

SOUTH CAROLINA GENERAL FUND REVENUE

FY 2024-25 Update and Outlook through August

September 19, 2024



FY 2024-25 General Fund Revenue



FY 2024-25 General Fund Revenue through August



REVENUES V. BEA MONTHLY ESTIMATES

JULY - AUGUST

(\$ in Millions)

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD / ¹	Actual YTD / ²	Estimate Full FY / ³		Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD / ¹	Actual YTD / ²	Estimate Full Yr. / ³
Total General Fund Revenue	\$1,659.9	\$1,808.3	\$148.3	2.2%	11.4%	(4.3%)	Other Revenue Items, Sub-Total	\$91.5	\$138.6	\$47.2	(7.3%)	40.5%	(7.7%)
Sales Tax	424.1	425.8	1.7	1.8%	2.2%	1.1%	Admissions Tax	(5.2)	(6.6)	(1.4)	N/A	N/A	(12.1%)
Individual Income Tax	1,093.5	1,151.3	57.9	4.5%	10.0%	(3.3%)	Alcoholic Liquors Tax	11.5	11.8	0.3	7.2%	10.5%	3.5%
Withholdings	1,099.1	1,133.8	34.7	3.0%	6.3%	3.3%	Bank Tax	0.2	0.8	0.5	(88.8%)	(63.4%)	0.2%
Non-withholdings	101.4	113.7	12.3	7.7%	20.7%	(3.9%)	Beer and Wine Tax	10.7	11.1	0.5	4.5%	9.2%	2.0%
Refunds	107.0	96.2	(10.8)	(6.5%)	(15.9%)	15.9%	Corporate License Tax	10.0	9.4	(0.6)	(22.9%)	(27.7%)	(0.0%)
Corporate Income Tax	47.1	89.3	42.2	(11.7%)	67.3%	(30.1%)	Deed Rec. (Doc. Tax)	8.3	11.8	3.5	(14.2%)	21.3%	(7.4%)
Insurance Tax	3.8	3.2	(0.6)	(54.5%)	(61.6%)	12.3%	Earned on Investments	34.7	74.7	40.0	(6.8%)	100.7%	(22.6%)
Other Revenue Items, Sub-Total	91.5	138.6	47.2	(7.3%)	40.5%	(7.7%)	Residual Revenue	21.3	25.6	4.3	(3.1%)	16.6%	(4.2%)

Based on BEA Forecast as of May 20, 2024, with Legislative Adjustments

/1 Estimate year-to-date reflects expected growth in collections fiscal year-to-date over prior fiscal year-to-date based on anticipated monthly collection patterns.

/2 Actual year-to-date reflects actual fiscal year-to-date growth in collections over prior fiscal year-to-date collections.

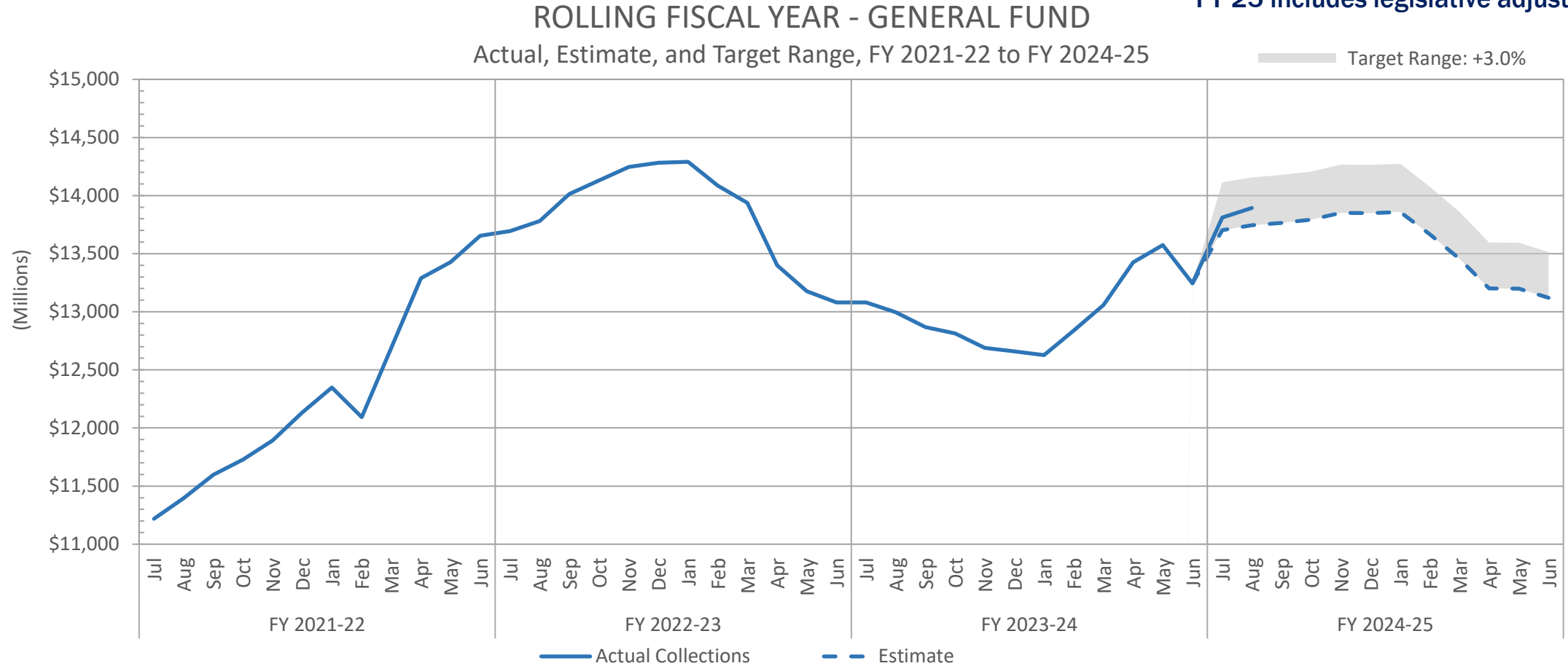
/3 Estimate full fiscal year reflects projected growth for the full fiscal year over the prior fiscal year.



