



REVENUE DIGEST

NOVEMBER 2023, FY 2023-24

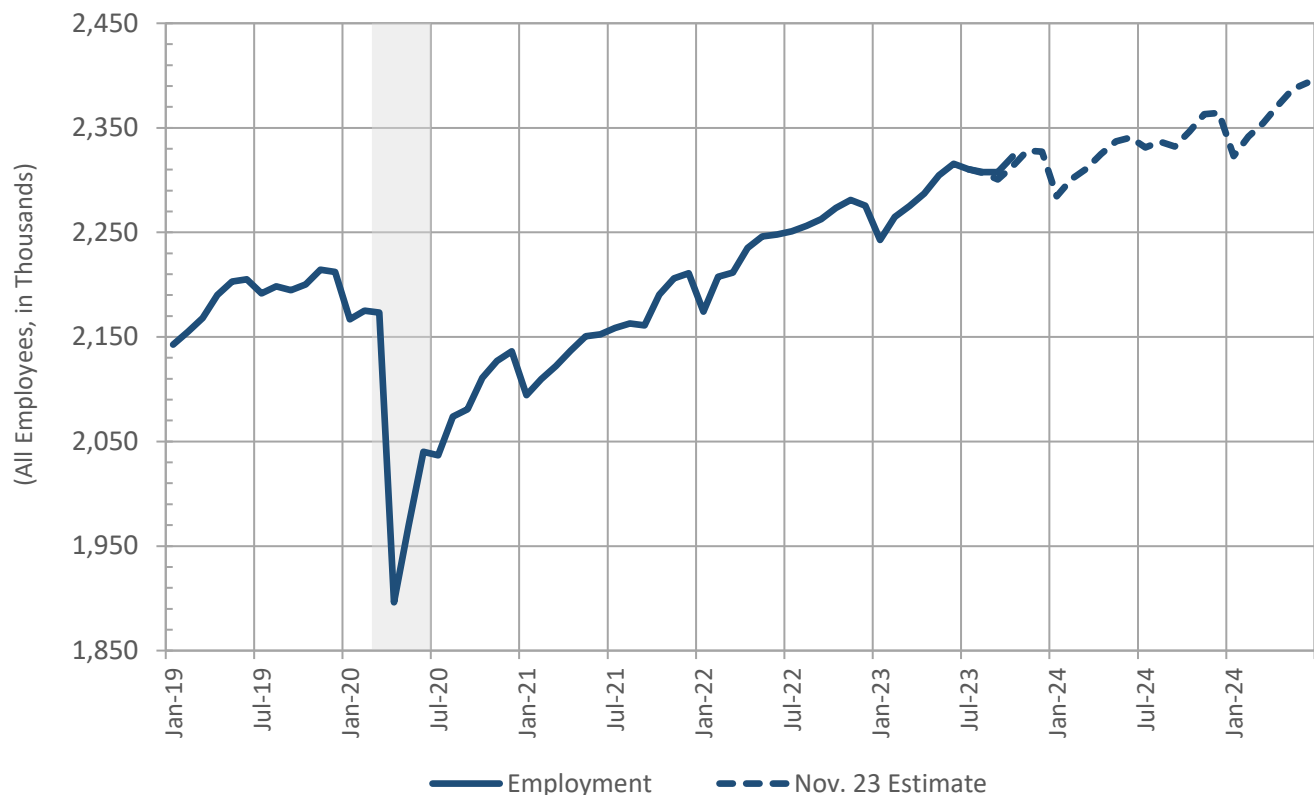
Released December 18, 2023

South Carolina Economy

South Carolina added 14,900 jobs in October 2023, growing 2.2 percent above last October and ending slightly above our November 2023 forecast expectations (Figure 1). Most major sectors saw an increase in employment, led by Professional and Business Services, which increased by 5,100 jobs in November, and the Government sector, which increased by 3,800 jobs.

Figure 1. South Carolina Employment, Not Seasonally Adjusted

TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/kav/12/4/2023

General Fund Revenue

Revenue collections decreased 11.3 percent in November compared to the previous year. Fiscal year-to-date collections are 7.2 percent lower than last year but remain \$259.2 million ahead of the November 2023 estimate. Most of this decline in revenue was anticipated due to the implementation of Individual Income tax changes (Figure 2). Notably, Sales tax and Withholdings, the two largest revenue categories, performed better than expected.





