



REVENUE DIGEST

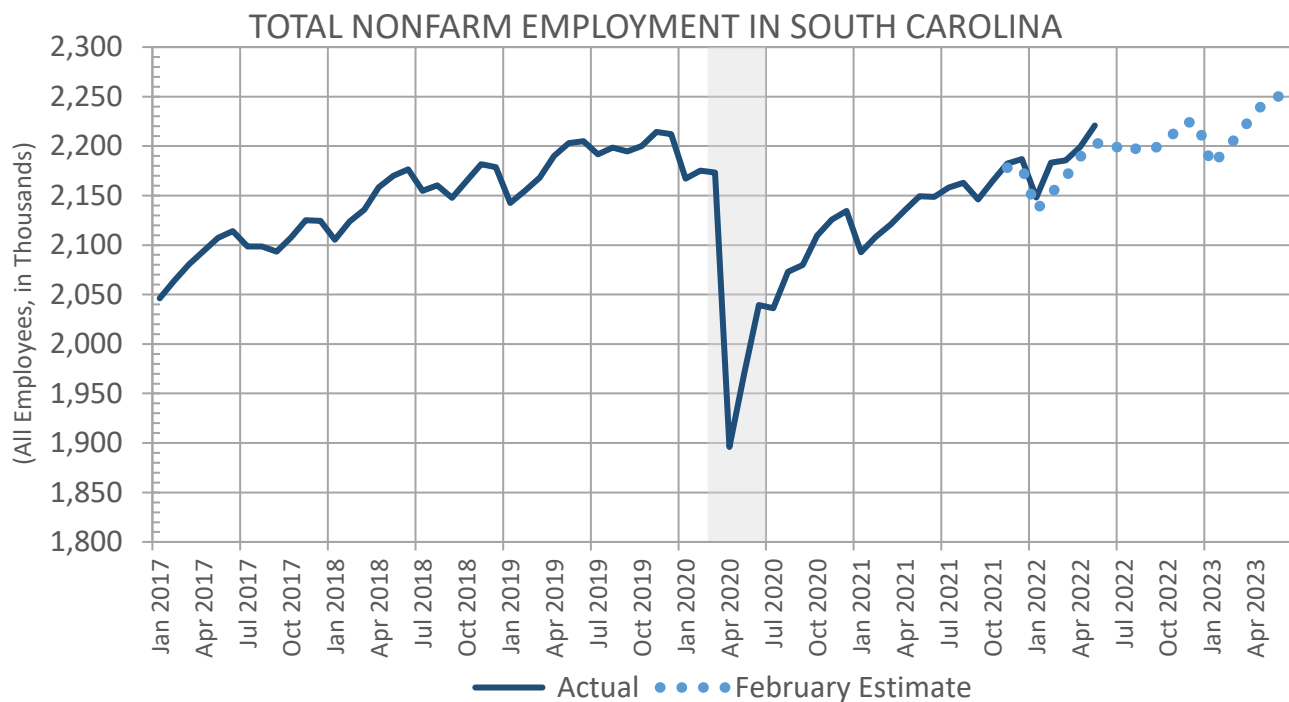
JUNE 2022, FY 2021-22

Released July 25, 2022

South Carolina Economy

Nonfarm employment in South Carolina saw strong growth of 21,700 jobs or 1.0 percent in May 2022, ending slightly above expectations in total. More than half of this gain was driven by strong growth in Leisure and Hospitality employees, although some of this growth was seasonal.

