



REVENUE DIGEST

AUGUST 2021, FY 2021-22

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South Carolina Economy

August 2021 collections across the majority of tax categories reflect the State’s continued and significant revenue growth over the past year. Currently, South Carolina continued unemployment claims are roughly 25 percent of what the level was this time last year. However, continued claims are still approximately double what they are in a normal year. Initial unemployment claims, meanwhile, are at a normal level.

General Fund Revenue

August revenues reflected high growth for the month, continuing growth trends of FY 2020-21. Revenues grew 21.3 percent in August compared to the prior year, resulting in a year-to-date General Fund revenue increase of 24.1 percent for FY 2021-22. Total collections are currently \$306.5 million higher than last fiscal year, with collections being \$214.1 million ahead of expectations. This high growth is partly driven by a \$25 million single Sales tax audit payment combined with effects from last year’s delay in Individual Income tax filings to July 2020 that affected the first two months of FY 2020-21.

Table 1. General Fund Revenue Growth Summary

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2021-22 Annual Forecast
Sales Tax	27.5%	27.5%	(10.6%)
Individual Income Tax	16.7%	23.7%	(6.6%)
Corporation Income Tax	40.6%	1.4%	(30.4%)
Other Revenue Items	23.3%	29.4%	(16.8%)
Total General Fund Revenue	21.3%	24.1%	(10.5%)

Revenue Categories

Sales Tax

- Sales tax revenue grew 27.5 percent in August 2021 compared to August 2020. Collections were driven partially by a single audit payment of \$25 million. However, even without this audit payment, sales tax revenue grew by 19.3 percent year-over-year.
- Collections are currently running \$80.9 million ahead of the forecast.
- Changes in consumer behavior as a result of COVID-19 continue to impact Sales tax revenues. Consumers have maintained higher spending on taxable goods and lower spending on non-taxable services since March 2020. This trend has likely been prolonged by the coronavirus Delta variant, which has stymied a return to more traditional





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AUGUST 2021, FY 2021-22

spending patterns. Overall, total consumer spending in South Carolina was up 22.0 percent as of mid-August 2021 when compared to January 2020, driven largely by an increase in spending on retail of 36.3 percent and on restaurants and hotels of 25.5 percent. However, spending on entertainment and recreation continued to be down 10.7 percent relative to January 2020¹.

Individual Income Tax

- Individual Income tax revenue grew 16.7 percent in August over the previous year, putting total growth for the first two months of the fiscal year at 23.7 percent. A portion of this growth is due to late July 2020 filings that did not meet the deadline to be accrued back to FY 2019-20. Correcting for the estimated \$146.8 million in extra Refunds and \$59.6 million in extra Non-Withholdings from the same period in FY 2020-21 yields an adjusted cumulative growth rate of 12.3 percent.
- Withholdings collections drove high Individual Income tax growth over the past two months. Total August collections were the second highest ever recorded, bringing year-to-date growth up to 10.9 percent over the same period last year.
- Due to an estimated \$59.6 million in extra Non-Withholdings revenue from a year ago that was not accrued back to the previous fiscal year, Non-Withholdings collections are artificially down 24.8 percent year-to-date. However, annualized growth over the past three years is a robust 13.2 percent.
- Due to the aforementioned \$146.8 million in extra Refunds from a year ago, Refunds are down 58.7 percent over the previous year. Annualized growth over the same period in FY 2019-20, however, was 5.8 percent.
- While the adjusted growth rates for Non-Withholdings and Refunds are substantial, collections during July and August are typically a small portion of the total for each fiscal year. Withholdings collections, on the other hand, displayed strong growth for both months.

Corporate Income and License Tax

- Corporate Income tax revenue for the month was \$10.6 million and is currently \$8.5 million ahead of the estimate year-to-date. Corporate License tax, meanwhile, came in at \$2.3 million and is currently in line with the estimate.
- Corporate Income tax revenue is projected to decrease by 30.4 percent over the full fiscal year, and Corporate License tax is projected to decrease by 31.7 percent as business practices and revenue streams settle back to more historical trends. Currently, these categories are up 1.4 percent and down 16.6 percent year-to-date, respectively, but next

¹ Harvard University, Brown University, and the Bill and Melinda Gates Foundation. "Opportunity Insights: Economic Tracker." Track the Recovery, 2021. <https://tracktherecovery.org/>.





REVENUE DIGEST

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month's quarter-end will provide a clearer indication of performance in these two categories for this fiscal year.

Conclusion

Revenues for the first two months of the fiscal year exceeded monthly estimates in all major categories, extending the positive trend from the end of FY 2020-21. Continued changes in consumer behavior have driven higher than normal sales tax growth, while continued employment and wage growth has resulted in stronger than anticipated growth in Withholdings. Next month's revenue report will provide additional analysis based upon the end of the first quarter of FY 2021-22. Additionally, new employment and personal income data for South Carolina are released in late September. The quarter-end revenues and updates on the state's economy will be discussed further in the upcoming October BEA meeting.

Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be on October 14, 2021.