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Figure 2. South Carolina General Fund Revenue

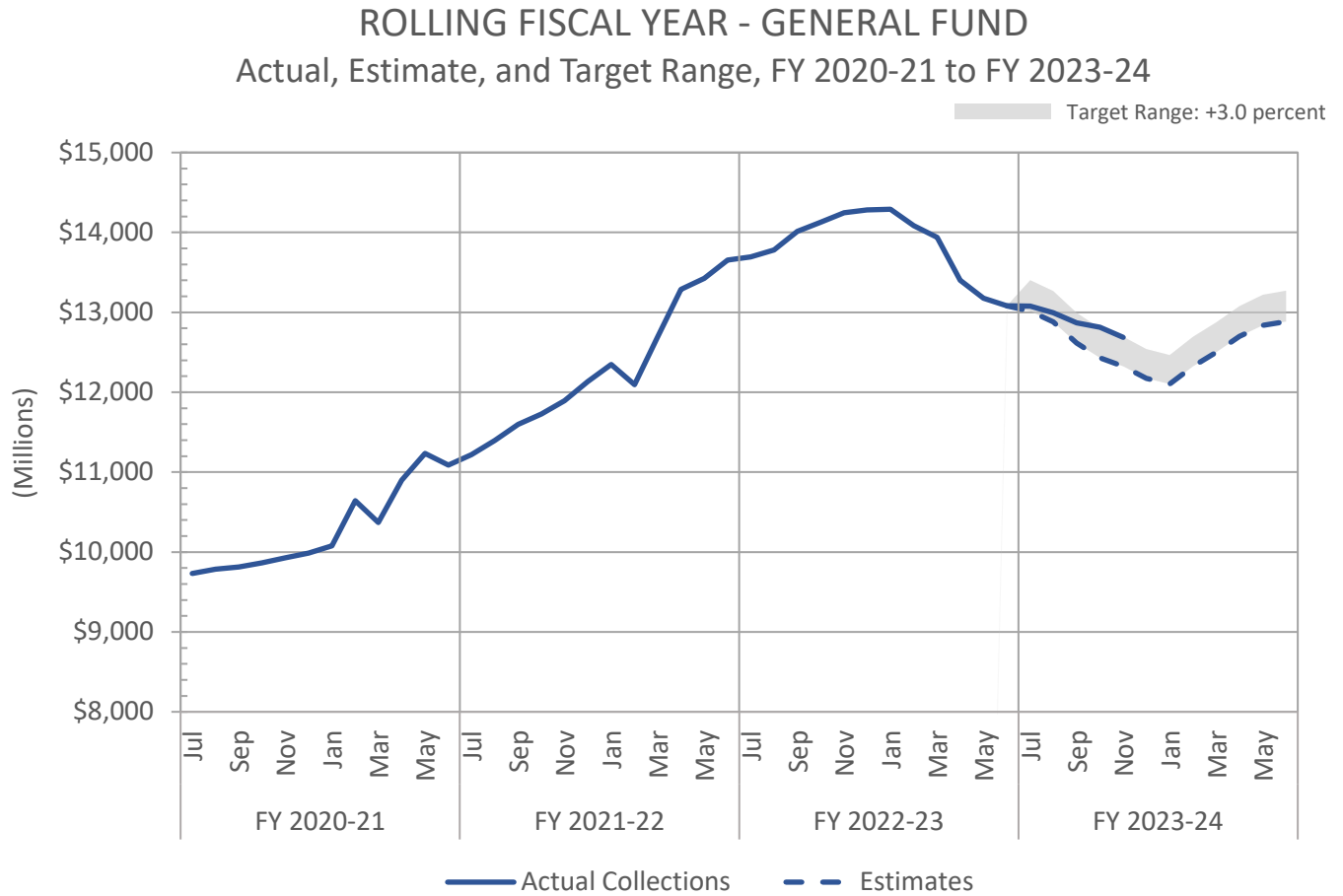


Table 1. General Fund Revenue Growth Summary

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2023-24 Annual Forecast
Sales Tax	2.2%	2.7%	1.1%
Individual Income Tax	(17.7%)	(13.4%)	4.7%
Corporation Income Tax	N/A	(11.7%)	(38.0%)
Other Revenue Items	(10.4%)	3.9%	(3.5%)
Total General Fund Revenue	(11.3%)	(7.2%)	(1.6%)



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Revenue Categories

Sales Tax

- Sales tax revenue grew 2.2 percent in November 2023 compared to November 2022, exceeding our expectations by \$3.6 million.
- Fiscal year-to-date growth for FY 2023-24 is currently 2.7 percent over last fiscal year and is above the forecasted growth rate of 1.1 percent. Through November, total collections are \$23.0 million above expectations.
- Consumers are still spending, although at a substantially lower pace than holiday spending in recent years. The National Retail Federation (NRF) forecasts holiday sales to increase between 3.0 percent to 4.0 percent this year compared to last year, which is less than the average growth of 9.1 percent over the last three years.¹ In comparison, Sales tax collections are expected to grow 2.1 percent this holiday season compared to an average of 11.9 percent growth experienced during the last three holiday seasons. Financially, consumers remain in a position to sustain their current level of spending through the end of the holiday season based on household assets and deposits².
- The current below-average saving rate alongside above-average reliance on credit with high interest rates continues to present risks to consumer spending as these competing constraints weigh down spending power for some groups. An uptick in delinquency rates may indicate that some consumers cannot continue spending at the current pace. A larger pull-back in spending is anticipated in the months following the holidays.

