



REVENUE DIGEST

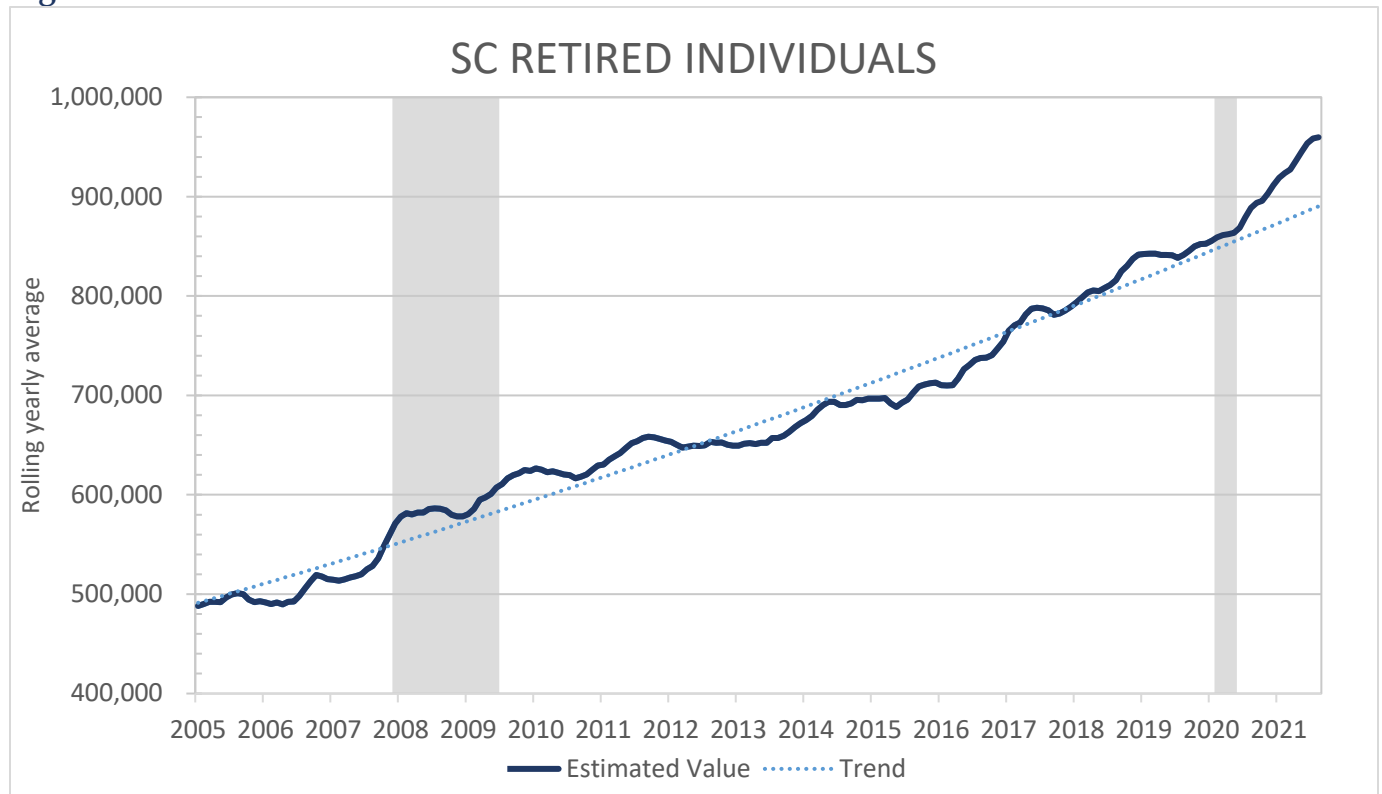
SEPTEMBER 2021, FY 2021-22

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South Carolina Economy

South Carolina’s nonfarm employment is 1.72 percent below pre-pandemic levels and in line with the current estimate. However, total levels have remained effectively unchanged between June and August. This may indicate a leveling off in the employment recovery and a resumption of historical employment growth. The high number of individuals that exited the labor force during the COVID-19 pandemic, particularly retirees, may be contributing to this new lower employment level¹. Figure 1 below shows the estimated number of retired individuals in South Carolina, which grew above the historical trend during 2021.

Figure 1. Estimated Number of Retired Individuals in South Carolina vs. Historical Trend



Personal income for the most recent quarter, Q2 of 2021, was 0.6 percent below the same quarter of the previous year, which was elevated due to increased transfer receipts from federal programs during the initial phase of the pandemic. Excluding transfer receipts, personal income increased 10.7 percent year-over-year in Q2 of this year, an elevated growth rate that is partly due to the lower income base in Q2 of 2020 when businesses closed at the start of the pandemic. These anomalies make it difficult to draw conclusions about the trend of personal income

¹ Integrated Public Use Microdata Series, Current Population Survey: Version 9.0: IPUMS, 2021.



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growth due to the volatility in the percentage changes. However, annualized personal income growth excluding transfer receipts over the past three years is 4.3 percent, indicating real growth in personal income during this turbulent year.

