



REVENUE DIGEST

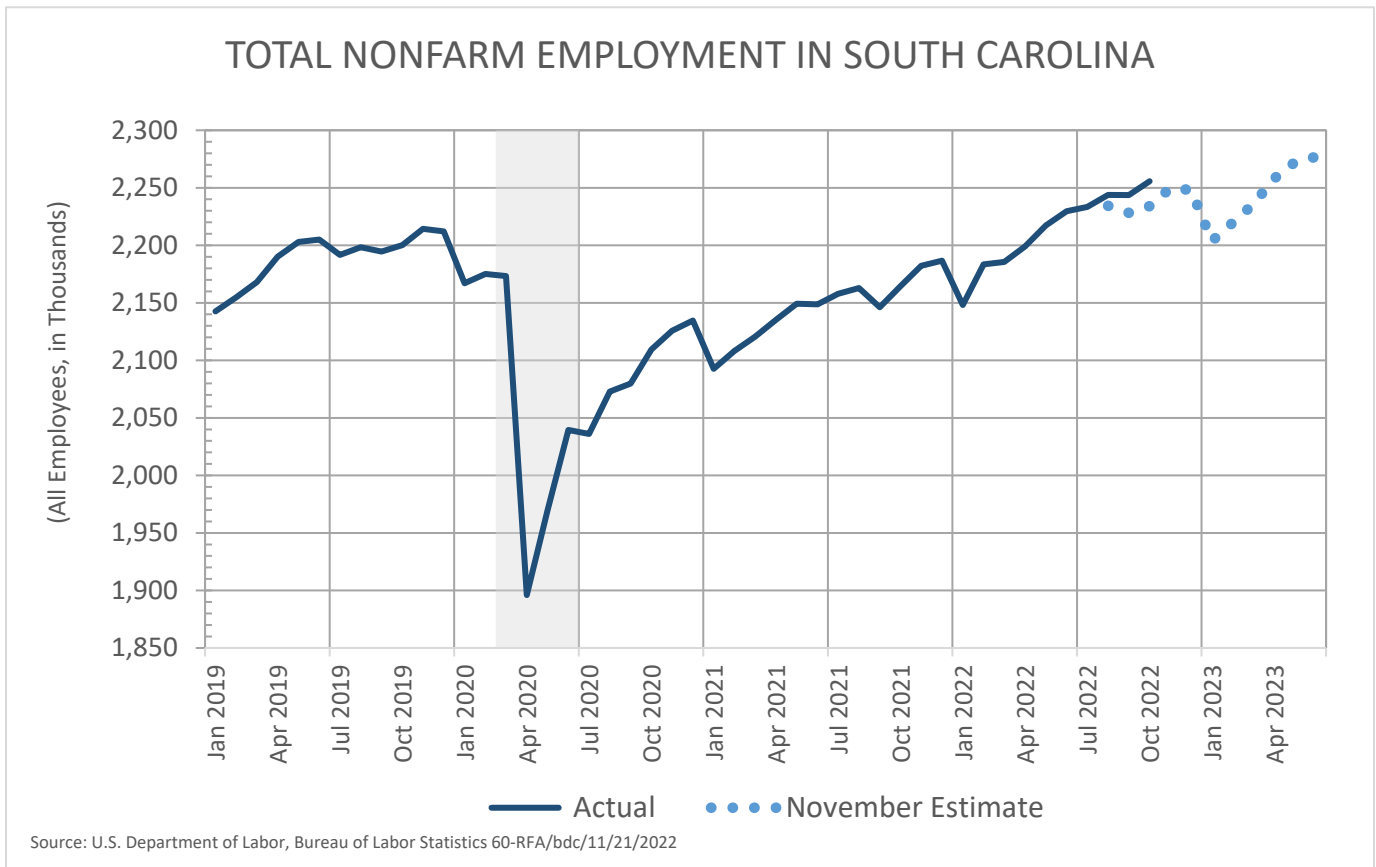
NOVEMBER 2022, FY 2022-23

Released December 14, 2022

South Carolina Economy

South Carolina saw an increase of 12,000 jobs in October, growing at 4.2 percent over last October compared to the estimated growth of 3.2 percent (Figure 1). Strong growth in industries such as Financial Activities, Professional and Business Services, and Trade, Transportation, and Utilities have contributed to most of the observed employment growth since the beginning of the pandemic, while Construction, Leisure and Hospitality, and Government employment are continuing to lag. Nevertheless, the labor market remains near recent record high levels of job openings and quits despite more than half a year of interest rate increases by the Federal Reserve.