Individual Income Tax

- Total Individual Income tax year-to-date revenue for FY 2023-24 declined 13.4 percent from the same period in FY 2022-23. This decline is the result of Withholdings tax table changes that reduced collections starting in January 2023. Total collections are \$73.1 million above the fiscal-year-to-date estimate, which is mainly driven by stronger than expected Withholdings in October and November, as well as lower than expected Refunds in November.
- Withholdings decreased 8.7 percent in November compared to the same period in FY 2023 and are 8.5 percent lower for the entire fiscal-year-to-date relative to the same period last year. However, they are currently \$76.8 million ahead of our estimate.
- Stronger-than-anticipated growth in wages and salaries is likely driving the majority of the growth in Withholdings. Although Q3 2023 personal income data for SC have not been published yet, national average hourly earnings for production and non-supervisory employees on private nonfarm payrolls (published by the U.S. Bureau of

¹ The NRF defines holiday spending as retail sales for the months of November and December.

² The latest data release, Q3 2023, reveals that Real Household Financial Assets are up around 17.7 percent from the quarterly average of about \$75.9 trillion from 2014-2019, and Real Household Checkable Deposits and Currency are up around 208.6 percent from the quarterly average of about \$1.04 trillion from 2014-2019. Data sources: Board of Governors of the Federal Reserve System (US), Households: Checkable Deposits and Currency; Total Financial Assets; U.S. Bureau of Economic Analysis, Personal Consumption Expenditures: Chain-type Price Index was used to convert finance data into real terms.





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Labor Statistics) for the quarter averaged 4.5 percent over last year, just slightly lower than the 5 percent average annual growth rate during the first two calendar-year quarters of 2023.

- Non-withholdings have experienced a significantly larger decline of 25.1 percent through November, and collections are \$18 million behind the estimate. The shortfall in collections from Non-withholdings has been partially offset by lower-than-expected Refunds, which are approximately \$14.3 million lower than anticipated.

Corporate Income Tax and License Fees

- Corporate Income tax revenue through November is \$100.0 million above year-to-date estimates. Although collections have declined 11.7 percent compared to last fiscal year, revenues have not declined as much as anticipated. The expected overall decline for FY 2023-24 is 38.0 percent from the high point in collections reached in FY 2022-23.
- Corporate License fees have grown 14.7 percent this fiscal year through November and are currently \$12.9 million ahead of expectations.

Conclusion

While the income tax cuts have resulted in an expected decline in revenue, the decrease has not been as much as estimated due to better-than-forecasted economic activity. Consequently, actual revenues in excess of expectations increased from \$219.3 million in October to \$259.2 million in November. Withholdings contributed the majority of the increase in the excess this month, adding an additional \$41.6 million more than expected. Fiscal year-to-date revenues have declined 7.2 percent through November 2023 compared to the same timeframe last fiscal year. However, December 2023 collections will mark the last month of implementation of the new Withholdings tax tables. Refunds during tax filing season will be significantly smaller this fiscal year, as the income tax rate reduction will be largely offset by the Withholdings table change. With this change, growth in General Fund revenues is expected to be positive through the second half of FY 2023-24, and improve from the current 7.2 percent fiscal year-to-date decline to an annual decline of 1.6 percent from FY 2022-23.

Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be January 25, 2024.





