



# REVENUE DIGEST

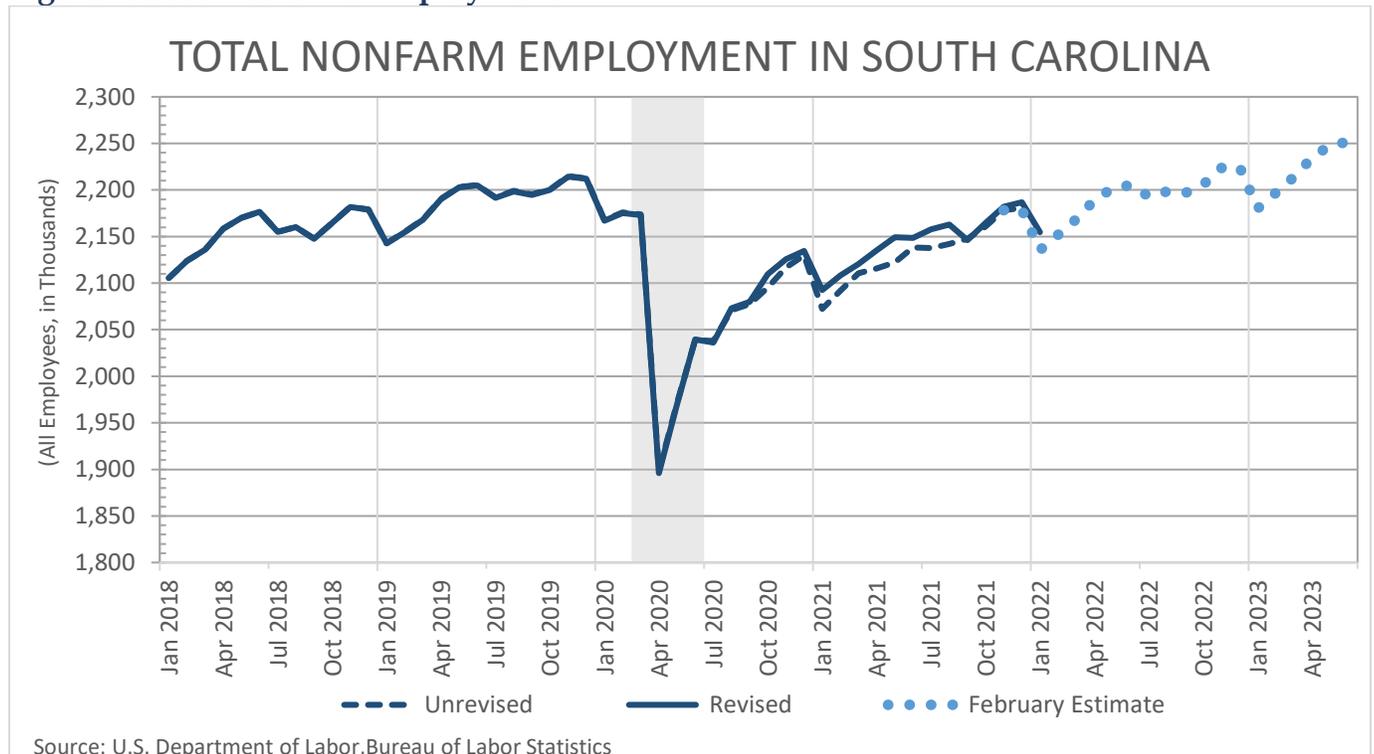
FEBRUARY 2022, FY 2021-22

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## South Carolina Economy

In the annual revision to employment data released by the Bureau of Labor Statistics, South Carolina saw upward revisions to nonfarm employment stretching from October 2020 to August 2021. During this time frame, revised monthly employment was 15,690 jobs, or about 0.7 percent, higher on average than previously reported. Year-over-year increases were concentrated in Trade, Transportation, and Utilities, Leisure and Hospitality, and Manufacturing. However, while most industries are at or above their pre-pandemic levels, Leisure and Hospitality, Government, and Education and Health Services continue to lag behind.

Figure 1. South Carolina Employment



## General Fund Revenue

Strong fiscal year-to-date collections continued across most categories in February, although tax refund processing brought year-to-date General Fund growth in FY 2021-22 down from 20.1 percent in January to 14.3 percent in February. This decrease in actual growth stems from a timing issue, as the delayed start to tax filing season in 2021 resulted in an artificially high revenue base for February 2021. As such, the high growth rate in Refunds this month compared to last year is expected to stabilize in coming months.



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Year-to-date total General Fund collections are currently \$149.0 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. The forecast reflected the earlier start to tax season this year, but Refunds are below expectations through February.

Strong wage growth, sustained consumer spending, and high corporate profits are expected to continue driving robust collections throughout Q3. However, revenue growth in FY 2021-22 Q4 is anticipated to be negative following a period of highly elevated economic activity during Q4 of the previous year, which saw 23.8 percent growth in General Fund revenues.

