South Carolina

#34

Overall Rank	Corporate Tax Rank	Individual Income Tax Rank	Sales Tax Rank	Property Tax Rank	Unemployment Insurance Tax Rank
34 ▼ 6	21 ▼ 10	27 ▼ 3	28 –	40 –	26 ▲ 1

IN THE 2027 *Index*

South Carolina passed rate reductions this year, bringing its top individual income tax rate from 6 percent to 5.21 percent. However, the scoring benefit of the rate reduction was outweighed by its lagged general conformity, low Section 179 limitation, and lack of Section 168(n) expensing. In the end, South Carolina's overall ranking dropped six spots, from 28th to 34th.

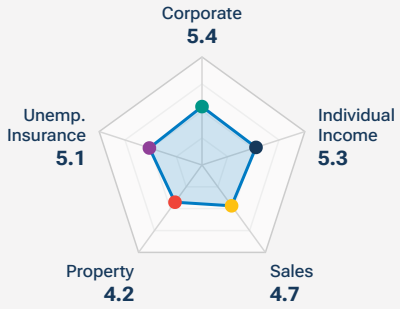
South Carolina levies an individual income tax with two brackets, a top marginal rate of 5.21 percent, and a marriage penalty. By contrast, neighboring North Carolina levies a flat 3.99 percent individual income tax and does not impose a marriage penalty, making South Carolina's levy particularly uncompetitive regionally. 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 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.

Component scores

out of 10



South Carolina and its neighbors

Overall rank, 2027 Index, with change from 2026

North Carolina	#11	▲ 2
Georgia	#24	▼ 6
South Carolina	**#34**	▼ 6