Total General Fund – Rolling Fiscal Year

Revenue collections are \$148.3 million above expectations; the FY 25 estimate is a decline of 4.3% anticipated due to tax cuts and uncertainty in volatile categories

FY 25 includes legislative adjustments

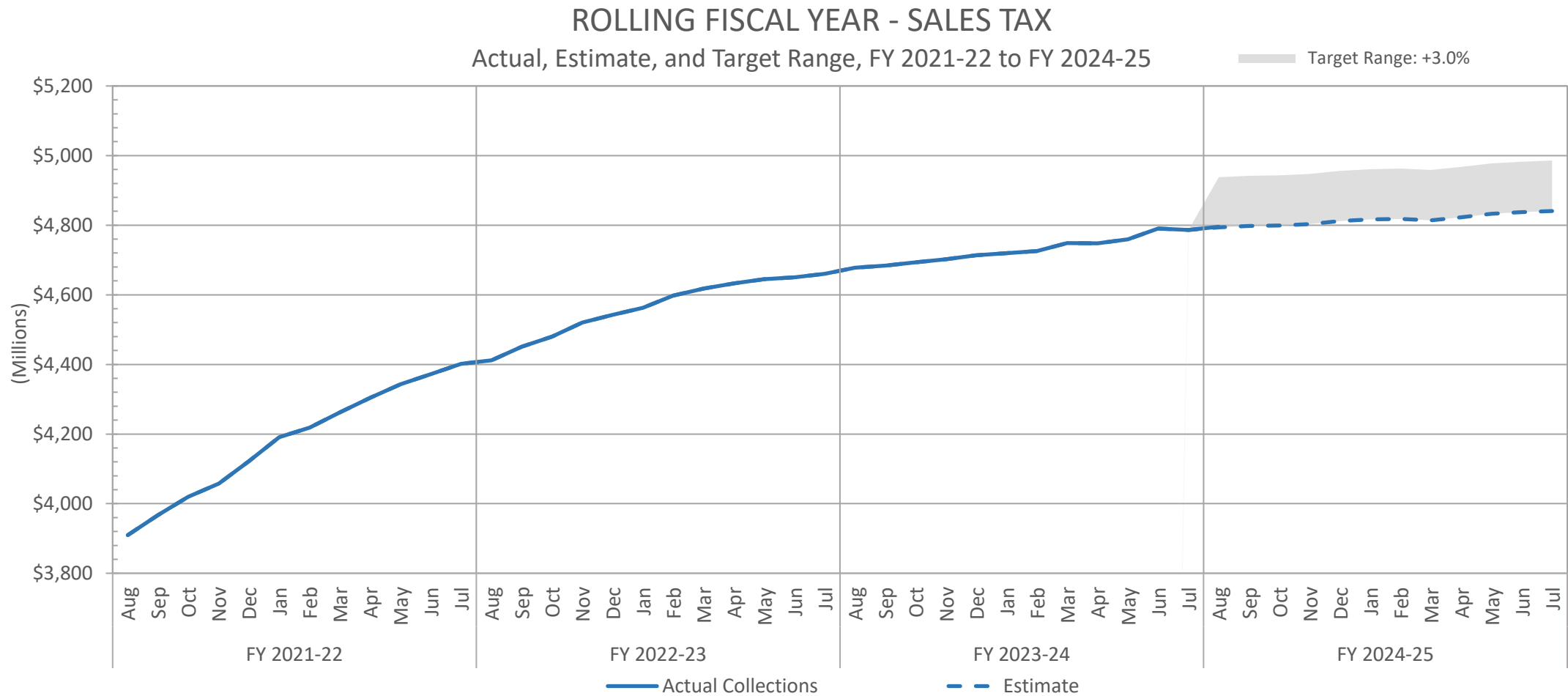


General Fund Revenue Consumption Taxes



