



REVENUE DIGEST

JUNE 2021, FY 2020-21

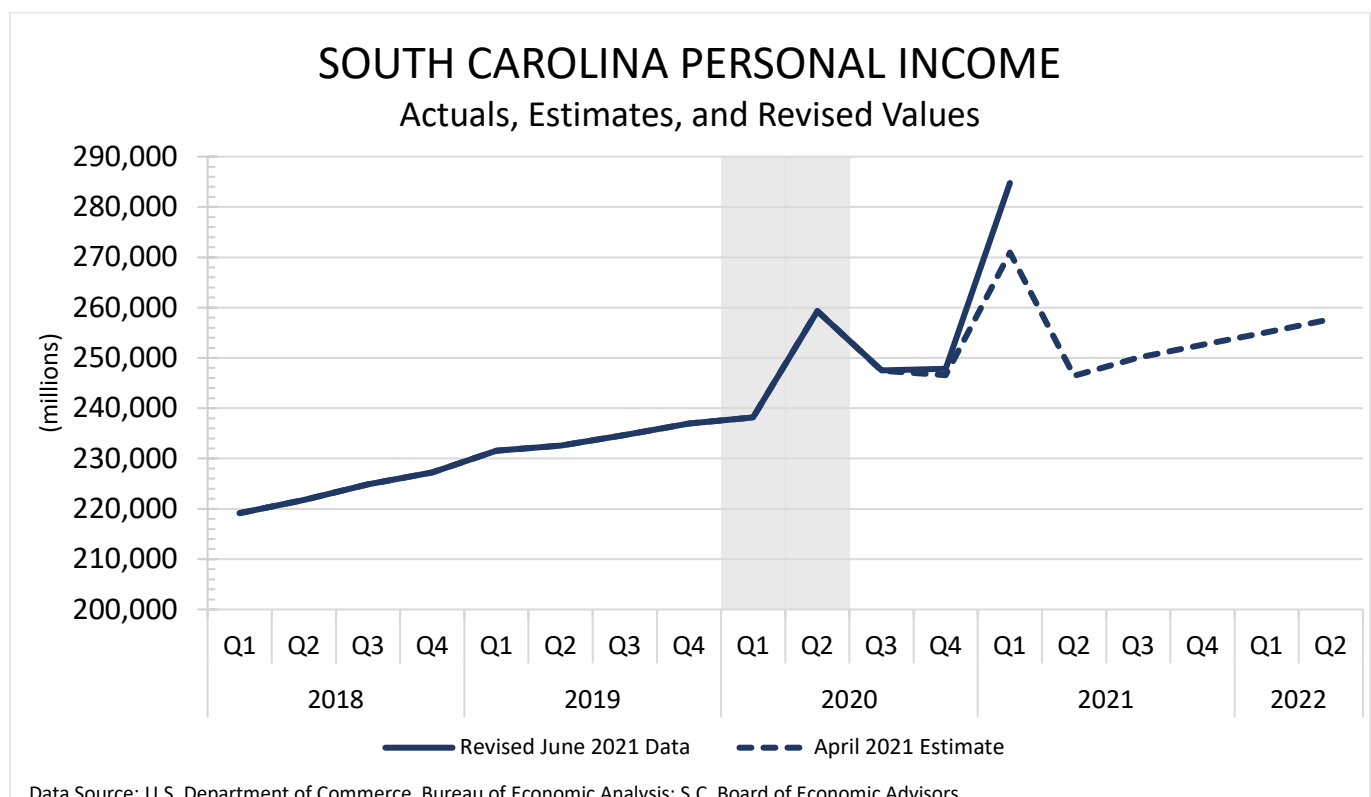
Released July 21, 2021

South Carolina Economy

Total personal income in South Carolina increased significantly in Q1 2021 from the previous quarter, well above the amounts previously anticipated, as depicted in Figure 1 below. Most of this increase was driven by the \$600 and \$1,400 economic impact payments authorized by federal COVID-19 relief bills. While a significant increase from \$247,831 million in Q4 2020 to \$270,941 million in Q1 2021 was anticipated in the April 2021 forecast, overall personal income growth outpaced expectations by \$13,822 million, increasing to \$284,763 million. Upward data revisions and 2.2 percent quarterly wage growth contributed to this excess growth above the forecast to an extent, but higher than expected government transfer payments made up the bulk of the difference. Growth of 40 percent in transfer payments was forecasted, but ultimately, transfer payments grew by 59 percent for the quarter.

