



CHAD WALLDORF, Chairman  
HOWELL CLYBORNE, JR.  
EMERSON F. GOWER, JR.

**SOUTH CAROLINA  
REVENUE AND FISCAL AFFAIRS OFFICE**

FRANK A. RAINWATER  
Executive Director

December 15, 2014

The Honorable Nikki R. Haley, Governor  
Office of the Governor  
1205 Pendleton Street  
Columbia, South Carolina 29201

Dear Governor Haley:

This is in response to a request by staff for a revenue estimate of excluding the first \$15,000, \$20,000, and \$25,000 of taxable interest and qualified dividends from individual income tax for tax year 2015.

Based upon a matched sample of federal income tax and state income tax returns for tax year 2012 provided by the Department of Revenue, we estimate that excluding \$15,000 of taxable interest and qualified dividend income from individual income tax would reduce General Fund revenue by \$55,634,000 in FY 2015-16. An exclusion of \$20,000 would reduce General Fund revenue by \$62,353,000 in 2015-16. Lastly, excluding the first \$25,000 of interest and dividend income would reduce revenue an estimated \$67,593,000 in FY 2015-16. These estimates are based upon the exclusion applying to interest and qualified dividend income defined as taxable interest (2012 Fed 1040 line 8a), qualified dividends (2012 Fed 1040 line 9b), and interest income on obligations of states and political subdivisions other than South Carolina (2012 SC 1040 line 1d).

If we may be of additional assistance, please advise.

Sincerely,

Frank A. Rainwater  
Executive Director

FAR/lhj

cc: Mr. Rick Reames, Director, Department of Revenue



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1205 Pendleton Street  
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Dear Governor Haley:

This is in response to a request by staff for a revenue estimate of taxing individual income from taxable interest and qualified dividends at 2% and at 3% instead of under our current individual income tax marginal rates for tax year 2015.

Based upon a matched sample of federal income tax and state income tax returns for tax year 2012 provided by the Department of Revenue, we estimate that reducing the individual income tax rate on taxable interest and qualified dividends to 2% would reduce General Fund individual income tax revenue by \$91,325,000 in FY 2015-16. Alternately, we estimate that reducing the rate to 3% would reduce General Fund revenue by \$71,319,000 for FY 2015-16. These estimates are based upon the lower tax rates applying to interest and qualified dividend income defined as taxable interest (2012 Fed 1040 line 8a), qualified dividends (2012 Fed 1040 line 9b), and interest income on obligations of states and political subdivisions other than South Carolina (2012 SC 1040 line 1d).

If we may be of additional assistance, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank A. Rainwater".

Frank A. Rainwater  
Executive Director

FAR/lhj

cc: Mr. Rick Reames, Director, Department of Revenue



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1205 Pendleton Street  
Columbia, SC 29201

Dear Governor Haley,

This letter is in response to several requests by a member of your cabinet for the revenue estimates of increasing the maximum sales tax cap amount on the purchase of motor vehicles, increasing the state sales and use tax rate by an additional one percent, and eliminating the sales and use tax exemption on electricity consumed for residential purposes.

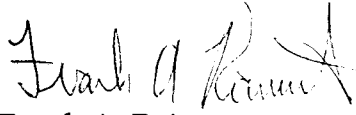
Beginning in FY2015-16, the maximum sales and use tax limitation could be increased from the current \$300 per vehicle to \$600 per vehicle. Based upon the latest data on automobile sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests automobile sales and use tax revenue would be increased by an additional \$82,500,000 in FY2015-16. Also, beginning in FY2015-16, the maximum sales and use tax limitation could be increased from the current \$300 per vehicle to \$750 per vehicle. Based upon the latest data on automobile sales, the Board of Economic Advisors' maximum sales and use tax cap model suggests automobile sales and use tax revenue would be increased by an additional \$101,000,000 in FY2015-16.

Based on the Board of Economic Advisors' November 10, 2014 estimate of General Fund sales and use tax revenue, an additional increase of one percent in the sales and use tax rate would amount to an additional estimated \$643,000,000 in FY2015-16.

Based on the latest estimate in the Board of Economic Advisors' Sales and Use Tax Exemption Report, the elimination of the sales and use tax on the consumption of electricity for residential purposes would increase sales and use tax revenue by an estimated \$208,305,660 in FY2015-16. Of this amount, General Fund sales and use tax would increase by \$138,870,440, EIA revenue would increase by \$34,717,610, and the Homestead Exemption Fund would increase by \$34,717,610 in FY2015-16.

If we may be of any further assistance, please advise.

Sincerely,

A handwritten signature in cursive script, appearing to read "Frank A. Rainwater". The signature is written in dark ink and is positioned above the printed name.

Frank A. Rainwater

FAR/rwm

cc: Rick Reames, III, Esquire