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REMBERT DENNIS BUILDING
1000 ASSEMBLY STREET, SUITE 459
COLUMBIA, SOUTH CAROLINA 29201
(803) 734-3805

December 11, 2013

The Honorable Nikki R. Haley, Governor
State of South Carolina
State House First Floor
Columbia, South Carolina 29201

Dear Governor Haley,

This is in response to a request by your staff for a revenue impact of reducing the rate for the current 6 percent individual income tax bracket to 5 percent for tax year 2014. Based upon the tax year 2011 individual income tax returns, we have estimated the revenue impact on the General Fund of such a change to be a decrease of \$26,695,000 for FY 2014-15. At this time we do not have the 2012 individual income tax return data. This figure may be adjusted when we receive the 2012 returns if the data alters our current assumptions. Please find attached a spreadsheet with our detailed analysis.

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

Sincerely,

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

Frank A. Rainwater
Chief Economist

FAR/lhj
Enclosure

cc: Christian Soura, Governor's Office

FY 2014-15: ESTIMATE OF 2014 INCOME TAX ADJUSTEMENT BY REDUCING 6% RATE TO 5%

Objective: Reduce 6% rate to 5% with 0%, 3%, 4%, 5% and 7% brackets unchanged.

With these brackets and rates, 100% of filers have a lower or unchanged liability and the General Fund is impact is (\$ 26,695,000).

Baseline Taxable Income Range 2011	Current Tax Structure					Estimate of Adjusted Tax Structure		
	Projected # of Filers 2014	Cumulative # of Filers	Cumulative % of Filers	Projected Average Taxable Income 2014	Average Tax Liability 2014	Adjusted Average Tax Liability 2014	Average Tax Increase/ (Decrease) 2014	Total Dollar Increase/ (Decrease) 2014
col 1	col 2 (a)	col 3	col 4	col 5 (b)	col 6	col 7	col 8	col 9
0	752,700	752,700	34.25%	0	0	0	0	0
1-5,000	267,478	1,020,177	46.42%	2,385	0	0	0	0
5,000-10,000	184,971	1,205,149	54.83%	7,905	172	172	0	0
10,000-20,000	266,296	1,471,444	66.95%	15,636	605	576	(29)	(5,772,559)
20,000-30,000	184,840	1,656,284	75.36%	26,377	1,357	1,328	(29)	(5,323,387)
30,000-40,000	132,190	1,788,475	81.37%	37,054	2,104	2,075	(29)	(3,807,085)
40,000-50,000	95,066	1,883,541	85.70%	47,744	2,853	2,824	(29)	(2,737,904)
50,000-60,000	71,565	1,955,105	88.95%	58,438	3,601	3,572	(29)	(2,061,062)
60,000-70,000	54,514	2,009,619	91.43%	69,134	4,350	4,321	(29)	(1,569,995)
70,000-80,000	40,956	2,050,575	93.30%	79,777	5,095	5,066	(29)	(1,179,531)
80,000-90,000	30,319	2,080,894	94.68%	90,476	5,844	5,815	(29)	(873,178)
90,000-100,000	22,881	2,103,775	95.72%	101,149	6,591	6,562	(29)	(658,984)
100,000-110,000	17,082	2,120,858	96.49%	111,864	7,341	7,312	(29)	(491,976)
110,000-120,000	13,056	2,133,914	97.09%	122,536	8,088	8,059	(29)	(376,026)
120,000-130,000	9,957	2,143,871	97.54%	133,228	8,836	8,808	(29)	(286,772)
130,000-140,000	7,826	2,151,697	97.90%	143,811	9,577	9,548	(29)	(225,392)
140,000-150,000	6,215	2,157,913	98.18%	154,526	10,327	10,298	(29)	(178,994)
150,000-160,000	5,105	2,163,018	98.41%	165,205	11,075	11,046	(29)	(147,033)
160,000-170,000	4,165	2,167,183	98.60%	175,940	11,826	11,797	(29)	(119,945)
170,000-180,000	3,380	2,170,562	98.76%	186,537	12,568	12,539	(29)	(97,336)
180,000-190,000	2,834	2,173,397	98.88%	197,295	13,321	13,292	(29)	(81,628)
190,000-200,000	2,356	2,175,753	98.99%	207,941	14,066	14,038	(29)	(67,857)
200,000-225,000	4,533	2,180,285	99.20%	226,180	15,343	15,314	(29)	(130,538)
225,000-250,000	3,190	2,183,475	99.34%	252,902	17,214	17,185	(29)	(91,858)
250,000-300,000	4,129	2,187,604	99.53%	291,055	19,884	19,855	(29)	(118,916)
300,000-400,000	4,368	2,191,971	99.73%	366,850	25,190	25,161	(29)	(125,786)
400,000-500,000	2,086	2,194,057	99.82%	475,365	32,786	32,757	(29)	(60,078)
500,000- \$1M	2,766	2,196,823	99.95%	707,666	49,047	49,018	(29)	(79,660)
\$1 M - \$2 M	781	2,197,604	99.99%	1,429,939	99,606	99,577	(29)	(22,488)
\$2 M +	316	2,197,921	100.00%	4,917,853	343,760	343,731	(29)	(9,110)
Total	2,197,921			\$26,065	\$1,335	\$1,306	(\$29)	(\$26,695,000)

2014 Current Tax Brackets

0.00%	\$0 to 2,880
3.00%	\$2,880 to 5,760
4.00%	\$5,760 to 8,640
5.00%	\$8,640 to 11,520
6.00%	\$11,520 to 14,400
7.00%	Over \$14,400

Adjusted Brackets

0.00%	\$0 to 2,880
3.00%	\$2,880 to 5,760
4.00%	\$5,760 to 8,640
5.00%	\$8,640 to 11,520
5.00%	\$11,520 to 14,400
7.00%	Over \$14,400

Source: BEA, SC Dept. of Revenue Income Tax Data 98% sample, 2011

/a 2011 Base Year Grown by 1% per year

/b 2011 Base Year Taxable Income Grown by 3.7%, 2.7% and 3.25% for '12, '13, and '14 respectively