

ECONOMIC IMPACT ANALYSIS



H.4216 INCOME TAX PLAN



PALMETTO
PROMISE
INSTITUTE

H.4216 WILL BOOST SOUTH CAROLINA'S ECONOMY

Palmetto Promise Institute, in collaboration with **The Buckeye Institute**, has conducted an economic impact study of **H.4216**, a proposal by the state's Republican leaders to move South Carolina's highest-in-the-southeast income tax to a **flat 3.99% rate, based on Adjusted Gross Income (AGI)**. Our findings show how South Carolina's economy would benefit from the proposed legislation. The individual income tax reform plan outlined in H.4216 is a smart tax policy that reduces the burden on taxpayers and more precisely aligns South Carolina's tax code with other states. The plan focuses on moving to a flat rate, while simultaneously broadening the tax via the adoption of federal AGI as the standard for determining that base.

Broadening the base and moving to a flat rate of **3.99%** will result in South Carolina's economy adding **1,000 jobs in 2026** and an average of **1,000 additional jobs each year between 2027 and 2030**. South Carolina's GDP will grow by **\$240 million** in 2026 and average **\$250 million** over the next 5 years, if the tax rate stays at **3.99%**. Families will buy more because, they will have more money to purchase goods, and save and invest over **\$100 million** annually each year over the next five years.

Dynamic economic modeling, which considers how people and businesses respond to policy changes, shows that this tax plan will make South Carolina a more prosperous state and poised to compete with neighboring states that have already enacted tax policy reform over the past few years.

The scenario below models collapsing all current personal income tax brackets in South Carolina into a single bracket with a flat rate of **3.99%**. The table below presents the dynamic effects of this scenario. Under this scenario, South Carolina's economic output (GDP) would increase by **\$240 million** (2024 dollars) in 2026, with investment increasing by **\$110 million** and consumer spending increasing by **\$70 million** in the same year. Ultimately, the number of jobs for 2026 would be expected to increase by **1,000**. And all this is before the rate moves down to 2.49!

METHODOLOGY: The Buckeye Institute's economists calculate these numbers using STELA, their State Tax & Economic Long-Run Analysis tax model. It is designed to measure how government changes to tax policy impact jobs, economic growth, consumer spending, business investment, and government revenue. STELA underwent a double blind peer review consistent with academic standards and methodologies, and the Buckeye Institute has successfully used STELA analysis in sixteen states.

DATA KEY: In the baseline (numbers at the top of the chart on the next page), all economic measures are in millions of 2024 dollars, rounded to the nearest \$1 million, while the employment measure is in thousands of non-farm jobs, rounded to the nearest \$10 thousand. In the difference from baseline (numbers at the bottom), all economic measures are in millions of 2024 dollars, rounded to the nearest \$10 million, while the employment measure is in thousands of non-farm jobs, rounded to the nearest \$1 thousand.



THE BUCKEYE INSTITUTE

TABLE: 3.99% FLAT PERSONAL INCOME TAX (2024 DOLLARS)

BASELINE					
YEAR	GDP	EMPLOYMENT	TAX REVENUE	CONSUMPTION	INVESTMENT
2026	\$371,278	2,460	\$17,100	\$274,816	\$87,846
2027	\$382,416	2,530	\$17,613	\$283,061	\$90,481
2028	\$393,889	2,610	\$18,141	\$291,552	\$93,196
2029	\$405,705	2,690	\$18,686	\$300,299	\$95,992
2030	\$417,877	2,770	\$19,246	\$309,308	\$98,871

DIFFERENCE FROM BASELINE					
YEAR	GDP	EMPLOYMENT	TAX REVENUE	CONSUMPTION	INVESTMENT
2026	\$240	1	(\$230)	\$70	\$110
2027	\$250	1	(\$240)	\$80	\$110
2028	\$260	1	(\$250)	\$80	\$110
2029	\$260	1	(\$250)	\$80	\$120
2030	\$270	1	(\$260)	\$90	\$120

Please see previous page for data key and methodology.

A 3.99% FLAT TAX WOULD BRING SOUTH CAROLINA...

**\$240 - 270
MILLION
GDP GROWTH ANNUALLY**

**OVER \$70
MILLION
ANNUAL CONSUMER
SPENDING INCREASE**

**1,000
NEW JOBS
EVERY YEAR**

**\$110+
MILLION
MORE YEARLY INVESTMENT**