



# South Carolina

#33

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
33	11	24	33	42	28

South Carolina levies an individual income tax with three brackets, a top marginal rate of 6.3 percent, and a marriage penalty. By contrast, neighboring North Carolina levies a flat individual income tax and does not impose a marriage penalty, making South Carolina's levy particularly uncompetitive. Pass-through businesses enjoy a preferential rate on business income, which helps them but creates distortions and drives up the ordinary rate.

The Palmetto State maintains a reasonably competitive corporate tax code, featuring a flat rate of 5 percent. However, the state also relies unusually heavily on tax credits rather than focusing on broad-based rate relief. The state imposes a capital stock tax without capping maximum payments. Capital stock taxes are levied against a business's net worth (or accumulated wealth) and tend to penalize investment. Moreover, businesses are required to pay capital stock taxes regardless of profitability.

The state also applies a different formula to assess distinct property types, known as split roll taxation, and South Carolina is the only state to apply school property taxes to commercial and industrial property but *not* to residential property, raising costs for businesses and renters compared to homeowners.