

# GENERAL FUND REVENUE: TRENDS & ANALYSIS

## REQUESTED BY HOUSE TAX POLICY REVIEW COMMITTEE

By

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# POPULATION

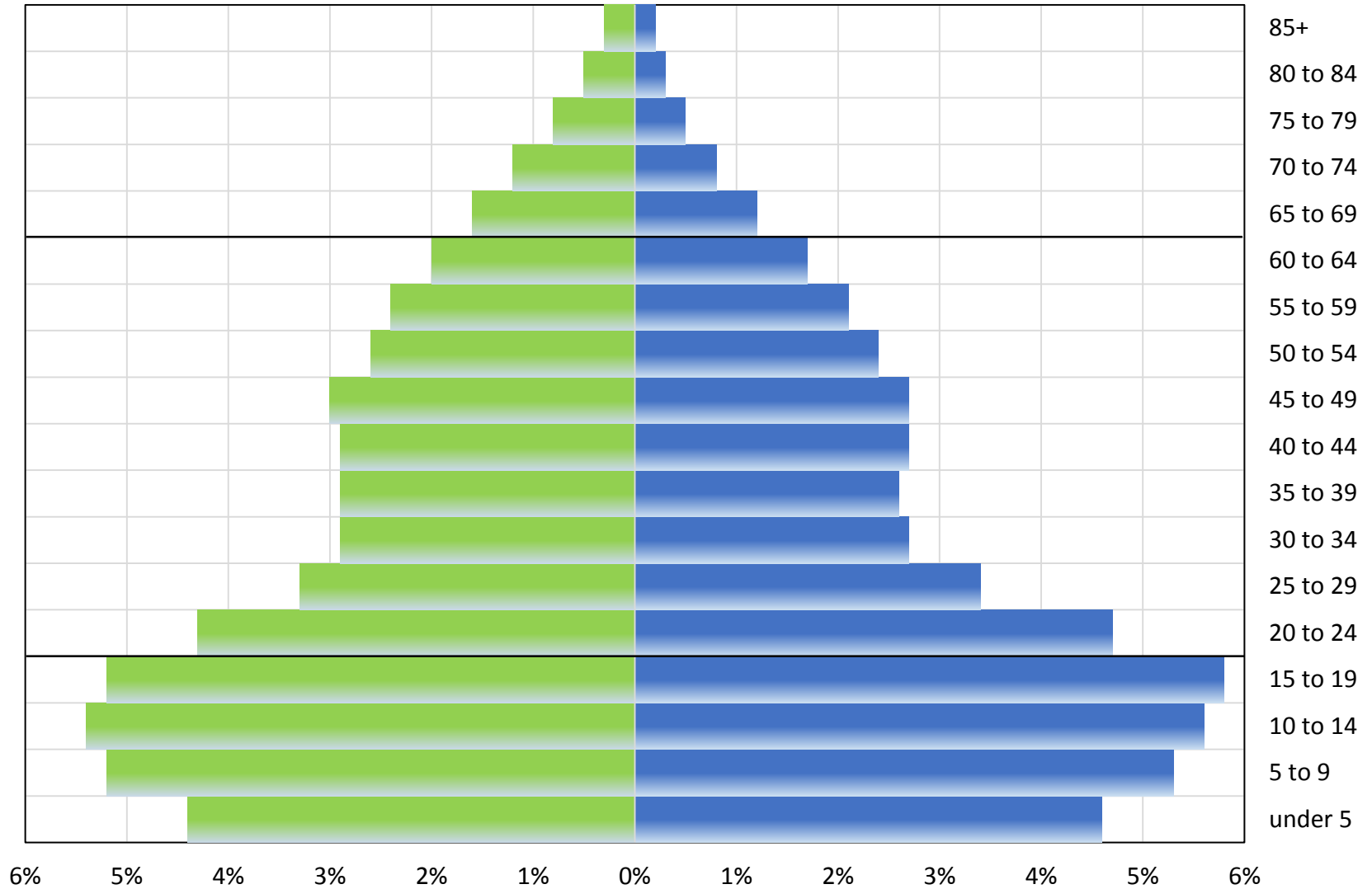


# SOUTH CAROLINA POPULATION PYRAMID

**1970**

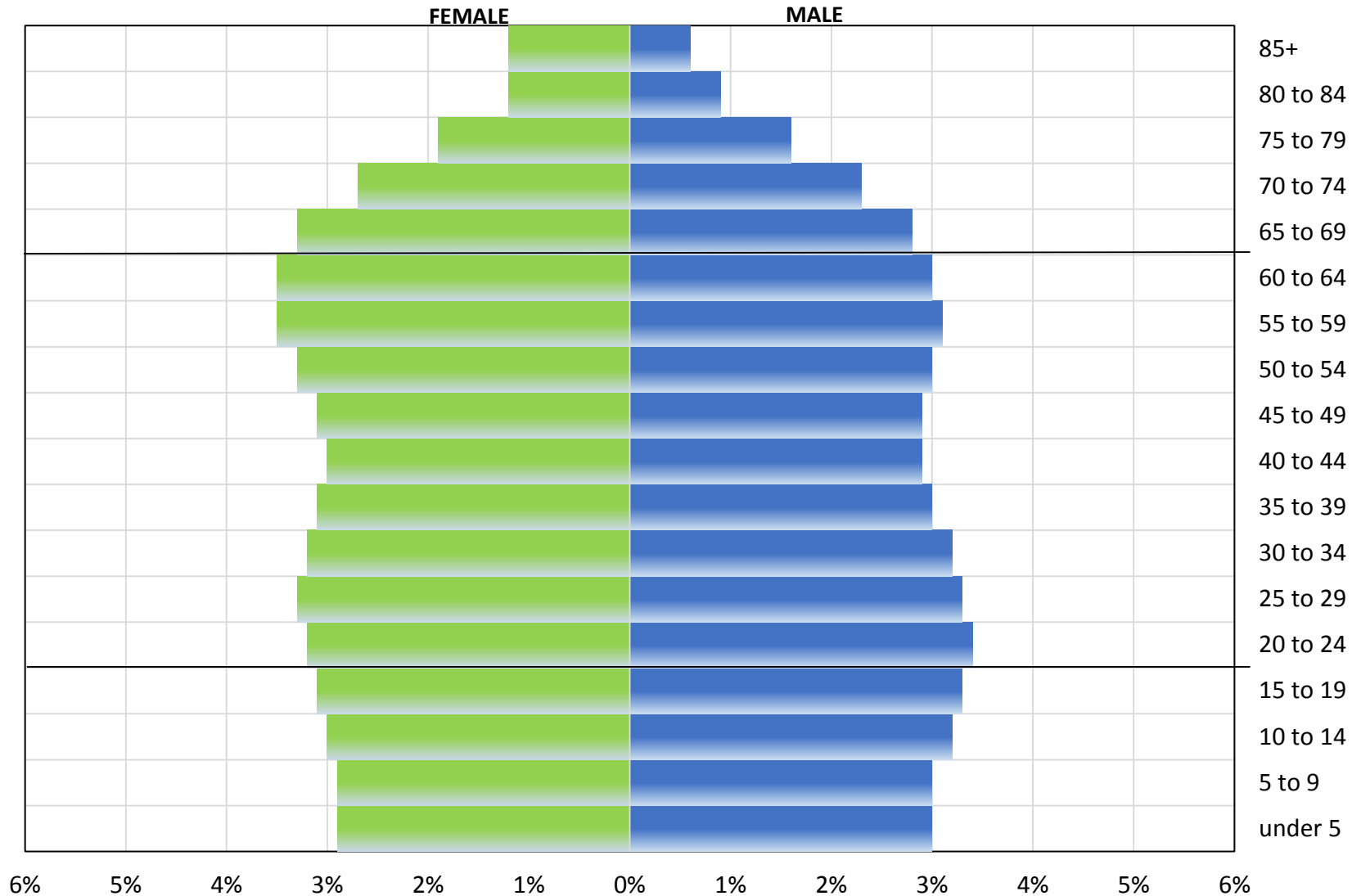
FEMALE

MALE



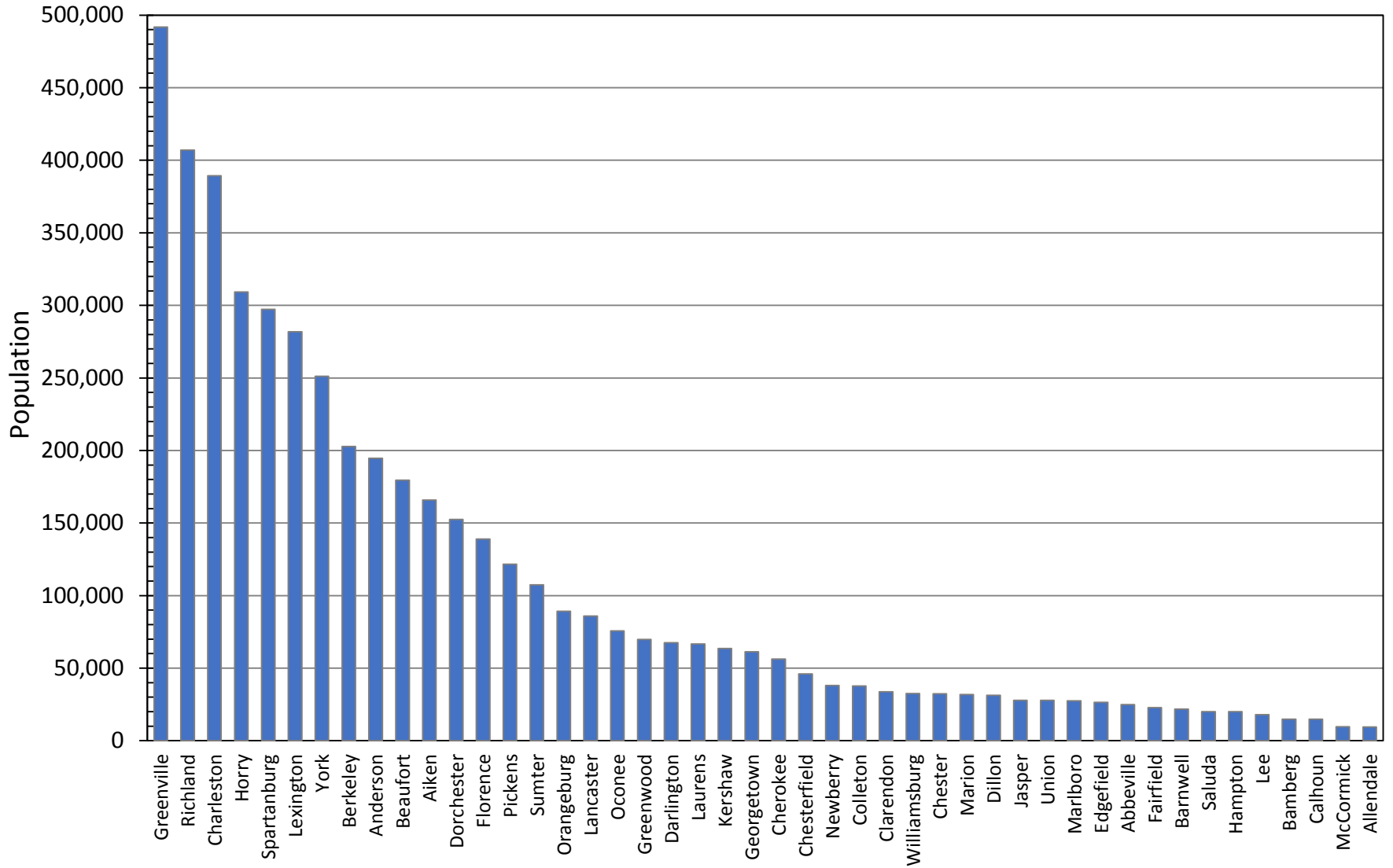
# SOUTH CAROLINA POPULATION PYRAMID

## Estimated 2020



# SOUTH CAROLINA POPULATION BY COUNTY

## Estimates as of July 1, 2015



# Notes: Population

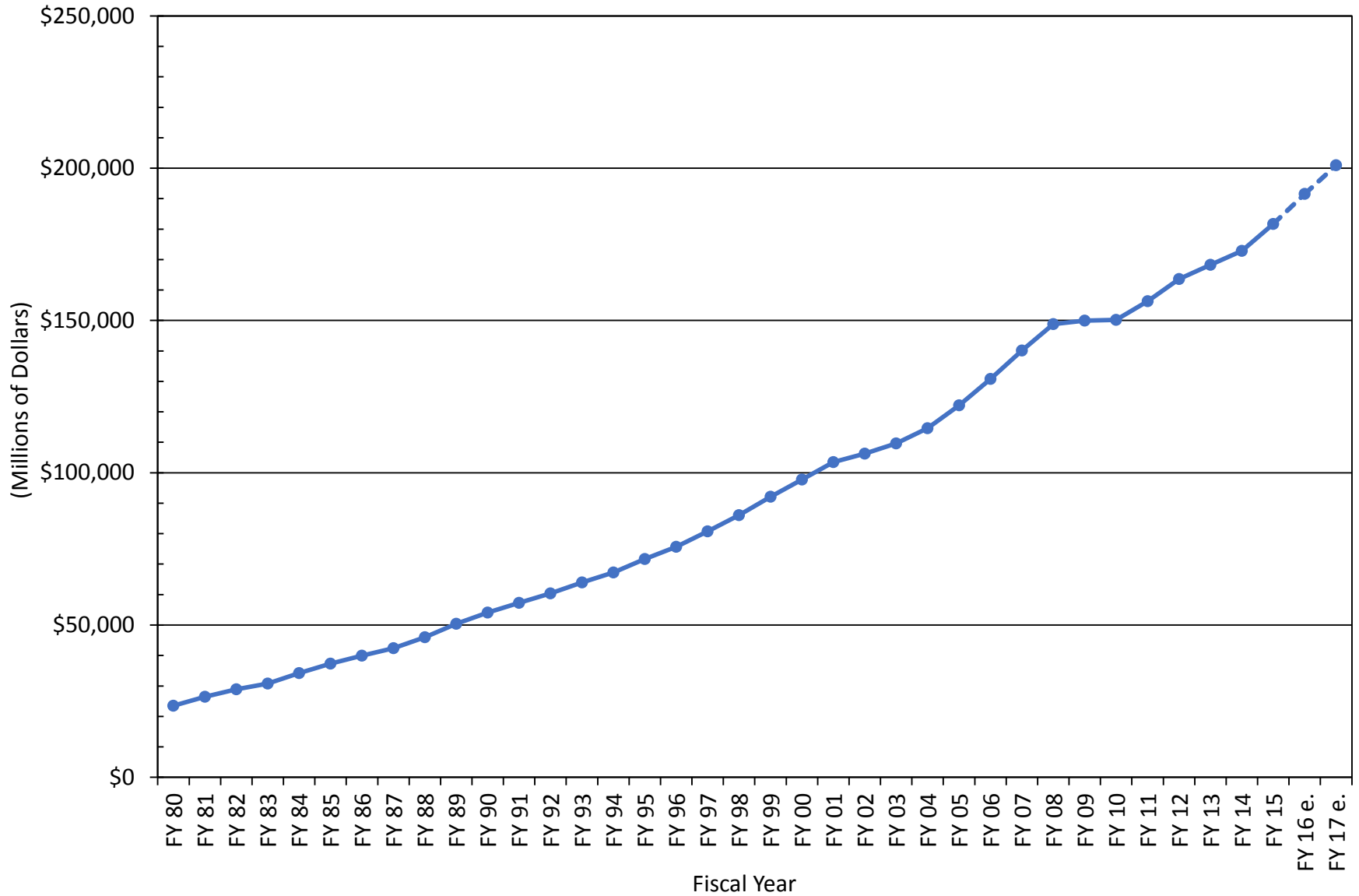
- S.C. is growing older. The average age is expected to increase from 24.8 in 1970 to 39.8 in 2020.
- In 1970, 41.5 percent of the population was age 19 or below. By 2020, that population is expected to decrease to 24.4 percent of the total.
- In 1970, 7.4 percent of the population was age 65 or higher. By 2020, that population is expected to increase to 18.5 percent of the total.
- The impact on the economy and revenue will be different in the next twenty to thirty years than over the past few years.
- 49.6 percent of the state's population is in the top seven counties.



