



# REVENUE DIGEST

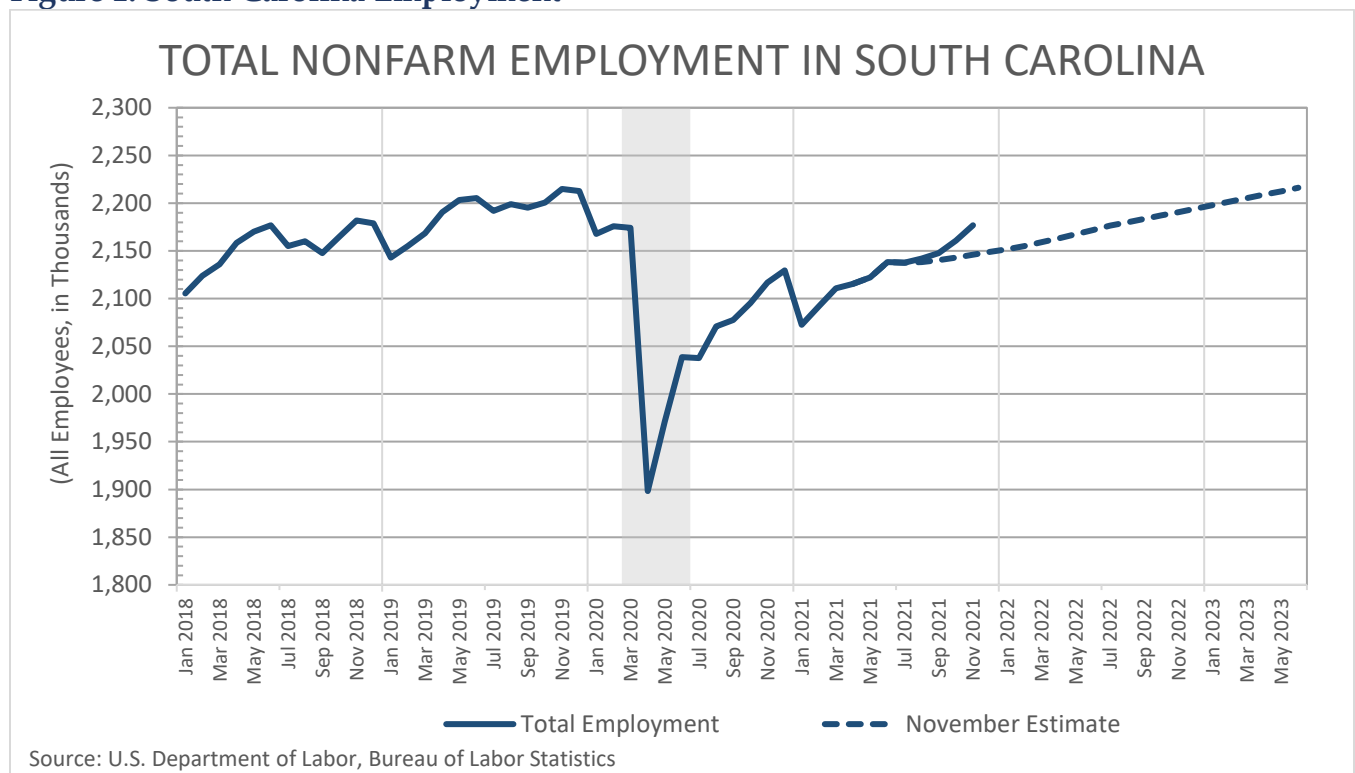
## DECEMBER 2021, FY 2021-22

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### South Carolina Economy

South Carolina saw an increase of 16,000 jobs in November for the eighth month of sustained yearly growth (see Figure 1). The increase in jobs is mainly in Professional and Business Services and Trade, Transportation, and Utilities, which accounted for 13,000 of the 16,000 jobs added. November marks the fourth consecutive month that employment has exceeded the estimate.

