



STATE OF SOUTH CAROLINA
DEPARTMENT OF REVENUE

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SC INFORMATION LETTER #26-4

SUBJECT: South Carolina Internal Revenue Code Conformity Update
(Individual Income Tax)

DATE: January 12, 2026

AUTHORITY: S.C. Code Ann. Section 12-4-320
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.

South Carolina Internal Revenue Code Conformity

As of the publication date of this information letter, South Carolina has conformed with the Internal Revenue Code as amended through December 31, 2024.¹ After the 2025 Legislative Session adjourned in May 2025, Congress passed the One Big Beautiful Bill Act² (OBBBA). South Carolina has not had an opportunity to consider these federal changes for purposes of state income tax. Therefore, until the South Carolina Legislature addresses conformity, South Carolina taxpayers will need to adjust their return if the following 2025 federal provisions are claimed on their federal return:³

1. **Standard Deduction.** The standard deduction amounts for filing statuses have been increased by \$750 for Single, \$1,125 for Head of Household, and \$1,500 for Married Filing Jointly.
2. **Senior Deduction.** Individuals age 65 and older may claim an additional \$6,000 deduction. This deduction applies per eligible individual and phases out for taxpayers with modified adjusted gross income over \$75,000 (\$150,000 for joint filers).

¹ S.C. Code Ann. § 12-6-40.

² One Big Beautiful Bill Act, Pub. L. No. 119-21 (2025).

³ OBBBA also made modifications to section 168(k) of the IRC and section 304(b) of the Taxpayer Certainty and Disaster Relief Act of 2020 that will take effect for the 2025 tax year. South Carolina specifically does not adopt these provisions. S.C. Code Ann. § 12-6-50 (2014 & Supp. 2025). Therefore, taxpayers claiming these provisions will continue to make these adjustments on their South Carolina return.

3. Tips. Eligible individuals may deduct qualified tips they received in occupations identified by the Internal Revenue Service (IRS) as customarily and regularly receiving tips. The maximum annual deduction is \$25,000, and the deduction phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).
4. Overtime. Eligible individuals may deduct the portion of qualified overtime pay that exceeds their regular rate of pay. The maximum annual deduction is \$12,500 (\$25,000 for joint filers) and phases out for taxpayers with modified adjusted gross income over \$150,000 (\$300,000 for joint filers).
5. Car Loan Interest. Individuals may deduct interest paid on a loan used to purchase a qualified vehicle for personal use. The maximum annual deduction is \$10,000 and phases out for taxpayers with modified adjusted gross income over \$100,000 (\$200,000 for joint filers).
6. State and Local Tax Deduction. Individuals who itemize deductions may deduct up to \$40,000 in state and local taxes, increased from \$10,000.
7. Research and Experimental Expenditures. Taxpayers may deduct domestic expenses paid or incurred during the year and may elect to deduct unamortized amounts paid or incurred in years before 2025. Foreign expenses are amortized over 15 years.
8. Business Assets. The amount taxpayers may expense under IRC Section 179 increased to \$2.5 million from \$1 million.

The Department will issue updated guidance once the Legislature addresses conformity.