General Fund Revenue

September’s strong collections across a majority of tax categories reflect the State’s continued and significant revenue growth over the past year. Revenues grew 18.4 percent in September compared to the prior year, resulting in a year-to-date General Fund revenue increase of 21.5 percent for FY 2021-22. Total collections are currently \$508.2 million higher than last fiscal year and \$457.4 million ahead of expectations. Strong wage growth and sustained spending on taxable goods are driving this year’s robust collections.

Table 1. General Fund Revenue Growth Summary

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2021-22 Annual Forecast
Sales Tax	19.7%	23.7%	(10.6%)
Individual Income Tax	14.1%	19.9%	(6.6%)
Corporation Income Tax	79.3%	52.4%	(30.4%)
Other Revenue Items	(3.9%)	6.0%	(16.8%)
Total General Fund Revenue	18.4%	21.5%	(10.5%)

Revenue Categories

Sales Tax

- Sales tax revenue grew 19.7 percent in September 2021 compared to September 2020.
- Growth for the first quarter of FY 2021-22 reached 23.7 percent over last fiscal year, greatly surpassing forecasted growth of 1.5 percent and running \$132.5 million ahead of the forecast. This growth is partially driven by a one-time Sales tax audit payment of \$25 million in August 2021. Correcting for this audit payment yields an adjusted cumulative growth rate of 19.5 percent.
- Economic stimulus payments allowed individuals to increase their personal saving rate and decrease their debt service payments as a share of disposable income, which has increased consumers’ overall capacity to spend. This additional buying capacity is driving elevated spending above pre-pandemic levels in restaurants and hotels by 27.3 percent and in retail by 40.8 percent, with total spending up 23.0 percent².

² Harvard University, Brown University, and the Bill and Melinda Gates Foundation. “Opportunity Insights: Economic Tracker.” Track the Recovery, 2021. <https://tracktherecovery.org>





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Individual Income Tax

- Individual Income tax revenue grew 14.1 percent in September over the previous year, resulting in first quarter growth of 19.9 percent growth, and is \$173.7 million above the estimate. This growth is partially due to late July 2020 filings that did not meet the deadline to be accrued back to FY 2019-20, which increased Refunds and Non-Withholdings. Correcting for the extra Refunds and Non-Withholdings from the same period in FY 2020-21, yields an adjusted cumulative growth rate of 13.0 percent.
- Current Individual Income tax collections are exceeding the estimate by \$173.7 million. This excess is mostly driven by Withholdings and Non-Withholdings collections, which are above their estimates by 10.4 percent and 15.4 percent, respectively.
- Withholdings collections drove high Individual Income tax growth during this quarter. After another strong month of 9.8 percent growth, quarterly Withholdings growth settled at 10.6 percent. In the previous two fiscal years, the first quarter saw year-to-date growth rates of 4.6 percent and 6.6 percent, respectively. Accordingly, growth for the first quarter of FY 2021-22 appears to be driven by continued wage growth rather than base effects.
- Due to an estimated \$59.6 million in extra Non-Withholdings revenue in FY 2020-21 that was not accrued back to the previous fiscal year, Non-Withholdings collections are artificially down 2.9 percent year-to-date. However, annualized growth over the last three years is a robust 13.0 percent, and current monthly growth reached 17.9 percent during the first quarter of the fiscal year.
- Due to the aforementioned \$146.8 million in extra Refunds from a year ago, Refunds are down 51.5 percent over the previous year. Annualized growth over the same period in FY 2019-20, however, was 5.6 percent. With nearly 95 percent of expected Refunds remaining, it is too early to draw any major conclusions from these growth rates.

Corporate Income and License Tax

- Corporate Income tax revenue for the month totaled \$157.6 million and is currently \$100.8 million ahead of the estimate year-to-date. Meanwhile, Corporate License tax came in at \$6.8 million and is currently \$3.7 million above the estimate.
- Corporate Income tax revenue is projected to decrease by 30.4 percent over the full fiscal year, and Corporate License tax is projected to decrease by 31.7 percent as business practices and revenue streams settle back to more historical trends. Currently, these categories are up 52.4 percent and down 7.4 percent year-to-date, respectively. Strong corporate profit growth coming out of the pandemic likely contributed to exceptional Corporate Income tax growth during this time.

Conclusion

Revenues for the first quarter of this fiscal year exceeded monthly estimates in all major categories, extending the positive trend from FY 2020-21. As stimulus payments allowed individuals to increase their personal saving rate and pay down their debt service payments,





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consumers have maintained higher spending compared to pre-pandemic levels, which is driving up Sales tax growth. Meanwhile, persistent wage growth has resulted in stronger than anticipated growth in Withholdings.

Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be on November 10, 2021, when the Board will review the forecast for FY 2021-22 and adopt an initial forecast for FY 2022-23.