Figure 1. South Carolina Employment



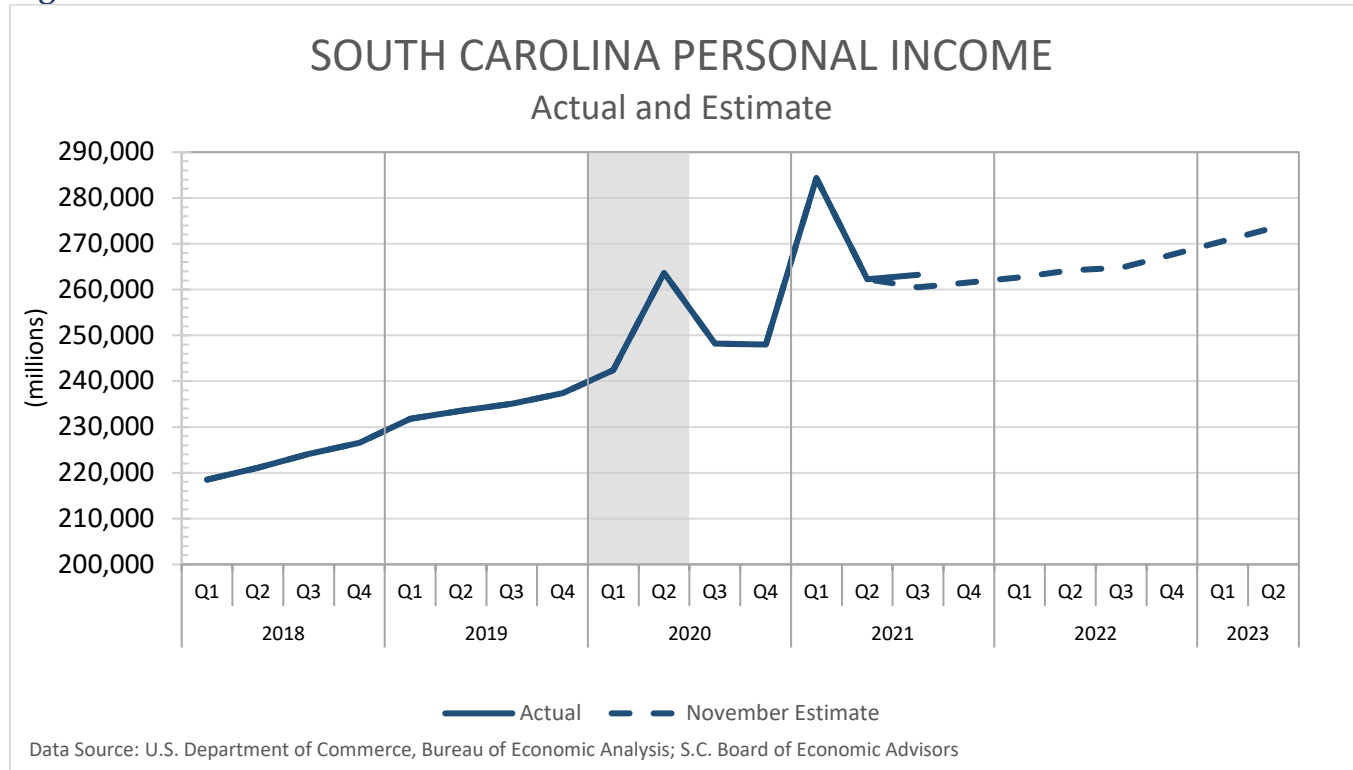
Further, South Carolina personal income for calendar year Q3 2021 was released at the end of December and showed robust growth of 6.1 percent year-over-year (see Figure 2), slightly above the BEA estimate of 5.0 percent. This difference was driven by higher than expected wage growth, with actual growth of 10.1 percent outpacing the BEA estimate of 8.6 percent and resulting in the underestimation of personal income.



# REVENUE DIGEST

## DECEMBER 2021, FY 2021-22

**Figure 2. South Carolina Personal Income**



### General Fund Revenue

Strong fiscal year-to-date collections continued in December, with General Fund revenues increasing by 21.7 percent for the month, bringing fiscal year to date growth up to 20.2 percent for FY 2021-22. Total collections are currently \$1,044.0 million higher than last fiscal year and \$626.7 million ahead of expectations. Strong wage growth, sustained consumer spending on taxable goods, and high corporate profits are driving these robust collections. However, revenue growth in FY 2021-22 Q4 is anticipated to be negative following a period of highly elevated economic activity during Q3 and Q4 of the previous year. Q3 and Q4 of last fiscal year saw year-over-year growth of 21.6 percent and 23.8 percent, respectively, and collections for these quarters in FY 2021-22 are not expected to grow over the higher base experienced last fiscal year.



# REVENUE DIGEST

DECEMBER 2021, FY 2021-22

**Table 1. General Fund Revenue Growth Summary**

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2021-22 Annual Forecast
Sales Tax	22.5%	20.0%	(1.8%)
Individual Income Tax	15.4%	18.3%	(0.4%)
Corporation Income Tax	33.2%	75.2%	(1.8%)
Other Revenue Items	37.9%	13.2%	(7.2%)
<b>Total General Fund Revenue</b>	<b>21.7%</b>	<b>20.2%</b>	<b>(1.7%)</b>

## Revenue Categories

### Sales Tax

- Sales tax revenue grew 22.5 percent in December 2021 compared to December 2020.
- Year-to-date growth for FY 2021-22 reached 20.0 percent over last fiscal year, surpassing the forecasted growth rate of 10.2 percent for FY 2021-22 Q1 and Q2. This brought the surplus up to \$145.9 million over the forecast.
- Economic stimulus payments allowed individuals to accumulate excess savings throughout the pandemic, which has increased consumers’ overall capacity to spend. This additional buying capacity is driving elevated spending above pre-pandemic levels.
- The State continues to observe significant growth. After hovering close to 20 percent since July 2021, year-over-year growth slowed to 12.5 percent in November before jumping back up to 22.5 percent in December.
- Consumers’ ability to spend, driven by excess savings accumulated during the pandemic, continues to be closely monitored and may be sustained through Q3 of FY 2021-22, which is longer than initially anticipated. However, growth in FY 2021-22 Q4 is anticipated to be negative due to a period of highly elevated spending on taxable goods in FY 2020-21 Q4, which resulted in 32.0 percent yearly growth.