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

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2021-22 Annual Forecast
Sales Tax	9.9%	18.6%	5.8%
Individual Income Tax	(69.3%)	8.9%	6.9%
Corporation Income Tax	59.3%	87.9%	20.7%
Other Revenue Items	9.2%	11.9%	(0.2%)
<b>Total General Fund Revenue</b>	<b>(33.4%)</b>	<b>14.3%</b>	<b>6.6%</b>

## Revenue Categories

### Sales Tax

- Sales tax revenue grew 9.9 percent in February 2022 compared to February 2021. This is the first month of single digit growth in FY 2021-22, partially due to an extremely high February 2021 base, which saw 14.9 percent growth over February 2020 levels.
- Year-to-date growth for FY 2021-22 fell from 20.0 percent to 18.6 percent in February. This decline in Sales tax growth was largely in line with the forecast, which was within \$6.8 million of actual collections.
- Excess savings accumulated during 2020 and 2021 continue to boost consumers' overall capacity to spend. This additional buying capacity is driving elevated spending above pre-pandemic levels. The forecast anticipates Sales tax growth will continue throughout Q3. However, 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.





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## Individual Income Tax

- Individual Income tax revenue decreased 69.3 percent in February as an earlier start in tax return processing allowed for a significantly larger number of refunds to be processed. Consequently, the fiscal year-to-date growth declined from 17 percent to 8.9 percent. Total Individual Income tax collections, however, are exceeding the estimate by \$97.2 million.
- Of the excess total Individual Income Tax, \$55.6 million is the result of another strong month of Withholdings collections that grew 12.3 percent. This exceptional growth is over a February 2021 that itself grew 8.0 percent over the previous year. Withholdings growth is reflective of an incredibly tight labor market and continued wage growth. However, growth for the year is expected to fall to 8.6 percent due to the highly elevated growth at the end of FY 2020-21.
- While Refunds were above last year, total processing is below expectations for February and added \$34.7 million to the year-to-date surplus. This surplus is expected to diminish as tax filing season progresses.
- Non-Withholdings revenue was up 6.2 percent year to date in February and \$6.9 million above the estimate in total. Shifting trends in self-employment and financial investments, as well as Federal Reserve actions in the coming months, may influence collections for the rest of the fiscal year. Due to these dynamics and highly elevated growth to close out FY 2020-21, growth is expected to fall to -8.7 percent for the year. Annualized growth for FY 2021-22, however, over the pre-pandemic base of FY 2018-19 is still expected to be a strong 6.1 percent.

## Corporate Income and License Tax

- Corporate Income tax revenue totaled \$11.3 million in February 2022, bringing fiscal year-to-date growth up to 87.9 percent. Revenues are currently within \$1.1 million of the estimate. However, this growth is not likely to be indicative of future performance as over half of Corporate Income tax collections are received during the last four months of the fiscal year.
- Year-to-date Corporate License tax growth reached 9.6 percent in February. Total collections were \$3.6 million above the estimate.
- Retail sales are a significant indicator of Corporate Income tax collections and have been well above the historical trend since June 2020. The retail industry's performance is likely contributing to the high, sustained Corporate Income tax growth during this time.

## Conclusion

Revenues are meeting or exceeding the February 2022 estimate in most major categories. Collections are currently running \$149.0 million ahead of the estimate, mostly due to higher than expected growth in Withholdings and temporary timing effects from refund processing. Record growth in Sales, Corporate Income, and Non-Withholdings revenues at the end of FY





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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. While growth in Q4 is expected to be negative, the annual estimate does forecast 6.6 percent growth over last fiscal year, which saw a record-breaking 13.2 percent growth rate.

Upcoming Federal Reserve decisions, ongoing uncertainty regarding inflation, and the current crisis in Ukraine are potential sources of disruption to the robust growth seen across revenue categories year-to-date. These factors are being carefully monitored by the Board of Economic Advisors as they prepare for the April 7, 2022 meeting, at which time any potential revisions to the forecast will be considered.

## Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be April 7, 2022. Pursuant to statute, the FY 2021-22 and FY 2022-23 revenue forecasts will be reviewed.