Figure 1. South Carolina Employment



This sustained labor market tightness has driven up South Carolina wage growth, which grew by 10.1 percent year-over-year in 2022 Q2 and by 6.5 percent annualized over 2022 Q1. The 2022 Q3 personal income release for South Carolina is scheduled for December 23rd.



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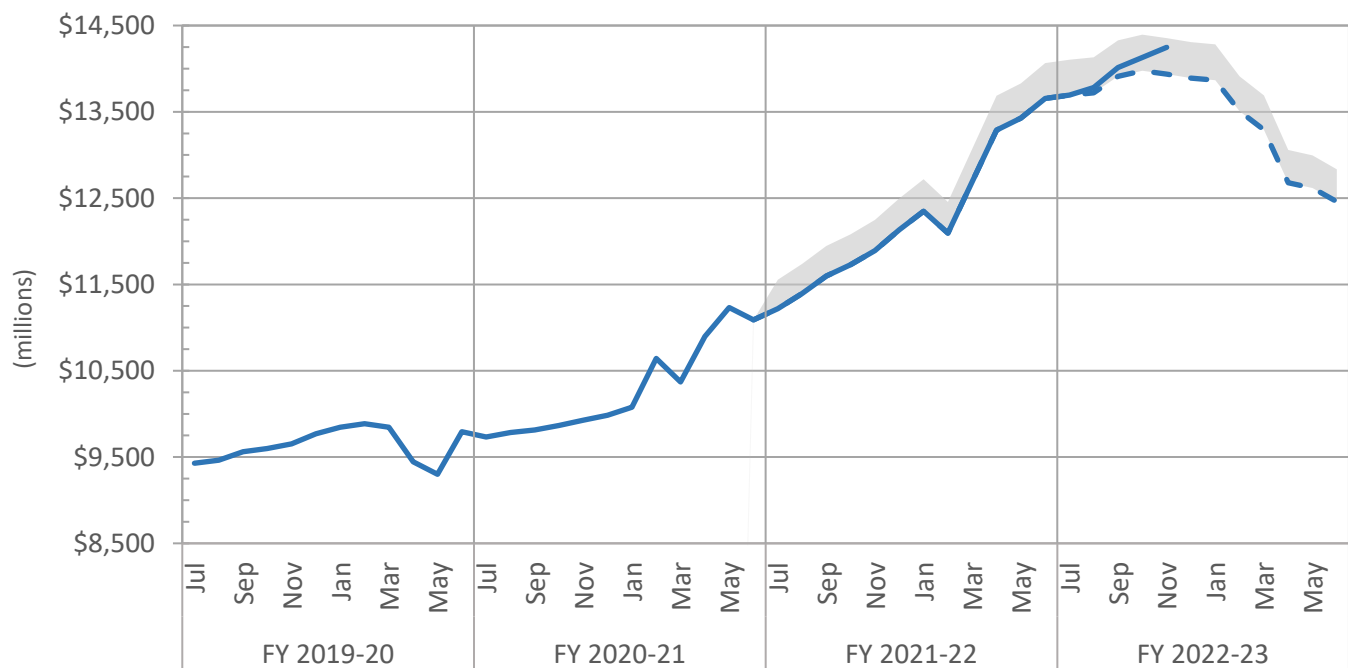
General Fund Revenue

Strong fiscal year-to-date collections continued into November, reflecting the State’s continued revenue growth (Figure 2). Revenues grew 11.7 percent in November compared to the prior year, resulting in a year-to-date General Fund revenue increase of 12.2 percent for FY 2022-23. Total collections for the fiscal year are currently \$591.4 million higher than last fiscal year and \$309.1 million ahead of expectations. Strong wage growth, continued spending on taxable goods, and high corporate profits are still driving this year’s robust collections. Growth in the spring, however, is anticipated to be negative due to a general slowdown in economic activity, as well as the initial revenue impacts of tax reform.