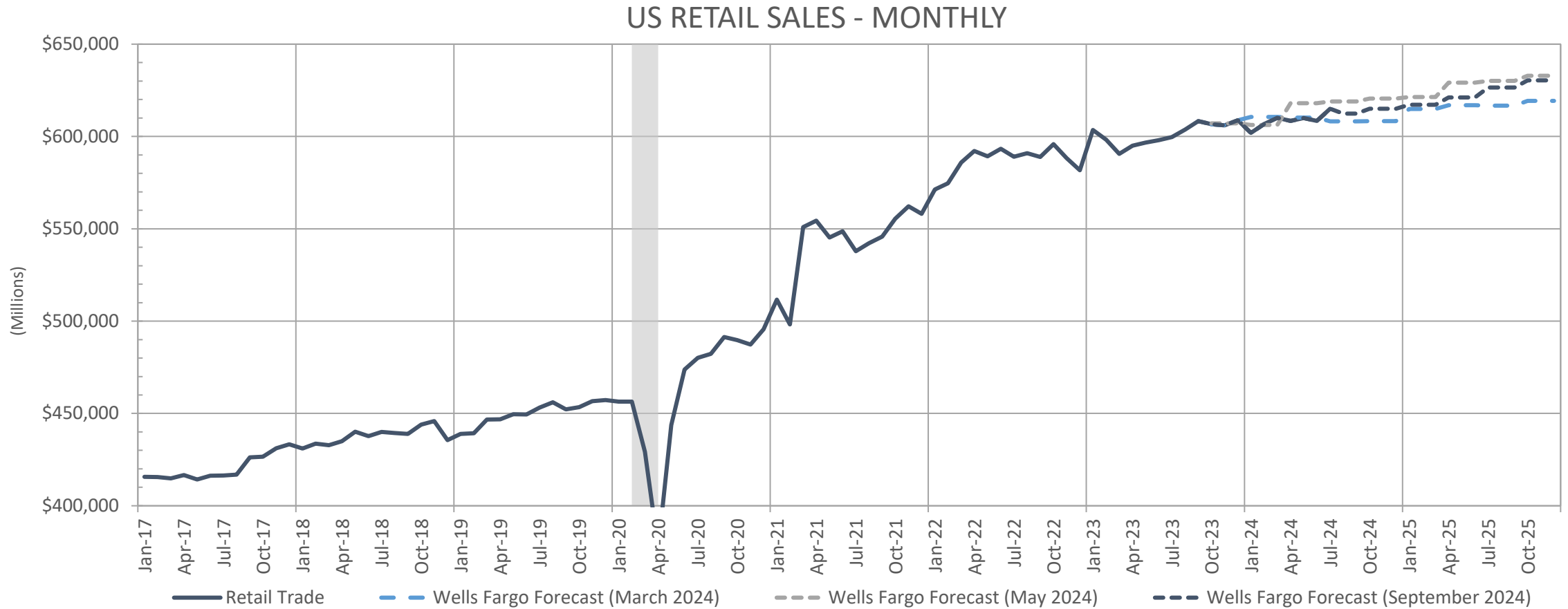
Sales Tax - FY 25

Collections for August grew 2.2% and were \$1.7 million above the estimate



US Retail Sales

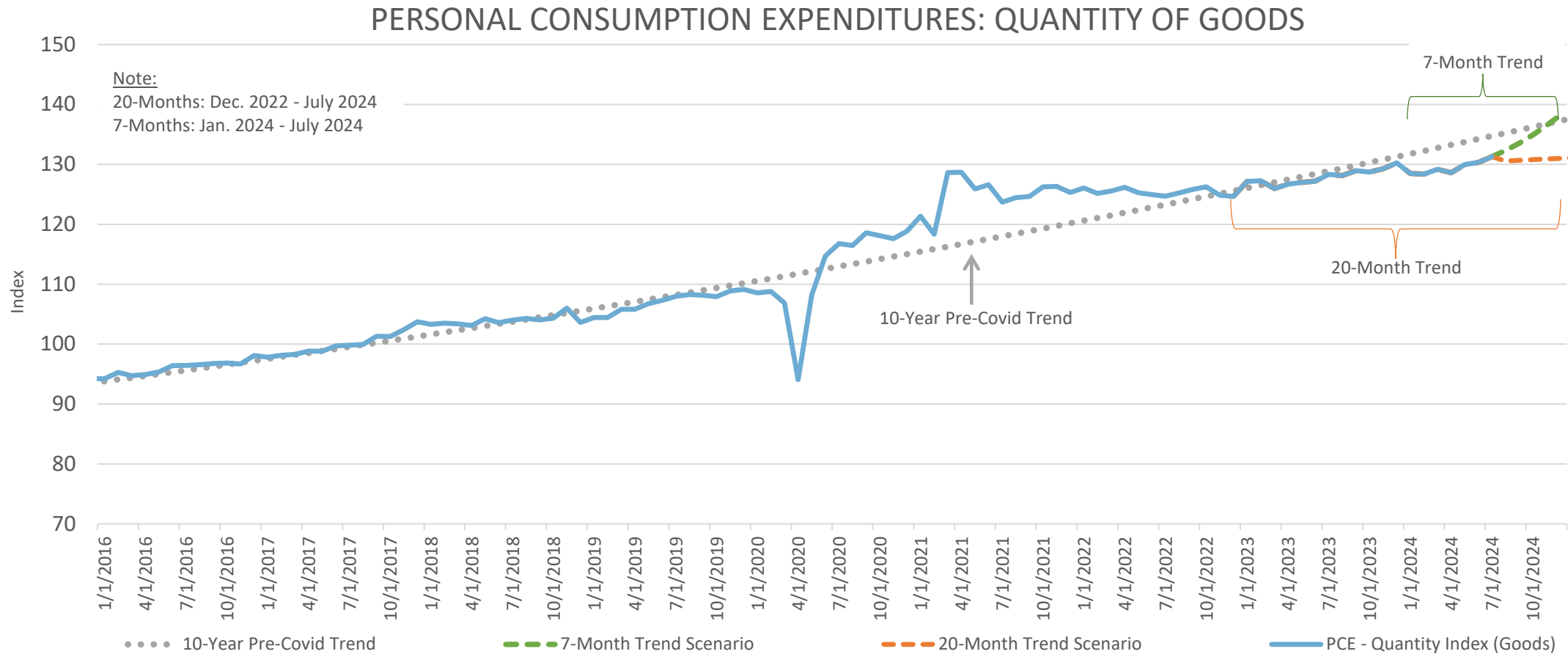
Retail Sales expectations have been revised down since May; Wells Fargo is now anticipating that 2024 will grow 1.9% over 2023 and grow by 2.0% in 2025