# PERSONAL INCOME

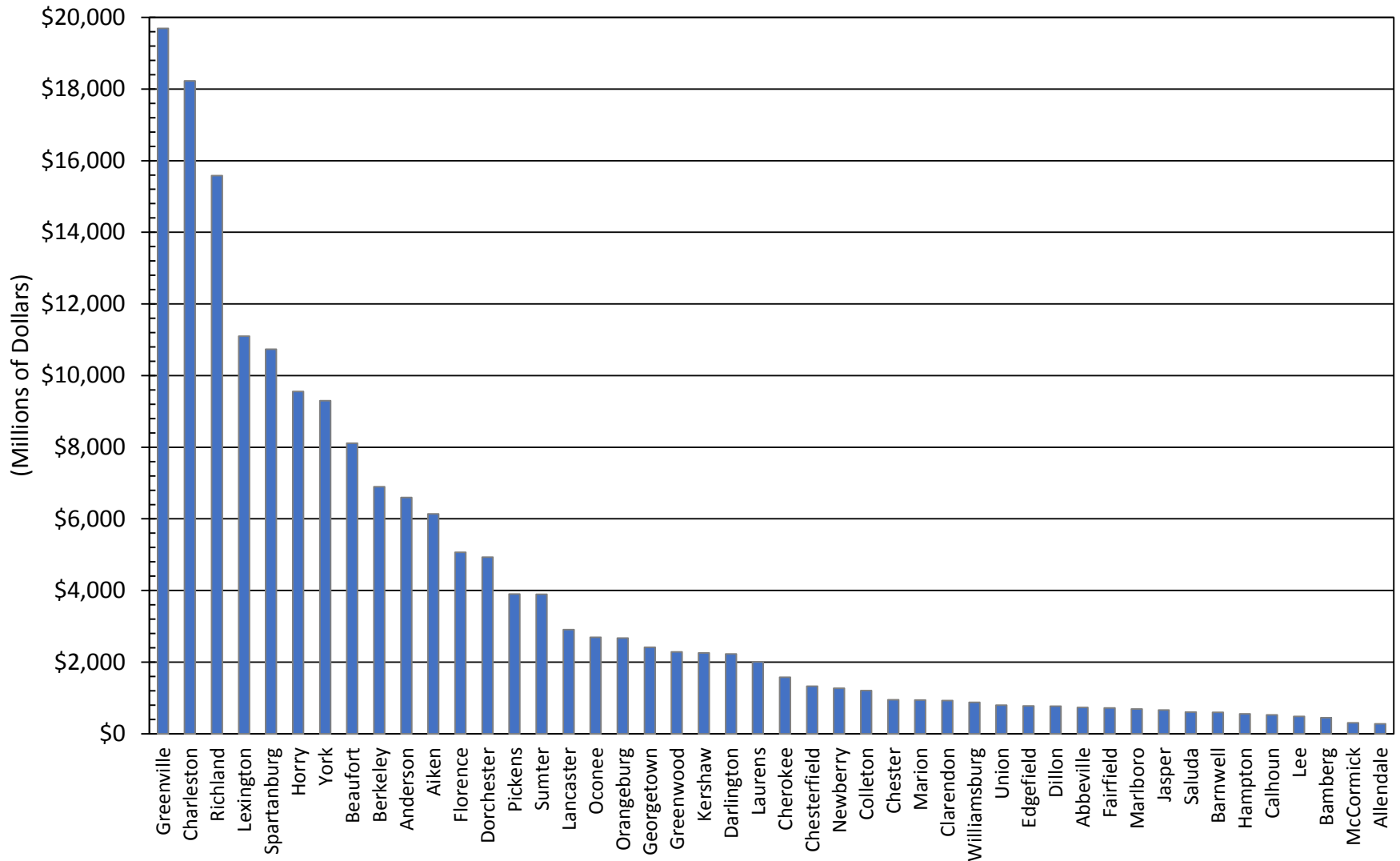


# SOUTH CAROLINA TOTAL PERSONAL INCOME

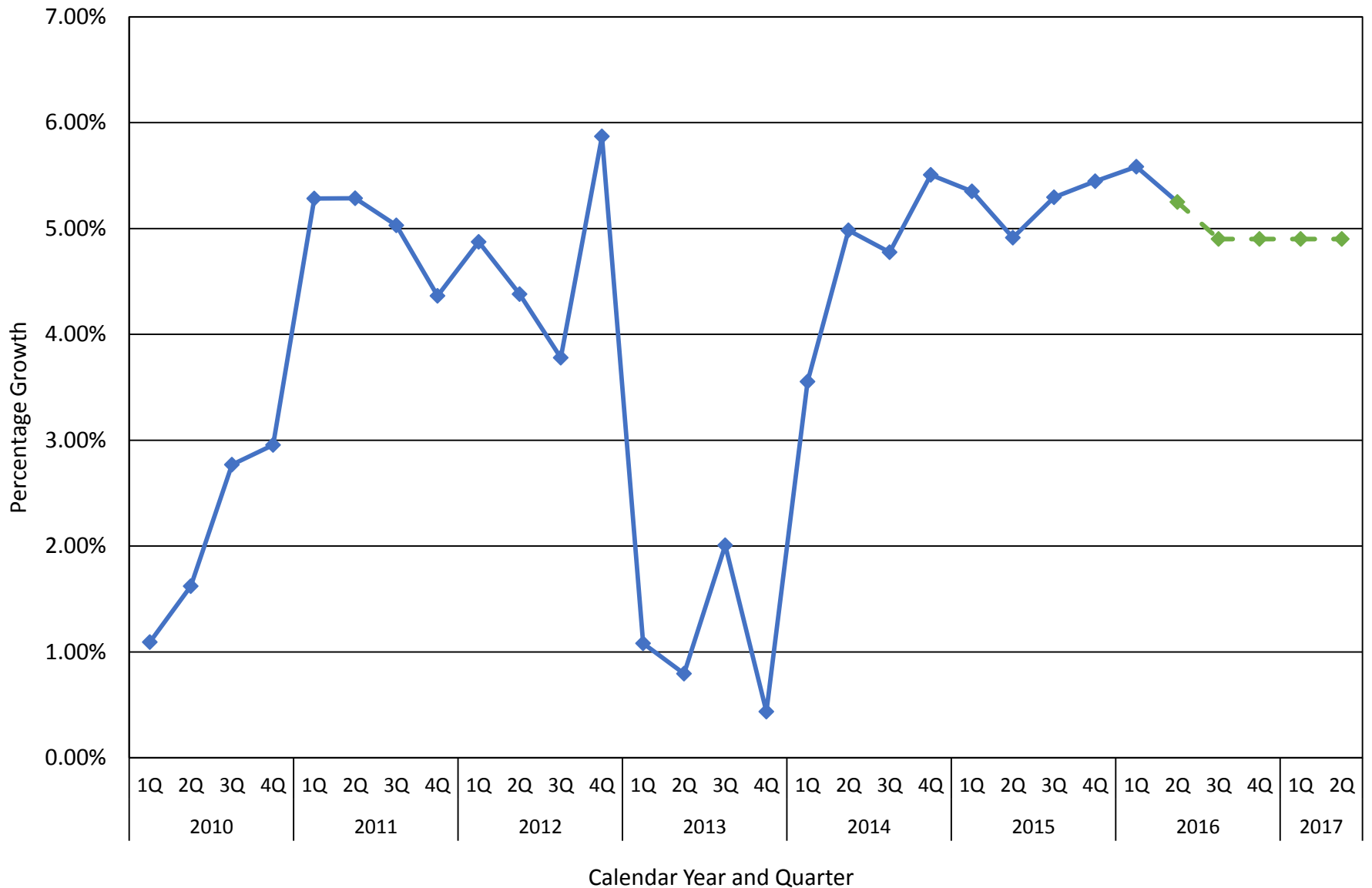




# TOTAL SOUTH CAROLINA PERSONAL INCOME 2014 by County

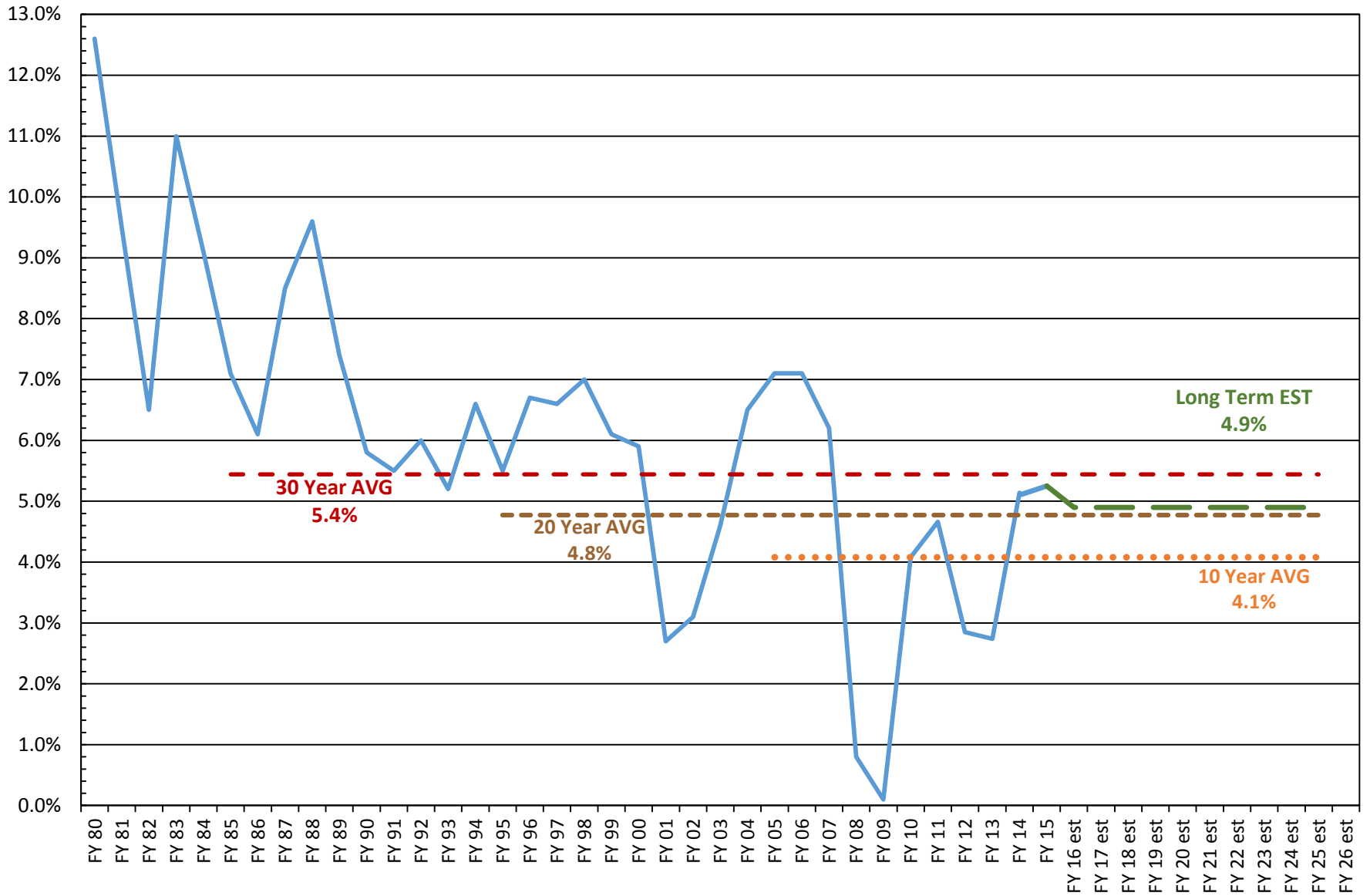


## SC PERSONAL INCOME GROWTH RATES Actuals and Estimates - June 2016



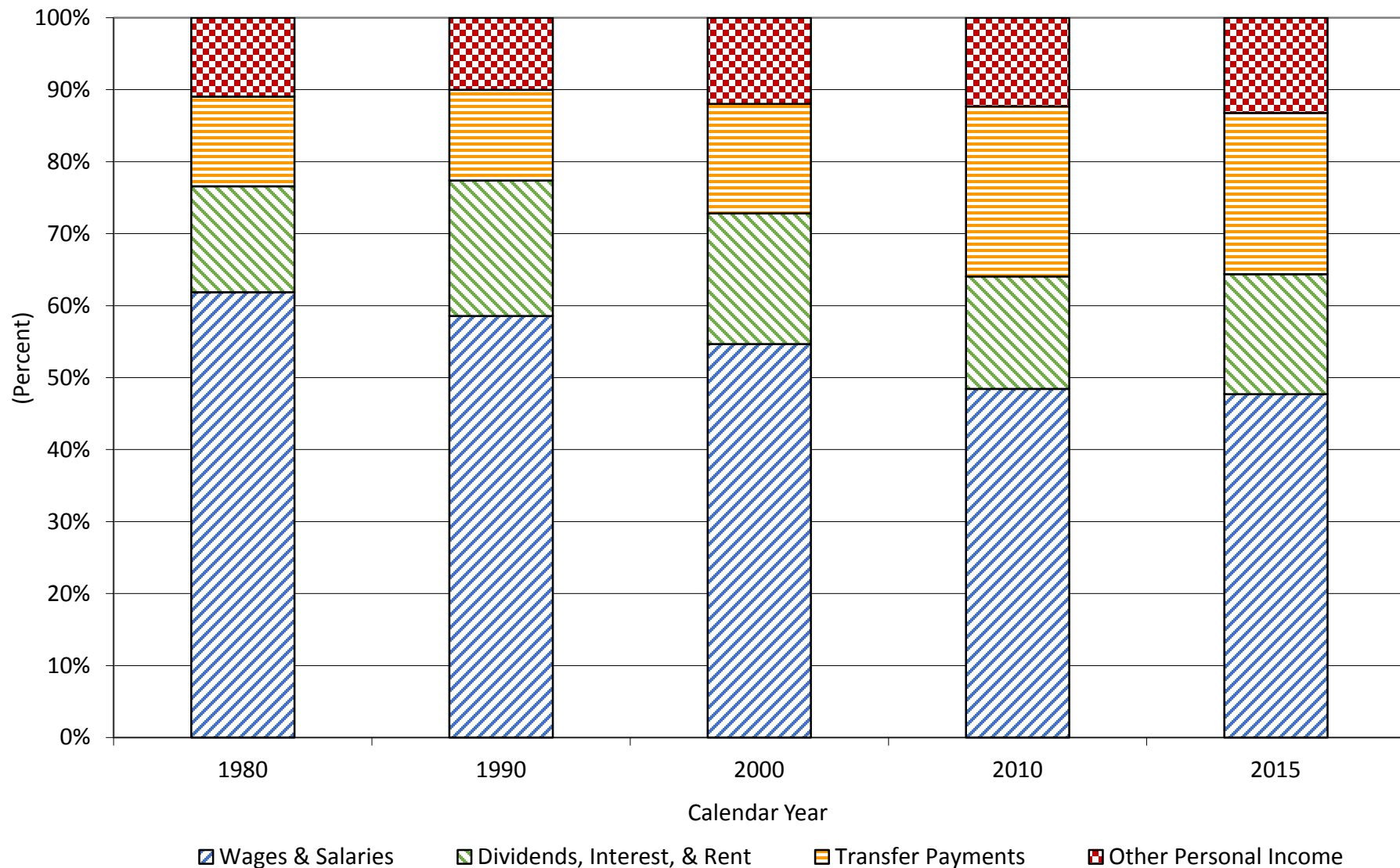
# SC PERSONAL INCOME FY GROWTH RATES

## Actuals, Estimates, and Averages



Source: US Department of Commerce, Bureau of Economic Analysis RFA-LJ/08/19/16

# SHARES OF PERSONAL INCOME COMPONENTS In South Carolina



# Notes: Personal Income

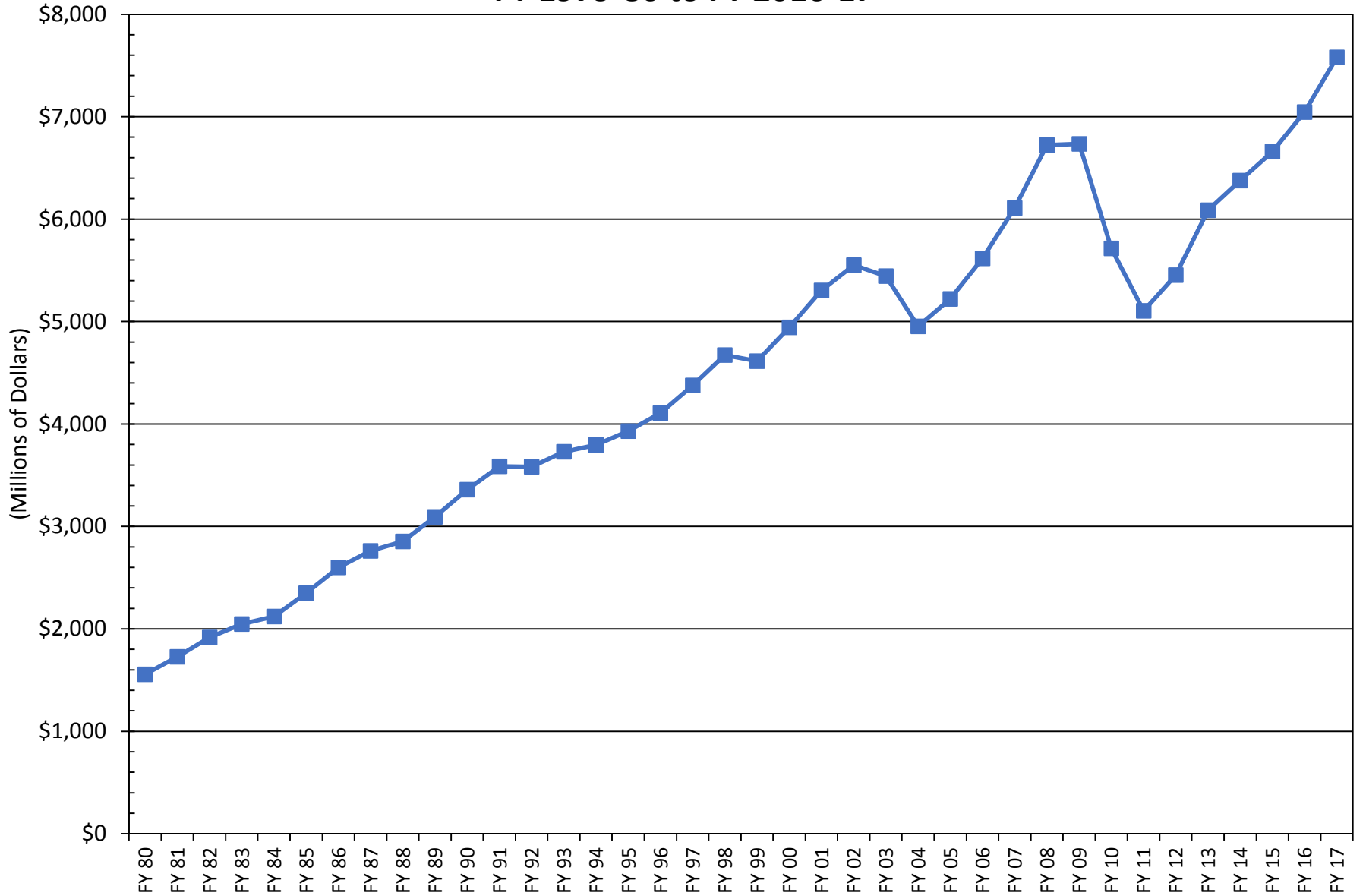
- S.C. personal income is growing at close to its 20-year average.
- S.C. is experiencing a shift in the components of personal income.
- Wages as a component of total personal income have decreased from 62 percent to 48 percent.
- The top seven counties account for 53 percent of personal income in S.C.