Figure 1. South Carolina Employment



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/bdc/7/8/2022

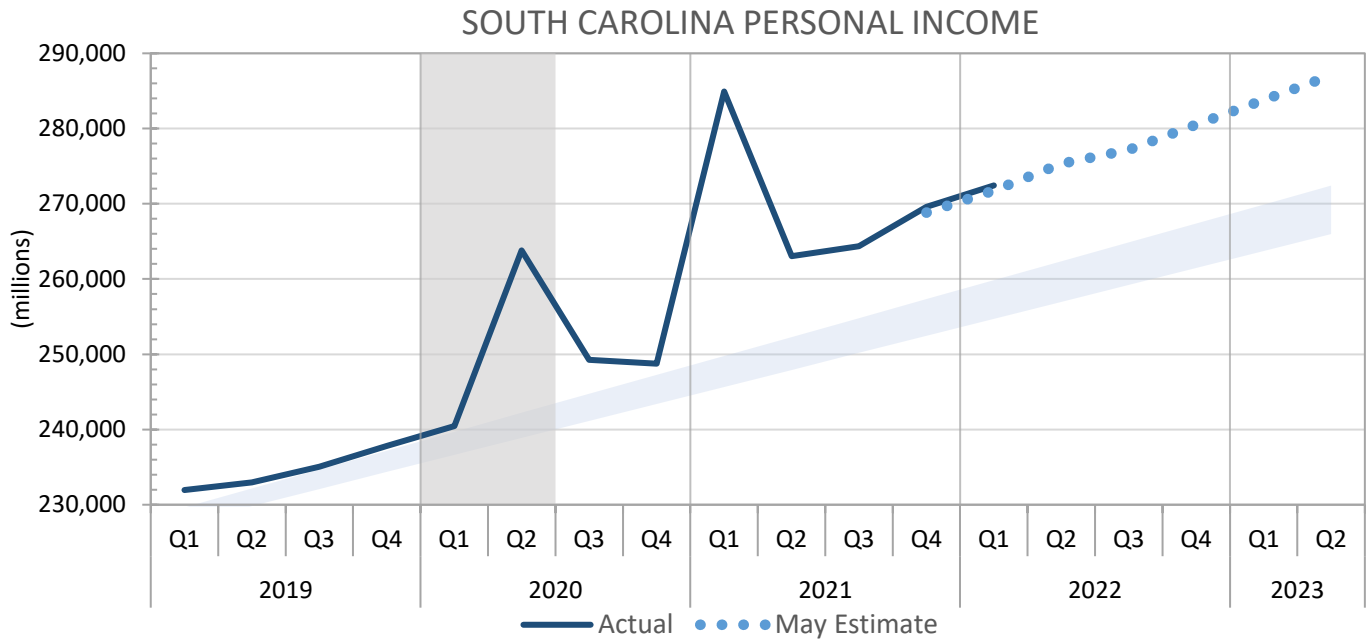
In the most recent release by the U.S. Bureau of Economic Analysis, personal income in South Carolina grew at an annualized rate of 4.3 percent between Q4 2021 and Q1 2022, and total income for the quarter is within 0.2 percent of the current forecast. While this growth was relatively moderate compared to previous quarters, it was hampered by the expiration of several pandemic-era federal programs at the end of 2021. Wages and salaries, the primary driver of income growth overall, saw annualized growth of 10.3 percent quarter to quarter and outpaced the forecasted rate of 7.2 percent.



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Figure 2. South Carolina Personal Income



Data Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors

General Fund Revenue

Strong collections continued into June with 9.9 percent General Fund revenue growth for the month, bringing total fiscal year-to-date growth to 23.1 percent. Year-to-date collections are currently \$717.0 million ahead of the revised May 2022 estimate. Approximately 90 percent of this excess is from higher-than-expected Sales tax, Individual Income Non-Withholdings collections, and Corporate Income tax and lower-than-expected Refunds.

Table 1. General Fund Revenue Growth Summary

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2021-22 Annual Forecast
Sales Tax	8.0%	15.8%	8.6%
Individual Income Tax	15.7%	25.9%	18.6%
Corporation Income Tax	50.3%	68.8%	46.8%
Other Revenue Items	(28.3%)	4.5%	2.7%
Total General Fund Revenue	9.9%	23.1%	15.2%



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Revenue Categories

Sales Tax

- Sales tax revenue grew 8.0 percent in June 2022 compared to June 2021.
- Year-to-date growth for FY 2021-22 has fallen from 20.0 percent through January to 15.8 percent through June. While the decline in monthly Sales tax growth continued, collections year-to-date are still growing stronger than the expected 8.6 percent for the full fiscal year, with Sales tax totaling \$156.4 million above the revised estimate.
- Expenditures by consumers have slowed in recent months due to persistent inflation, continued supply chain disruptions, and interest rate hikes. Notably, retail sales fell nationally in May, an indication that consumers are adjusting their spending habits in the face of rising prices for essentials like food and gasoline.