Source: U.S. Census Bureau, Advance Retail Sales: Retail Trade [RSXFS], retrieved from FRED, Federal Reserve Bank of St. Louis; Wells Fargo US Economic Outlook, March 14, 2023, May 8, 2024 & September 12, 2024; 323-RFA/mad/09/12/2024

Personal Consumption Expenditures: Quantity of Goods

In 2024, consumers seem to be purchasing goods at a lower volume than the 10-year pre-Covid trend, following above trend consumption during Covid years



Source: U.S. Bureau of Economic Analysis, Real personal consumption expenditures: Goods (chain-type quantity index) [DGDSRA3M086SBEA], retrieved from FRED, Federal Reserve Bank of St. Louis; 299-RFA/mad/9/9/24

General Fund Revenue

Individual Income Tax Components

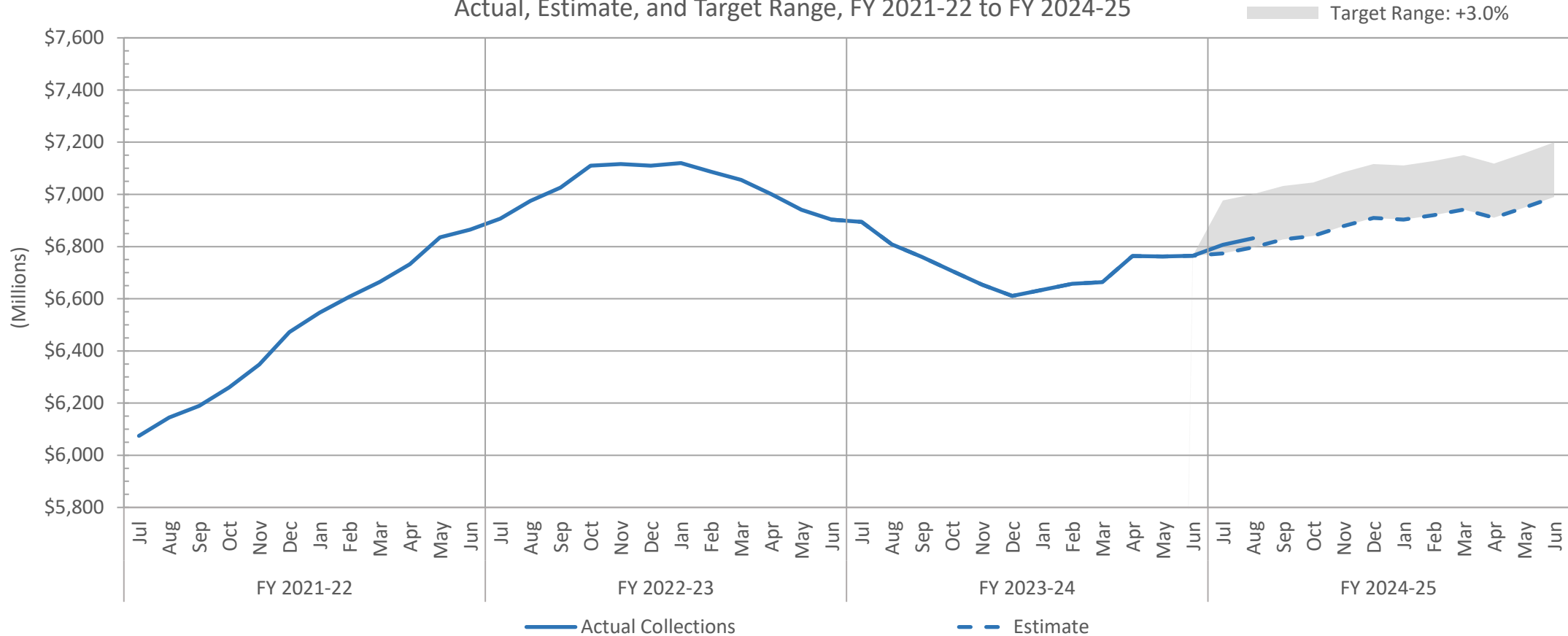


Individual Withholdings – FY 25

Collections through August are 3.2% above expectations by \$34.7 million; FY 25 estimated growth is 3.3% following the FY 24 2% decline due to the tax rate change

