

## Will Columbia Really Say **NO** to Trump's "No Tax on Tips"

A big (yet still quiet) issue brewing in Columbia is likely to bubble to the surface soon: Will SC conform to President Trump's signature tax policy of "no tax on tips" and "no tax on overtime?" To be honest, until last week this issue was not on our radar, but folks started reaching out to our organization, the [Mom and Pop Alliance of SC](#), asking about it. In an election year and in a state that went +18 for Trump, how will citizens respond if Columbia doesn't adopt this popular policy meant to allow mostly working-class folks to keep more of their hard-earned money? Most South Carolinians are unaware of the efforts by the SC Legislature last year to decouple SC from the Federal Tax Code, which would mean SC would NOT adopt tax provisions laid out in Trump's "One Big Beautiful Bill (OB BB)."

SC has historically adopted the Federal Code, but this could change going forward because of the passage of House bill [H4216](#) last Session (which currently sits in the Senate). [H4216](#) lowers our income tax rate, but it also decouples SC from the Federal Code.

Because it would lower SC's income tax rate, many have spun this as a "tax cut," but given that South Carolinians would lose many significant deductions from which they currently benefit, we believe it is more accurate to consider it a "tax change." It simplifies the code in the sense that SC taxpayers would lose their Federal \$31,500 standard deduction, as well as retirement, military, social security, and partial capital gains deductions. Proponents of [H4216](#) argue that a flat tax is fairer, and all SC residents should "have skin in the game."

Each year the SC legislature votes on whether SC will conform with the Federal Tax Code, so this matter needs to be decided this Session (which ends in May), and preferably very soon, as tax preparers need direction as to what to do with their clients' returns, since this will impact filings that apply to 2025. There are many questions that need to be addressed long before the April 15<sup>th</sup> deadline. This uncertainty is creating a log jam because people can't submit their returns, or worse, they would all have to be amended. Would the SC Dept. of Revenue automatically adjust taxpayer tips, overtime, enhanced standard deduction, and over 65-senior deduction if they later adopt conformity?

There is a stand-alone bill ([H5167](#), sponsored by [Rep. April Cromer](#)) which simply states that SC would adopt the Federal Income Tax code for 2025, and thereby the provisions

in the OBBB would apply to SC. However, adopting the provisions of the OBBB would mean that SC would lose tax revenue which would likely require governmental spending cuts.

It is now up to the SC Legislature. As we see it, here are the possible outcomes:

- The Senate doesn't pass [H4216](#) and it dies in the Senate
  
- The Senate amends [H4216](#) which would send it back to the House
  
- The Senate passes [H4216](#) as written (SC would not conform to the OBBB)
  
- The Senate attempts to attach the conformity language to [H4216](#) and it goes back to the House
  
- The House passes Cromer's [H5167](#) and SC conforms to the Federal Tax Code for 2025

The Mom and Pop Alliance of SC will be doing all we can to keep our members informed of any important updates, as this issue will likely be heating up soon!