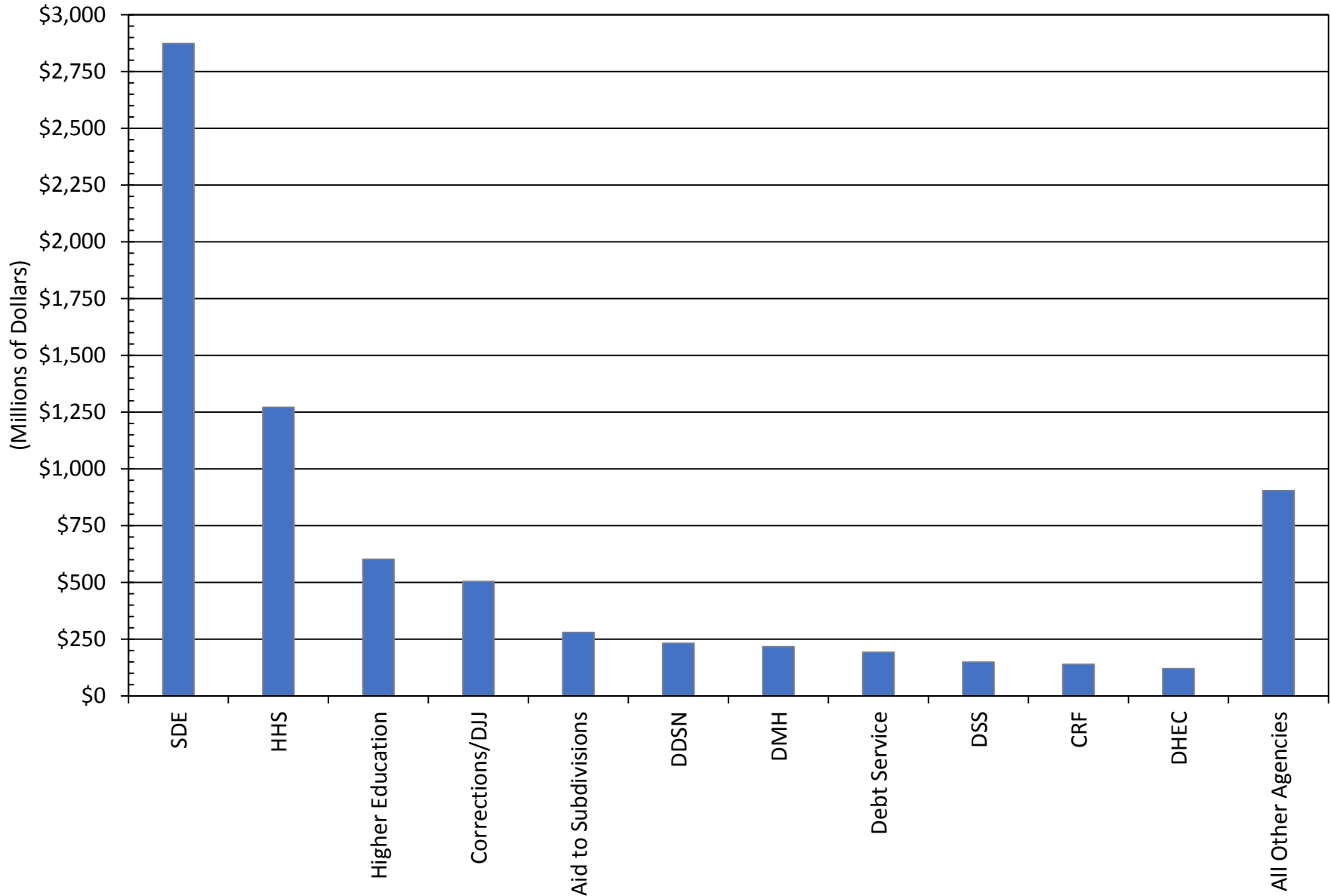
# GENERAL FUND APPROPRIATIONS



# GENERAL FUND APPROPRIATIONS FY 1979-80 to FY 2016-17



# FY 2016-17 GENERAL FUND APPROPRIATIONS





# Notes: General Fund Appropriations

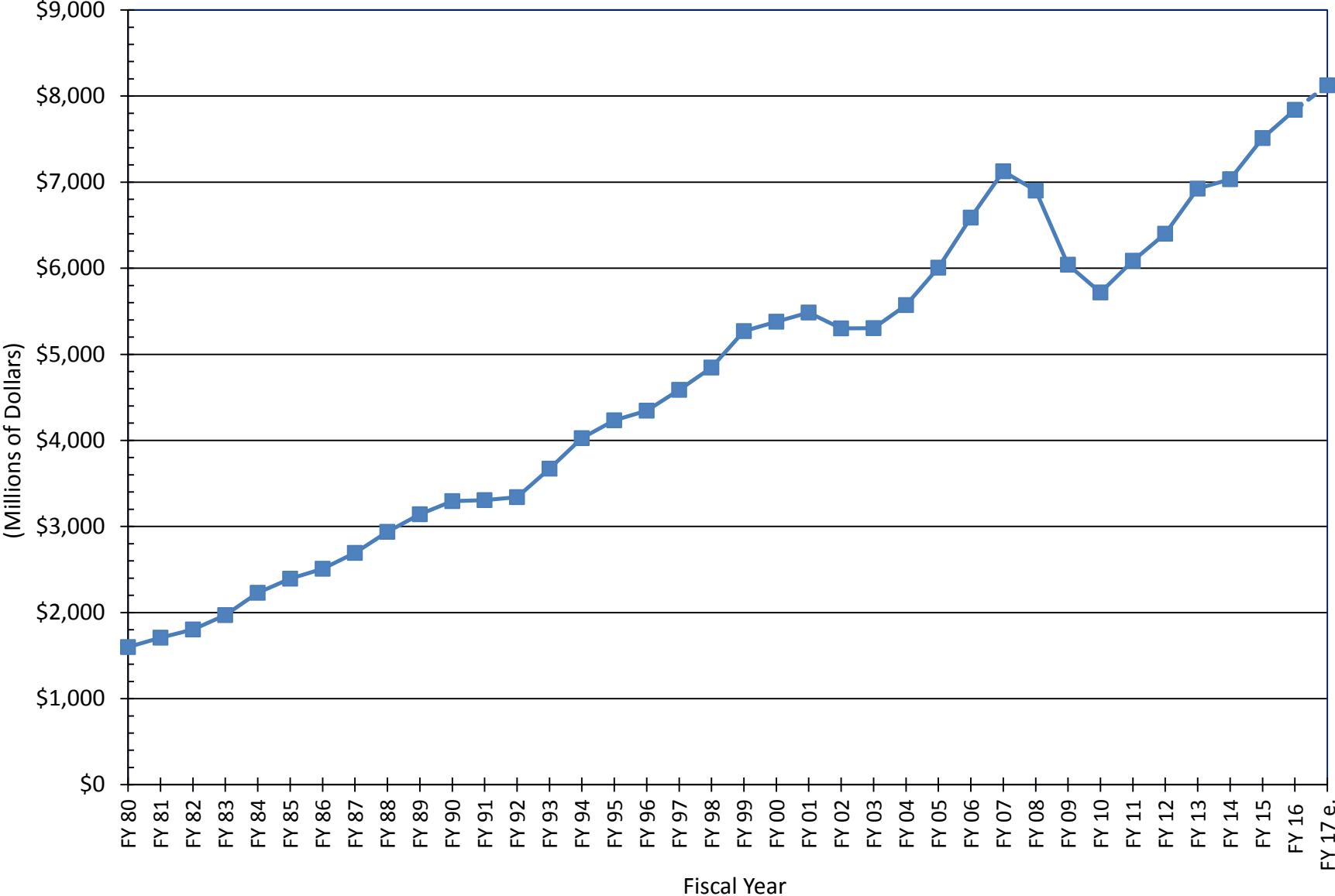
- The two largest General Fund appropriations are for the Department of Education and Health and Human Services. These two agencies account for 55 percent of total General Fund appropriations.



