



# REVENUE DIGEST

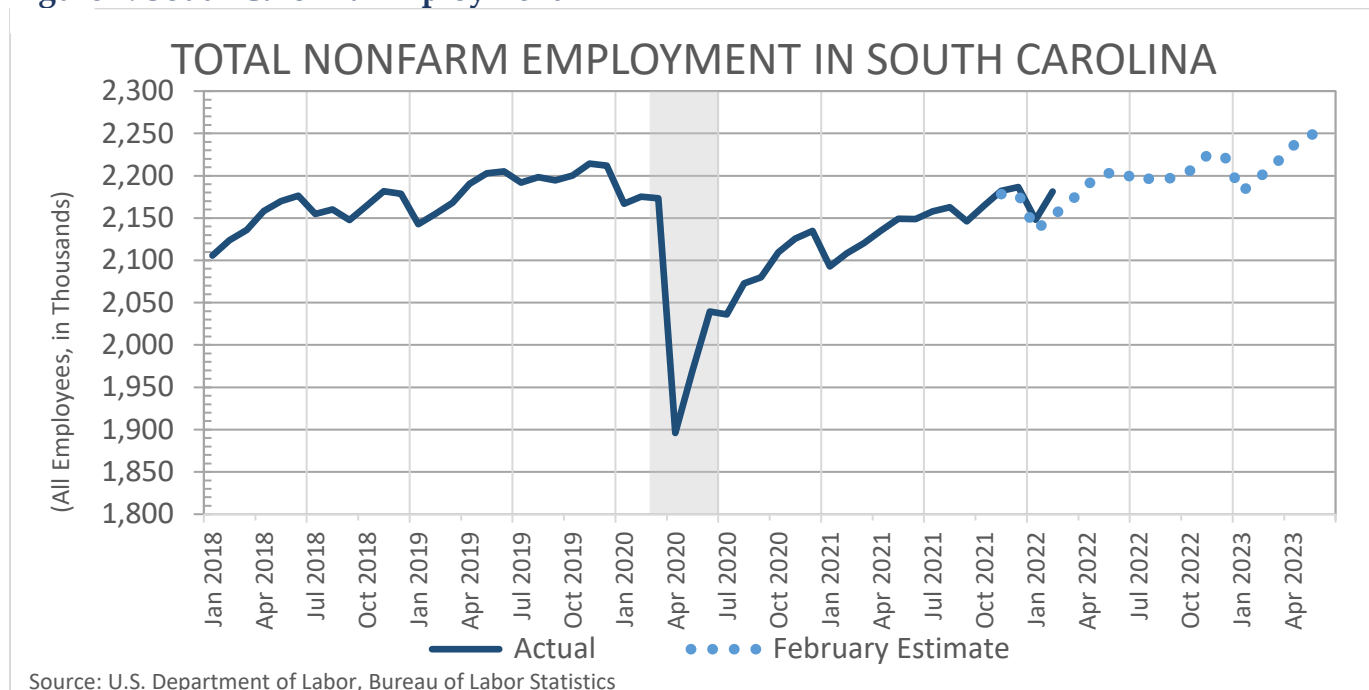
MARCH 2022, FY 2021-22

Released April 18, 2022

## South Carolina Economy

Nonfarm employment in South Carolina saw robust growth in February 2022, reaching 3.5 percent year-over-year growth compared to 2.9 percent forecasted growth. Gains were broad-based across industries, which may indicate that individuals who left the labor force during the worst of the pandemic are now returning. Further, total nonfarm employment in February 2022 was above pre-pandemic levels in February 2020. This change was driven by employment gains in professional and business services, financial activities, and trade, transportation, and utilities. However, employment in government, leisure and hospitality, and education and health services continues to lag behind pre-pandemic levels.

Figure 1. South Carolina Employment



Additionally, South Carolina personal income in 2021 Q4 grew 8.1 percent over the previous year, surpassing the BEA’s February 2022 revised estimate of 6.5 percent growth. Strong wage growth, which grew at 9.4 percent compared to 7.9 percent forecasted growth, was a major driver of this increase.

