



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

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SC INFORMATION LETTER #21-4

SUBJECT: Earned Income Credit Computation for 2020
(Income Tax)

DATE: February 12, 2021

AUTHORITY: S.C. Code Ann. Section 12-4-320 (2014)
S.C. Code Ann. Section 1-23-10(4) (2005)
SC Revenue Procedure #09-3

SCOPE: An Information Letter is a written statement issued to the public to announce general information useful in complying with the laws administered by the Department. An Information Letter has no precedential value.

Federal Earned Income Tax Credit – Tax Year 2020 Special Provision

Internal Revenue Code Section 32 provides for a refundable earned income credit. To claim the earned income credit, a taxpayer must have qualifying “earned income”¹ and meet certain adjusted gross income limits for the current tax year.

As part of the Consolidated Appropriations Act of 2021, Congress enacted the Taxpayer Certainty and Disaster Tax Relief Act of 2020² on December 27, 2020, in response to the COVID-19 pandemic. As part of the temporary relief provided, an individual eligible for the earned income credit whose earned income was higher in 2019 than in 2020 is allowed to elect to use the 2019 earned income amount to figure the earned income tax credit for 2020.³

¹Earned income does not include unemployment compensation.

²Public Law 116-260, Div. EE, December 27, 2020.

³See Div. EE, Section 211.

South Carolina Earned Income Tax Credit - Tax Year 2020 Computation

Code Section 12-6-3632 provides a full-year resident individual a nonrefundable South Carolina earned income tax credit and reads:

There is allowed as a nonrefundable credit against the tax imposed pursuant to Section 12-6-510 on a full-year resident individual taxpayer an amount equal to one hundred twenty-five percent of the federal earned income tax credit (EITC) allowed the taxpayer pursuant to Internal Revenue Code Section 32.

Enacted in 2017, the credit is phased in over six years in equal installments of 20.83% from 2018 to 2023. For tax year 2020, the South Carolina earned income credit amount is 62.5% of the federal earned income tax credit allowed pursuant to Internal Revenue Code Section 32.

During the 2020 Legislative Session, South Carolina conformed to the Internal Revenue Code as of December 31, 2019.⁴ The Internal Revenue Code as of December 31, 2019 does not include the federal Taxpayer Certainty and Disaster Tax Relief Act of 2020. Accordingly, for South Carolina income tax purposes, the South Carolina earned income credit must be calculated using the 2020 earned income amount.

Note: If the South Carolina General Assembly conforms to this federal provision in the current 2021 Legislative Session, South Carolina will allow individuals to elect to use the higher 2019 earned income amount in computing the 2020 South Carolina earned income credit.

⁴Act No. 147, Section 3, signed by the Governor on September 28, 2020.