# GENERAL FUND REVENUE

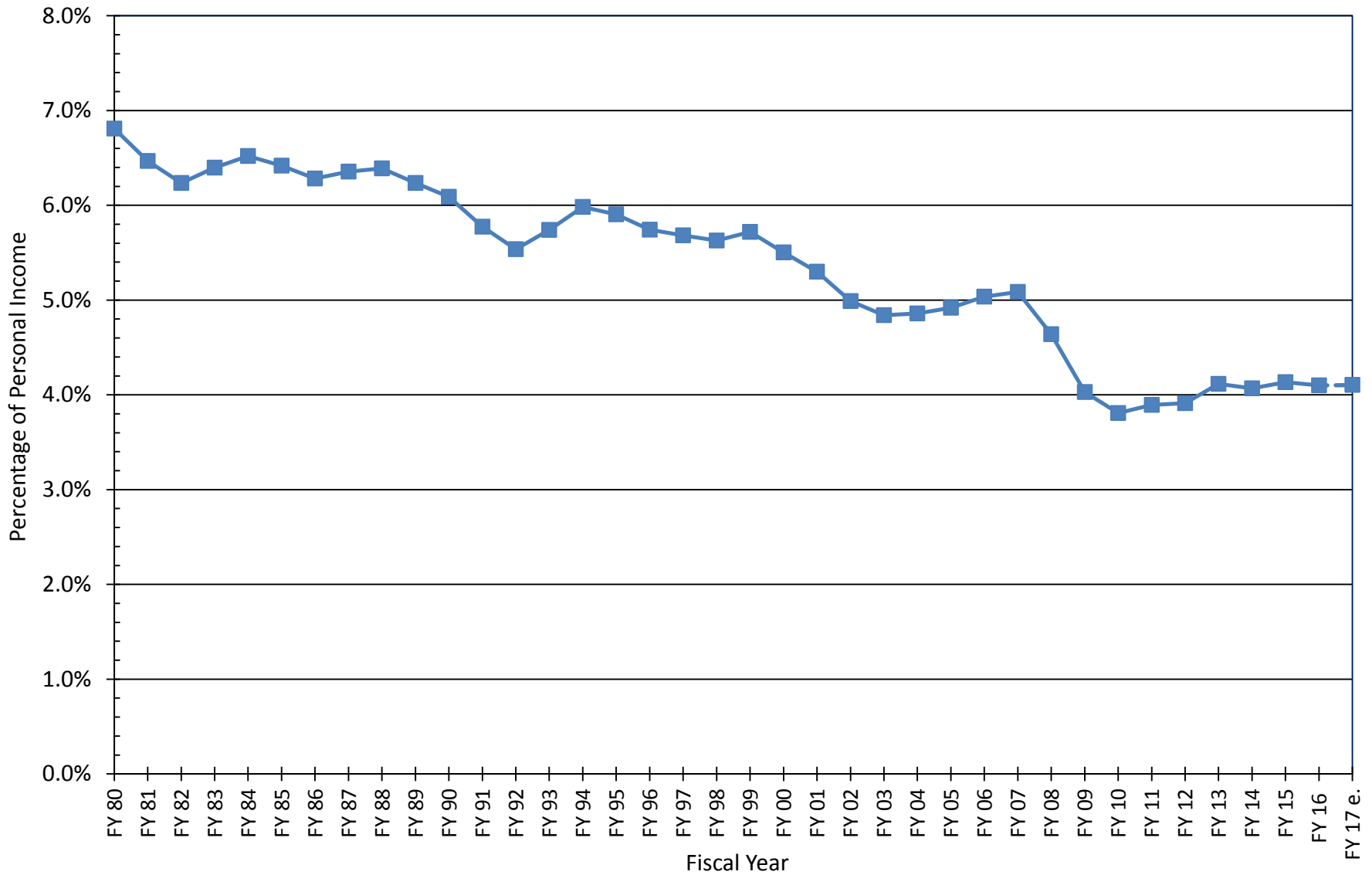


# SOUTH CAROLINA GENERAL FUND REVENUE

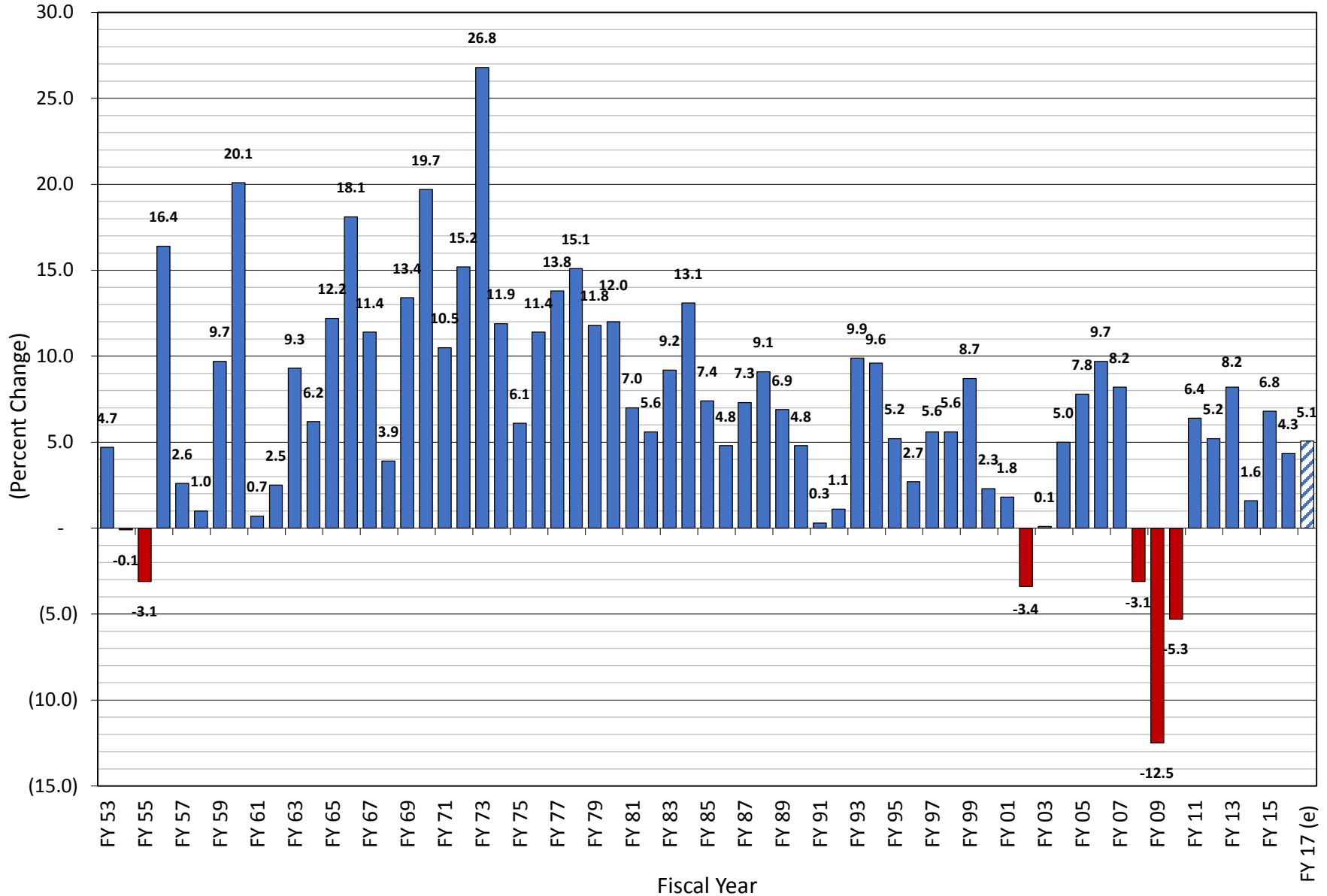


Source: S.C. Revenue and Fiscal Affairs Office LJ/08/24/16

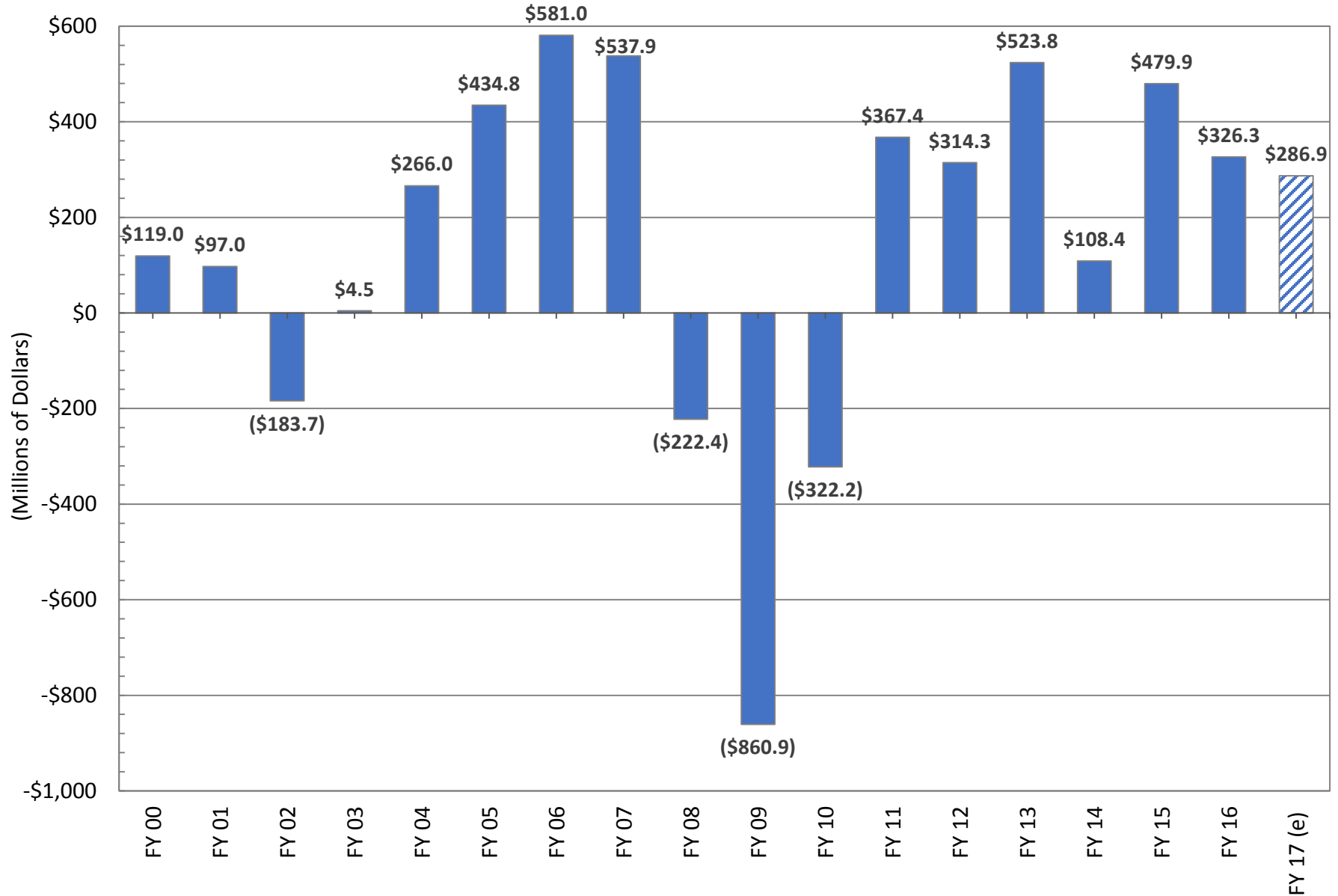
# SOUTH CAROLINA GENERAL FUND REVENUE as a Percentage of Total Personal Income



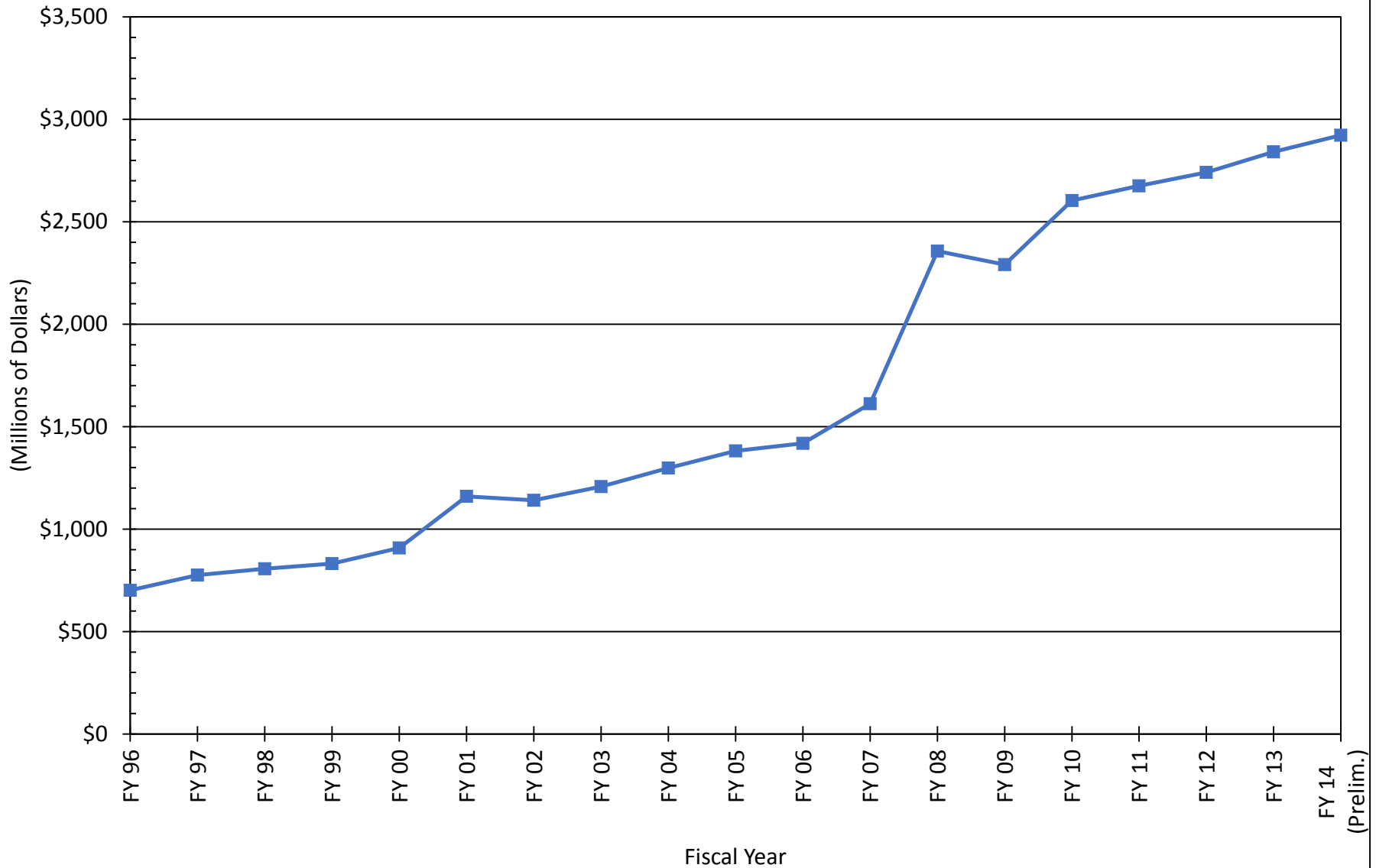
# PERCENT CHANGE IN S.C. GENERAL FUND REVENUE



# ANNUAL GENERAL FUND REVENUE GROWTH

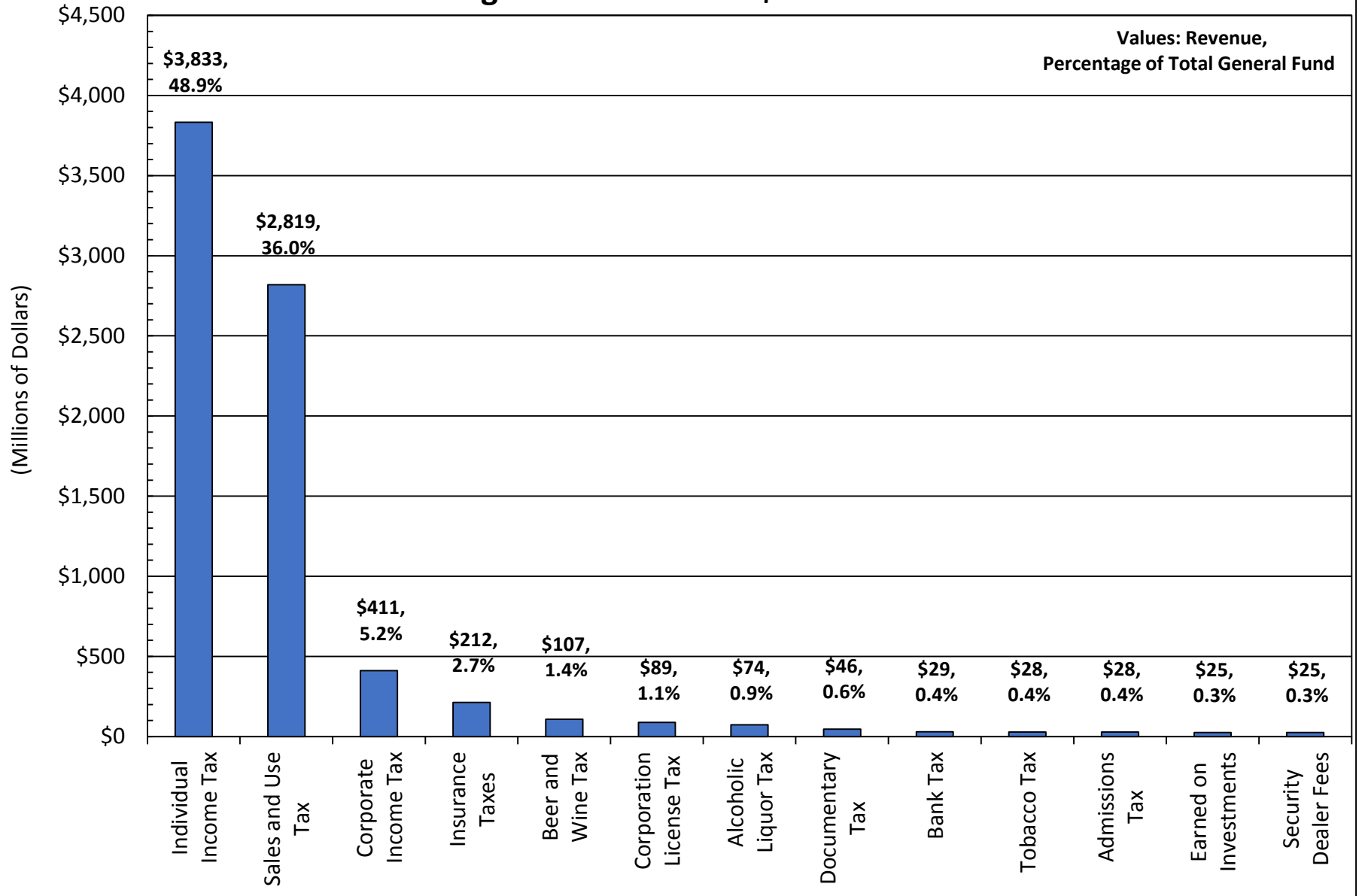


# ESTIMATED ANNUAL TAX SAVINGS FY 1995-96 to FY 2013-14



## FY 2015-16 GENERAL FUND REVENUE BY TYPE

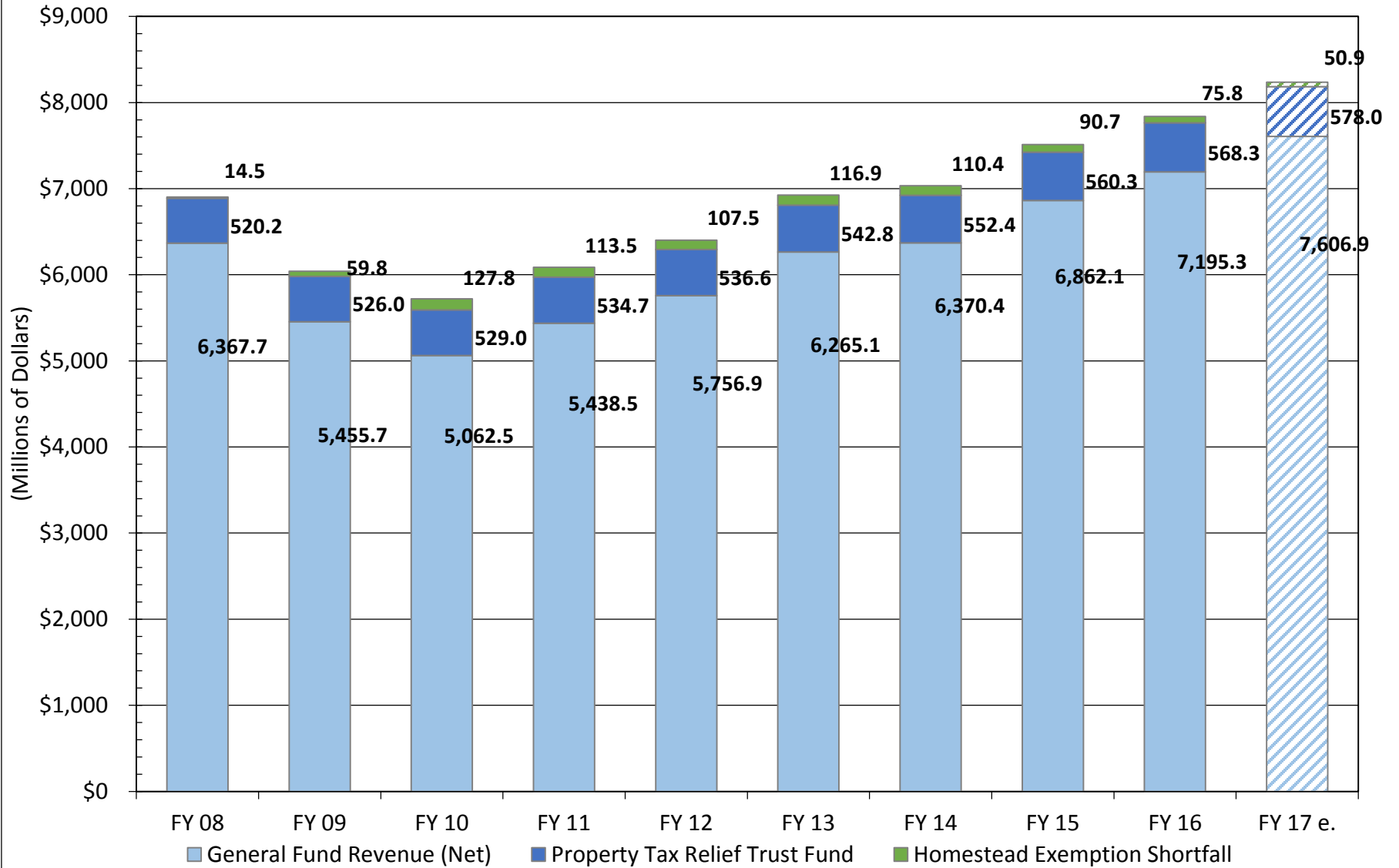
### Categories in Excess of \$25 Million





# GENERAL FUND REVENUE

## Less Trust Fund and Homestead Exemption Shortfall



# Notes: General Fund Revenue

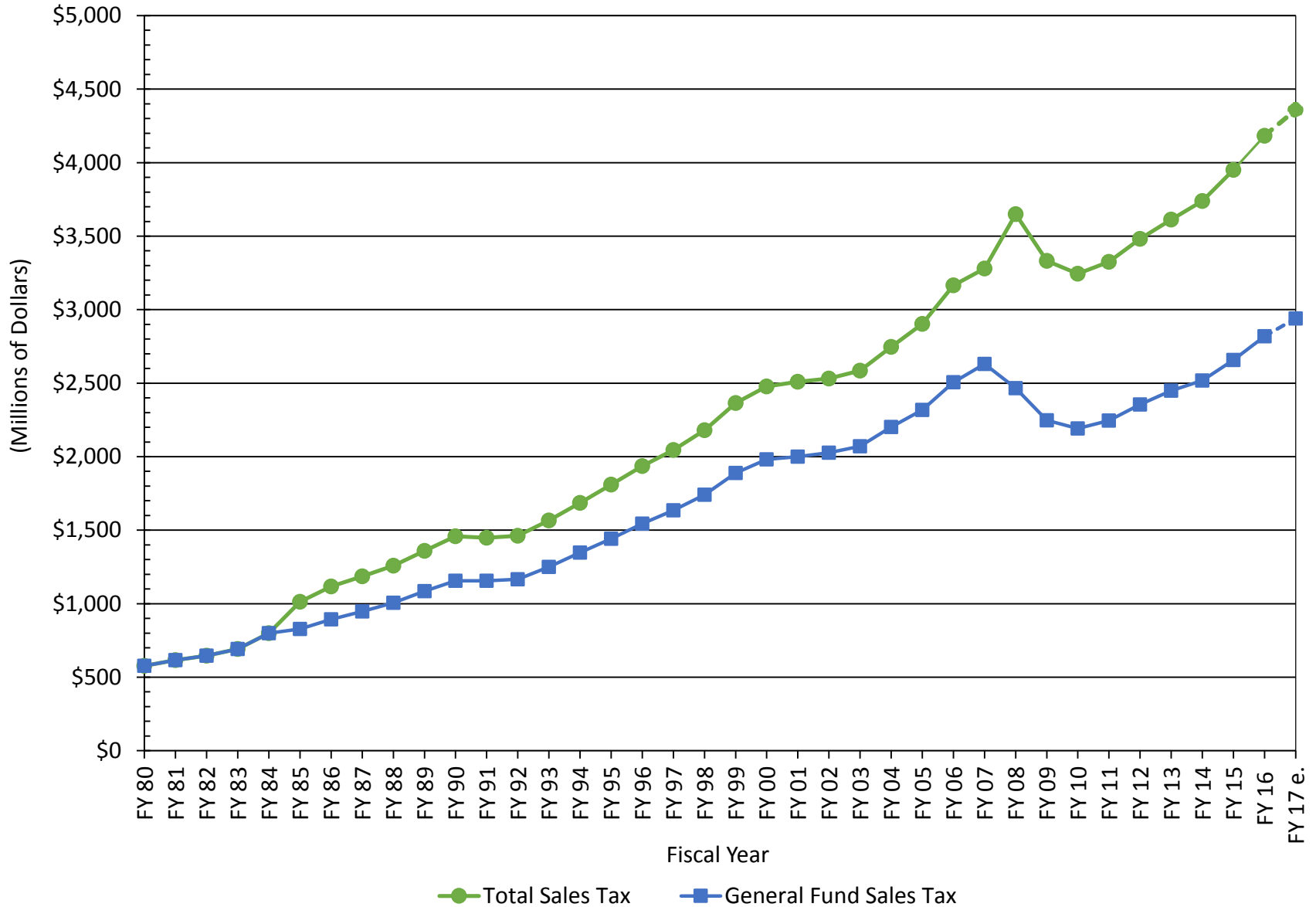
- S.C. General Fund revenue as a percentage of total personal income has declined from 6.8 percent in FY 80 to approximately 4.1 percent in FY 17.
- General Fund revenue dropped twenty percent during the last recession.
- Sales and individual income tax revenue account for approximately 85 percent of total General Fund revenue.
- Since FY 96, estimated annual tax savings due to legislative enactments have increased from \$700 million to \$2.9 billion in FY 14.