September

Table 1

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$293,626,664	\$351,502,404	\$57,875,740	19.7%
Individual Income Tax	\$565,715,617	\$645,477,693	79,762,076	14.1%
Corporation Income Tax	\$87,880,024	\$157,550,660	69,670,636	79.3%
Insurance Taxes	\$89,967,646	\$64,245,864	(25,721,782)	(28.6%)
Admissions Tax	\$3,214,318	\$4,345,359	1,131,041	35.2%
Aircraft Tax	\$0	\$0	0	---
Alcoholic Liquor Tax	\$6,525,348	\$8,277,149	1,751,801	26.8%
Bank Tax	\$3,750,212	\$14,719,905	10,969,693	292.5%
Beer and Wine Tax	\$9,521,633	\$9,797,831	276,198	2.9%
Bingo Tax	\$7,887	(\$59,419)	(67,306)	---
Business Filing Fees	\$1,001,061	\$963,332	(37,729)	(3.8%)
Circuit/Family Court Fines	\$470,716	\$633,377	162,661	34.6%
Corporation License Tax	\$6,498,055	\$6,804,606	306,551	4.7%
Documentary Tax	\$8,956,733	\$12,538,048	3,581,315	40.0%
Earned on Investments	\$5,466,086	\$8,295,900	2,829,814	51.8%
Indirect Cost Recoveries	\$938,011	\$1,540,157	602,146	64.2%
Motor Vehicle Licenses	\$1,721,669	\$342,600	(1,379,069)	(80.1%)
Nursing Home Fees	\$0	\$0	0	---
Parole and Probation Fees	\$282,734	\$282,734	0	0.0%
Private Car Lines Tax	\$0	\$0	0	---
Public Service Authority	\$0	\$0	0	---
Purchasing Card Rebates	\$0	\$0	0	---
Record Search Fees	\$0	\$0	0	---
Savings and Loan Assoc. Tax	\$1,348,401	\$410,990	(937,411)	(69.5%)
Security Dealer Fees	\$638,078	\$915,377	277,299	43.5%
Surcharge on Vehicle Rentals	\$83	\$0	(83)	---
Tobacco Tax	\$2,208,490	\$2,300,376	91,886	4.2%
Uncashed Checks	(\$231,205)	(\$53,201)	178,004	---
Unclaimed Property Fund	\$0	\$0	0	---
Workers' Comp. Insurance Tax	\$3,468,672	\$3,488,921	20,249	0.6%
Other Source Revenues	\$753,239	\$974,012	220,773	29.3%
Gross General Fund Revenue	\$1,093,730,170	\$1,295,294,675	\$201,564,505	18.4%

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 - September

Table 2

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$598,583,902	\$740,175,144	\$141,591,242	23.7%
Individual Income Tax	\$1,426,253,015	\$1,709,993,042	283,740,027	19.9%
Corporation Income Tax	\$134,259,628	\$204,568,559	70,308,931	52.4%
Insurance Taxes	\$92,778,020	\$71,770,997	(21,007,023)	(22.6%)
Admissions Tax	(\$528,989)	\$1,569,862	2,098,851	---
Aircraft Tax	\$0	\$0	0	---
Alcoholic Liquor Tax	\$15,536,413	\$18,683,958	3,147,545	20.3%
Bank Tax	\$5,515,640	\$14,043,162	8,527,522	154.6%
Beer and Wine Tax	\$20,902,773	\$20,968,404	65,631	0.3%
Bingo Tax	\$139,088	\$64,893	(74,195)	(53.3%)
Business Filing Fees	\$2,444,363	\$2,417,660	(26,703)	(1.1%)
Circuit/Family Court Fines	\$1,327,010	\$1,638,119	311,109	23.4%
Corporation License Tax	\$15,129,718	\$14,002,880	(1,126,838)	(7.4%)
Documentary Tax	\$17,411,621	\$25,151,767	7,740,146	44.5%
Earned on Investments	\$16,947,654	\$22,719,479	5,771,825	34.1%
Indirect Cost Recoveries	\$1,262,979	\$2,166,104	903,125	71.5%
Motor Vehicle Licenses	\$1,733,954	\$1,429,937	(304,017)	(17.5%)
Nursing Home Fees	\$0	\$0	0	---
Parole and Probation Fees	\$848,202	\$848,202	0	0.0%
Private Car Lines Tax	\$300	\$0	(300)	---
Public Service Authority	\$0	\$0	0	---
Purchasing Card Rebates	\$0	\$0	0	---
Record Search Fees	\$0	\$0	0	---
Savings and Loan Assoc. Tax	\$1,501,969	\$448,409	(1,053,560)	(70.1%)
Security Dealer Fees	\$659,942	\$919,361	259,419	39.3%
Surcharge on Vehicle Rentals	\$9,929	\$5,466	(4,463)	(44.9%)
Tobacco Tax	\$4,586,841	\$5,102,284	515,443	11.2%
Uncashed Checks	\$4,793,225	\$9,189,937	4,396,712	91.7%
Unclaimed Property Fund	\$3,750,000	\$3,750,000	0	0.0%
Workers' Comp. Insurance Tax	\$469,197	\$1,090,430	621,233	132.4%
Other Source Revenues	\$1,539,497	\$3,355,452	1,815,955	118.0%
Gross General Fund Revenue	\$2,367,855,891	\$2,876,073,508	\$508,217,617	21.5%

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.