November

Table 1

General Fund Revenue	FY 2022-23	FY 2023-24	\$ Change	% Change
Sales and Use Tax	\$381,217,981	\$389,572,894	\$8,354,913	2.2%
Individual Income Tax	\$638,846,959	\$525,584,163	(\$113,262,796)	(17.7%)
Corporation Income Tax	(\$12,197,500)	(\$18,299,820)	(\$6,102,320)	---
Insurance Taxes	\$2,142,256	\$2,378,116	\$235,860	11.0%
Admissions Tax	\$4,815,885	\$3,723,017	(\$1,092,868)	(22.7%)
Aircraft Tax	\$0	\$0	\$0	---
Alcoholic Liquor Tax	\$10,237,714	\$10,278,040	\$40,326	0.4%
Bank Tax	\$780,257	\$347,200	(\$433,057)	(55.5%)
Beer and Wine Tax	\$9,645,171	\$9,645,358	\$187	0.0%
Business Filing Fees	\$1,009,000	\$525,025	(\$483,975)	(48.0%)
Circuit/Family Court Fines	\$392,719	\$564,469	\$171,750	43.7%
Corporation License Tax	\$38,446,562	\$30,162,810	(\$8,283,752)	(21.5%)
Deed Recording Fees	\$10,822,626	\$9,583,361	(\$1,239,265)	(11.5%)
Earned on Investments	\$13,429,073	\$15,382,856	\$1,953,783	14.5%
Indirect Cost Recoveries	\$1,156,654	\$796,120	(\$360,534)	(31.2%)
Motor Vehicle Licenses	\$1,844,577	\$917,462	(\$927,115)	(50.3%)
Nursing Home Fees	\$0	\$0	\$0	---
Parole and Probation Fees	\$282,734	\$282,734	\$0	0.0%
Private Car Lines Tax	\$1,258,679	\$377,772	(\$880,907)	(70.0%)
Public Service Authority	\$0	\$0	\$0	---
Purchasing Card Rebates	\$0	\$0	\$0	---
Record Search Fees	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	(\$203,279)	(\$2)	\$203,277	---
Security Dealer Fees	\$809,103	\$791,253	(\$17,850)	(2.2%)
Tobacco Tax	\$2,108,205	\$2,447,749	\$339,544	16.1%
Unclaimed Property Fund	\$3,750,000	\$3,750,000	\$0	0.0%
Workers' Comp. Insurance Tax	(\$1,000,000)	(\$799,800)	\$200,200	---
Other Source Revenues	\$306,744	(\$3,054,854)	(\$3,361,598)	---
Gross General Fund Revenue	\$1,109,902,118	\$984,955,923	(\$124,946,195)	(11.3%)

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.

Figures are as of December 11, 2023 and subject to change during year-end.



July - November

Table 2

General Fund Revenue	FY 2022-23	FY 2023-24	\$ Change	% Change
Sales and Use Tax	\$1,547,326,812	\$1,589,217,961	\$41,891,149	2.7%
Individual Income Tax	\$3,129,247,877	\$2,709,764,226	(\$419,483,651)	(13.4%)
Corporation Income Tax	\$268,735,254	\$237,166,084	(\$31,569,170)	(11.7%)
Insurance Taxes	\$122,573,153	\$91,562,581	(\$31,010,572)	(25.3%)
Admissions Tax	\$7,381,050	\$8,095,680	\$714,630	9.7%
Aircraft Tax	\$0	\$0	\$0	---
Alcoholic Liquor Tax	\$40,243,319	\$41,291,847	\$1,048,528	2.6%
Bank Tax	\$15,932,508	\$20,605,186	\$4,672,678	29.3%
Beer and Wine Tax	\$40,511,100	\$39,370,097	(\$1,141,003)	(2.8%)
Business Filing Fees	\$4,510,310	\$4,123,972	(\$386,338)	(8.6%)
Circuit/Family Court Fines	\$2,464,919	\$2,726,231	\$261,312	10.6%
Corporation License Tax	\$109,294,223	\$125,407,933	\$16,113,710	14.7%
Deed Recording Fees	\$46,736,188	\$40,028,914	(\$6,707,274)	(14.4%)
Earned on Investments	\$74,530,473	\$111,002,180	\$36,471,707	48.9%
Indirect Cost Recoveries	\$6,509,851	\$5,216,324	(\$1,293,527)	(19.9%)
Motor Vehicle Licenses	\$4,716,252	\$3,895,332	(\$820,920)	(17.4%)
Nursing Home Fees	\$802,052	\$778,311	(\$23,741)	(3.0%)
Parole and Probation Fees	\$1,413,670	\$1,413,670	\$0	0.0%
Private Car Lines Tax	\$1,809,152	\$1,688,330	(\$120,822)	(6.7%)
Public Service Authority	\$0	\$0	\$0	---
Purchasing Card Rebates	\$0	\$0	\$0	---
Record Search Fees	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	(\$1,151,253)	\$676,731	\$1,827,984	---
Security Dealer Fees	\$2,833,160	\$2,723,091	(\$110,069)	(3.9%)
Tobacco Tax	\$9,332,066	\$9,835,926	\$503,860	5.4%
Unclaimed Property Fund	\$7,500,000	\$7,500,000	\$0	0.0%
Workers' Comp. Insurance Tax	(\$499,366)	\$257,715	\$757,081	---
Other Source Revenues	\$14,340,784	\$10,344,634	(\$3,996,150)	(27.9%)
Gross General Fund Revenue	\$5,457,093,553	\$5,064,692,956	(\$392,400,597)	(7.2%)

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.

Figures are as of December 11, 2023 and subject to change during year-end.