

From: Soura, Christian

To: Pitts, Ted <TedPitts@gov.sc.gov>

Date: 12/12/2011 4:16:46 PM

Subject: Tax Scenarios

Attachments: DOC.PDF

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Ted,

The first page is the Corp Income Tax score for 5 --> 3.75%, effective 1/1/13. This puts us on a four-year phase-out path, which costs the GF over \$200M/year in the outyears.

The second page is the Indiv Income Tax piece. We don't have it on hand yet, but we have a thought as to how we could do a "nobody loses" version of the IIT changes that would cost us (back of the envelope) maybe \$4.8M/year more. We'll ask BEA to score that for us. That plan would have the same basic geometry, but you'd essentially give the folks in the 3% bracket now the option to pay the new 3.95% rate or the legacy 3% rate. I have some ideas as to how that could conceivably be accomplished without doing violence to basic principles of uniformity. This would leave us with a much fairer and flatter individual income tax regime, which could be further modified in the future (by dealing with credits and exemptions, etc.).

We're still trying to finish balancing the FY 2012-13 budget proposal, but are penciling in a little over \$100M as the net tax cut figure for the upcoming year, (1) because this is about as much as we can likely get through the legislature, and (2) because this translates into a \$300M+ tax cut once the corp tax cuts are fully phased-in. These tax cuts and the costs of national healthcare reform would essentially consume all anticipated revenue growth for the foreseeable future.

Final note - we don't have a hard lock on these scenarios, since we're still trying to balance 12-13, so this is all still "DRAFT".

CLS

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-----Original Message-----

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