Though the impact of the stimulus payments has been substantial, notably, personal income excluding government transfer payments was up 3.1 percent. This growth in the other personal income components, including wages, dividends, and proprietors' income, is substantially higher than each of the two prior quarters, which averaged 1.6 percent year over year.

Figure 1. Actual Personal Income in South Carolina Compared to April Forecast Estimates



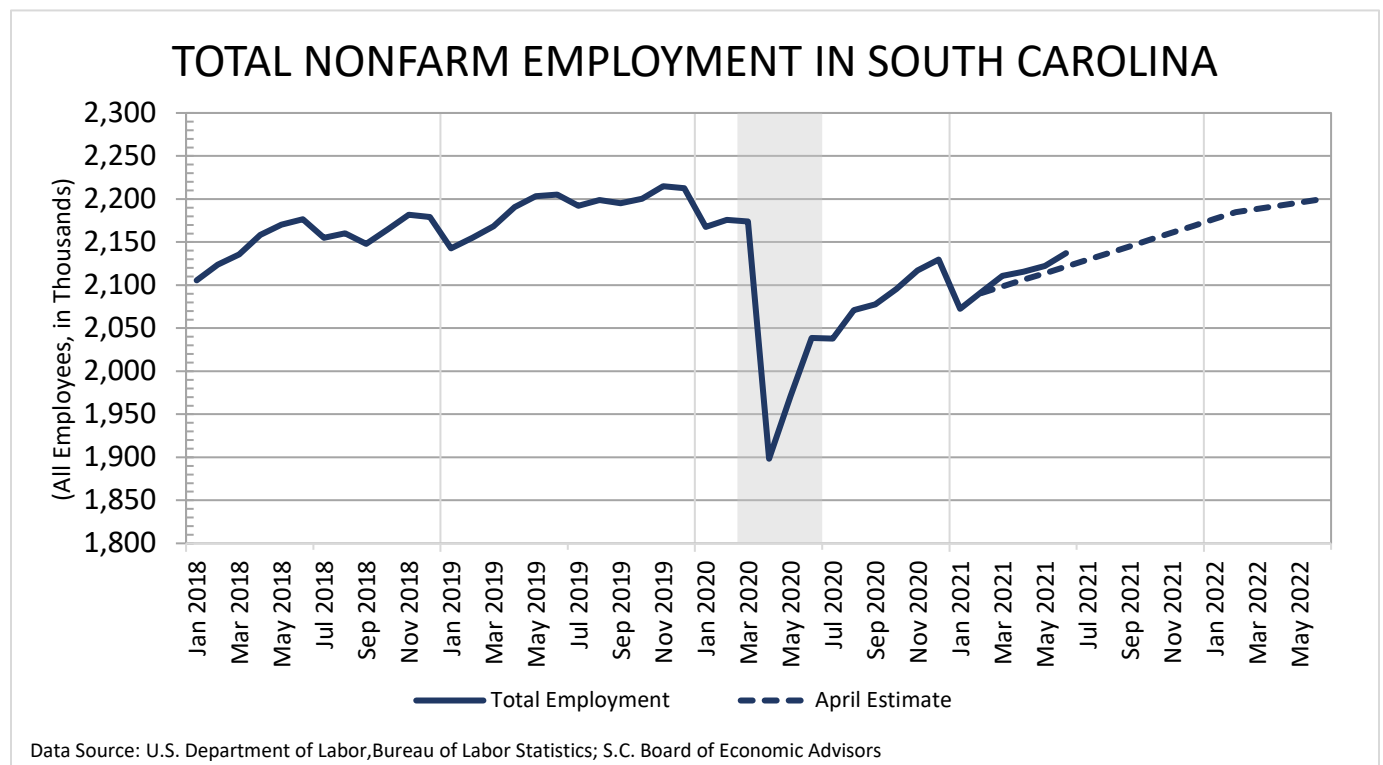


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Total nonfarm employment in South Carolina continued to grow in June, adding 15,200 jobs and bringing total employment up to 2,137,300. South Carolina has recovered 86.1 percent of the nonfarm jobs lost since COVID-19 impacted the state. The current employment trend is slightly above the expectations from the April 2021 forecast by approximately 15,700 jobs, as shown in Figure 2. The Board of Economic Advisors' April 2021 forecast indicated that employment would have recovered 80.5 percent of the jobs lost as of May 2021 compared to the actual recovery of 86.1 percent. Employment in the Leisure and Hospitality and Government sectors remains notably below pre-pandemic levels. Excluding jobs lost in both these sectors results in job recovery of 95.8 percent.

Figure 2. Actual Employment in South Carolina Compared to April Forecast Estimates



General Fund Revenue

For the month of June, revenues grew 22.1 percent over the prior year. This growth is even more surprising since June 2020 collections were elevated due to delayed tax remittances, businesses reopening, and individuals returning to work. Total General Fund revenues are currently \$1,664.7 million higher than last fiscal year, resulting in a year-to-date General Fund revenue increase of 18.6 percent for FY 2020-21. When the April forecast was made, fiscal year-to-date revenues were running \$84.8 million ahead of the forecast, with tax filing season still to be seen.



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However, since then, that excess growth has ballooned to \$938.4 million, far outpacing expectations for tax filing season in a pandemic year.

Table 1. General Fund Revenue Growth Summary

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2020-21 Annual Forecast
Sales Tax	7.2%	16.0%	10.4%
Individual Income Tax	13.3%	16.4%	(1.4%)
Corporation Income Tax	246.9%	109.0%	10.1%
Other Revenue Items	33.1%	7.3%	(4.5%)