Individual Income Tax

- Fiscal year-to-date growth in Individual Income tax reached 25.9 percent through June, up from 17.9 percent through January. Total collections are exceeding the estimate by \$395.8 million, which is almost entirely due to lower-than-expected Refunds and higher-than-expected Non-Withholdings collections.
- Withholdings in June 2022 grew 5.6 percent over June 2021 as cumulative growth edged down to 13.6 percent. Actual collections for the fiscal year are \$54.6 million above the forecasted growth of 12.7 percent. Persistent wage gains driven by a historically tight labor market have driven much of the Withholdings growth for the year, but it is unclear how long this dynamic will continue.
- Non-Withholdings revenue was up 28.6 percent year-to-date in June and \$209.9 million above the estimate in total due to an exceptionally strong tax filing season. Collections for the year are more than double the level of annual collections five years ago.
- Refunds were down 5.7 percent year-to-date in June and are running \$131.3 million below the estimate.
- Unexpectedly high household financial income for tax year 2021 as well as the timing mismatch between income increases and inflation adjustments to tax deductions and other items have likely contributed to higher than expected Non-Withholdings and lower than expected Refunds during tax season.

Corporate Income and License Tax

- Corporate Income tax revenue reached year-to-date growth of 68.8 percent after another strong quarter-end. Revenues are currently \$146.8 million above the estimate, which assumed 46.8 percent annual growth.
- Year-to-date Corporate License tax growth edged down to 10.1 percent in June, bringing total collections \$4.9 million above the estimate.





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Conclusion

Revenues collections are currently running \$717.0 million ahead of the May 2022 estimate, largely due to continued strong performance in Sales tax growth and an exceptionally strong income tax filing season. Record growth across multiple categories has driven current year-to-date growth to 23.1 percent over last fiscal year, which itself saw 18.8 percent growth through this time last year. While June represents the end of the fiscal year for most revenue categories, final FY 2021-22 revenues will include the accrual period in July for Sales tax and other consumption taxes.

Recent months indicate a slowing in Sales tax revenue growth and may be indicative of a change in consumer behavior. Federal Reserve decisions, increasing inflation, ongoing supply chain and labor market issues, and the current crisis in Ukraine continue to cause uncertainty about the economy. While revenue collections remained strong in June, the potential impact of these factors on the economy and on revenue collections is being carefully monitored by the Board of Economic Advisors.

Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be August 25, 2022, via web conference.





June

Table 1

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$355,383,273	\$383,838,783	\$28,455,510	8.0%
Individual Income Tax	\$585,742,313	\$677,555,704	\$91,813,391	15.7%
Corporation Income Tax	\$123,792,291	\$186,024,028	\$62,231,737	50.3%
Insurance Taxes	\$62,648,128	\$63,067,495	\$419,367	0.7%
Admissions Tax	\$4,328,939	\$5,343,380	\$1,014,441	23.4%
Aircraft Tax	\$302	\$4,269	\$3,967	1,313.6%
Alcoholic Liquor Tax	\$9,396,354	\$9,108,874	(\$287,480)	(3.1%)
Bank Tax	\$39,719,579	\$9,505,669	(\$30,213,910)	(76.1%)
Beer and Wine Tax	\$10,537,068	\$10,359,105	(\$177,963)	(1.7%)
Bingo Tax	\$234,133	\$96,799	(\$137,334)	(58.7%)
Business Filing Fees	\$1,804,149	\$1,570,566	(\$233,583)	(12.9%)
Circuit/Family Court Fines	\$560,994	\$572,699	\$11,705	2.1%
Corporation License Tax	\$3,641,368	\$3,630,941	(\$10,427)	(0.3%)
Documentary Tax	\$12,061,014	\$13,226,617	\$1,165,603	9.7%
Earned on Investments	\$8,434,259	\$5,455,444	(\$2,978,815)	(35.3%)
Indirect Cost Recoveries	\$5,864,947	\$5,388,161	(\$476,786)	(8.1%)
Motor Vehicle Licenses	\$2,819,303	\$2,557,206	(\$262,097)	(9.3%)
Nursing Home Fees	\$822,494	\$0	(\$822,494)	---
Parole and Probation Fees	\$282,734	\$282,734	\$0	0.0%
Private Car Lines Tax	\$19	\$7,021	\$7,002	36,891.6%
Public Service Authority	\$8,151,000	\$8,909,000	\$758,000	9.3%
Purchasing Card Rebates	\$0	\$0	\$0	---
Record Search Fees	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	(\$274,100)	\$587,000	\$861,100	---
Security Dealer Fees	\$674,066	\$770,437	\$96,371	14.3%
Surcharge on Vehicle Rentals	(\$0)	\$0	\$0	---
Tobacco Tax	\$2,574,755	\$2,753,140	\$178,385	6.9%
Uncashed Checks	(\$104,622)	(\$59,508)	\$45,114	---
Unclaimed Property Fund	\$0	\$0	\$0	---
Workers' Comp. Insurance Tax	\$4,046,335	\$3,380,736	(\$665,599)	(16.4%)
Other Source Revenues	\$25,426,161	(\$408,397)	(\$25,834,558)	---
Gross General Fund Revenue	\$1,268,567,255	\$1,393,527,903	\$124,960,648	9.9%