### Individual Income Tax

- Individual Income tax revenue grew 15.4 percent in December over the previous year, resulting in year-to-date growth of 18.3 percent growth.
- Current Individual Income tax collections are exceeding the estimate by \$278.1 million. This excess is almost entirely driven by Withholdings collections after two record months in November and December.
- Although Withholdings collections typically see a seasonal spike at the end of the calendar year, sustained wage growth spurred by a tight labor market was likely a major contributor to growth as well.
- Non-Withholdings revenue was down 2.3 percent year-to-date due to payment processing delays in December 2021; prior to this, collections were 4.5 percent above the





# REVENUE DIGEST

DECEMBER 2021, FY 2021-22

estimate. Shifting trends in self-employment and financial investments, as well as Federal Reserve actions in the coming months, may influence collections for the rest of the fiscal year.

- Refunds are also in line with the estimate, but with nearly 86 percent of expected Refunds remaining, major conclusions cannot be made until tax season.

## Corporate Income and License Tax

- Corporate Income tax revenue totaled \$135.2 million in December 2021, bringing fiscal year-to-date growth up to 75.2 percent. As a result, Corporate Income tax is running \$115.6 million above the estimate.
- Corporate License tax totaled \$40.9 million for the month and is currently \$17.3 million above the estimate.
- An abnormally large audit payment contributed \$7 million to Corporate Income tax this month and \$15 million to Corporate License tax, for a total of \$22 million revenue in audit revenue combined.
- Retail sales are a significant indicator of Corporate Income tax collections and have been well above the historical trend since June 2020. The retail industry's performance is likely contributing to the high, sustained Corporate Income tax growth during this time.

## Conclusion

Revenues continue to exceed monthly estimates in all major categories, extending the positive trend from FY 2020-21 into the first six months of FY 2021-22. Federal stimulus from earlier this year continues to allow for increased consumer spending due to excess savings, driving up Sales tax growth. Meanwhile, persistent wage growth, sustained employment recovery, and strong general economic activity has resulted in stronger than anticipated growth in Individual Income tax and Corporate profits.

Notably, Q3 and Q4 of FY 2020-21 saw General Fund revenue growth of 21.6 and 23.8 percent, respectively. This growth is largely attributable to the effect of federal stimulus programs and changes in behavior during the pandemic, which resulted in record Sales, Corporate Income, and Non-Withholdings revenues in the second half of last fiscal year. Consequently, revenues are expected to be lower in the third and fourth quarter of this fiscal year comparatively. Further, the emergence of the Omicron variant of COVID-19 may result in economic disruptions as cases spike, resulting in a potential impact on current economic trends. These factors are being carefully monitored by the Board of Economic Advisors as they prepare for the February 15, 2022 meeting, at which time any potential revisions to the forecast will be considered.

## Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be February 15, 2022. Pursuant to statute, the FY 2021-22 and FY 2022-23 revenue forecasts will be reviewed.