Total General Fund Revenue	22.1%	18.6%	2.7%

Revenue Categories

Sales Tax

- Collections are currently running \$145.1 million ahead of the forecast.
- Sales tax revenue grew 7.2 percent in June 2021 compared to June 2020, and year-to-date collections are 16.0 percent above last year. June 2020 collections were elevated following a delay in tax remittance from spring 2020 to June 2020 and large-scale business reopening following closures. Due to these factors, the monthly growth rate is particularly noteworthy.
- High growth in sales tax is due to continued changes in consumer behavior, as retail spending has proven to be resilient throughout the pandemic and following the reopening of the economy. Retail spending in South Carolina remains high as of mid-June, up 32 percent over January 2020 and growing faster than the nation at 23.3 percent¹. However, this growth is slower than observed recently in March and April, which peaked at 45.8 percent, and may signal a change in the trend.

Individual Income Tax

- Revenue totaled \$585.7 million in June 2021 compared to \$517.1 million in June 2020. This growth is largely driven by Non-Withholdings collections totaling \$169.4 million in June 2021 compared to \$96.7 million in June 2020. This growth in Non-Withholdings and the delay in income tax filing to July 2020 explains the majority of the high growth observed in June 2021 collections.

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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- Compared to the forecast, total Individual Income tax revenue is ahead of expectations by \$473.4 million year-to-date. This excess is driven largely by higher than anticipated growth in Non-Withholdings collections, which are currently ahead of the forecast by \$287.0 million, and by Withholdings collections, which are currently \$174.5 million above the latest estimate.
- Refunds are very close to the estimate as they are projected to increase by 16.8 percent over the full fiscal year and are currently up 16.2 percent fiscal year-to-date.

Corporate Income and License Tax

- Corporate Income tax revenue for June 2021 totaled \$123.8 million compared to \$35.7 million in 2020, partially due to tax filing delays last year. Strong quarterly filings this month indicate that Corporate Income tax is performing much better this tax year than anticipated in the April forecast.
- Fiscal year-to-date Corporate Income tax collections are \$203.3 million ahead of expectations.

