



REVENUE DIGEST

FEBRUARY 2021, FY 2020-21

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South Carolina Economy

Although our previous report noted that South Carolina had recovered 88 percent of jobs lost since COVID-19 impacted the state, recently revised data has adjusted this percentage downward. A more comprehensive analysis of this issue will be presented at the April meeting of the Board of Economic Advisors.

General Fund Revenue

February revenues experienced an abnormal amount of growth due to income tax refunds being delayed following the postponement in tax filing season from January 25 to February 12, consistent with the Internal Revenue Service (IRS). Revenues grew 287.5 percent for the month compared to the prior year, which resulted in a year-to-date General Fund revenue increase of 13.7 percent for FY 2020-21. Total collections are currently \$849.2 million higher than last fiscal year and \$1,056.2 million ahead of anticipated collections. As individual income tax returns continue to be processed and refunds issued, this growth is expected to decrease. However, additional monthly abnormalities are expected over the rest of the fiscal year due to the filing extensions allowed last year for income, sales, and other taxes.

Table 1. General Fund Revenue Growth Summary

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2020-21 Annual Forecast
Sales Tax	14.9%	7.9%	2.6%
Individual Income Tax	*	19.1%	(6.5%)
Corporation Income Tax	(13.8%)	20.6%	(12.4%)
Other Revenue Items	12.0%	1.1%	(4.8%)
Total General Fund Revenue	287.5%	13.7%	(3.5%)

*negative values result in an undefined growth rate

Revenue Categories

Sales Tax

- Sales tax revenue grew 14.9 percent in February 2021 compared to February 2020, and year-to-date collections are 7.9 percent above last year.
- Collections are currently running \$182.1 million ahead of the forecast.
- Sales tax growth continues to be driven up by consumers spending more on goods, which are largely taxable, and less on services, which are largely non-taxable. Overall, total consumer spending in South Carolina was up 2.2 percent as of February 28, 2021





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compared to January 2020, driven by an increase in retail spending of 15.6 percent. Spending on services continues to be down relative to January 2020, with spending on restaurants and hotels down 1.6 percent and entertainment and recreation down 36.3 percent relative to January 2020¹.

- With the passage of the federal *American Rescue Plan Act of 2021*, qualified individuals will receive a direct economic stimulus payment up to \$1,400. This additional federal payment may result in high sales tax growth over the next several months if consumers continue to spend more on taxable goods.

Individual Income Tax

- Individual Income tax revenue grew \$784.1 million in February 2021 compared to February 2020. This abnormal amount of growth is due to income tax refunds being delayed following the postponement in the start of tax filing season by the IRS, which reduced this month's refunds by \$483.4 million compared to last year. As a result, fiscal year-to-date Individual Income tax growth is up from 3.7 percent in January to 19.1 percent growth in February. However, as income tax returns are processed over the upcoming months, we expect that this trend will reverse. Refunds are projected to increase by 16.8 percent over the full fiscal year.
- Withholdings and Non-Withholdings grew by \$37.4 million and \$3.8 million in February 2021 compared to February 2020, respectively.

Corporate Income Tax

- Corporate Income tax revenue is down \$1.1 million for February, and Corporate License tax is up \$1.1 million, offsetting each other.
- Despite the recent decline in Corporate Income tax, year-to-date Corporate Income tax and Corporate License tax are both ahead of expectations. Corporate Income tax is currently \$47.8 million ahead of the forecast, and Corporate License tax is \$30.7 million ahead of the estimate.

Conclusion

Revenues exceeded monthly estimates as individual income tax processing started later this year than last, but this excess is expected to trend back to normal with additional growth in total refunds over the coming months. With the delay in tax filing season, much of the revenue impact of refunds and payments is yet to be determined. These factors and more will be discussed at the April meeting.

¹ 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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Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be on April 8, 2021 via videoconference to consider the third quarter results and the revenue forecast in accordance with S.C. Code of Laws §§11-9-1130 and 1140.