Figure 2. South Carolina General Fund Revenue

ROLLING FISCAL YEAR - GENERAL FUND

Actual, Estimate, and Target Range, FY 2019-20 to FY 2022-23





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NOVEMBER 2022, 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	11.8%	8.3%	2.2%
Individual Income Tax	8.1%	9.5%	(13.2%)
Corporation Income Tax	N/A	57.2%	(33.5%)
Other Revenue Items	23.1%	25.1%	(0.9%)
Total General Fund Revenue	11.7%	12.2%	(8.7%)

Revenue Categories

Sales Tax

- Sales tax revenue grew 11.8 percent in November 2022 compared to November 2021.
- Year-to-date growth for FY 2022-23 has continued to increase each month, going from 2.6, 6.6, and 7.2 percent in the first several months to 8.3 percent in November. This increase has pushed collections \$52.0 million above the estimate.
- Total consumer spending in South Carolina is up 27.1 percent over pre-pandemic levels, and this figure has remained around this elevated level consistently since February 2022. Consumers increased their spending during the pandemic for a variety of reasons, but it is still uncertain when or if inflation, interest rate increases, depletion of savings, and a potential return to pre-pandemic consumption behaviors will impact spending.

Individual Income Tax

- Individual Income tax revenue grew 8.1 percent in November over the previous year, resulting in fiscal year-to-date growth of 9.5 percent.
- Current Individual Income tax collections are exceeding the estimate by \$115.4 million. This excess is largely driven by Withholdings collections, which are above the estimate by \$71.4. Growth over last November alone, however, was only 1.1 percent for Withholdings, bringing fiscal year growth down to 9.4 percent.
- Non-Withholdings and Refunds revenues include accounting entries in November for \$908.6 million in one-time individual income tax rebates funded through special appropriations, although the effect is cancelled out in the aggregate. After accounting for these entries, growth for Non-Withholdings reached 14.7% year-to-date and exceeded the estimate by \$57.6 million. Additionally, growth for Refunds fell to 16.1% year-to-date, although part of this decline was due to delayed processing during the month of November as rebates were sent out.





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Corporate Income and License Tax

- Corporate Income tax revenue is up 57.2 percent year-to-date and is currently \$68.4 million ahead of the estimate. Meanwhile, Corporate License tax came in at \$38.4 million and is currently \$28.6 million above the estimate.
- Retail sales, which continue to be well above their historical trend since June 2020, are a significant indicator of Corporate Income tax collections. The retail industry's performance is likely contributing to the high, sustained Corporate Income tax growth during this time.
- As consumers trend toward a more historical mix of spending on goods and services, the elevated collections are expected to subside. Corporate Income tax revenue is projected to decrease by 33.5 percent over the full fiscal year, and Corporate License tax is projected to increase by 9.8 percent as business practices and revenue streams settle back to more historical trends.

Conclusion

Revenues for the first five months of this fiscal year exceeded monthly estimates in all major categories, extending the positive trend from FY 2021-22. While wage growth and consumer spending continue to drive collections, it is expected that growth in the second half of the fiscal year will be negative due to a number of factors: a general slowdown of economic activity from record highs due to the impacts of inflation and interest rate increases, the unlikelihood of revenue growth in FY 2022-23 over the previous year's astounding 23.1 percent growth, and the \$812 million impact of individual income tax reform that will occur in the spring. Despite these potential issues, the health of the State's economy remains good, and the economic response to interest rate increases has been better than expected so far. Interest rate increases have had an impact on some categories as expected, such as Deed Recording Fees, but overall growth remains strong. The BEA will continue to carefully monitor economic data releases and other world events as the fiscal year progresses.

Quarter-end revenues and updates on the state's economy will be discussed further in the upcoming January BEA meeting. Additionally, new employment and personal income data for South Carolina will be released in late December.

Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be January 19, 2023.