Conclusion

Revenues exceeded monthly estimates in June as strong economic activity and continued changes in consumer behavior drove higher than normal revenue growth. The current bump in the economy may be largely driven by federal spending, pent-up demand, and changes in consumer behavior as the economy continues to emerge from the pandemic. However, this high growth is likely unsustainable throughout FY 2021-22 as these economic effects subside, though the timing of when this trend may slow remains unclear.

The results of processed returns from Individual Income tax filing season show strong Withholdings, Non-Withholdings, and Refunds activity. Total growth for FY 2020-21 is expected to decrease from the current rate once final revenues are compared to accruals processed at year-end in FY 2019-20 for delayed income taxes. Economic signals remain strong as COVID-19 case rates have declined and business activity reengages, though economic activity is expected to approach a more historical trend as a full recovery stretches into 2022.

On a national level, the unemployment rate has plateaued in the past several months, increasing slightly from 5.8 percent in May 2021 to 5.9 percent in June 2021. Companies are continuing to face a labor shortage as the economy reopens. Numerous factors are driving this labor shortage, such as job seekers pursuing remote work opportunities, leaving certain industries, and navigating potential mismatches between skillsets and job openings. Notably, there appears to be a disconnect between the stagnant unemployment rate and rising wages. Typically, wage growth is associated with low unemployment. However, wages and salaries grew 4.0 percent in Q1 2021 compared to Q1 2020, which is above the twenty-year historical average national growth rate of 3.5 percent, despite higher national unemployment compared to before the pandemic. This anomaly is occurring in South Carolina as well, with the unemployment rate





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settling at 4.5 percent in June 2021, compared to 3.0 percent pre-pandemic. Meanwhile, wage and salary growth of 5.9 percent in Q1 2021 compared to Q1 2020 is significantly higher than the twenty-year average South Carolina growth rate of 3.8 percent. The potential effects of this disconnect and the duration are factors to consider entering into the next fiscal year.





June

Table 1

General Fund Revenue	FY 2019-20	FY 2020-21	\$ Change	% Change
Sales and Use Tax	\$331,575,323	\$355,383,273	\$23,807,950	7.2%
Individual Income Tax	\$517,063,357	\$585,740,608	68,677,251	13.3%
Corporation Income Tax	\$35,681,179	\$123,792,291	88,111,112	246.9%
Insurance Taxes	\$53,595,955	\$62,648,128	9,052,173	16.9%
Admissions Tax	\$2,207,601	\$4,328,939	2,121,338	96.1%
Aircraft Tax	\$0	\$302	302	---
Alcoholic Liquor Tax	\$17,585,005	\$9,396,354	(8,188,651)	(46.6%)
Bank Tax	\$3,849,387	\$39,719,579	35,870,192	931.8%
Beer and Wine Tax	\$14,456,472	\$10,537,068	(3,919,404)	(27.1%)
Bingo Tax	\$33,961	\$234,133	200,172	589.4%
Business Filing Fees	\$1,361,258	\$1,804,149	442,891	32.5%
Circuit/Family Court Fines	\$218,789	\$560,994	342,205	156.4%
Corporation License Tax	\$2,858,438	\$3,641,368	782,930	27.4%
Documentary Tax	\$5,564,011	\$12,061,014	6,497,003	116.8%
Earned on Investments	\$7,910,600	\$8,434,259	523,659	6.6%
Indirect Cost Recoveries	\$1,756,234	\$5,855,893	4,099,659	233.4%
Motor Vehicle Licenses	\$56,937	\$2,819,729	2,762,792	4,852.3%
Nursing Home Fees	\$859,682	\$822,494	(37,188)	(4.3%)
Parole and Probation Fees	\$282,734	\$282,734	0	0.0%
Private Car Lines Tax	(\$13,198)	\$19	13,217	---
Public Service Authority	\$8,527,000	\$8,151,000	(376,000)	(4.4%)
Purchasing Card Rebates	\$0	\$0	0	---
Record Search Fees	\$0	\$0	0	---
Savings and Loan Assoc. Tax	(\$339,299)	(\$274,100)	65,199	---
Security Dealer Fees	\$860,866	\$674,066	(186,800)	(21.7%)
Surcharge on Vehicle Rentals	\$5,065	(\$)	#VALUE!	#VALUE!
Tobacco Tax	\$2,156,771	\$2,574,755	417,984	19.4%
Uncashed Checks	(\$72,687)	(\$104,622)	(31,935)	---
Unclaimed Property Fund	\$3,750,000	\$0	(3,750,000)	---
Workers' Comp. Insurance Tax	\$3,971,911	\$4,046,335	74,424	1.9%
Other Source Revenues	\$2,415,155	(\$3,931)	(2,419,086)	---
Gross General Fund Revenue	\$1,018,178,508	\$1,243,126,831	\$224,948,323	22.1%