February

Table 1

General Fund Revenue	FY 2019-20	FY 2020-21	\$ Change	% Change
Sales and Use Tax	\$245,944,686	\$282,539,068	\$36,594,382	14.9%
Individual Income Tax	(\$103,859,065)	\$420,752,944	524,612,009	---
Corporation Income Tax	\$8,253,055	\$7,115,968	(1,137,087)	(13.8%)
Insurance Taxes	\$2,831,755	\$2,654,306	(177,449)	(6.3%)
Admissions Tax	\$2,280,391	\$1,904,296	(376,095)	(16.5%)
Aircraft Tax	(\$62)	(\$474)	(412)	---
Alcoholic Liquor Tax	\$7,151,551	\$6,556,996	(594,555)	(8.3%)
Bank Tax	\$89,724	\$4,643,758	4,554,034	5,075.6%
Beer and Wine Tax	\$8,693,079	\$7,961,617	(731,462)	(8.4%)
Bingo Tax	\$37,772	\$47,219	9,447	25.0%
Business Filing Fees	\$1,040,968	\$1,112,687	71,720	6.9%
Circuit/Family Court Fines	\$284,973	\$315,629	30,656	10.8%
Corporation License Tax	\$2,566,542	\$3,697,550	1,131,008	44.1%
Documentary Tax	\$7,393,931	\$8,460,668	1,066,737	14.4%
Earned on Investments	\$6,065,933	\$5,953,971	(111,962)	(1.8%)
Indirect Cost Recoveries	\$1,440,660	\$884,546	(556,114)	(38.6%)
Motor Vehicle Licenses	\$1,089,174	\$422,380	(666,794)	(61.2%)
Nursing Home Fees	\$0	\$0	0	---
Parole and Probation Fees	\$565,468	\$282,734	(282,734)	(50.0%)
Private Car Lines Tax	\$106,136	\$76,860	(29,276)	(27.6%)
Public Service Authority	\$0	\$0	0	---
Purchasing Card Rebates	\$0	\$0	0	---
Record Search Fees	\$0	\$0	0	---
Savings and Loan Assoc. Tax	\$155,973	\$0	(155,973)	---
Security Dealer Fees	\$699,036	\$769,780	70,744	10.1%
Surcharge on Vehicle Rentals	(\$2,187,899)	(\$1,000)	2,186,899	---
Tobacco Tax	\$2,214,491	\$2,162,395	(52,096)	(2.4%)
Uncashed Checks	(\$109,957)	(\$32,163)	77,794	---
Unclaimed Property Fund	\$3,750,000	\$3,750,000	0	0.0%
Workers' Comp. Insurance Tax	(\$399,525)	(\$400,000)	(475)	---
Other Source Revenues	\$635,289	\$747,737	112,448	17.7%
Gross General Fund Revenue	\$196,734,077	\$762,379,472	\$565,645,395	287.5%

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 - February

Table 2

General Fund Revenue	FY 2019-20	FY 2020-21	\$ Change	% Change
Sales and Use Tax	\$1,951,809,767	\$2,106,360,491	\$154,550,724	7.9%
Individual Income Tax	\$3,420,662,158	\$4,074,769,303	654,107,145	19.1%
Corporation Income Tax	\$160,881,743	\$194,028,065	33,146,322	20.6%
Insurance Taxes	\$119,471,101	\$159,325,576	39,854,475	33.4%
Admissions Tax	\$14,735,012	\$10,993,375	(3,741,637)	(25.4%)
Aircraft Tax	\$2,620,851	\$2,876,848	255,997	9.8%
Alcoholic Liquor Tax	\$49,222,221	\$54,306,782	5,084,561	10.3%
Bank Tax	\$38,993,004	\$12,287,582	(26,705,422)	(68.5%)
Beer and Wine Tax	\$65,809,406	\$67,524,049	1,714,643	2.6%
Bingo Tax	\$62,664	\$186,956	124,292	198.3%
Business Filing Fees	\$4,652,649	\$7,208,962	2,556,314	54.9%
Circuit/Family Court Fines	\$3,857,711	\$3,290,788	(566,923)	(14.7%)
Corporation License Tax	\$116,924,971	\$126,435,848	9,510,877	8.1%
Documentary Tax	\$50,105,173	\$64,610,890	14,505,717	29.0%
Earned on Investments	\$74,107,201	\$42,062,073	(32,045,128)	(43.2%)
Indirect Cost Recoveries	\$6,895,252	\$8,267,528	1,372,276	19.9%
Motor Vehicle Licenses	\$6,651,953	\$6,190,640	(461,313)	(6.9%)
Nursing Home Fees	\$1,758,735	\$1,712,504	(46,231)	(2.6%)
Parole and Probation Fees	\$2,261,872	\$2,261,872	0	0.0%
Private Car Lines Tax	\$6,329,184	\$6,682,540	353,356	5.6%
Public Service Authority	\$8,952,000	\$8,984,000	32,000	0.4%
Purchasing Card Rebates	\$3,226,732	\$3,088,613	(138,119)	(4.3%)
Record Search Fees	\$0	\$0	0	---
Savings and Loan Assoc. Tax	\$6,027,904	\$906,203	(5,121,701)	(85.0%)
Security Dealer Fees	\$24,989,832	\$25,915,610	925,778	3.7%
Surcharge on Vehicle Rentals	(\$822,516)	(\$848)	821,668	---
Tobacco Tax	\$15,378,769	\$16,551,202	1,172,433	7.6%
Uncashed Checks	\$2,904,871	\$4,207,986	1,303,115	44.9%
Unclaimed Property Fund	\$11,250,000	\$11,250,000	0	0.0%
Workers' Comp. Insurance Tax	\$2,865,471	\$2,095,464	(770,007)	(26.9%)
Other Source Revenues	\$8,968,928	\$6,358,999	(2,609,929)	(29.1%)
Gross General Fund Revenue	\$6,181,554,619	\$7,030,739,901	\$849,185,282	13.7%

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.