November

Table 1

General Fund Revenue	FY 2021-22	FY 2022-23	\$ Change	% Change
Sales and Use Tax	\$340,868,020	\$381,217,981	\$40,349,961	11.8%
Individual Income Tax	\$591,198,800	\$638,846,959	\$47,648,159	8.1%
Corporation Income Tax	(\$21,170,539)	(\$12,197,500)	\$8,973,039	---
Insurance Taxes	\$2,112,481	\$2,142,256	\$29,776	1.4%
Admissions Tax	\$4,447,827	\$4,815,885	\$368,058	8.3%
Aircraft Tax	\$300,135	\$0	(\$300,135)	---
Alcoholic Liquor Tax	\$9,495,505	\$10,237,714	\$742,209	7.8%
Bank Tax	(\$1,991,604)	\$780,257	\$2,771,861	---
Beer and Wine Tax	\$9,877,902	\$9,645,171	(\$232,731)	(2.4%)
Business Filing Fees	\$988,921	\$1,009,000	\$20,079	2.0%
Circuit/Family Court Fines	\$467,971	\$392,719	(\$75,252)	(16.1%)
Corporation License Tax	\$27,140,894	\$38,446,562	\$11,305,668	41.7%
Deed Recording Fees	\$13,651,744	\$10,822,626	(\$2,829,118)	(20.7%)
Earned on Investments	\$4,532,435	\$13,429,073	\$8,896,638	196.3%
Indirect Cost Recoveries	\$1,825,091	\$1,156,654	(\$668,437)	(36.6%)
Motor Vehicle Licenses	\$1,918,292	\$1,844,577	(\$73,715)	(3.8%)
Nursing Home Fees	\$0	\$0	\$0	---
Parole and Probation Fees	\$282,734	\$282,734	\$0	0.0%
Private Car Lines Tax	\$743,847	\$1,258,679	\$514,832	69.2%
Public Service Authority	\$0	\$0	\$0	---
Purchasing Card Rebates	\$0	\$0	\$0	---
Record Search Fees	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	\$19,854	(\$203,279)	(\$223,133)	---
Security Dealer Fees	\$919,719	\$809,103	(\$110,616)	(12.0%)
Tobacco Tax	\$2,458,828	\$2,108,205	(\$350,623)	(14.3%)
Unclaimed Property Fund	\$3,750,000	\$3,750,000	\$0	0.0%
Workers' Comp. Insurance Tax	(\$800,000)	(\$1,000,000)	(\$200,000)	---
Other Source Revenues	\$758,308	\$318,779	(\$439,529)	(58.0%)
Gross General Fund Revenue	\$993,797,163	\$1,109,914,155	\$116,116,992	11.7%

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 - November

Table 2

General Fund Revenue	FY 2021-22	FY 2022-23	\$ Change	% Change
Sales and Use Tax	\$1,428,850,032	\$1,547,326,813	\$118,476,781	8.3%
Individual Income Tax	\$2,856,866,188	\$3,129,247,877	\$272,381,689	9.5%
Corporation Income Tax	\$170,954,121	\$268,735,254	\$97,781,133	57.2%
Insurance Taxes	\$76,331,178	\$122,573,154	\$46,241,976	60.6%
Admissions Tax	\$10,182,514	\$7,381,049	(\$2,801,465)	(27.5%)
Aircraft Tax	\$600,812	\$0	(\$600,812)	---
Alcoholic Liquor Tax	\$37,400,790	\$40,243,319	\$2,842,529	7.6%
Bank Tax	\$13,862,637	\$15,932,508	\$2,069,871	14.9%
Beer and Wine Tax	\$41,106,036	\$40,511,100	(\$594,936)	(1.4%)
Business Filing Fees	\$4,414,598	\$4,510,310	\$95,713	2.2%
Circuit/Family Court Fines	\$2,512,446	\$2,464,919	(\$47,527)	(1.9%)
Corporation License Tax	\$89,513,915	\$109,294,224	\$19,780,309	22.1%
Deed Recording Fees	\$51,725,932	\$46,736,188	(\$4,989,744)	(9.6%)
Earned on Investments	\$32,271,952	\$74,530,473	\$42,258,521	130.9%
Indirect Cost Recoveries	\$7,513,942	\$6,509,852	(\$1,004,090)	(13.4%)
Motor Vehicle Licenses	\$3,699,780	\$4,716,251	\$1,016,471	27.5%
Nursing Home Fees	\$819,868	\$802,052	(\$17,816)	(2.2%)
Parole and Probation Fees	\$1,413,670	\$1,413,670	\$0	0.0%
Private Car Lines Tax	\$1,041,598	\$1,809,153	\$767,555	73.7%
Public Service Authority	\$0	\$0	\$0	---
Purchasing Card Rebates	\$0	\$0	\$0	---
Record Search Fees	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	\$466,288	(\$1,151,254)	(\$1,617,542)	---
Security Dealer Fees	\$2,723,511	\$2,833,160	\$109,649	4.0%
Tobacco Tax	\$10,153,484	\$9,332,066	(\$821,418)	(8.1%)
Unclaimed Property Fund	\$7,500,000	\$7,500,000	\$0	0.0%
Workers' Comp. Insurance Tax	(\$109,570)	(\$499,366)	(\$389,796)	---
Other Source Revenues	\$14,072,150	\$14,580,563	\$508,413	3.6%
Gross General Fund Revenue	\$4,865,887,874	\$5,457,333,335	\$591,445,461	12.2%

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.