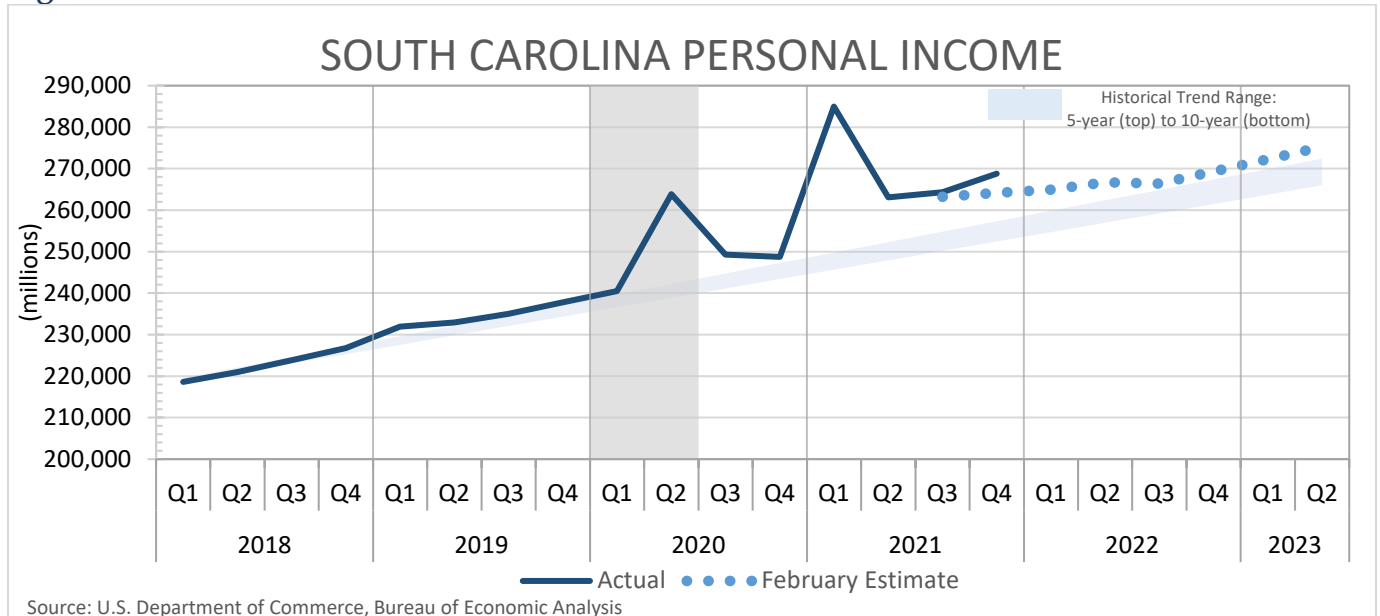




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**Figure 2. South Carolina Personal Income**



## General Fund Revenue

Strong fiscal year-to-date collections continued into March, with year-to-date growth reaching 21.8 percent. Year-to-date General Fund collections are currently \$488.9 million ahead of the February 2022 estimate. Approximately two-thirds of this excess came from Individual Income taxes, largely due to another strong month of Withholdings and lower than expected total Refunds. However, refunds are expected to catch up to the forecast as tax season continues.

Although growth year-to-date continues to be substantial, the February 2022 estimate assumes negative monthly General Fund growth compared to last fiscal year beginning with April collections. This negative growth expectation is due to the highly elevated economic activity during Q4 of last fiscal year, which saw 23.8 percent growth in General Fund revenue.

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

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2021-22 Annual Forecast
Sales Tax	15.9%	18.3%	5.8%
Individual Income Tax	---	21.1%	6.9%
Corporation Income Tax	72.6%	82.0%	20.7%
Other Revenue Items	13.3%	12.1%	(0.2%)
<b>Total General Fund Revenue</b>	<b>194.5%</b>	<b>21.8%</b>	<b>6.6%</b>



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## Revenue Categories

### Sales Tax

- Sales tax revenue grew 15.9 percent in March 2022 compared to March 2021.
- Year-to-date growth for FY 2021-22 fell from 20.0 percent through January to 18.3 percent through March. This decline in Sales tax growth was largely in line with the forecast, with revenues currently running \$30.7 million over estimated collections.
- Excess savings accumulated during 2020 and 2021 continue to boost consumers' overall capacity to spend. This additional buying capacity is continuing to drive elevated spending above pre-pandemic levels. While strong sales tax revenues are anticipated throughout FY 2021-22, revenue growth is anticipated to be negative in Q4 following a highly elevated base in FY 2020-21, which saw growth of 32.0 percent due to continued consumer behavior changes and additional stimulus funds.