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 - June

Table 2

General Fund Revenue	FY 2019-20	FY 2020-21	\$ Change	% Change
Sales and Use Tax	\$2,968,914,310	\$3,444,427,386	\$475,513,076	16.0%
Individual Income Tax	\$4,656,507,456	\$5,421,698,838	765,191,382	16.4%
Corporation Income Tax	\$320,245,662	\$669,221,114	348,975,452	109.0%
Insurance Taxes	\$241,496,469	\$293,235,486	51,739,017	21.4%
Admissions Tax	\$22,191,885	\$24,107,968	1,916,083	8.6%
Aircraft Tax	\$2,621,301	\$2,877,150	255,849	9.8%
Alcoholic Liquor Tax	\$72,729,677	\$90,859,336	18,129,659	24.9%
Bank Tax	\$68,973,657	\$69,828,427	854,770	1.2%
Beer and Wine Tax	\$102,334,850	\$106,309,310	3,974,460	3.9%
Bingo Tax	(\$588,344)	\$638,313	1,226,657	---
Business Filing Fees	\$7,996,521	\$12,763,605	4,767,084	59.6%
Circuit/Family Court Fines	\$5,731,715	\$5,366,354	(365,361)	(6.4%)
Corporation License Tax	\$130,867,571	\$148,136,872	17,269,301	13.2%
Documentary Tax	\$74,299,501	\$104,766,751	30,467,250	41.0%
Earned on Investments	\$129,791,232	\$72,611,203	(57,180,029)	(44.1%)
Indirect Cost Recoveries	\$13,407,284	\$22,023,427	8,616,143	64.3%
Motor Vehicle Licenses	\$10,930,775	\$12,127,847	1,197,072	11.0%
Nursing Home Fees	\$3,480,988	\$3,355,741	(125,247)	(3.6%)
Parole and Probation Fees	\$3,392,808	\$3,392,808	0	0.0%
Private Car Lines Tax	\$6,351,887	\$6,673,116	321,229	5.1%
Public Service Authority	\$17,479,000	\$17,135,000	(344,000)	(2.0%)
Purchasing Card Rebates	\$3,226,732	\$3,088,613	(138,119)	(4.3%)
Record Search Fees	\$4,461,000	\$4,461,000	0	0.0%
Savings and Loan Assoc. Tax	\$8,489,235	\$1,147,447	(7,341,788)	(86.5%)
Security Dealer Fees	\$27,533,590	\$29,188,874	1,655,284	6.0%
Surcharge on Vehicle Rentals	(\$816,951)	(\$848)	816,103	---
Tobacco Tax	\$24,384,445	\$26,301,862	1,917,417	7.9%
Uncashed Checks	\$2,434,382	\$3,064,334	629,952	25.9%
Unclaimed Property Fund	\$15,000,000	\$15,000,000	0	0.0%
Workers' Comp. Insurance Tax	\$10,829,089	\$9,592,297	(1,236,792)	(11.4%)
Other Source Revenues	\$12,887,498	\$8,895,904	(3,991,593)	(31.0%)
Gross General Fund Revenue	\$8,967,585,225	\$10,632,295,535	\$1,664,710,310	18.6%

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.