December

Table 1

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$287,892,625	\$352,558,598	\$64,665,973	22.5%
Individual Income Tax	\$580,478,988	\$670,069,868	\$89,590,880	15.4%
Corporation Income Tax	\$101,520,350	\$135,228,139	\$33,707,789	33.2%
Insurance Taxes	\$55,296,542	\$62,010,265	\$6,713,723	12.1%
Admissions Tax	\$2,460,730	\$3,897,900	\$1,437,170	58.4%
Aircraft Tax	\$231,136	\$797,543	\$566,407	245.1%
Alcoholic Liquor Tax	\$6,551,124	\$7,329,214	\$778,090	11.9%
Bank Tax	\$6,086,429	\$10,539,902	\$4,453,473	73.2%
Beer and Wine Tax	\$8,841,597	\$9,074,507	\$232,910	2.6%
Bingo Tax	\$72,374	(\$22,893)	(\$95,267)	---
Business Filing Fees	\$808,838	\$967,451	\$158,613	19.6%
Circuit/Family Court Fines	\$515,283	\$453,985	(\$61,298)	(11.9%)
Corporation License Tax	\$8,287,178	\$40,922,039	\$32,634,861	393.8%
Documentary Tax	\$8,779,001	\$13,255,055	\$4,476,054	51.0%
Earned on Investments	\$6,351,882	\$4,538,745	(\$1,813,137)	(28.5%)
Indirect Cost Recoveries	\$1,167,971	\$1,364,387	\$196,416	16.8%
Motor Vehicle Licenses	\$1,168,751	\$373,149	(\$795,602)	(68.1%)
Nursing Home Fees	\$0	\$0	\$0	---
Parole and Probation Fees	\$282,734	\$282,734	\$0	0.0%
Private Car Lines Tax	\$4,014,368	\$3,408,540	(\$605,828)	(15.1%)
Public Service Authority	\$0	\$0	\$0	---
Purchasing Card Rebates	\$0	\$3,541,021	\$3,541,021	---
Record Search Fees	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	\$455,107	\$1,390,026	\$934,919	205.4%
Security Dealer Fees	\$21,949,650	\$23,415,400	\$1,465,750	6.7%
Surcharge on Vehicle Rentals	(\$4,273)	\$0	\$4,273	---
Tobacco Tax	\$2,851,822	\$2,231,211	(\$620,611)	(21.8%)
Uncashed Checks	(\$416,569)	(\$909,669)	(\$493,100)	---
Unclaimed Property Fund	\$0	\$0	\$0	---
Workers' Comp. Insurance Tax	\$3,225,867	\$3,166,601	(\$59,266)	(1.8%)
Other Source Revenues	\$1,857,564	\$2,224,016	\$366,452	19.7%
<b>Gross General Fund Revenue</b>	<b>\$1,110,727,070</b>	<b>\$1,352,107,734</b>	<b>\$241,380,664</b>	<b>21.7%</b>

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 - December

Table 2

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$1,484,795,571	\$1,781,408,631	\$296,613,060	20.0%
Individual Income Tax	\$2,981,046,372	\$3,526,936,056	\$545,889,684	18.3%
Corporation Income Tax	\$174,793,851	\$306,182,261	\$131,388,410	75.2%
Insurance Taxes	\$155,457,903	\$138,341,444	(\$17,116,459)	(11.0%)
Admissions Tax	\$7,210,200	\$14,080,414	\$6,870,214	95.3%
Aircraft Tax	\$2,500,000	\$1,398,356	(\$1,101,644)	(44.1%)
Alcoholic Liquor Tax	\$38,890,064	\$44,730,004	\$5,839,940	15.0%
Bank Tax	\$8,612,945	\$24,402,540	\$15,789,596	183.3%
Beer and Wine Tax	\$49,702,644	\$50,180,543	\$477,899	1.0%
Bingo Tax	\$135,971	\$136,069	\$98	0.1%
Business Filing Fees	\$5,077,914	\$5,382,049	\$304,135	6.0%
Circuit/Family Court Fines	\$2,529,687	\$2,966,432	\$436,745	17.3%
Corporation License Tax	\$106,002,598	\$130,435,954	\$24,433,356	23.0%
Documentary Tax	\$45,281,760	\$64,980,986	\$19,699,226	43.5%
Earned on Investments	\$32,908,759	\$36,810,697	\$3,901,938	11.9%
Indirect Cost Recoveries	\$5,663,335	\$8,878,330	\$3,214,995	56.8%
Motor Vehicle Licenses	\$4,848,146	\$4,072,929	(\$775,217)	(16.0%)
Nursing Home Fees	\$857,557	\$819,868	(\$37,689)	(4.4%)
Parole and Probation Fees	\$1,696,404	\$1,696,404	\$0	0.0%
Private Car Lines Tax	\$6,135,398	\$4,450,139	(\$1,685,259)	(27.5%)
Public Service Authority	\$0	\$0	\$0	---
Purchasing Card Rebates	\$3,088,613	\$3,541,021	\$452,408	14.6%
Record Search Fees	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	\$906,203	\$1,856,314	\$950,111	104.8%
Security Dealer Fees	\$24,162,664	\$26,138,911	\$1,976,247	8.2%
Surcharge on Vehicle Rentals	\$152	(\$36)	(\$188)	---
Tobacco Tax	\$12,228,605	\$12,384,695	\$156,090	1.3%
Uncashed Checks	\$4,295,428	\$7,373,025	\$3,077,597	71.6%
Unclaimed Property Fund	\$7,500,000	\$7,500,000	\$0	0.0%
Workers' Comp. Insurance Tax	\$2,895,464	\$3,057,031	\$161,567	5.6%
Other Source Revenues	\$4,735,707	\$7,854,547	\$3,118,840	65.9%
<b>Gross General Fund Revenue</b>	<b>\$5,173,959,913</b>	<b>\$6,217,995,614</b>	<b>\$1,044,035,701</b>	<b>20.2%</b>

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.