

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** May 12, 2010

**Bill Number:** S.B. 999

**Author:** Rose

**Committee Requesting Impact:** Senate Finance Committee

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### Bill Summary

A bill to amend Section 12-6-1120 of the 1976 Code of Laws, relating to the computation of South Carolina gross income, to provide that South Carolina gross income does not include amounts received as unemployment benefits.

### REVENUE IMPACT <sup>1/</sup>

This bill would reduce General Fund individual income tax revenue by an estimated \$33,010,221 in FY2010-11.

### Explanation

This bill would amend Section 12-6-1120 to exclude amounts received as unemployment compensation benefits in the definition of South Carolina gross income. Pursuant to Internal Revenue Code (IRC) Section 85(a) and (b), the definition of gross income includes unemployment compensation, and is further defined to mean "any amount received under a law of the United States or of a State which is in the nature of unemployment compensation". Based on data from the South Carolina Department of Workforce, unemployment compensation benefits totaled \$917,970,555 in calendar year 2009. During the year, 4,852,361 unemployment checks were written for an average benefit check of \$189.18 per week per claimant. According to the latest data from the Department of Revenue, an estimated 38 percent of all South Carolina taxpayers reported zero income tax liability. The exclusion of unemployment benefits from income taxes would not affect this group of taxpayers. Multiplying \$917,970,555 in unemployment compensation benefits by an average tax rate of 5.8 percent and adjusting for those taxpayers that have a zero income tax liability, yields an estimated reduction of \$33,010,221 in General Fund individual income tax revenue in FY2010-11. This act takes effect upon approval by the Governor.

/s/ WILLIAM C. GILLESPIE, PH.D.

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Chief Economist

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<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.