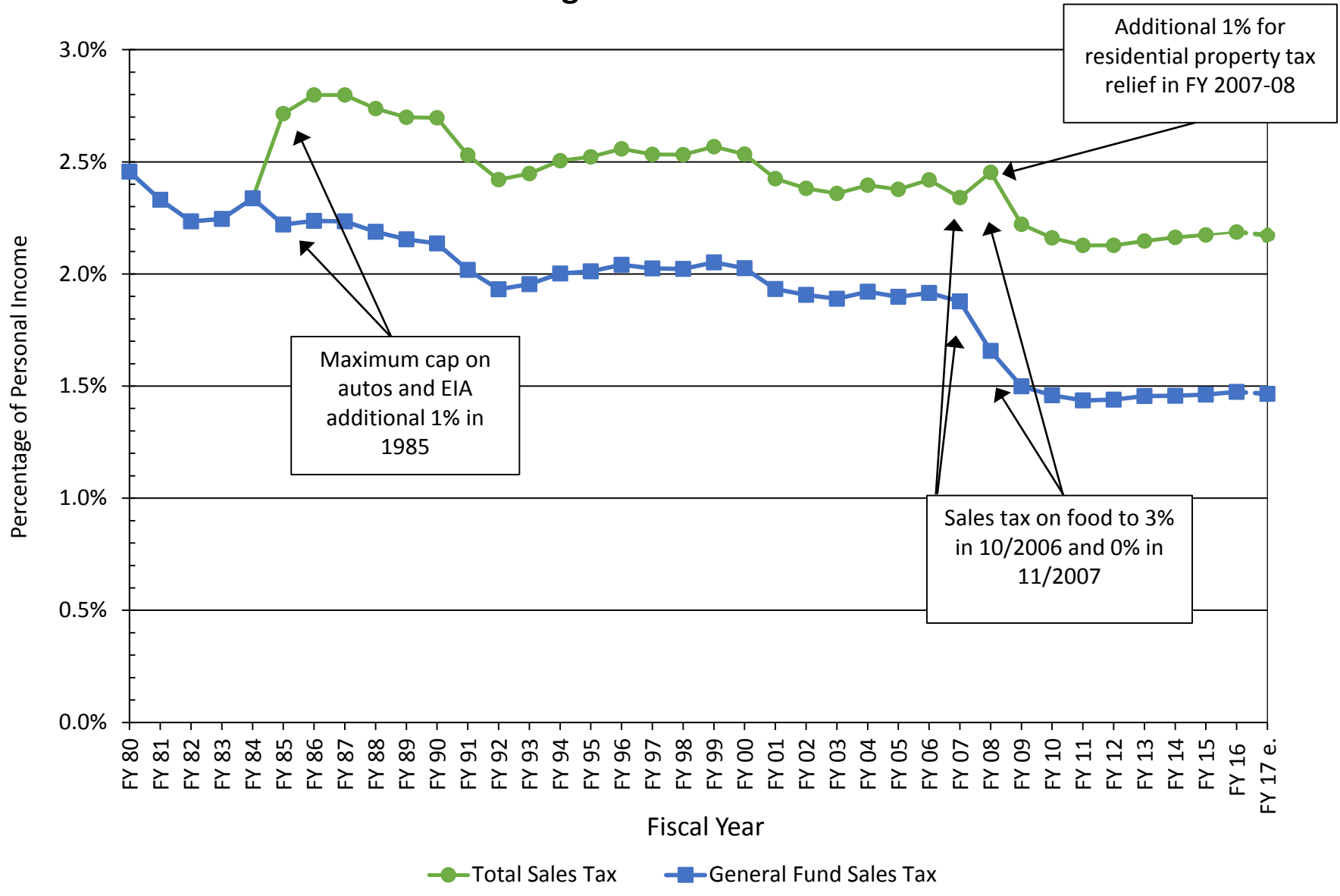
# SALES TAX



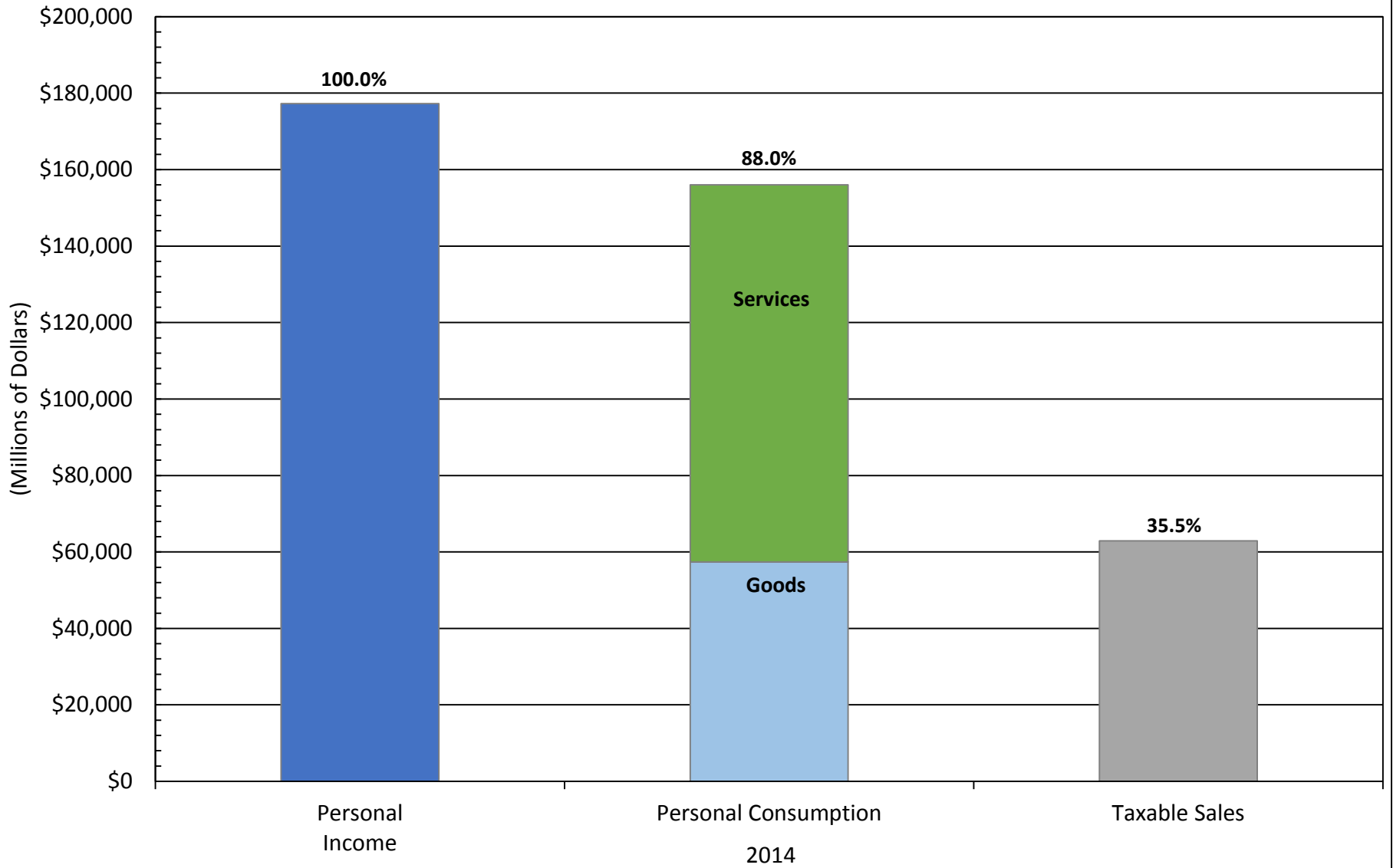
# SOUTH CAROLINA TOTAL AND GENERAL FUND SALES TAX COLLECTIONS



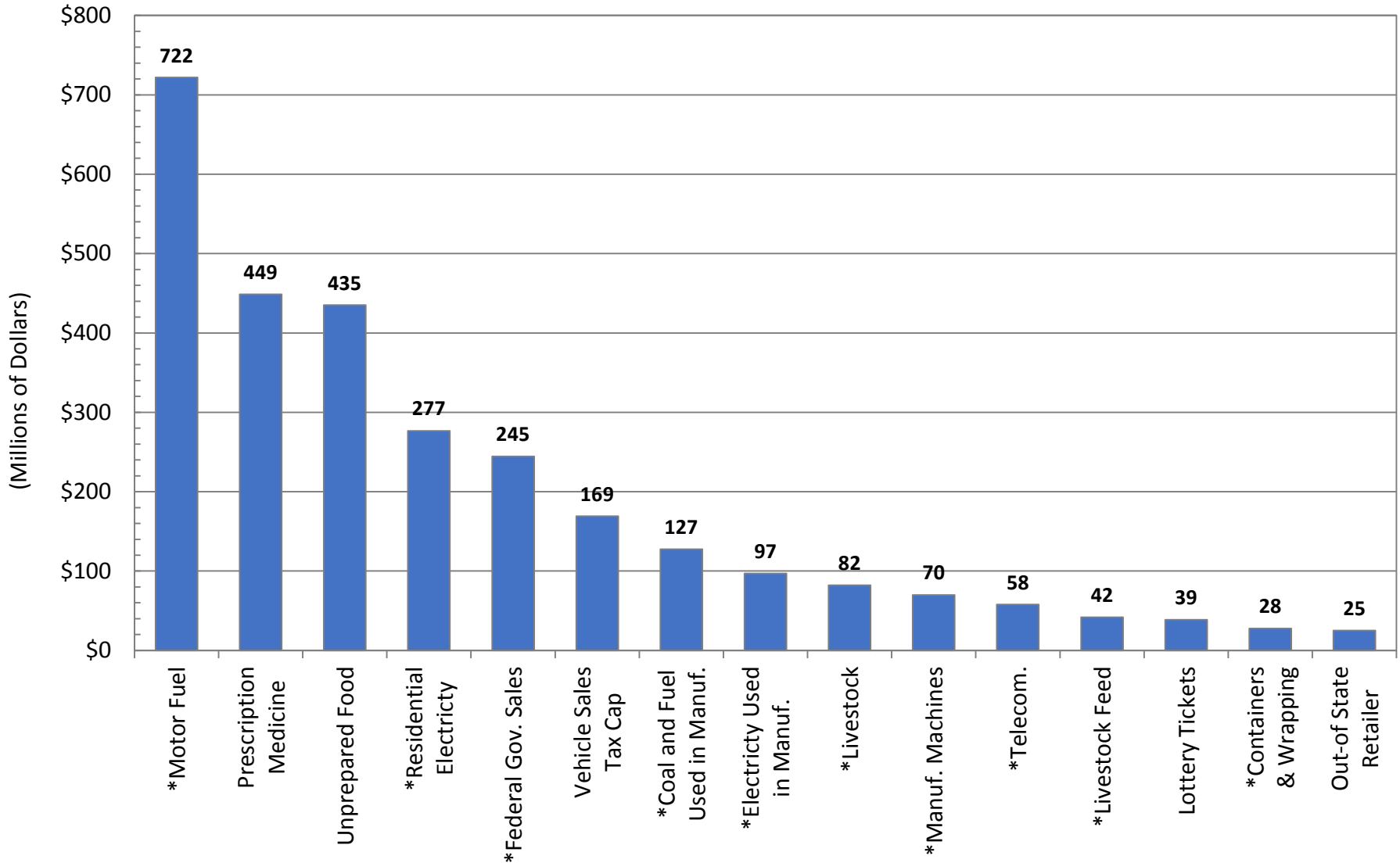
# SOUTH CAROLINA TOTAL AND GENERAL FUND SALES TAX COLLECTIONS as a Percentage of Total Personal Income