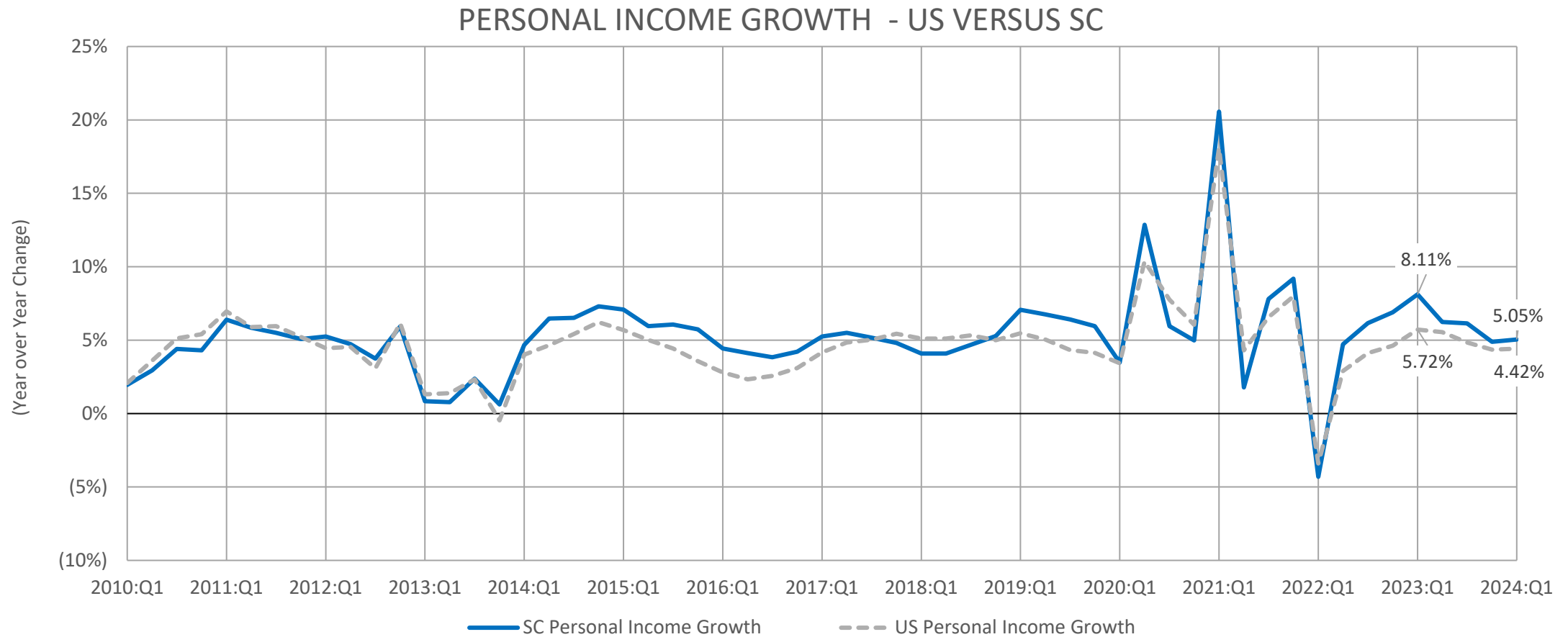
ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25



Personal Income Growth – US vs SC

Income growth is moderating to the pre-pandemic average level of 5%; SC continues to outpace the US by more than half a percentage point

