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November 28, 2011

The Honorable Nikki R. Haley, Governor
State of South Carolina
State House, 1st Floor
P.O. Box 12267
Columbia, SC 29211

Dear Governor Haley,

This letter is in response to a request by your staff for a revenue estimate of reducing the corporation income tax rate from five percent to 3.75 percent beginning January 1, 2013.

Currently, pursuant to §12-6-530, the rate of taxation on corporate income is five percent. Based upon the November 10, 2011 estimates of General Fund corporation income tax by the Board of Economic Advisors, lowering the corporation income tax rate to 3.75 percent would reduce General Fund corporation income tax revenue by an estimated \$54,725,000. Although it is difficult to predict when legislation would pass during the legislative session, we expect some taxpayers to begin adjusting their payment schedule before the end of the fiscal year end. The estimated reduction in revenue by fiscal year is as follows:

FY 2011-12	\$5,809,125
FY 2012-13	\$48,915,875
Total	\$54,725,000

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

Sincerely,

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

Frank A. Rainwater

FAR/rwm

cc: Christian Soura

SCENARIO 4A - ESTIMATE OF 2012 INCOME TAX ADJUSTEMENT BY COLLAPSING 3%, 4%, 5% & 6% BRACKETS TO 3.95%

Objective: Collapse 3%, 4%, 5% and 6% brackets to 3.95%.

With these brackets and rates, 86% of filers have a lower or unchanged liability and the General Fund is impact is (\$ 51,000,000).

Baseline Taxable Income Range 2010	Current Tax Structure					Estimate of Adjusted Tax Structure		
	Projected # of Filers 2012	Cumulative # of Filers	Cumulative % of Filers	Projected Average Taxable Income 2012	Average Tax Liability 2012	Adjusted Average Tax Liability 2012	Average Tax Increase/ (Decrease) 2012	Total Dollar Increase/ (Decrease) 2012
col 1	col 2 (/a)	col 3	col 4	col 5 (/b)	col 6	col 7	col 8	col 9
0	737,287	737,287	34.10%	0	0	0	0	0
1-5,000	267,109	1,004,397	46.45%	2,384	0	0	0	1,249,548
5,000-10,000	185,691	1,190,087	55.04%	7,896	176	201	26	3,934,496
10,000-20,000	265,592	1,455,680	67.32%	15,603	616	555	(61)	(12,896,213)
20,000-30,000	183,439	1,639,119	75.81%	26,311	1,366	1,305	(61)	(11,239,441)
30,000-40,000	130,326	1,769,445	81.84%	36,999	2,114	2,053	(61)	(7,985,144)
40,000-50,000	94,198	1,863,643	86.19%	47,678	2,861	2,800	(61)	(5,771,569)
50,000-60,000	70,498	1,934,141	89.45%	58,336	3,608	3,546	(61)	(4,319,458)
60,000-70,000	52,547	1,986,689	91.88%	68,970	4,352	4,291	(61)	(3,219,608)
70,000-80,000	39,541	2,026,230	93.71%	79,641	5,099	5,038	(61)	(2,422,706)
80,000-90,000	28,731	2,054,961	95.04%	90,274	5,843	5,782	(61)	(1,760,372)
90,000-100,000	21,460	2,076,421	96.03%	100,918	6,588	6,527	(61)	(1,314,857)
100,000-110,000	15,784	2,092,205	96.76%	111,621	7,337	7,276	(61)	(967,095)
110,000-120,000	11,841	2,104,046	97.31%	122,328	8,087	8,026	(61)	(725,524)
120,000-130,000	9,335	2,113,381	97.74%	132,938	8,830	8,768	(61)	(571,957)
130,000-140,000	7,184	2,120,564	98.08%	143,556	9,573	9,512	(61)	(440,140)
140,000-150,000	5,695	2,126,260	98.34%	154,267	10,323	10,261	(61)	(348,949)
150,000-160,000	4,603	2,130,862	98.55%	164,937	11,070	11,008	(61)	(282,009)
160,000-170,000	3,686	2,134,548	98.72%	175,535	11,811	11,750	(61)	(225,820)
170,000-180,000	3,096	2,137,644	98.87%	186,256	12,562	12,501	(61)	(189,694)
180,000-190,000	2,547	2,140,191	98.98%	196,804	13,300	13,239	(61)	(156,068)
190,000-200,000	2,127	2,142,318	99.08%	207,580	14,055	13,993	(61)	(130,317)
200,000-225,000	4,002	2,146,320	99.27%	225,248	15,291	15,230	(61)	(245,196)
225,000-250,000	2,761	2,149,081	99.39%	252,434	17,194	17,133	(61)	(169,193)
250,000-300,000	3,830	2,152,912	99.57%	290,464	19,856	19,795	(61)	(234,695)
300,000-400,000	3,835	2,156,746	99.75%	365,153	25,085	25,023	(61)	(234,945)
400,000-500,000	1,928	2,158,674	99.84%	473,008	32,635	32,573	(61)	(118,129)
500,000- \$1M	2,565	2,161,239	99.96%	712,816	49,421	49,360	(61)	(157,130)
\$1 M - \$2 M	661	2,161,900	99.99%	1,429,786	99,609	99,548	(61)	(40,501)
\$2 M +	283	2,162,183	100.00%	4,830,808	337,681	337,619	(61)	(17,313)
Total	2,162,183			\$25,197	\$1,288	\$1,227	(\$61)	(\$51,000,000)

2012 Current Tax Brackets

0.00% \$0 to 2,800
 3.00% \$2,800 to 5,600
 4.00% \$5,600 to 8,400
 5.00% \$8,400 to 11,200
 6.00% \$11,200 to 14,000
 7.00% Over \$14,000

Adjusted Brackets

0.00% \$0 to 2,800
 3.95% \$2,800 to 5,600
 3.95% \$5,600 to 8,400
 3.95% \$8,400 to 11,200
 3.95% \$11,200 to 14,000
 7.00% Over \$14,000

Source: BEA, SC Dept. of Revenue Income Tax Data, 2010

/a 2010 Base Year Grown by 1% per year

/b 2010 Base Year Taxable Income Grown by 4.5% and 4% for '11 and '12 respectively

BEA/LHJ/12/07/11