# SOUTH CAROLINA PERSONAL INCOME, PERSONAL CONSUMPTION, AND TAXABLE SALES

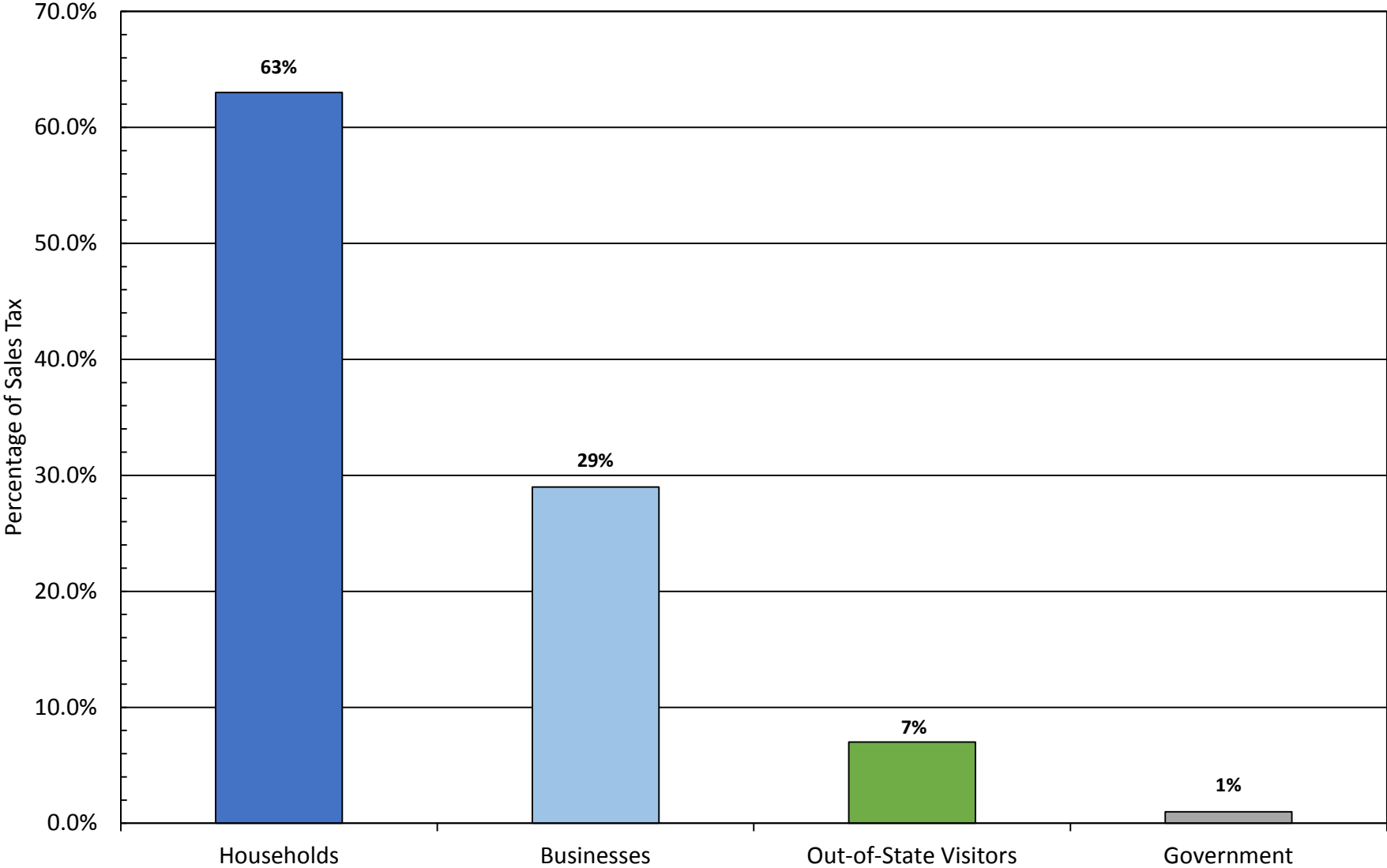


## FY 2012-13 SALES TAX EXEMPTIONS AND EXCLUSIONS In Excess of \$25 Million



\*Original Exemptions from 1951

# PERCENTAGE OF SALES TAX BY PURCHASER



Source: S.C. Revenue and Fiscal Affairs Office 172A-LJ/08/23/16



# Notes: Sales Tax

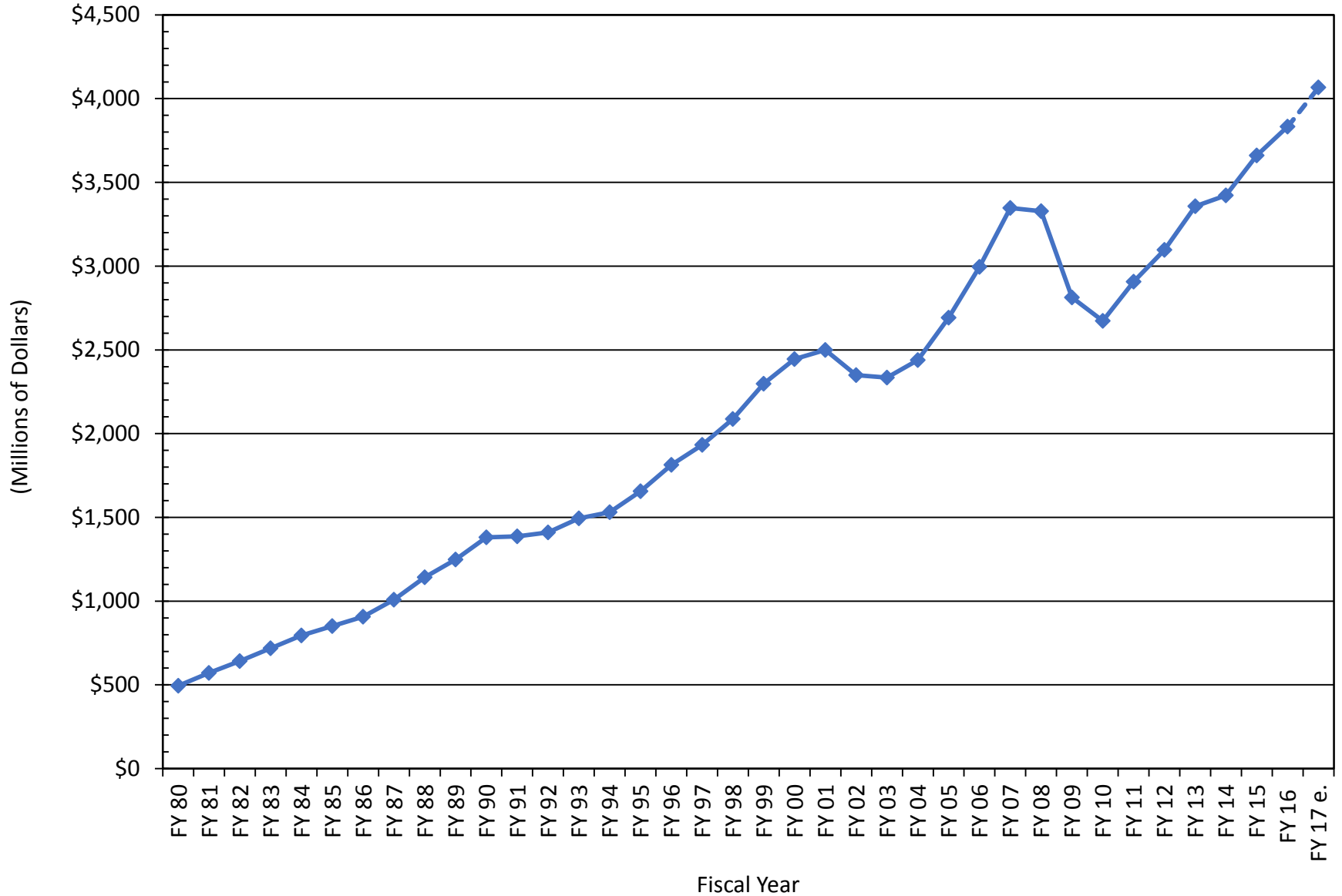
- Sales tax accounts for 36 percent of total General Fund revenue.
- Sales tax as a percentage of total personal income has declined from almost 2.5 percent to less than 1.5 percent
- Total statewide sales tax collections at 6 percent equaled 2.2 percent of total personal income in FY 16 compared to 2.5 percent for the 4 percent rate in FY 80.
- Consumer spending is about 88 percent of total personal income. Taxable sales equal approximately 36 percent.
- The three largest sales tax exemptions are motor fuel, prescription medicine, and unprepared food. These items account for approximately 53 percent of exemptions.



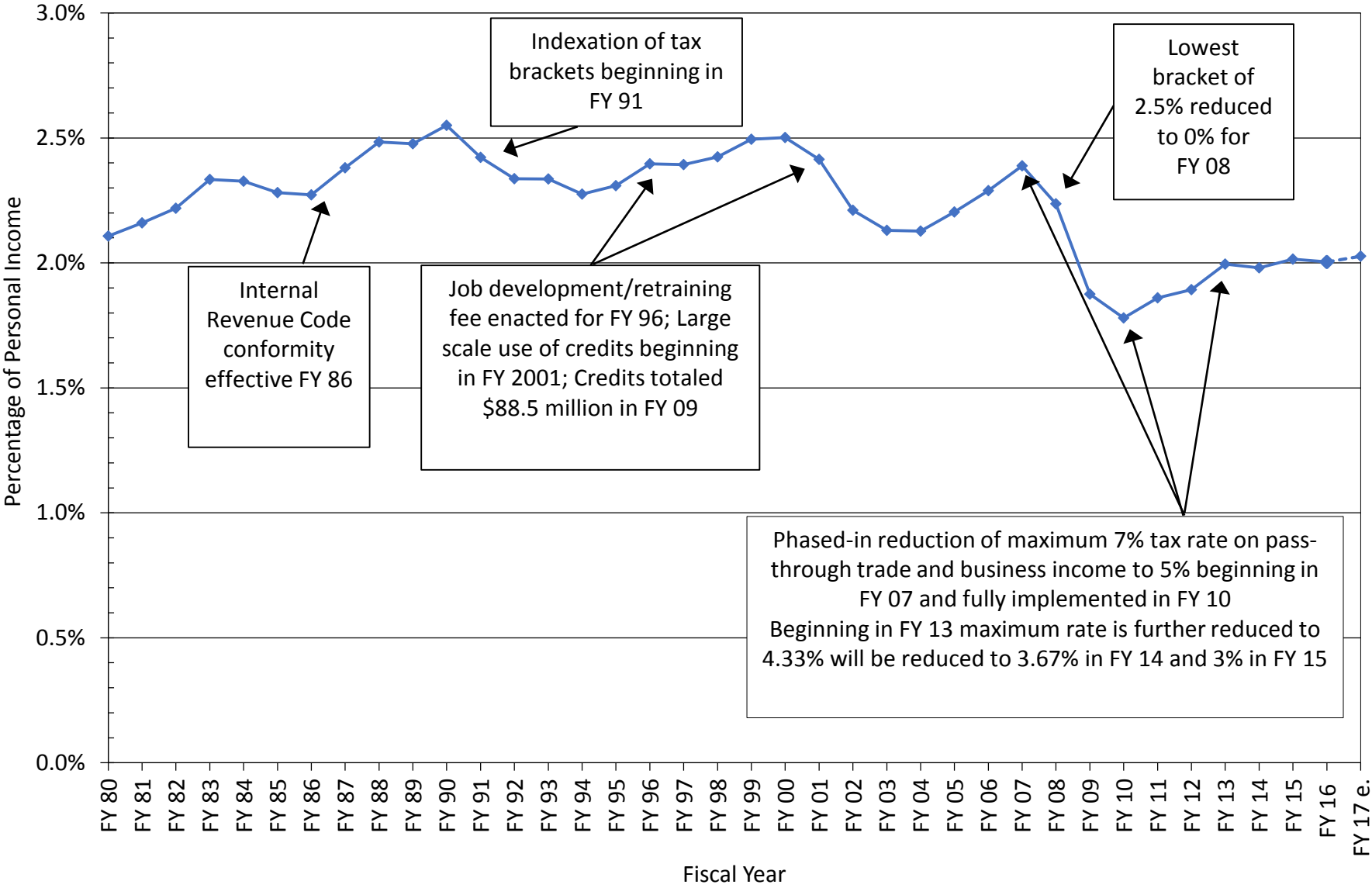
# INDIVIDUAL INCOME



# SOUTH CAROLINA INDIVIDUAL INCOME TAX REVENUE



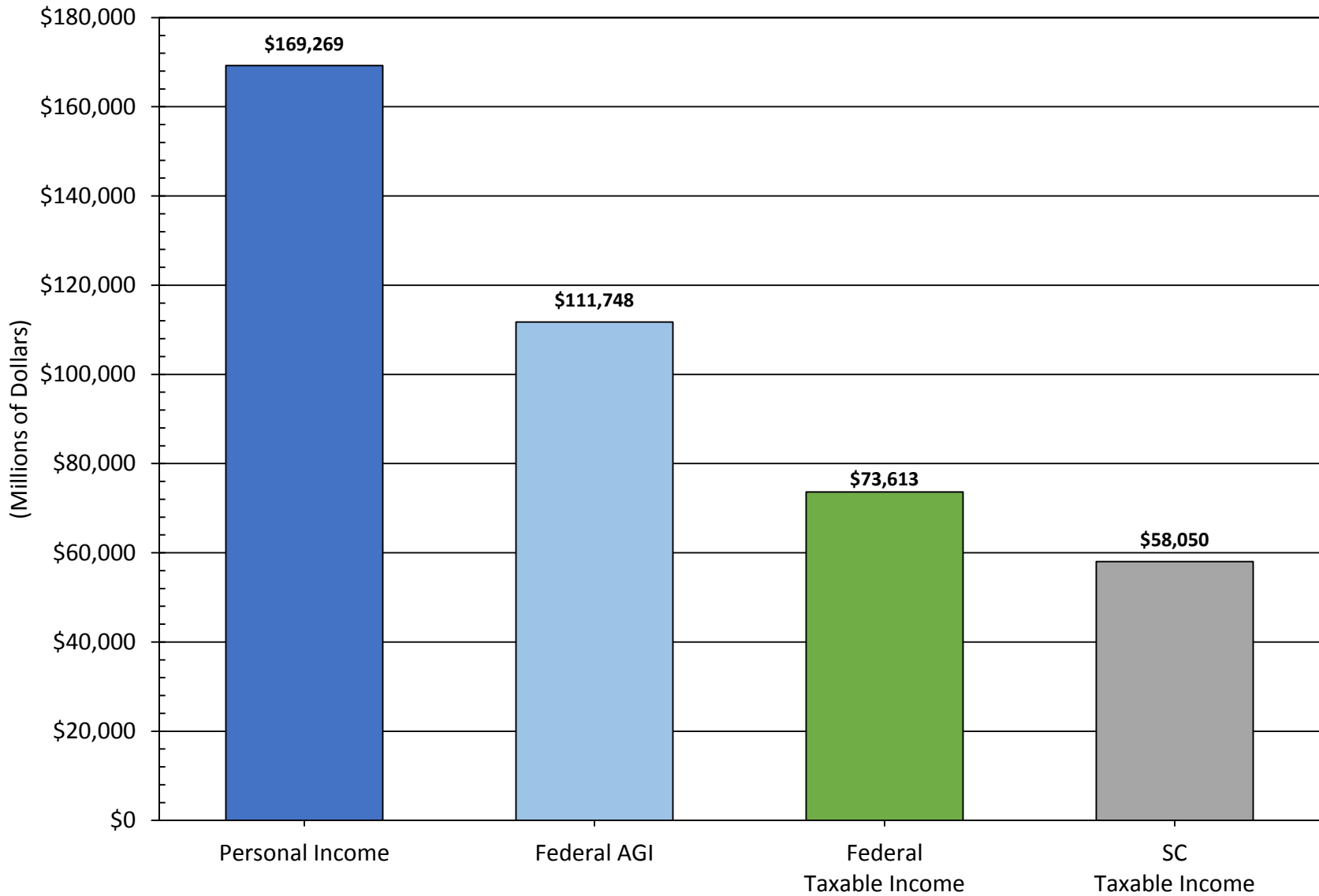
# SOUTH CAROLINA INCOME TAX COLLECTIONS as a Percentage of Total Personal Income



Source: SC General Fund individual income tax collections and U.S. Department of Commerce, Bureau of Economic Analysis. RFA 34-GOS/08/19/16

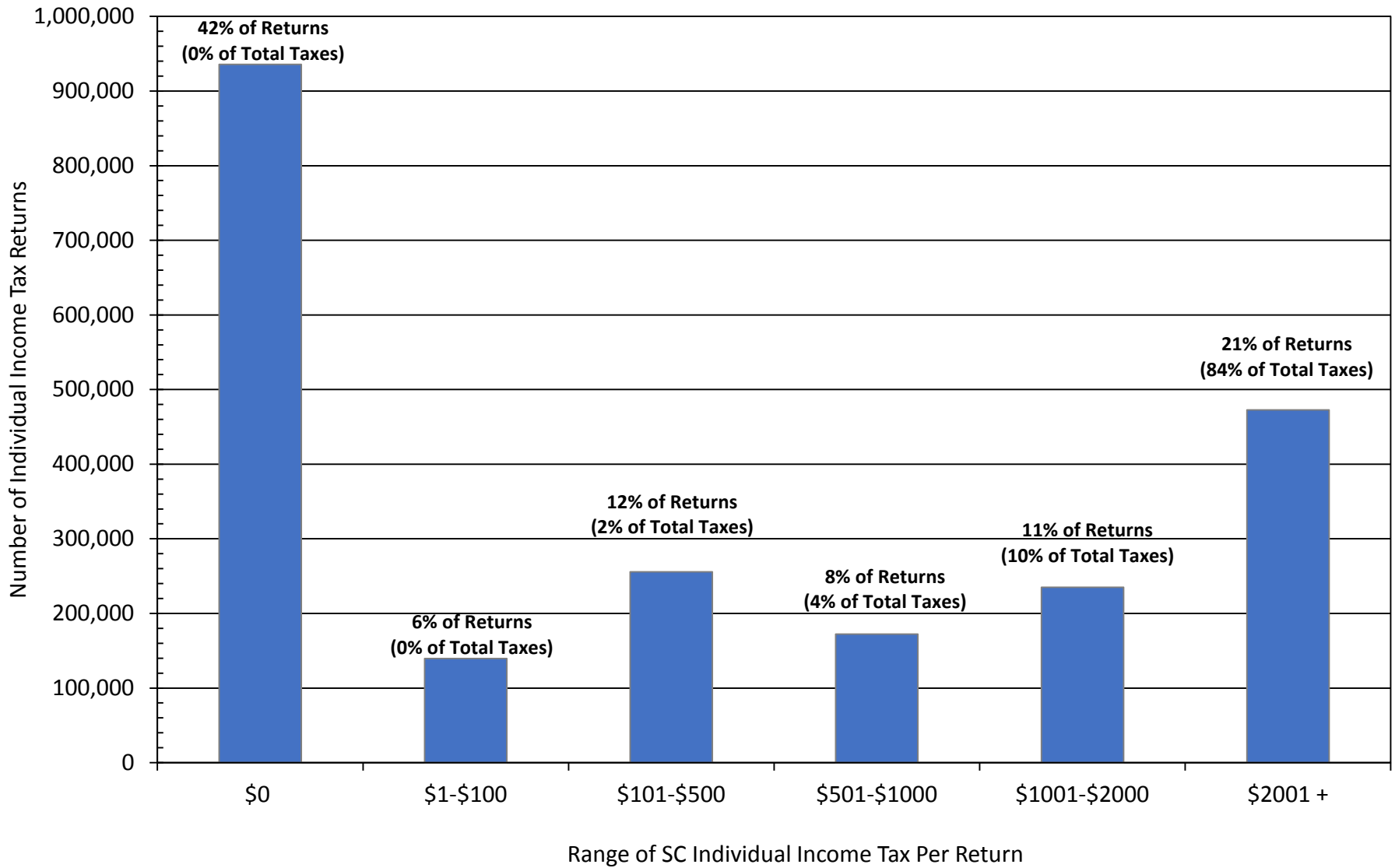
# DEFINITIONS OF SOUTH CAROLINA INCOME

## Tax Year 2013



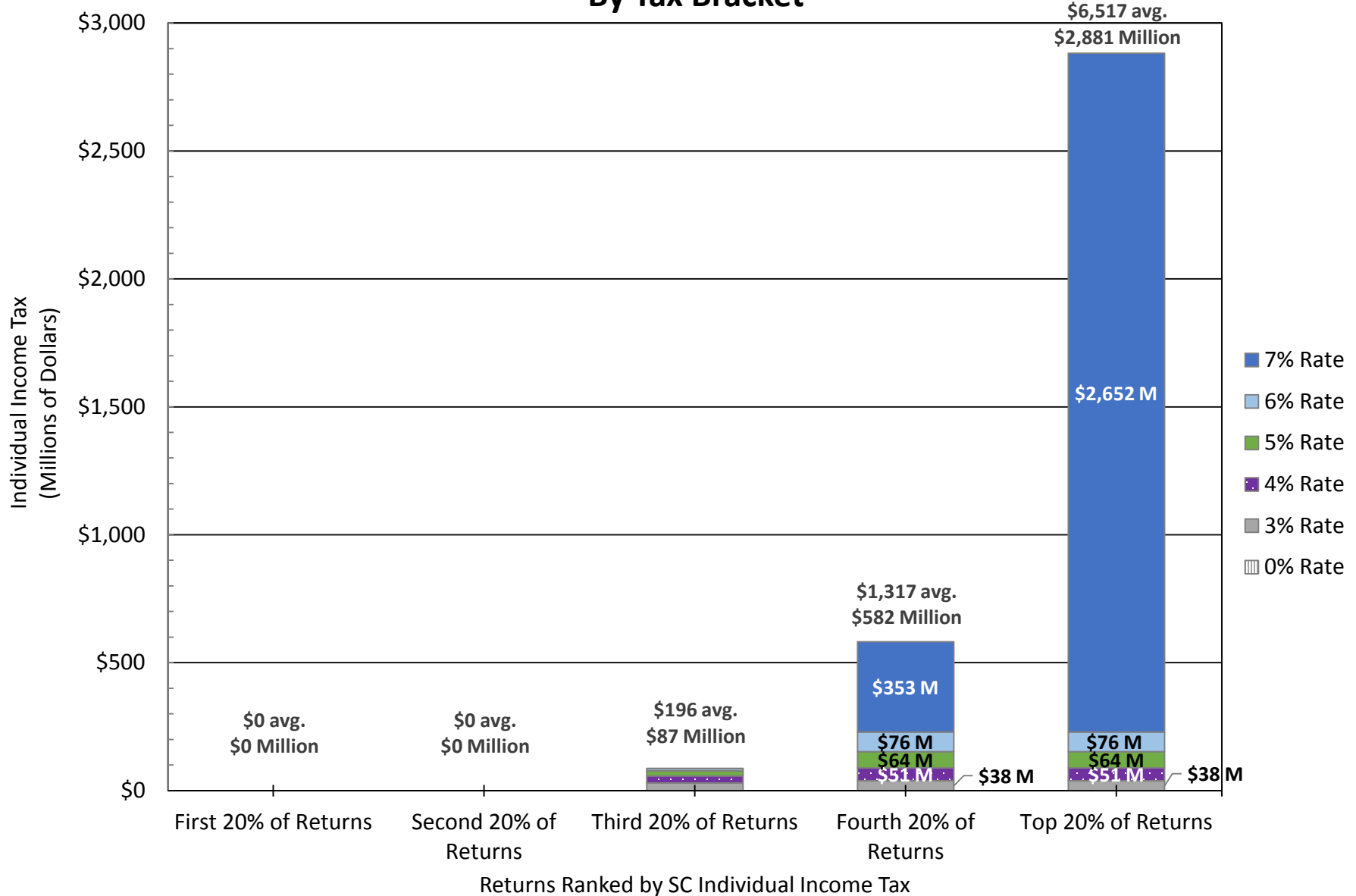
# 2014 SOUTH CAROLINA INDIVIDUAL INCOME TAX RETURNS

