



# REVENUE DIGEST

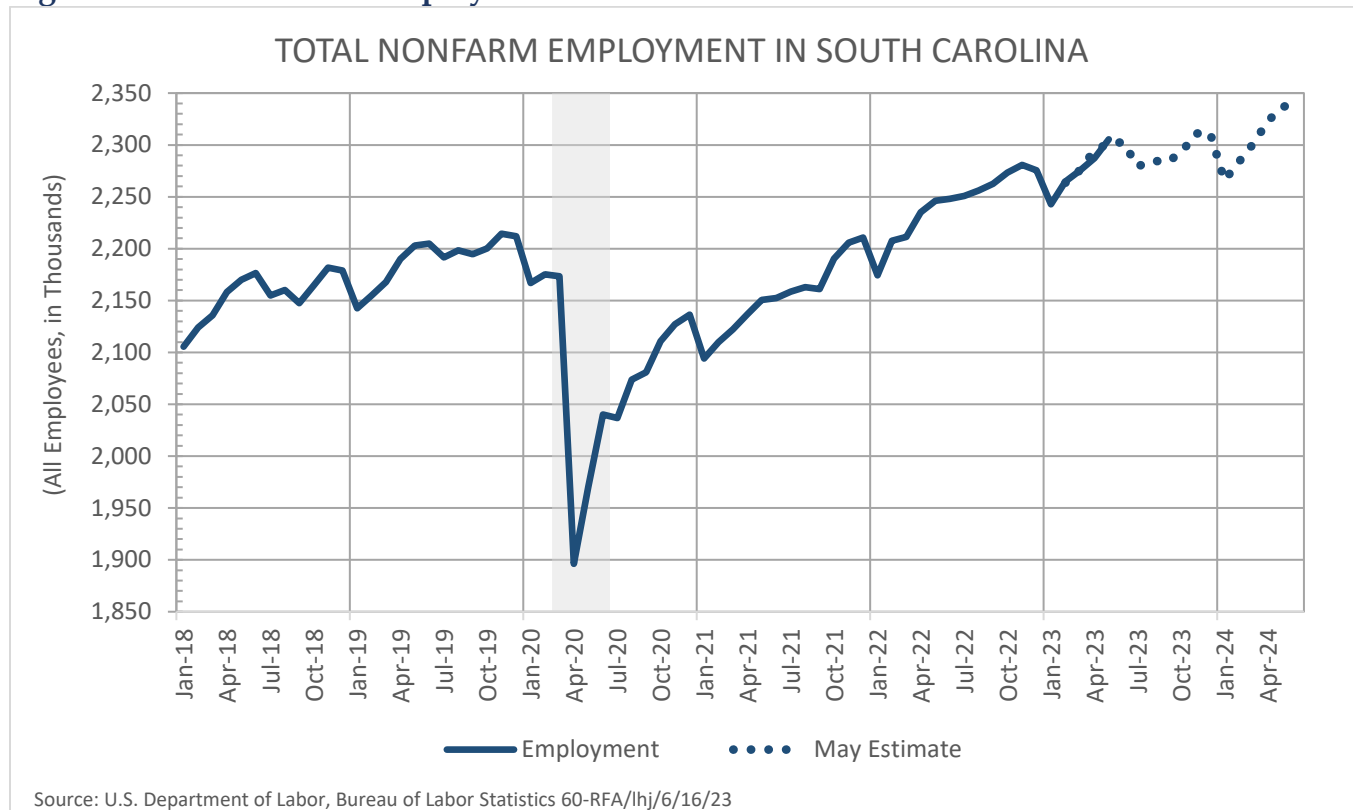
## JUNE 2023, FY 2022-23

Released July 18, 2023

### South Carolina Economy

Nonfarm employment in South Carolina added 18,300 jobs in May 2023, growing 2.6 percent above last May and ending slightly above our expectations in total. More than half of this gain was driven by strong growth of 5.7 percent in Leisure and Hospitality employees, although some of this gain was seasonal.