February

Table 1

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$282,539,068	\$310,393,174	\$27,854,106	9.9%
Individual Income Tax	\$420,752,944	\$129,301,392	(\$291,451,552)	(69.3%)
Corporation Income Tax	\$7,115,968	\$11,336,480	\$4,220,512	59.3%
Insurance Taxes	\$2,654,306	\$2,824,828	\$170,522	6.4%
Admissions Tax	\$1,904,296	\$2,671,018	\$766,722	40.3%
Aircraft Tax	(\$474)	\$0	\$474	---
Alcoholic Liquor Tax	\$6,556,996	\$7,650,346	\$1,093,350	16.7%
Bank Tax	\$4,643,758	\$260,940	(\$4,382,818)	(94.4%)
Beer and Wine Tax	\$7,961,617	\$8,060,015	\$98,398	1.2%
Bingo Tax	\$47,219	(\$31,444)	(\$78,663)	---
Business Filing Fees	\$1,112,687	\$1,165,996	\$53,309	4.8%
Circuit/Family Court Fines	\$315,629	\$588,154	\$272,525	86.3%
Corporation License Tax	\$3,697,550	\$3,094,099	(\$603,451)	(16.3%)
Documentary Tax	\$8,460,668	\$11,168,027	\$2,707,360	32.0%
Earned on Investments	\$5,953,971	\$10,663,172	\$4,709,201	79.1%
Indirect Cost Recoveries	\$884,546	\$928,463	\$43,917	5.0%
Motor Vehicle Licenses	\$422,380	\$9,700	(\$412,680)	(97.7%)
Nursing Home Fees	\$0	\$0	\$0	---
Parole and Probation Fees	\$282,734	\$282,734	\$0	0.0%
Private Car Lines Tax	\$76,860	\$497,171	\$420,311	546.9%
Public Service Authority	\$0	\$0	\$0	---
Purchasing Card Rebates	\$0	\$0	\$0	---
Record Search Fees	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	\$0	\$59,938	\$59,938	---
Security Dealer Fees	\$769,780	\$922,050	\$152,270	19.8%
Surcharge on Vehicle Rentals	(\$1,000)	\$0	\$1,000	---
Tobacco Tax	\$2,162,395	\$2,202,885	\$40,490	1.9%
Uncashed Checks	(\$32,163)	(\$639,367)	(\$607,204)	---
Unclaimed Property Fund	\$3,750,000	\$3,750,000	\$0	0.0%
Workers' Comp. Insurance Tax	(\$400,000)	(\$800,000)	(\$400,000)	---
Other Source Revenues	\$747,737	\$1,409,557	\$661,820	88.5%
<b>Gross General Fund Revenue</b>	<b>\$762,379,470</b>	<b>\$507,769,328</b>	<b>(\$254,610,142)</b>	<b>(33.4%)</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 - February

Table 2

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$2,106,360,492	\$2,499,107,340	\$392,746,848	18.6%
Individual Income Tax	\$4,074,769,303	\$4,437,872,130	\$363,102,827	8.9%
Corporation Income Tax	\$194,028,064	\$364,482,905	\$170,454,841	87.9%
Insurance Taxes	\$159,325,575	\$142,664,767	(\$16,660,808)	(10.5%)
Admissions Tax	\$10,993,376	\$20,465,328	\$9,471,952	86.2%
Aircraft Tax	\$2,876,848	\$1,250,000	(\$1,626,848)	(56.5%)
Alcoholic Liquor Tax	\$54,306,782	\$63,346,249	\$9,039,467	16.6%
Bank Tax	\$12,287,581	\$25,681,756	\$13,394,175	109.0%
Beer and Wine Tax	\$67,524,050	\$68,572,505	\$1,048,455	1.6%
Bingo Tax	\$186,956	\$140,038	(\$46,918)	(25.1%)
Business Filing Fees	\$7,208,961	\$7,537,441	\$328,480	4.6%
Circuit/Family Court Fines	\$3,290,788	\$3,792,907	\$502,119	15.3%
Corporation License Tax	\$126,435,849	\$138,572,983	\$12,137,134	9.6%
Documentary Tax	\$64,610,891	\$92,804,909	\$28,194,018	43.6%
Earned on Investments	\$42,062,073	\$51,273,922	\$9,211,849	21.9%
Indirect Cost Recoveries	\$8,267,528	\$11,561,328	\$3,293,800	39.8%
Motor Vehicle Licenses	\$6,190,639	\$6,216,424	\$25,785	0.4%
Nursing Home Fees	\$1,712,504	\$1,635,341	(\$77,163)	(4.5%)
Parole and Probation Fees	\$2,261,872	\$2,261,872	\$0	0.0%
Private Car Lines Tax	\$6,682,540	\$6,847,833	\$165,293	2.5%
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	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	\$906,203	\$869,226	(\$36,977)	(4.1%)
Security Dealer Fees	\$25,915,610	\$28,320,984	\$2,405,374	9.3%
Surcharge on Vehicle Rentals	(\$848)	(\$36)	\$812	---
Tobacco Tax	\$16,551,203	\$16,845,534	\$294,331	1.8%
Uncashed Checks	\$4,207,986	\$6,668,010	\$2,460,024	58.5%
Unclaimed Property Fund	\$11,250,000	\$11,250,000	\$0	0.0%
Workers' Comp. Insurance Tax	\$2,095,464	\$1,657,031	(\$438,433)	(20.9%)
Other Source Revenues	\$6,358,999	\$11,123,184	\$4,764,185	74.9%
<b>Gross General Fund Revenue</b>	<b>\$7,030,739,900</b>	<b>\$8,035,128,932</b>	<b>\$1,004,389,032</b>	<b>14.3%</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.