August

Table 1

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$304,957,238	\$388,672,740	\$83,715,502	27.5%
Individual Income Tax	\$467,111,107	\$545,335,773	78,224,666	16.7%
Corporation Income Tax	\$7,543,328	\$10,604,642	3,061,314	40.6%
Insurance Taxes	\$1,779,852	\$3,921,910	2,142,059	120.4%
Admissions Tax	(\$3,743,307)	(\$2,775,497)	967,810	---
Aircraft Tax	\$0	\$0	0	---
Alcoholic Liquor Tax	\$8,638,474	\$10,232,799	1,594,325	18.5%
Bank Tax	(\$633,051)	\$91,071	724,122	---
Beer and Wine Tax	\$10,977,047	\$10,710,801	(266,246)	(2.4%)
Bingo Tax	\$128,201	\$120,312	(7,889)	(6.2%)
Business Filing Fees	\$992,591	\$929,470	(63,121)	(6.4%)
Circuit/Family Court Fines	\$238,304	\$503,022	264,718	111.1%
Corporation License Tax	\$5,045,041	\$2,269,669	(2,775,372)	(55.0%)
Documentary Tax	\$8,454,888	\$12,613,719	4,158,831	49.2%
Earned on Investments	\$7,865,336	\$10,377,514	2,512,178	31.9%
Indirect Cost Recoveries	\$271,255	\$499,347	228,092	84.1%
Motor Vehicle Licenses	\$1,120,476	\$1,565,642	445,166	39.7%
Nursing Home Fees	\$0	\$0	0	---
Parole and Probation Fees	\$282,734	\$282,734	0	0.0%
Private Car Lines Tax	\$293	\$0	(293)	---
Public Service Authority	\$0	\$0	0	---
Purchasing Card Rebates	\$0	\$0	0	---
Record Search Fees	\$0	\$0	0	---
Savings and Loan Assoc. Tax	\$12,762	\$19,153	6,391	50.1%
Security Dealer Fees	\$10,990	\$3,984	(7,006)	(63.7%)
Surcharge on Vehicle Rentals	\$5,952	\$5,466	(486)	(8.2%)
Tobacco Tax	\$2,365,961	\$2,719,727	353,766	15.0%
Uncashed Checks	\$5,048,675	\$9,595,240	4,546,565	90.1%
Unclaimed Property Fund	\$3,750,000	\$3,750,000	0	0.0%
Workers' Comp. Insurance Tax	(\$399,650)	(\$1,998,491)	(1,598,841)	---
Other Source Revenues	\$1,234,452	\$439,714	(794,739)	(64.4%)
Gross General Fund Revenue	\$833,058,948	\$1,010,490,461	\$177,431,513	21.3%

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred to the Property Tax Relief Trust Fund pursuant to §11-11-150.



July - August

Table 2

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$304,957,238	\$388,672,740	\$83,715,502	27.5%
Individual Income Tax	\$860,537,399	\$1,064,515,349	203,977,950	23.7%
Corporation Income Tax	\$46,379,605	\$47,017,899	638,294	1.4%
Insurance Taxes	\$2,810,375	\$7,525,133	4,714,759	167.8%
Admissions Tax	(\$3,743,307)	(\$2,775,497)	967,810	---
Aircraft Tax	\$0	\$0	0	---
Alcoholic Liquor Tax	\$9,011,065	\$10,406,809	1,395,744	15.5%
Bank Tax	\$1,765,428	(\$676,743)	(2,442,171)	---
Beer and Wine Tax	\$11,381,139	\$11,170,573	(210,566)	(1.9%)
Bingo Tax	\$131,201	\$124,312	(6,889)	(5.3%)
Business Filing Fees	\$1,443,302	\$1,454,328	11,026	0.8%
Circuit/Family Court Fines	\$856,294	\$1,004,742	148,448	17.3%
Corporation License Tax	\$8,631,664	\$7,198,274	(1,433,390)	(16.6%)
Documentary Tax	\$8,454,888	\$12,613,719	4,158,831	49.2%
Earned on Investments	\$11,481,568	\$14,423,579	2,942,011	25.6%
Indirect Cost Recoveries	\$324,968	\$625,947	300,979	92.6%
Motor Vehicle Licenses	\$12,285	\$1,087,337	1,075,052	8,751.2%
Nursing Home Fees	\$0	\$0	0	---
Parole and Probation Fees	\$565,468	\$565,468	0	0.0%
Private Car Lines Tax	\$300	\$0	(300)	---
Public Service Authority	\$0	\$0	0	---
Purchasing Card Rebates	\$0	\$0	0	---
Record Search Fees	\$0	\$0	0	---
Savings and Loan Assoc. Tax	\$153,568	\$37,419	(116,149)	(75.6%)
Security Dealer Fees	\$21,864	\$3,984	(17,880)	(81.8%)
Surcharge on Vehicle Rentals	\$9,846	\$5,466	(4,380)	(44.5%)
Tobacco Tax	\$2,378,351	\$2,801,908	423,557	17.8%
Uncashed Checks	\$5,024,430	\$9,243,138	4,218,708	84.0%
Unclaimed Property Fund	\$3,750,000	\$3,750,000	0	0.0%
Workers' Comp. Insurance Tax	(\$2,999,475)	(\$2,398,491)	600,984	---
Other Source Revenues	\$786,258	\$2,381,440	1,595,182	202.9%
Gross General Fund Revenue	\$1,274,125,720	\$1,580,778,833	\$306,653,113	24.1%

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.