**Figure 1. South Carolina Employment**



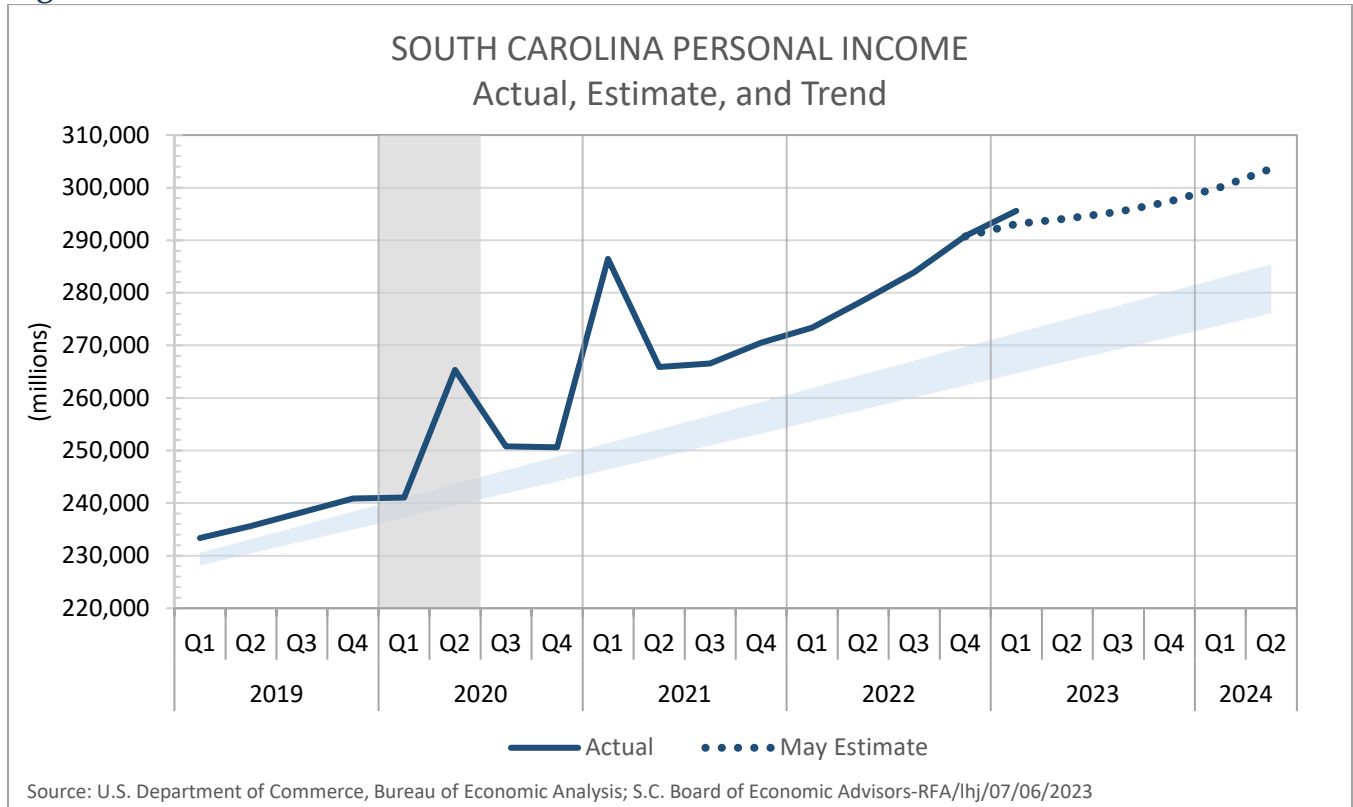
In the most recent release by the U.S. Bureau of Economic Analysis, personal income in South Carolina grew 8.1 percent for Q1 2023 over Q1 2022, almost 1 percent higher than the forecasted growth of 7.2 percent. Wages and salaries grew 8.6 percent, just 0.2 percent higher than expected. The excess growth was attributable to increases in transfer payments. Transfer receipts far outpaced the expected growth, increasing 9.0 percent compared to the forecasted rate of 5.9 percent. Social Security benefits increased, which we expected, but transfers also included one-time state income tax rebates totaling over \$940 million. While the rebates almost all went out by December, the Bureau of Economic Analysis estimates account for these payments in Q4 of 2022 and Q1 of 2023, which caused the unexpected growth.



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## JUNE 2023, FY 2022-23

**Figure 2. South Carolina Personal Income**



### General Fund Revenue<sup>1</sup>

Revenue collections declined marginally more than expected in June, decreasing 7.2 percent for the month compared to 2022. Fiscal year-to-date collections are 4.3 percent lower than last year but remain \$62.5 million ahead of the revised May 2023 estimate. Most of this decline was anticipated due to the implementation of income tax reform. However, June revenues were lower than expected due to slower than anticipated growth in Sales tax and lower Individual Income tax declarations for the quarter bringing down Individual Income tax Non-withholdings.

<sup>1</sup> Figures are as of July 13, 2023, and subject to change during year-end.