## By Tax Amount Per Return



# 2014 SOUTH CAROLINA INDIVIDUAL INCOME TAX

## By Tax Bracket



Source: S.C. Department of Revenue individual income tax return sample RFA-LJ/05/11/16

# Notes: Individual Income Tax

- Individual income tax accounts for 49 percent of total General Fund revenue.
- Individual income tax as a percentage of total personal income has fluctuated over the past 40 years and is slightly lower than in FY 80.
- S.C. taxable income is approximately 34 percent of total personal income.
- The lowest 42 percent of tax returns have no S.C. tax liability.
- The middle twenty percent of returns pay an average of \$196. The top 20 percent of returns pay an average of \$6,517 and account for 81 percent of the total income tax liability.

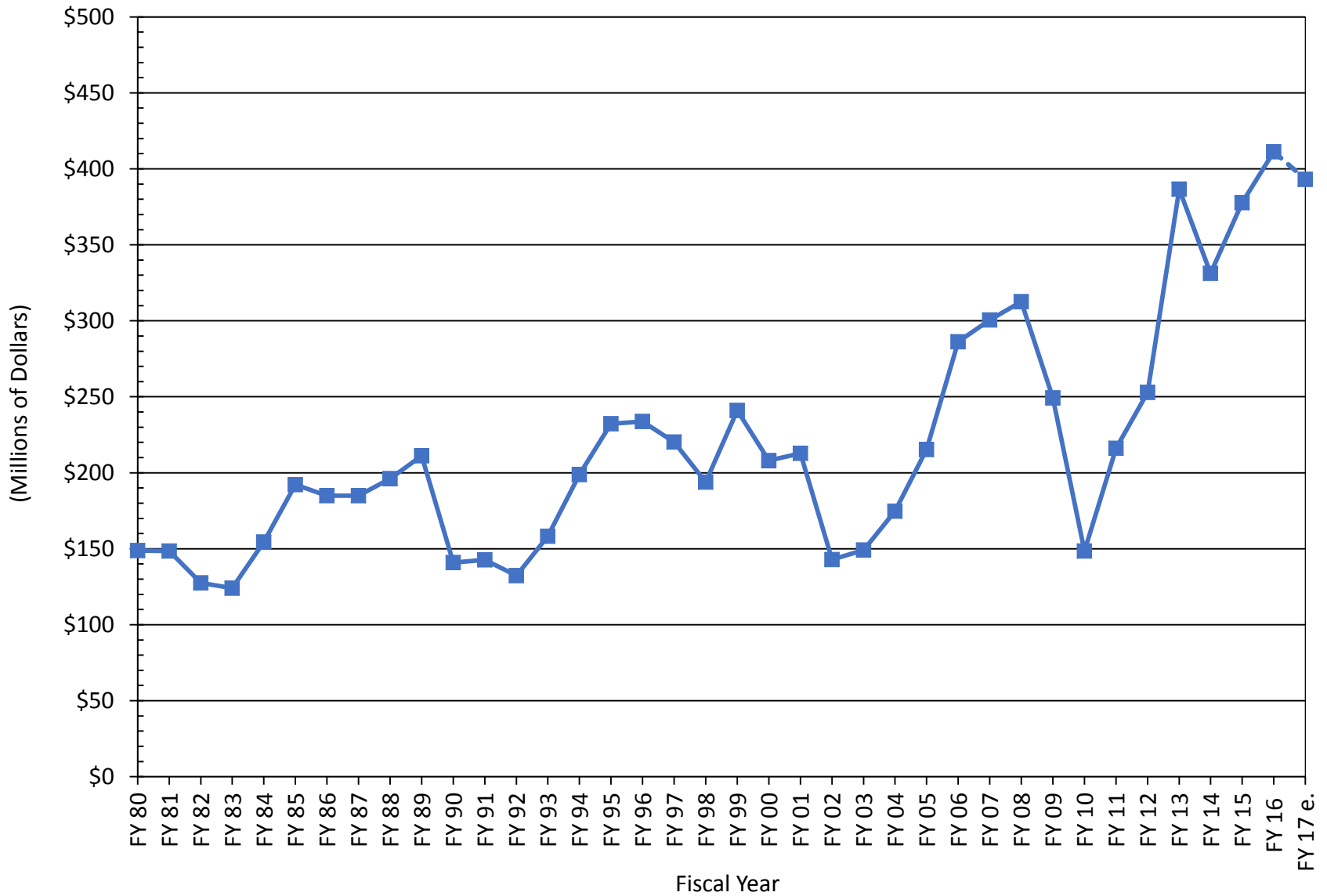




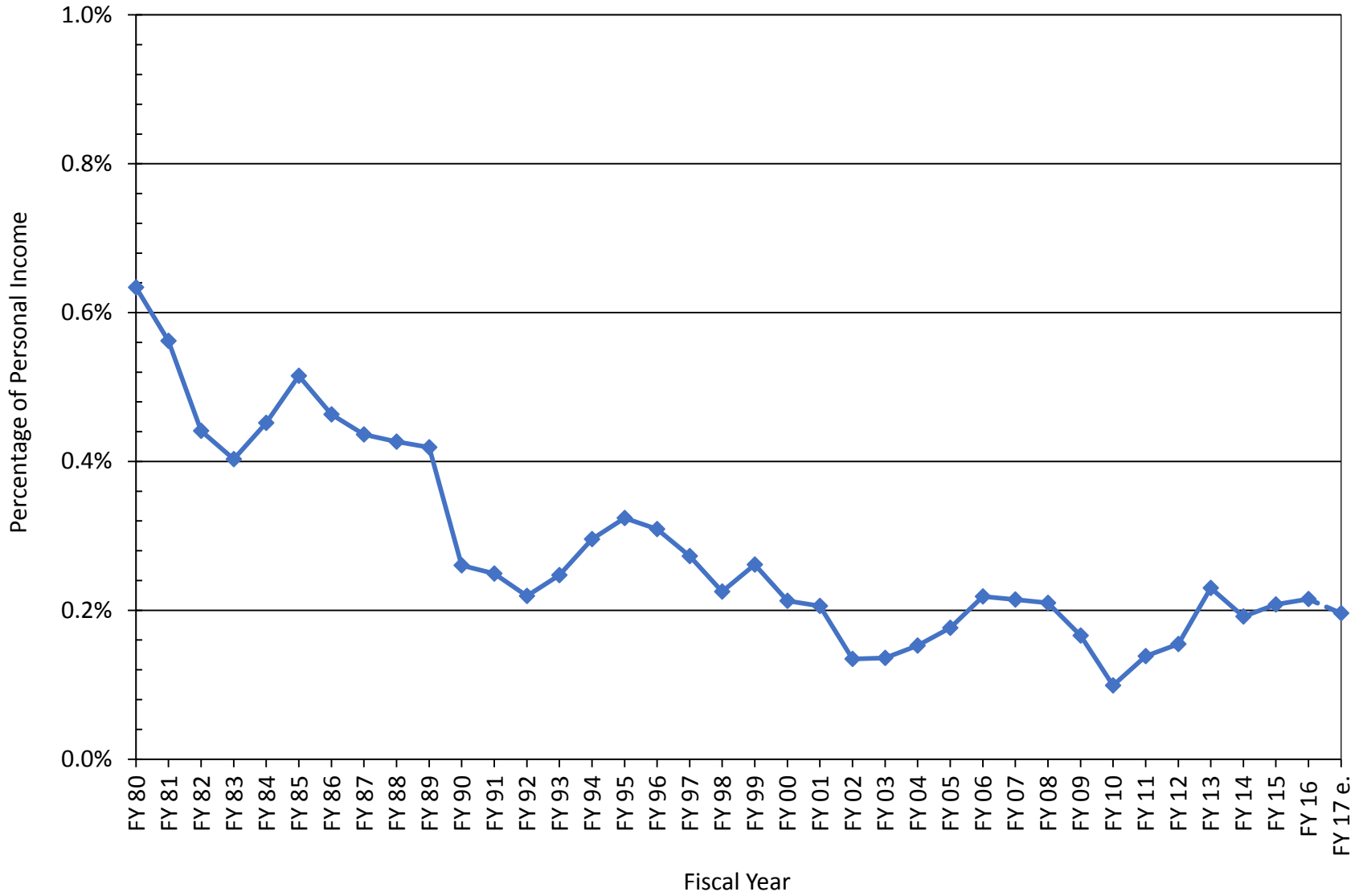
# CORPORATE INCOME & LICENSE TAXES



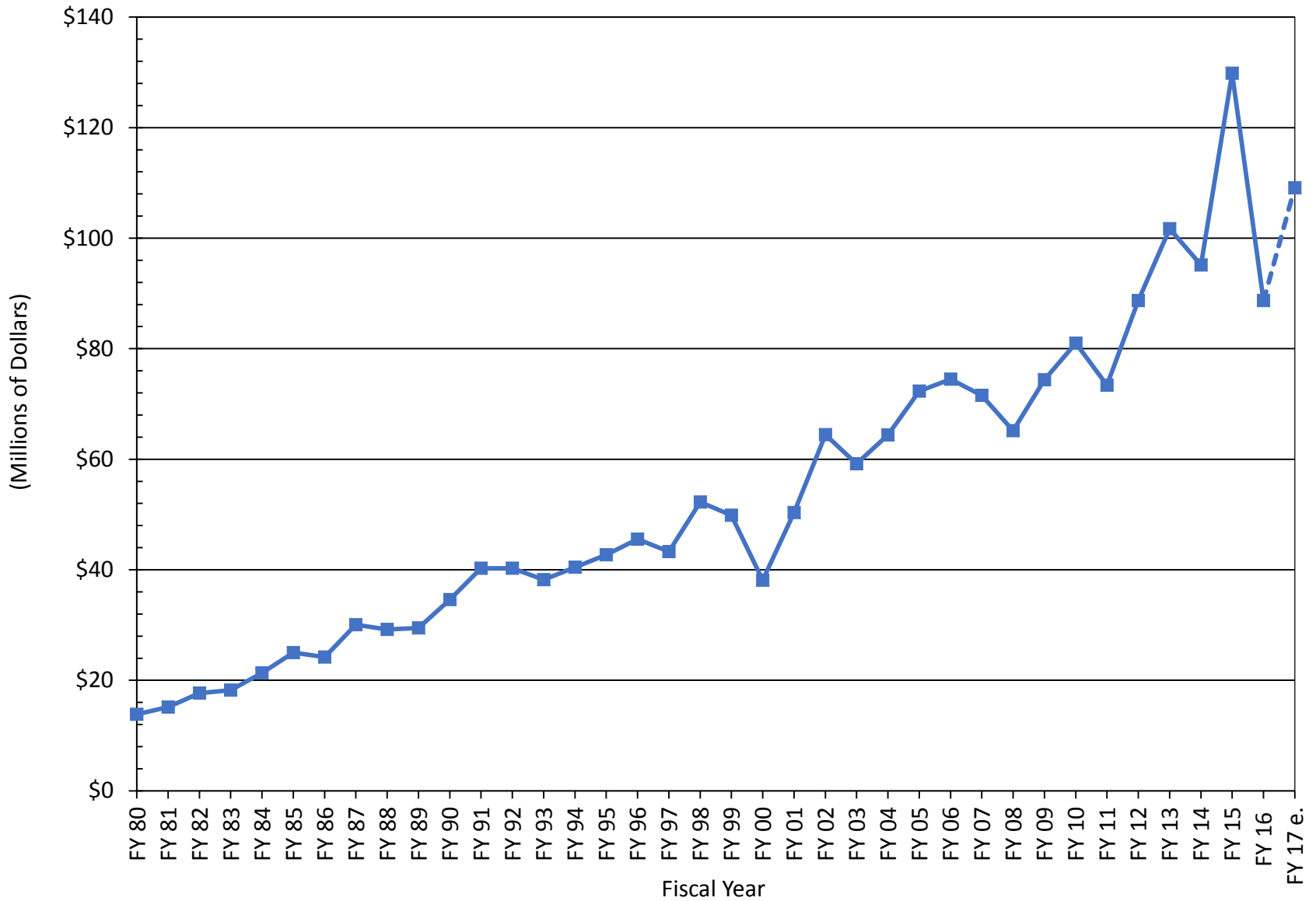
# SOUTH CAROLINA TOTAL CORPORATE INCOME TAX COLLECTIONS



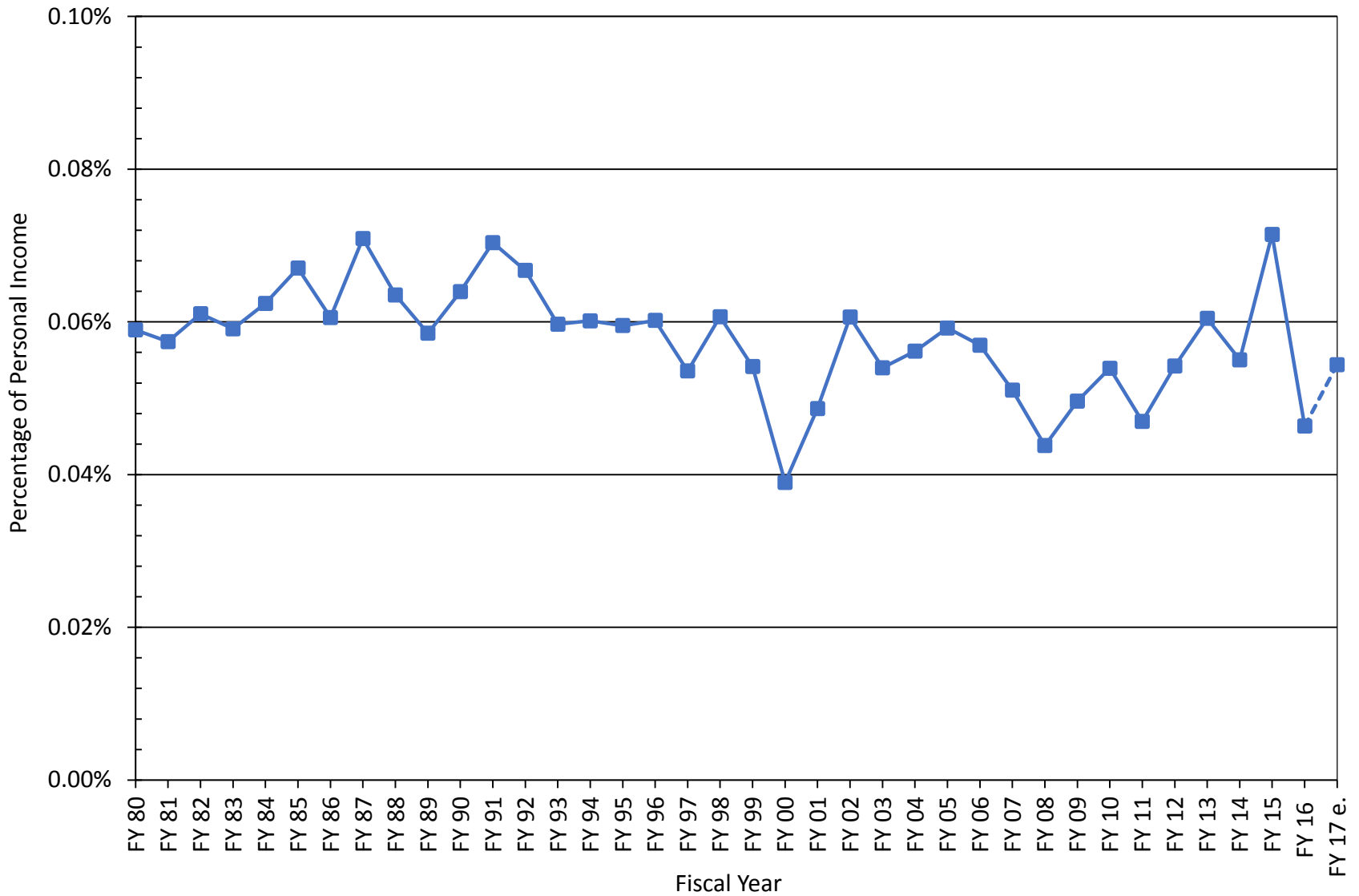
## SOUTH CAROLINA CORPORATE INCOME TAX COLLECTIONS as a Percentage of Total Personal Income



# SOUTH CAROLINA TOTAL CORPORATE LICENSE TAX COLLECTIONS



# SOUTH CAROLINA TOTAL CORPORATION LICENSE TAX COLLECTIONS as a Percentage of Total Personal Income



# Notes: Corporate Income and License Tax

- Corporate income tax is the third largest revenue item in the General Fund and the most volatile.
- For comparison, the S.C. Education Lottery contributes \$406.5 million to the state compared to \$411.2 million from corporate income tax in FY 16.
- Corporate license tax has been a growing but volatile revenue source for the General Fund.

