrative and compliance problems in both the public and private sectors.

I have the BEA scoring an amendment to this bill that would make it revenue-neutral by lowering the 7% bracket to whatever level has that effect. I expect that it'll come back as a very small change, but a change nonetheless. Like 6.996% or something.

I should also say that for a variety of technical reasons that I won't bother covering here, it wouldn't be a direct dollar-for-dollar offset for each affected person. There'd be a fair amount of overlap in terms of who the unamended S.261 would hurt and who the amended S.261 would benefit, though.

CLS

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