



MEMORANDUM FOR THE RECORD

Date: April 10, 2024, 9:00 a.m.
Location: Revenue and Fiscal Affairs Office, Conference Room 417 / Zoom
Subject: Minutes of Board of Economic Advisors Meeting

Participants: *Board Members* – Edward Grimball- Chairman, Curtis Hutto, Dr. Michael Mikota, and Hartley Powell (*all via Zoom*). Frank Rainwater- Executive Director, *Staff*- Morgan Daigle, Lisa Jolliff, Dr. Marian Manic, and Karl Vesely.

Attendees: *RFA* – Paul Athey, Carrie Bundrick, Kathryn Kelley, Sandra Kelly, and Emily Prosser. *Forty-five additional participants via Zoom.*

Note: Guests were invited to attend in-person or virtually. An email invitation was sent to the Distribution list and Working Group list members, and the meeting notification was posted on the RFA website and in the Rembert Dennis Building. Meeting information and log-in instructions were posted online. Meeting materials were posted online 15 minutes prior to the start of the meeting, and the documents were also shared via Zoom.

- I. Chairman Grimball welcomed everyone to the meeting at 9:00 a.m.
- II. Chairman Grimball presented the February 15, 2024, meeting minutes, which previously had been shared with the Members, and asked if any Member had edits or questions. Hearing no amendments or objections, Chairman Grimball declared the minutes approved as written. ([See minutes](#))
- III. FY 2023-24 General Fund Revenue and Economic Updates ([See materials](#))

Mr. Rainwater began the presentation by noting that the purpose of the meeting was to not only update the revenue status, but to also lay the foundation for the May 20, 2024, meeting.

Ms. Jolliff then presented the General Fund revenue FY 2023-24 results through March, and highlighted the following points:

- General Fund revenue is \$475.3 million ahead of expectations through March, primarily due to Corporate Income tax and Earnings on Investments.
- Corporate Income tax is ahead of expectations by \$256.8 million, 54 percent of the excess.
- Earnings on Investments is above expectations by \$84.4 million, 18 percent of the excess.
- Sales tax collections are \$52.6 million ahead of expectations following strong March collections.
- Total Individual Income tax is \$58.5 million ahead of expectations through March, largely due to an increase in Withholdings being offset partially by an increase in Refunds.
- Timing of income tax refund and payment activity remains a factor as we approach April filing deadlines.

Dr. Manic, and Mr. Vesely provided an update on the economy, noting that economic indicators are positive and better than previously anticipated.

Ms. Jolliff, Dr. Manic, Ms. Daigle, and Mr. Vesely presented revenue details for major tax categories as outlined in the packet and noted revenue expectations for the remainder of FY 2023-24 and next fiscal year.

Staff also noted that Insurance Premium tax collections were below the statutory threshold and that a detailed synopsis is included in the Appendix pursuant to §11-9-1130.

IV. FY 2023-24 and FY 2024-25 Forecasts

Mr. Rainwater then summarized the status of the General Fund revenue forecasts. His comments included:

- Despite excess revenues through March, it is recommended to not change the November 16, 2023, forecasts for FY 2023-24 and FY 2024-25 at this time.
- Over half of the excess is in Corporate Income tax.
- Tax season is not complete and could have a significant impact.
 - Optimistic about improved Individual Income tax payments.
 - Wary of a potential slowdown in Corporate Income tax.

Mr. Hutto commented on the pattern of the General Fund rolling fiscal year, and noted how the post-pandemic economy and tax changes affected the trend.

Dr. Mikota motioned to maintain the FY 2023-24 and FY 2024-25 General Fund revenue forecasts as adopted on November 16, 2023. Mr. Hutto seconded the motion, and all voted aye.

Mr. Rainwater concluded his discussion by outlining key economic and revenue considerations for FY 2023-24 and FY 2024-25 in anticipation of the May 20, 2024, meeting. He noted that adjustments were likely to be based on factors unique to each specific revenue category rather than general economic trends. Staff will follow up with Board Members regarding any potential changes in early May.

Dr. Mikota noted that the approach is great with regard to focusing on the volatility of Corporate Income tax and that it is an item that should be regularly monitored and updated.

Mr. Hutto asked about the transition to allow pass-through entities to pay South Carolina Income taxes at the entity level, and Ms. Jolliff stated that the Department of Revenue (DOR) had not noted a significant change in the initial implementation, but we will continue to work with DOR to determine if this is impacting revenues.

Mr. Powell noted that the forecast is on target, and Corporate Income tax and Refunds will be revealed after filing settles.

Chairman Grimball commended staff on the well-presented information.

- V. Reports from Working Group Members
No Working Group members offered comments.
- VI. Other Items for Discussion
No items for discussion.
- VII. The next scheduled meeting is May 20, 2024.
- VIII. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 9:42 a.m.

Public notice of this meeting was posted at <http://rfa.sc.gov> and the Rembert Dennis Building.

These minutes were approved on 5/20/2024

Emily Prosser *Emily Prosser*