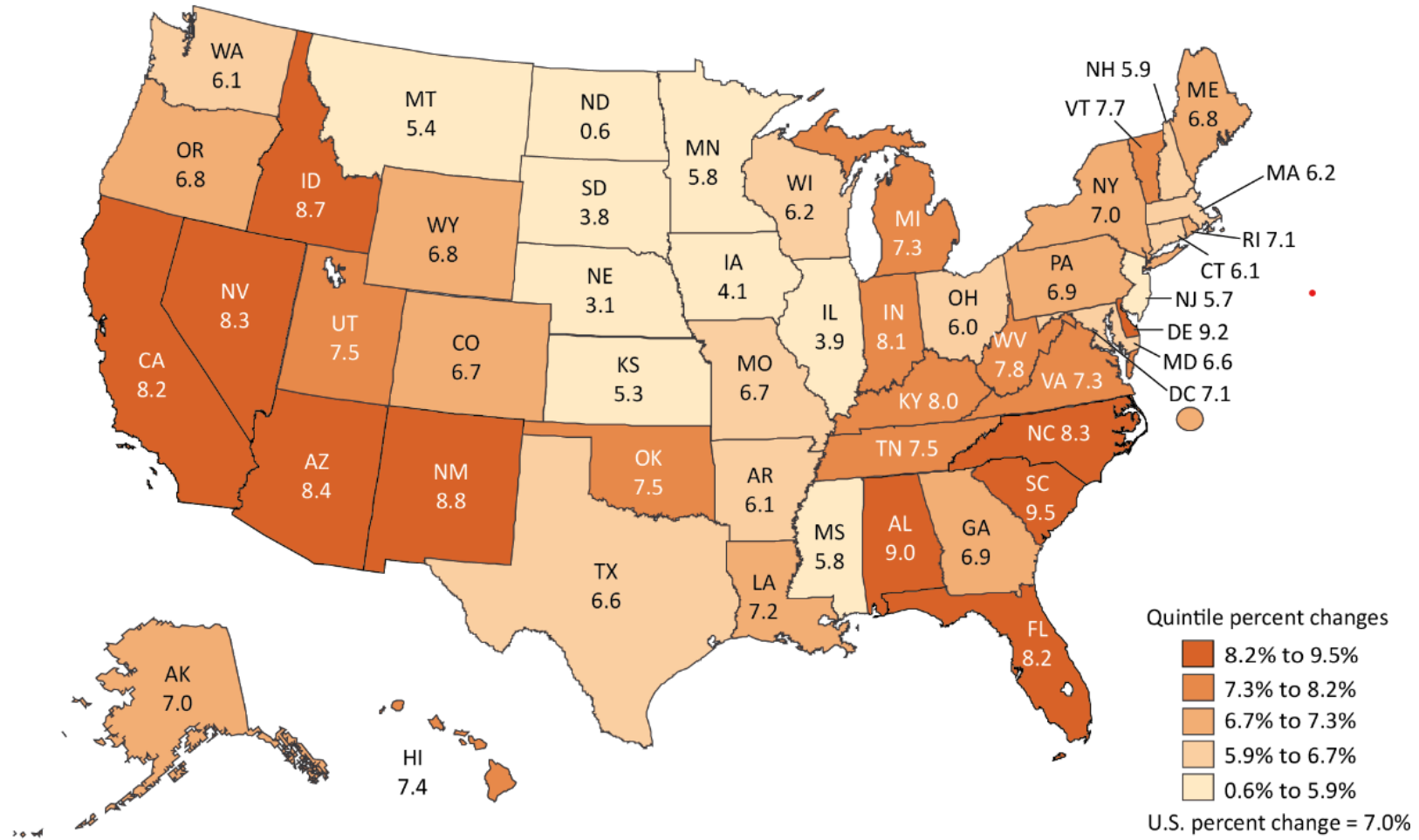


Source: U.S. Bureau of Economic Analysis 352 - RFA/mam/9/11/2024

Personal Income Growth

South Carolina had the fastest growth in Q1 2024

Personal Income: Percent Change at Annual Rate, 2023:Q4–2024:Q1



Source: U.S. Bureau of Economic Analysis June 28, 2024

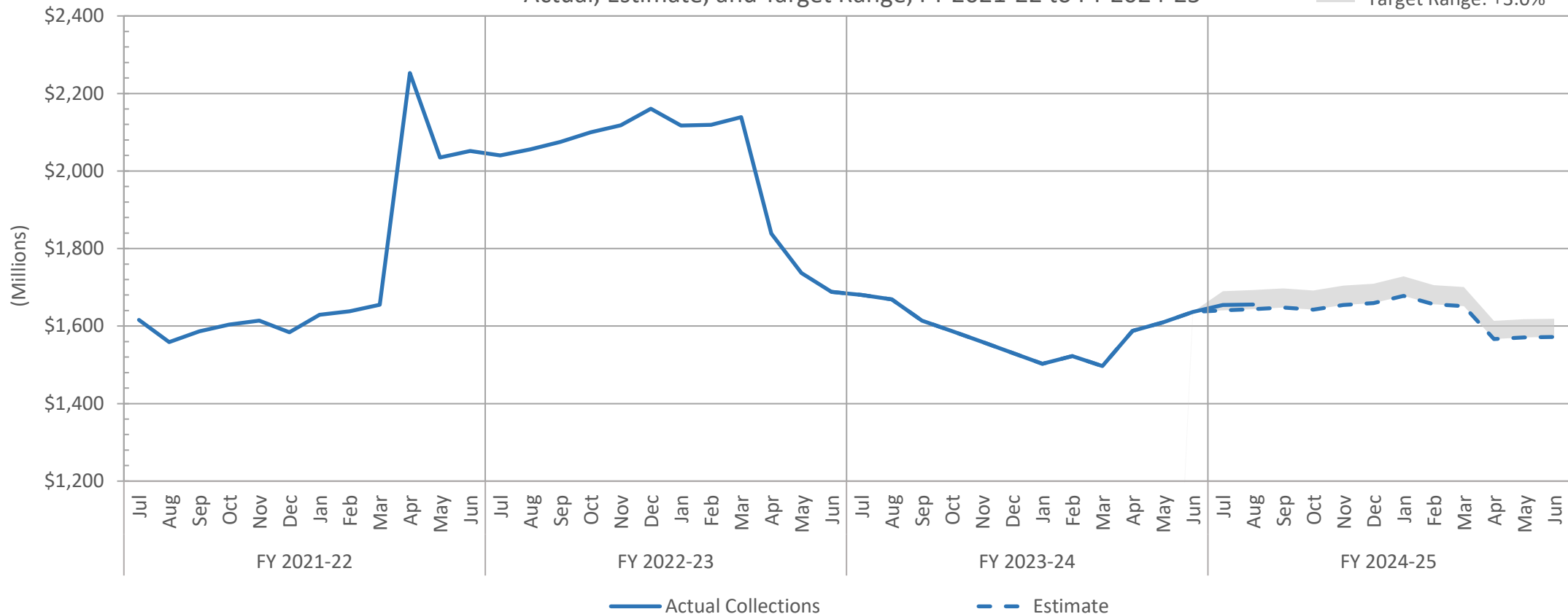
Individual Non-Withholdings - FY 25

Collections are \$12.3 million above the estimate due to a strong July; with the decrease in the marginal tax rate from 6.4% to 6.2% that was funded in the budget, collections are expected to decrease by 3.9% in FY 25