### Individual Income Tax

- Year-to-date growth in Individual Income tax reached 21.1 percent in March, up from 17.9 percent in January. Total collections are exceeding the estimate by \$324.4 million, but half of this excess is due to slower than anticipated refund processing.
- Of the total excess Individual Income Tax revenue, \$136.8 million is the result of another strong month of Withholdings collections. Withholdings in March 2022 grew 9.8 percent over March 2021, which itself saw 14.6 percent growth over March 2020. Persistent wage gains driven by a tight labor market are responsible for much of this growth. However, the rate of wage growth does appear to be slowing as year-to-date Withholdings growth has fallen from 14.8 percent in December to 13.8 percent in March. Due to the highly elevated base in Q4 of FY 2020-21, it is expected that cumulative fiscal year growth will approach the forecast of 8.6 percent in the coming months.
- Non-Withholdings revenue was up 7.8 percent year-to-date in March and \$28.1 million above the estimate in total. Federal Reserve actions in the coming months and the potential for shifting market conditions may influence collections for the rest of the fiscal year. Notably, more than 40 percent of anticipated collections remain. Due to these dynamics and the high base of 24.8 percent growth in FY 2020-21, collections are expected to be down 8.7 percent by the end of FY 2021-22 compared to FY 2020-21.
- Refunds were down 9.1 percent year-to-date in March and are running \$159.5 million below the estimate. As noted above, this is expected to even out in the coming months as tax filing season is completed.

### Corporate Income and License Tax

- Corporate Income tax revenue totaled \$207.4 million in March, bringing fiscal year-to-date growth to 82.0 percent. Revenues are currently \$88.7 million above the estimate. However, this growth may not be indicative of future performance as almost half of Corporate Income tax collections are received during the final quarter of the fiscal year.





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- Year-to-date Corporate License tax growth reached 10.4 percent in March, bringing total collections \$4.9 million above the estimate.

## Conclusion

Revenues are exceeding the February 2022 estimate in most major categories. Collections are currently running \$486.7 million ahead of the estimate, mostly due to higher than expected growth in Withholdings, the temporary timing effects from refund processing, and strong Corporate Income tax collections. Record growth in Sales, Corporate Income, and Non-Withholdings revenues at the end of FY 2020-21 was the result of federal stimulus programs and changes in behavior during the pandemic. Consequently, revenue growth is expected to be negative in Q4 this fiscal year due to the highly elevated base last year. The current fiscal year-to-date growth of 21.8 percent, therefore, is expected to taper to 6.6 percent growth for the year.

Upcoming Federal Reserve decisions, ongoing uncertainty regarding inflation, continued supply chain and labor market issues, and the current crisis in Ukraine have added additional uncertainty since the February forecast. The potential impact of these factors on the economy and revenue growth is being carefully monitored by the Board of Economic Advisors.

## Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be May 12, 2022 via web conference.





March

Table 1

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$274,397,918	\$317,912,735	\$43,514,817	15.9%
Individual Income Tax	(\$217,418,370)	\$232,118,026	\$449,536,396	---
Corporation Income Tax	\$120,178,888	\$207,385,112	\$87,206,224	72.6%
Insurance Taxes	\$68,379,723	\$74,102,784	\$5,723,061	8.4%
Admissions Tax	\$1,696,220	\$2,963,979	\$1,267,759	74.7%
Aircraft Tax	\$0	\$0	\$0	---
Alcoholic Liquor Tax	\$6,261,956	\$7,563,346	\$1,301,390	20.8%
Bank Tax	\$1,651,847	\$12,548,078	\$10,896,231	659.6%
Beer and Wine Tax	\$7,472,023	\$7,896,781	\$424,758	5.7%
Bingo Tax	\$88,142	\$150,176	\$62,034	70.4%
Business Filing Fees	\$1,095,831	\$1,178,723	\$82,892	7.6%
Circuit/Family Court Fines	\$329,590	\$526,974	\$197,384	59.9%
Corporation License Tax	\$7,957,644	\$9,783,751	\$1,826,107	22.9%
Documentary Tax	\$7,093,207	\$9,821,751	\$2,728,544	38.5%
Earned on Investments	\$11,959,930	\$4,696,992	(\$7,262,938)	(60.7%)
Indirect Cost Recoveries	\$1,376,031	\$1,954,604	\$578,573	42.0%
Motor Vehicle Licenses	\$891,041	\$844,236	(\$46,805)	(5.3%)
Nursing Home Fees	\$0	\$0	\$0	---
Parole and Probation Fees	\$282,734	\$282,734	\$0	0.0%
Private Car Lines Tax	(\$9,443)	\$24,438	\$33,881	---
Public Service Authority	\$0	\$0	\$0	---
Purchasing Card Rebates	\$0	\$0	\$0	---
Record Search Fees	\$4,461,000	\$4,461,000	\$0	0.0%
Savings and Loan Assoc. Tax	\$978,032	(\$110,956)	(\$1,088,988)	---
Security Dealer Fees	\$1,024,151	\$936,819	(\$87,332)	(8.5%)
Surcharge on Vehicle Rentals	\$0	\$0	\$0	---
Tobacco Tax	\$1,981,952	\$2,205,403	\$223,451	11.3%
Uncashed Checks	(\$914,299)	(\$96,338)	\$817,961	---
Unclaimed Property Fund	\$0	\$0	\$0	---
Workers' Comp. Insurance Tax	\$4,250,523	\$3,751,360	(\$499,163)	(11.7%)
Other Source Revenues	\$1,679,029	\$1,777,469	\$98,440	5.9%
<b>Gross General Fund Revenue</b>	<b>\$307,145,299</b>	<b>\$904,679,977</b>	<b>\$597,534,678</b>	<b>194.5%</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 - March

