

STATE OF SOUTH CAROLINA

BOARD OF ECONOMIC ADVISORS

CHAD WALLDORF, CHAIRMAN
DON HERRIOTT
HOWELL CLYBORNE, JR.
JAMES F. ETTER, EX OFFICIO
FRANK A. RAINWATER - CHIEF ECONOMIST



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

December 5, 2012

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. We have estimated the revenue impact on the General Fund of such a change to be a decrease of \$26,046,000 for FY 2013-14. Please find attached a spreadsheet with our detailed analysis.

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
Chief Economist

FAR/lhj
Enclosure

cc: Christian Soura, Governor's Office

FY 2013-14: ESTIMATE OF 2013 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 (\$ 26,046,000).

Baseline Taxable Income Range 2011	Current Tax Structure					Estimate of Adjusted Tax Structure		
	Projected # of Filers 2013	Cumulative # of Filers	Cumulative % of Filers	Projected Average		Adjusted Average Tax Liability 2013	Average Tax Increase/ (Decrease) 2013	Total Dollar Increase/ (Decrease) 2013
				Taxable Income 2013	Average Tax Liability 2013			
col 1	col 2 (a)	col 3	col 4	col 5 (b)	col 6	col 7	col 8	col 9
0	745,247	745,247	34.25%	0	0	0	0	0
1-5,000	264,830	1,010,077	46.42%	2,337	0	0	0	0
5,000-10,000	183,140	1,193,216	54.83%	7,748	167	167	0	0
10,000-20,000	263,659	1,456,876	66.95%	15,325	588	560	(29)	(5,546,649)
20,000-30,000	183,010	1,639,885	75.36%	25,852	1,325	1,297	(29)	(5,215,777)
30,000-40,000	130,882	1,770,767	81.37%	36,317	2,058	2,029	(29)	(3,730,126)
40,000-50,000	94,125	1,864,892	85.70%	46,795	2,791	2,763	(29)	(2,682,558)
50,000-60,000	70,856	1,935,748	88.95%	57,276	3,525	3,496	(29)	(2,019,399)
60,000-70,000	53,974	1,989,722	91.43%	67,760	4,259	4,230	(29)	(1,538,258)
70,000-80,000	40,550	2,030,272	93.30%	78,191	4,989	4,960	(29)	(1,155,688)
80,000-90,000	30,018	2,060,291	94.68%	88,677	5,723	5,694	(29)	(855,527)
90,000-100,000	22,655	2,082,946	95.72%	99,138	6,455	6,427	(29)	(645,663)
100,000-110,000	16,913	2,099,859	96.49%	109,640	7,190	7,162	(29)	(482,031)
110,000-120,000	12,927	2,112,786	97.09%	120,100	7,922	7,894	(29)	(368,425)
120,000-130,000	9,859	2,122,645	97.54%	130,579	8,656	8,628	(29)	(280,975)
130,000-140,000	7,749	2,130,394	97.90%	140,952	9,382	9,354	(29)	(220,836)
140,000-150,000	6,154	2,136,547	98.18%	151,454	10,117	10,089	(29)	(175,376)
150,000-160,000	5,055	2,141,602	98.41%	161,920	10,850	10,821	(29)	(144,061)
160,000-170,000	4,124	2,145,725	98.60%	172,442	11,586	11,558	(29)	(117,520)
170,000-180,000	3,346	2,149,072	98.76%	182,829	12,314	12,285	(29)	(95,368)
180,000-190,000	2,806	2,151,878	98.88%	193,372	13,052	13,023	(29)	(79,978)
190,000-200,000	2,333	2,154,211	98.99%	203,808	13,782	13,754	(29)	(66,485)
200,000-225,000	4,488	2,158,698	99.20%	221,683	15,033	15,005	(29)	(127,899)
225,000-250,000	3,158	2,161,856	99.34%	247,874	16,867	16,838	(29)	(90,001)
250,000-300,000	4,088	2,165,944	99.53%	285,269	19,484	19,456	(29)	(116,512)
300,000-400,000	4,324	2,170,269	99.73%	359,557	24,685	24,656	(29)	(123,243)
400,000-500,000	2,065	2,172,334	99.82%	465,915	32,130	32,101	(29)	(58,864)
500,000- \$1M	2,739	2,175,073	99.95%	693,597	48,067	48,039	(29)	(78,050)
\$1 M - \$2 M	773	2,175,846	99.99%	1,401,511	97,621	97,593	(29)	(22,033)
\$2 M +	313	2,176,159	100.00%	4,820,085	336,921	336,893	(29)	(8,926)
Total	2,176,159			\$25,547	\$1,304	\$1,275	(\$29)	(\$26,046,000)

2013 Current Tax Brackets

0.00% \$0 to 2,850
 3.00% \$2,850 to 5,700
 4.00% \$5,700 to 8,550
 5.00% \$8,550 to 11,400
 6.00% \$11,400 to 14,250
 7.00% Over \$14,250

Adjusted Brackets

0.00% \$0 to 2,850
 3.00% \$2,850 to 5,700
 4.00% \$5,700 to 8,550
 5.00% \$8,550 to 11,400
 5.00% \$11,400 to 14,250
 7.00% Over \$14,250

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 3.6% and 3.0% for '12, and '13 respectively