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## JUNE 2023, FY 2022-23

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

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2022-23 Annual Forecast
Sales Tax	1.3%	6.2%	5.6%
Individual Income Tax	(14.1%)	(15.7%)	(15.1%)
Corporation Income Tax	12.5%	11.8%	9.5%
Other Revenue Items	(17.3%)	9.3%	4.3%
<b>Total General Fund Revenue</b>	<b>(7.2%)</b>	<b>(4.3%)</b>	<b>(4.6%)</b>

### Revenue Categories

#### Sales Tax

- Sales tax revenue grew just 1.3 percent in June 2023 compared to June 2022, the lowest observed growth this fiscal year.
- Part of the change is attributable to a small number of late tax filings by larger retailers that will shift approximately \$4.5 million to July. With that adjustment, growth would have been 2.5 percent for June, but still lower than the forecasted rate of 4.5 percent.
- Year-to-date growth for FY 2022-23 has fallen from 8.3 percent through November to 6.2 percent through June. Sales tax is currently \$15.0 million above the revised estimate with one additional month to go in the fiscal year.
- The decline in Sales tax revenue growth for June reflecting retail activity in May is surprising given strong growth in national retail sales. National estimates for May growth in retail and food services (excluding motor vehicles and gas stations) totaled 4.9 percent for the month over May 2022.<sup>2</sup>

#### Individual Income Tax

- Individual Income tax revenue finished the fiscal year \$38.2 million below expectations. Collections were expected to decline 15.1 percent, but the actual decline was slightly higher at 15.7 percent. SC continues to experience wage growth, but the decline in revenue is due to reductions in the Individual Income tax rates enacted beginning with tax year 2022.
- Withholdings declined 6.8 percent for June from the same month in 2022. Actual collections for the fiscal year finished \$54.6 million above the forecasted growth of negative 0.2 percent. The decline reflects the change to the tax tables that reduced collections starting in January 2023.

<sup>2</sup> For reference, General Fund Sales tax does not apply to motor vehicles and fuel.





# REVENUE DIGEST

## JUNE 2023, FY 2022-23

- Non-withholdings revenue was down 17.7 percent through June and \$80.7 million below the estimate in total due to weaker than expected collections late in tax filing season and lower June payments.
- Refunds were up 35.6 percent fiscal year-to-date in June reflecting the income tax reform enacted for 2022. Collections overall finished \$12.1 million above the estimate.

### Corporate Income

- Corporate Income tax revenue reached fiscal year-to-date growth of 11.8 percent after another strong quarter-end. Revenues are currently \$26.0 million above the estimate, which assumed 9.5 percent annual growth.

### Conclusion

Revenue collections through June are currently running \$62.5 million ahead of the May 2023 estimate following lower than expected collections in some categories. As of May, revenues were running \$85.9 million ahead of expectations. Weaker performance in Sales tax and Non-withholdings reduced the excess this month, bringing collections closer to estimates. While June represents the end of the fiscal year for most revenue categories, final FY 2022-23 revenues will include the accrual period in July for Sales tax and other consumption taxes.

June revenues show more indication that revenue growth may be slowing, which has been anticipated. Federal Reserve interest rate decisions, inflation, labor market issues, and the current crisis in Ukraine continue to cause concern about the economy. The potential impact of these factors on the economy and on revenue collections is being carefully monitored by the Board of Economic Advisors for the potential effects on revenue collections in the upcoming year.

### Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be August 24, 2023, via web conference.