Table 2

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$2,380,758,410	\$2,817,020,075	\$436,261,665	18.3%
Individual Income Tax	\$3,857,350,933	\$4,669,990,156	\$812,639,223	21.1%
Corporation Income Tax	\$314,206,952	\$571,868,017	\$257,661,065	82.0%
Insurance Taxes	\$227,705,298	\$216,767,551	(\$10,937,747)	(4.8%)
Admissions Tax	\$12,689,595	\$23,429,307	\$10,739,712	84.6%
Aircraft Tax	\$2,876,848	\$1,250,000	(\$1,626,848)	(56.5%)
Alcoholic Liquor Tax	\$60,568,738	\$70,909,595	\$10,340,857	17.1%
Bank Tax	\$13,939,428	\$38,229,834	\$24,290,406	174.3%
Beer and Wine Tax	\$74,996,073	\$76,469,286	\$1,473,213	2.0%
Bingo Tax	\$275,098	\$290,214	\$15,116	5.5%
Business Filing Fees	\$8,304,792	\$8,716,164	\$411,372	5.0%
Circuit/Family Court Fines	\$3,620,378	\$4,319,881	\$699,503	19.3%
Corporation License Tax	\$134,393,493	\$148,356,734	\$13,963,241	10.4%
Documentary Tax	\$71,704,097	\$102,626,660	\$30,922,563	43.1%
Earned on Investments	\$54,022,002	\$55,970,914	\$1,948,912	3.6%
Indirect Cost Recoveries	\$9,643,559	\$13,515,932	\$3,872,373	40.2%
Motor Vehicle Licenses	\$7,081,680	\$7,060,660	(\$21,020)	(0.3%)
Nursing Home Fees	\$1,712,504	\$1,635,341	(\$77,163)	(4.5%)
Parole and Probation Fees	\$2,544,606	\$2,544,606	\$0	0.0%
Private Car Lines Tax	\$6,673,097	\$6,872,271	\$199,174	3.0%
Public Service Authority	\$8,984,000	\$8,766,000	(\$218,000)	(2.4%)
Purchasing Card Rebates	\$3,088,613	\$3,541,021	\$452,408	14.6%
Record Search Fees	\$4,461,000	\$4,461,000	\$0	0.0%
Savings and Loan Assoc. Tax	\$1,884,235	\$758,270	(\$1,125,965)	(59.8%)
Security Dealer Fees	\$26,939,761	\$29,257,803	\$2,318,042	8.6%
Surcharge on Vehicle Rentals	(\$848)	(\$36)	\$812	---
Tobacco Tax	\$18,533,155	\$19,050,937	\$517,782	2.8%
Uncashed Checks	\$3,293,687	\$6,571,672	\$3,277,985	99.5%
Unclaimed Property Fund	\$11,250,000	\$11,250,000	\$0	0.0%
Workers' Comp. Insurance Tax	\$6,345,987	\$5,408,391	(\$937,596)	(14.8%)
Other Source Revenues	\$8,038,028	\$12,900,653	\$4,862,625	60.5%
<b>Gross General Fund Revenue</b>	<b>\$7,337,885,199</b>	<b>\$8,939,808,909</b>	<b>\$1,601,923,710</b>	<b>21.8%</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.