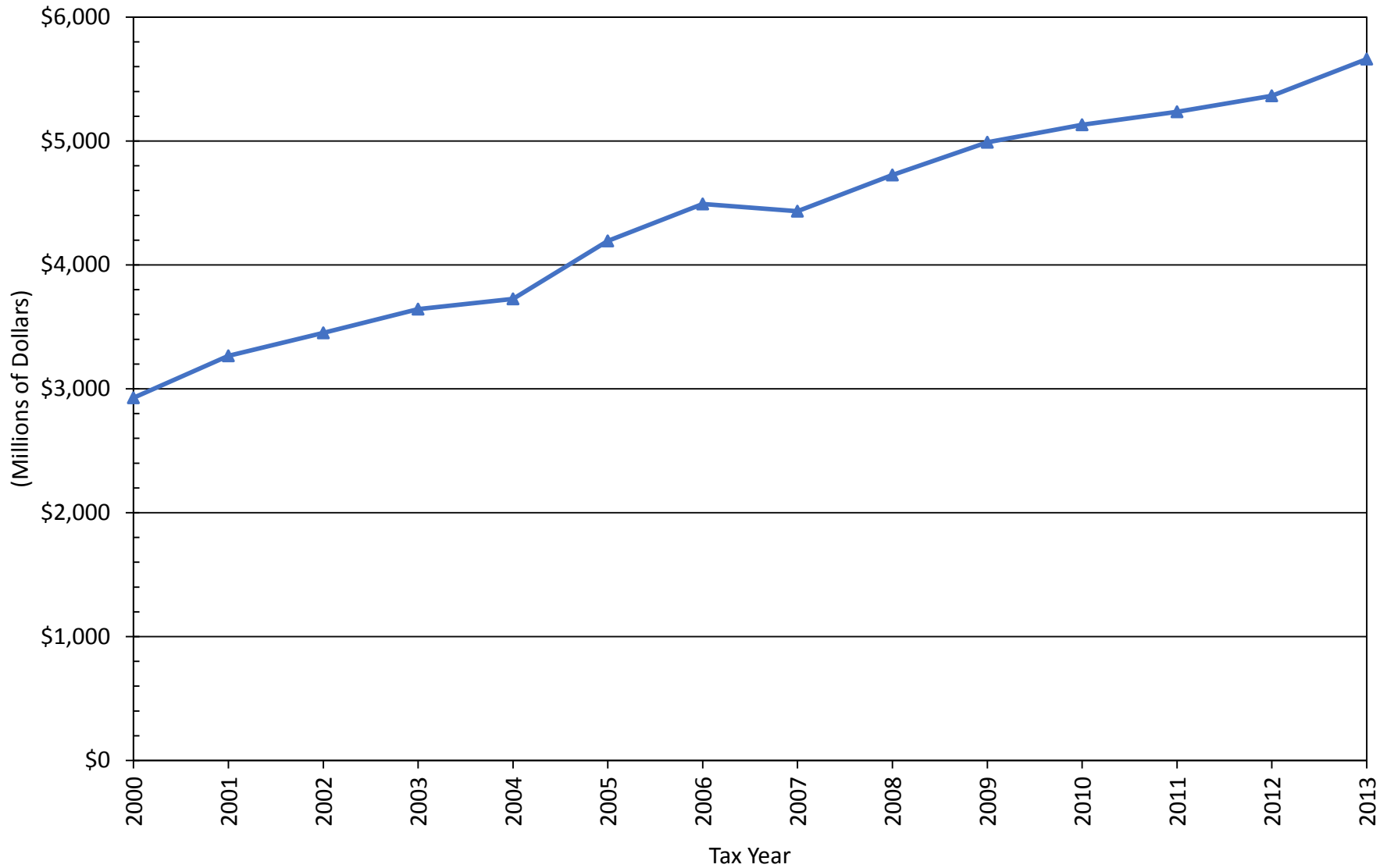


# PROPERTY TAX



# TOTAL PROPERTY TAX REVENUE

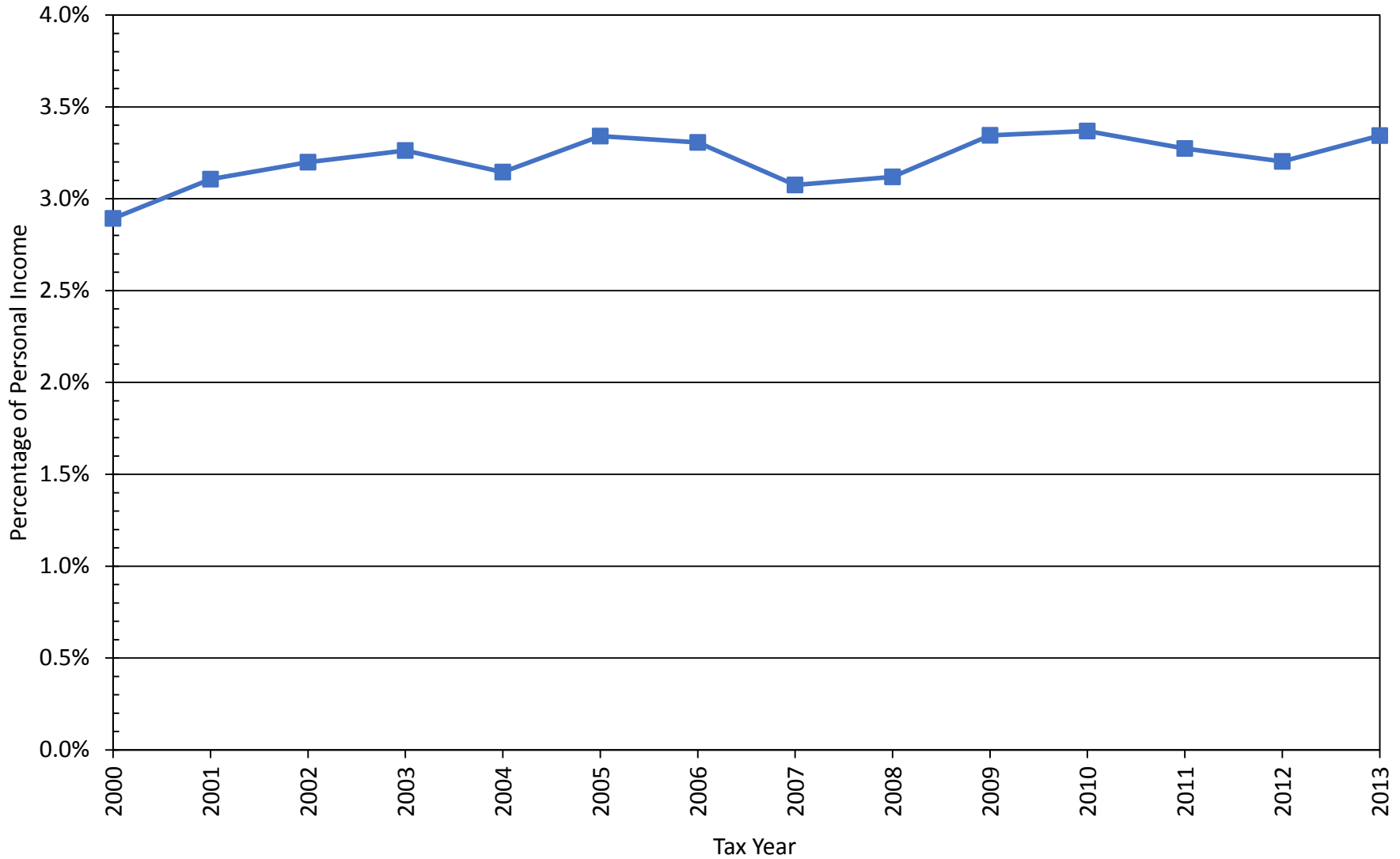
## Revenue Reported by Schools, Counties, Municipalities, and Special Districts



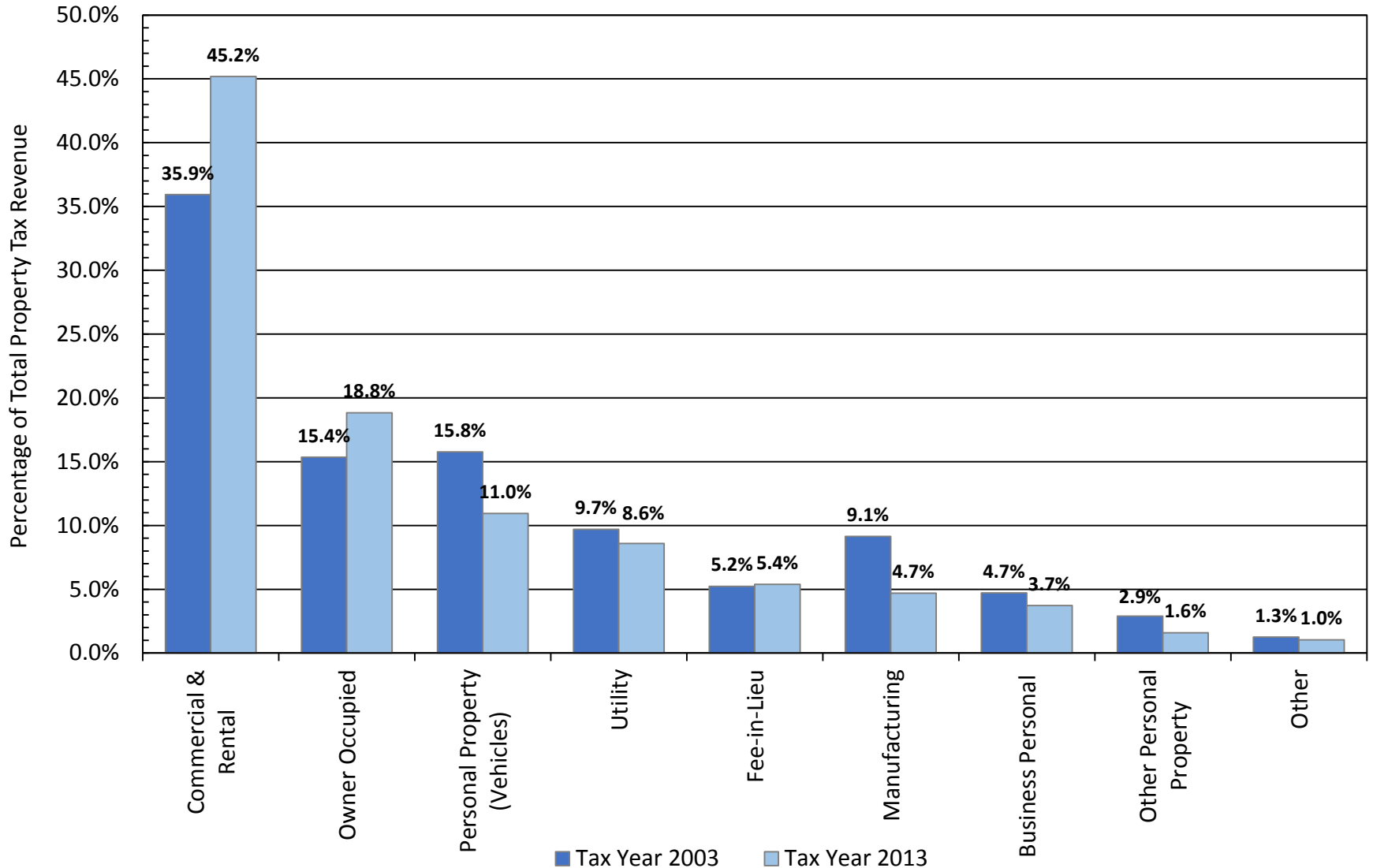


# TOTAL PROPERTY TAX REVENUE as a Percentage of Personal Income

Revenue Reported by Schools, Counties, Municipalities, and Special Districts



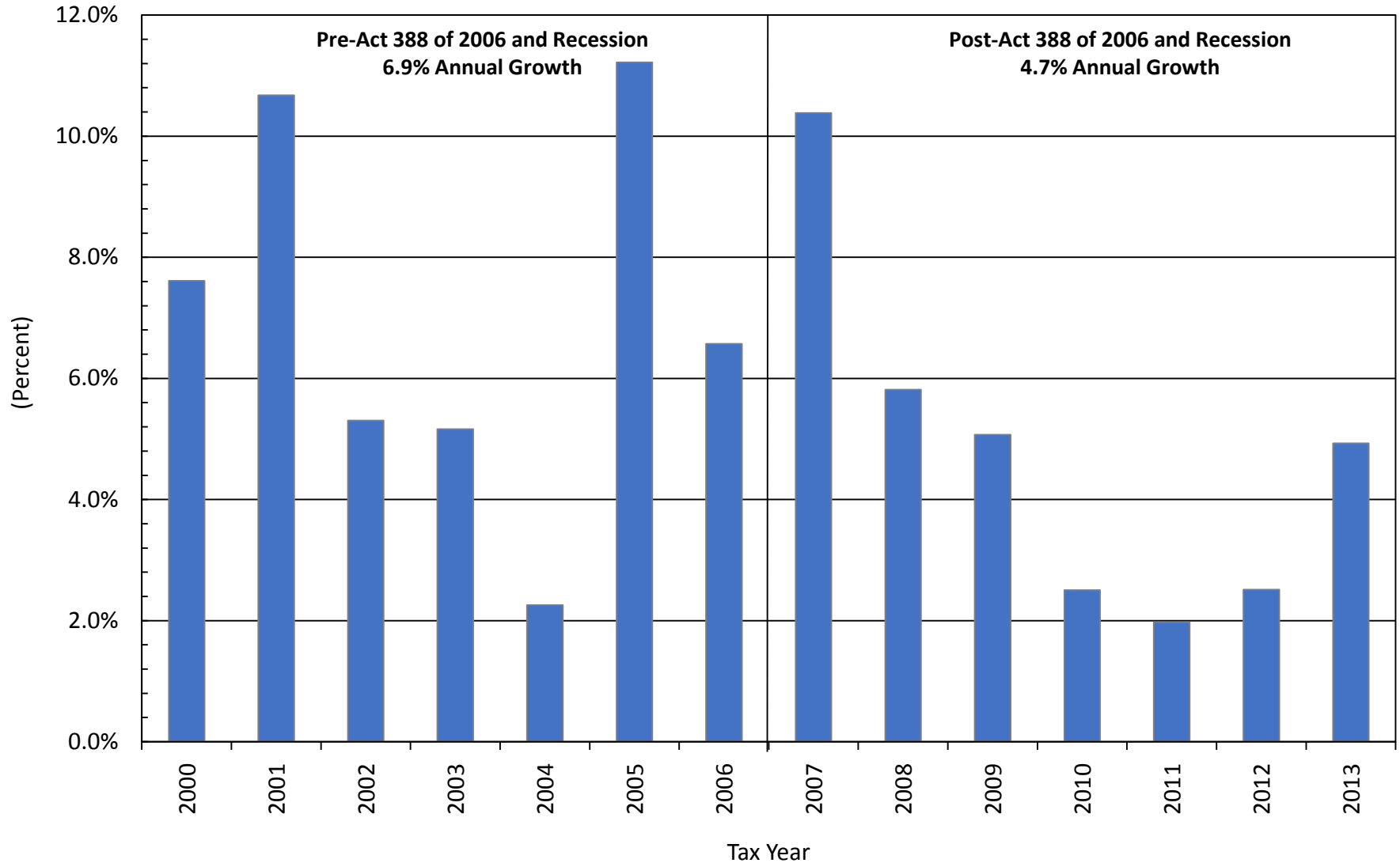
## ESTIMATED PERCENTAGE OF TOTAL PROPERTY TAX REVENUE By Assessment Classification



Other: Motor Carrier, Agricultural Real Property (corporate and private)

# ANNUAL GROWTH IN PROPERTY TAX REVENUE AND REIMBURSEMENTS

## Revenue Reported by School Districts, Counties, Municipalities, and Special Purpose Districts and All State Reimbursements



# Notes: Property Tax

- Property tax revenue, as a percentage of total personal income, has increased from 2.9 percent in 2000 to 3.3 percent in 2013.
- Between tax years 2003 and 2013:
  - Commercial property increased from 35.9 percent to 45.2 percent of total property tax revenue.
  - Owner occupied property increased from 15.4 percent to 18.8 percent of the total.
  - Motor vehicles declined from 15.8 percent to 11.0 percent of the total.
  - Manufacturing declined from 9.1 percent to 4.7 percent of the total.



# QUESTIONS