June

Table 1

General Fund Revenue	FY 2021-22	FY 2022-23	\$ Change	% Change
Sales and Use Tax	\$383,838,783	\$388,878,814	\$5,040,031	1.3%
Individual Income Tax	\$677,561,839	\$582,228,764	(\$95,333,075)	(14.1%)
Corporation Income Tax	\$186,024,028	\$209,302,404	\$23,278,376	12.5%
Insurance Taxes	\$63,067,495	\$76,676,561	\$13,609,066	21.6%
Admissions Tax	\$5,343,380	\$5,430,724	\$87,344	1.6%
Aircraft Tax	\$4,269	\$0	(\$4,269)	---
Alcoholic Liquor Tax	\$9,108,874	\$9,988,309	\$879,435	9.7%
Bank Tax	\$9,505,669	\$18,279,951	\$8,774,282	92.3%
Beer and Wine Tax	\$10,359,105	\$10,334,669	(\$24,436)	(0.2%)
Business Filing Fees	\$1,570,566	\$1,596,225	\$25,659	1.6%
Circuit/Family Court Fines	\$572,699	\$590,832	\$18,133	3.2%
Corporation License Tax	\$3,630,941	\$5,090,037	\$1,459,097	40.2%
Deed Recording Fees	\$13,226,617	\$11,126,991	(\$2,099,626)	(15.9%)
Earned on Investments	\$5,455,444	\$22,226,985	\$16,771,541	307.4%
Indirect Cost Recoveries	\$5,388,161	\$1,966,307	(\$3,421,854)	(63.5%)
Motor Vehicle Licenses	\$2,249,044	\$1,887,169	(\$361,875)	(16.1%)
Nursing Home Fees	\$0	\$0	\$0	---
Parole and Probation Fees	\$282,734	\$282,734	\$0	0.0%
Private Car Lines Tax	\$7,021	\$240	(\$6,781)	(96.6%)
Public Service Authority	\$8,909,000	\$9,516,000	\$607,000	6.8%
Purchasing Card Rebates	\$0	\$0	\$0	---
Record Search Fees	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	\$587,000	(\$1,647,334)	(\$2,234,334)	---
Security Dealer Fees	\$770,437	\$865,130	\$94,693	12.3%
Tobacco Tax	\$2,753,140	\$2,892,347	\$139,207	5.1%
Unclaimed Property Fund	\$0	\$0	\$0	---
Workers' Comp. Insurance Tax	\$3,380,736	\$3,622,487	\$241,751	7.2%
Other Source Revenues	\$72,950,678	\$543,699	(\$72,406,979)	(99.3%)
<b>Gross General Fund Revenue</b>	<b>\$1,466,547,659</b>	<b>\$1,361,680,045</b>	<b>(\$104,867,614)</b>	<b>(7.2%)</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 - June

Table 2

General Fund Revenue	FY 2021-22	FY 2022-23	\$ Change	% Change
Sales and Use Tax	\$3,990,355,465	\$4,238,529,764	\$248,174,299	6.2%
Individual Income Tax	\$6,827,560,100	\$5,758,295,569	(\$1,069,264,531)	(15.7%)
Corporation Income Tax	\$1,129,375,124	\$1,262,221,842	\$132,846,718	11.8%
Insurance Taxes	\$283,503,195	\$365,551,975	\$82,048,780	28.9%
Admissions Tax	\$39,528,912	\$38,763,519	(\$765,393)	(1.9%)
Aircraft Tax	\$1,250,000	\$0	(\$1,250,000)	---
Alcoholic Liquor Tax	\$101,264,043	\$106,508,515	\$5,244,472	5.2%
Bank Tax	\$72,352,457	\$95,031,726	\$22,679,269	31.3%
Beer and Wine Tax	\$106,530,621	\$103,234,891	(\$3,295,730)	(3.1%)
Business Filing Fees	\$12,629,723	\$12,608,349	(\$21,374)	(0.2%)
Circuit/Family Court Fines	\$6,089,254	\$6,371,578	\$282,324	4.6%
Corporation License Tax	\$163,071,712	\$170,145,615	\$7,073,903	4.3%
Deed Recording Fees	\$142,293,682	\$111,041,689	(\$31,251,993)	(22.0%)
Earned on Investments	\$69,646,635	\$180,512,536	\$110,865,901	159.2%
Indirect Cost Recoveries	\$21,931,323	\$15,889,777	(\$6,041,546)	(27.5%)
Motor Vehicle Licenses	\$11,178,599	\$10,940,913	(\$237,686)	(2.1%)
Nursing Home Fees	\$2,428,229	\$2,361,318	(\$66,911)	(2.8%)
Parole and Probation Fees	\$3,392,808	\$3,392,808	\$0	0.0%
Private Car Lines Tax	\$6,878,649	\$6,620,681	(\$257,968)	(3.8%)
Public Service Authority	\$17,675,000	\$18,961,000	\$1,286,000	7.3%
Purchasing Card Rebates	\$3,541,021	\$3,845,627	\$304,606	8.6%
Record Search Fees	\$4,461,000	\$4,461,000	\$0	0.0%
Savings and Loan Assoc. Tax	\$2,448,449	(\$326,191)	(\$2,774,640)	---
Security Dealer Fees	\$31,897,230	\$33,632,841	\$1,735,611	5.4%
Tobacco Tax	\$26,611,853	\$25,669,087	(\$942,766)	(3.5%)
Unclaimed Property Fund	\$15,000,000	\$15,000,000	\$0	0.0%
Workers' Comp. Insurance Tax	\$7,189,127	\$7,998,096	\$808,969	11.3%
Other Source Revenues	\$93,508,014	\$24,105,706	(\$69,402,308)	(74.2%)
<b>Gross General Fund Revenue</b>	<b>\$13,193,592,225</b>	<b>\$12,621,370,231</b>	<b>(\$572,221,994)</b>	<b>(4.3%)</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.

Figures are as of July 13, 2023, and subject to change during year-end.