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 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$3,444,427,387	\$3,990,355,465	\$545,928,078	15.8%
Individual Income Tax	\$5,421,700,543	\$6,827,553,966	\$1,405,853,423	25.9%
Corporation Income Tax	\$669,221,114	\$1,129,375,125	\$460,154,011	68.8%
Insurance Taxes	\$293,235,485	\$283,503,196	(\$9,732,289)	(3.3%)
Admissions Tax	\$24,107,968	\$39,528,912	\$15,420,944	64.0%
Aircraft Tax	\$2,877,150	\$1,250,000	(\$1,627,150)	(56.6%)
Alcoholic Liquor Tax	\$90,859,337	\$101,264,043	\$10,404,706	11.5%
Bank Tax	\$69,828,425	\$72,352,457	\$2,524,032	3.6%
Beer and Wine Tax	\$106,309,310	\$106,530,621	\$221,311	0.2%
Bingo Tax	\$638,313	\$505,939	(\$132,374)	(20.7%)
Business Filing Fees	\$12,763,604	\$12,629,723	(\$133,881)	(1.0%)
Circuit/Family Court Fines	\$5,366,354	\$6,089,255	\$722,901	13.5%
Corporation License Tax	\$148,136,873	\$163,071,713	\$14,934,840	10.1%
Documentary Tax	\$104,766,751	\$142,293,682	\$37,526,931	35.8%
Earned on Investments	\$72,611,201	\$69,646,636	(\$2,964,565)	(4.1%)
Indirect Cost Recoveries	\$22,032,481	\$21,931,324	(\$101,157)	(0.5%)
Motor Vehicle Licenses	\$12,127,609	\$11,486,762	(\$640,847)	(5.3%)
Nursing Home Fees	\$3,355,741	\$2,428,230	(\$927,511)	(27.6%)
Parole and Probation Fees	\$3,392,808	\$3,392,808	\$0	0.0%
Private Car Lines Tax	\$6,673,116	\$6,878,650	\$205,534	3.1%
Public Service Authority	\$17,135,000	\$17,675,000	\$540,000	3.2%
Purchasing Card Rebates	\$3,088,613	\$3,541,021	\$452,408	14.6%
Record Search Fees	\$4,461,000	\$4,461,000	\$0	0.0%
Savings and Loan Assoc. Tax	\$1,147,447	\$2,448,449	\$1,301,002	113.4%
Security Dealer Fees	\$29,188,874	\$31,897,230	\$2,708,356	9.3%
Surcharge on Vehicle Rentals	(\$848)	(\$25)	\$823	---
Tobacco Tax	\$26,301,863	\$26,611,852	\$309,989	1.2%
Uncashed Checks	\$3,064,334	\$6,217,622	\$3,153,288	102.9%
Unclaimed Property Fund	\$15,000,000	\$15,000,000	\$0	0.0%
Workers' Comp. Insurance Tax	\$9,592,297	\$7,189,127	(\$2,403,170)	(25.1%)
Other Source Revenues	\$34,330,917	\$13,462,698	(\$20,868,219)	(60.8%)
Gross General Fund Revenue	\$10,657,741,066	\$13,120,572,481	\$2,462,831,415	23.1%

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.