

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 **two tiered rate of 5.39% and 1.99%, based on Adjusted Gross Income (AGI)**. Our findings show how South Carolina's economy would benefit from the proposed legislation over the first five years (2026-2030). 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 flatter rate structure, while simultaneously broadening the tax via the adoption of federal AGI as the standard for determining that base.

Broadening the base and moving to these lower rates will result in South Carolina's economy adding **1,000 jobs in 2026** and **between 2,000 and 3,000 additional jobs each year between 2027 and 2030**. South Carolina's GDP will grow by **\$360 million in 2026** and average **\$920 million annually between 2027 and 2030**. Families will buy more because, they will have more money to purchase goods, and save and invest over **\$110 million** (and up to \$400 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.

This scenario (see reverse) models collapsing all current personal income tax brackets in South Carolina into these two brackets. The table presents the dynamic effects of this scenario. Under this scenario, South Carolina's economic output (GDP) would increase by **\$360 million** (2024 dollars) in 2026, with investment increasing by **\$170 million** and consumer spending increasing by **\$110 million** in the same year. Ultimately, the number of jobs for 2026 would be expected to increase by **1,000**.

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.



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TABLE: 5.39% / 1.99% INCOME TAX RATES (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	\$360	1	(\$340)	\$110	\$170
2027	\$590	2	(\$560)	\$180	\$260
2028	\$810	2	(\$780)	\$250	\$350
2029	\$1,030	3	(\$990)	\$320	\$450
2030	\$1,250	3	(\$1,210)	\$400	\$550

Please see previous page for data key and methodology.

IN THE FIRST 5 YEARS, THIS TAX PLAN WOULD BRING...

**\$360 MILLION -
\$1.25 BILLION**
GDP GROWTH ANNUALLY

**UP TO \$400
MILLION**
ANNUAL CONSUMER
SPENDING INCREASE

**BETWEEN
1,000 & 3,000**
NEW JOBS EVERY YEAR

**\$170 - 550
MILLION**
MORE YEARLY INVESTMENT