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25

Target Range: +3.0%

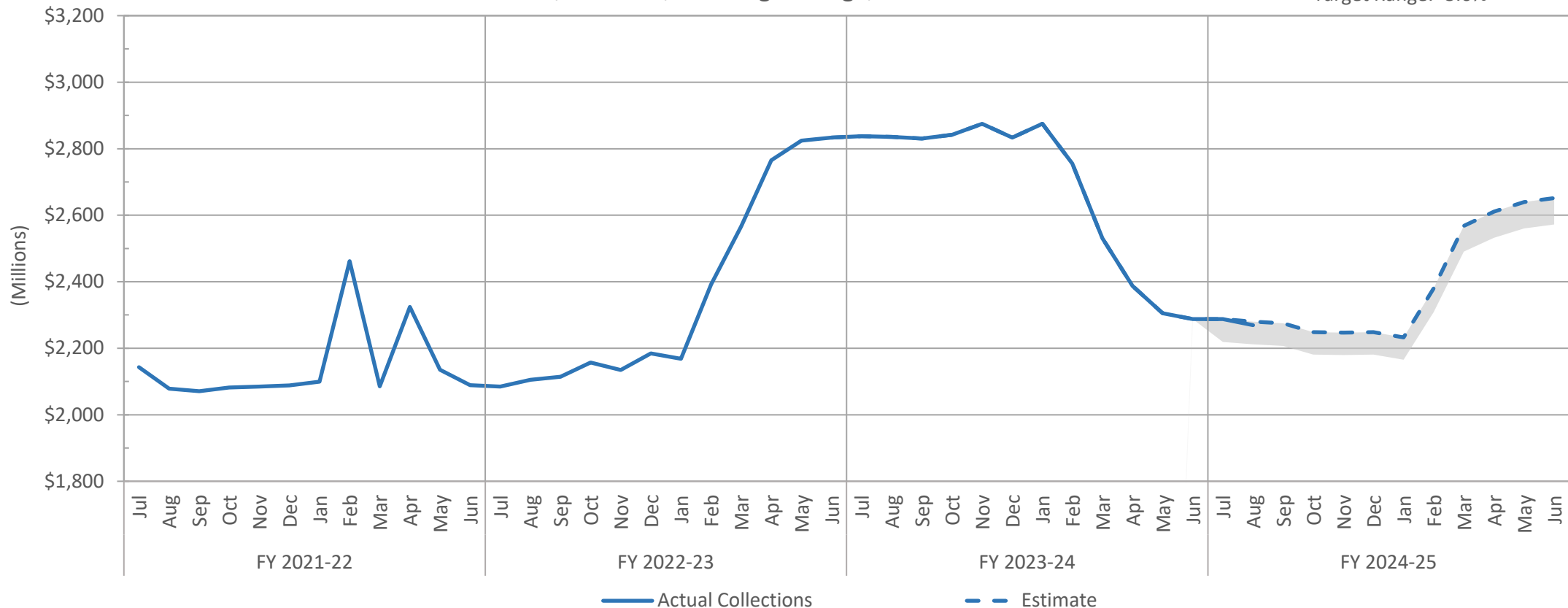


Individual Refunds - FY 25

Refunds are \$10.8 million lower than estimated but are expected to grow 15.9% in FY 25 largely due to the stronger-than-expected Withholdings in FY 24 as well as the marginal tax rate reduction

ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

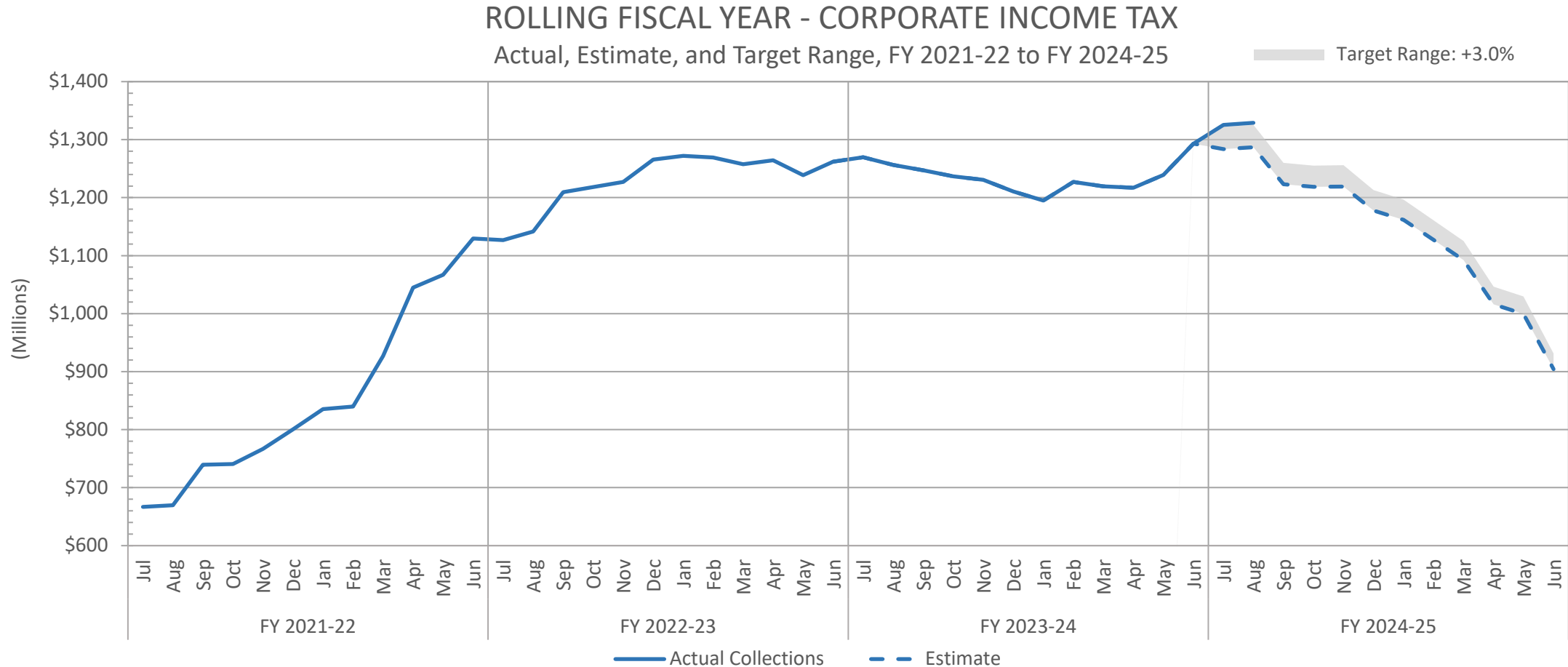
Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25



General Fund Revenue Business Taxes

Corporate Income Tax - FY 25

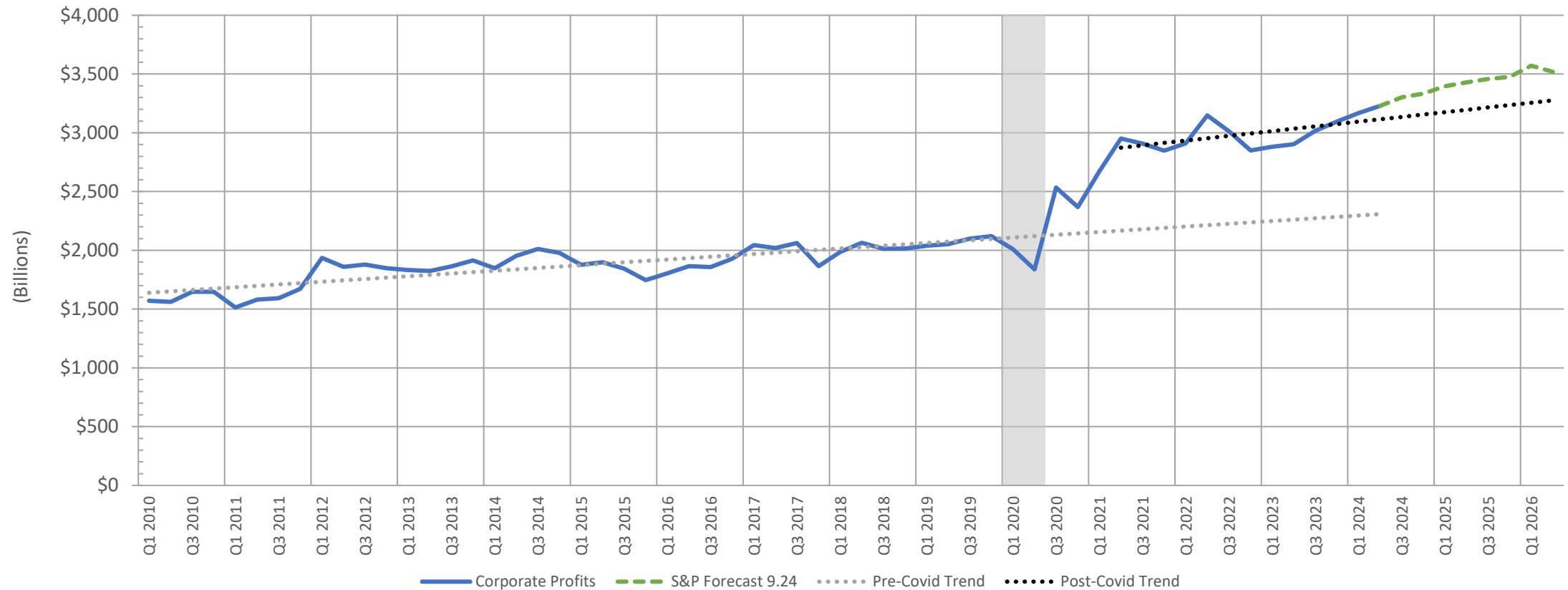
The forecast for FY 25 anticipates a sharp decline, but collections through August are \$42.2 million ahead of expectations; however, \$25 million is due to a single audit



Corporate Profits

During 2020 and 2021, corporate profits increased significantly, similar to personal income; current expectations indicate that the overall volume of activity has increased permanently

U.S. CORPORATE PROFITS

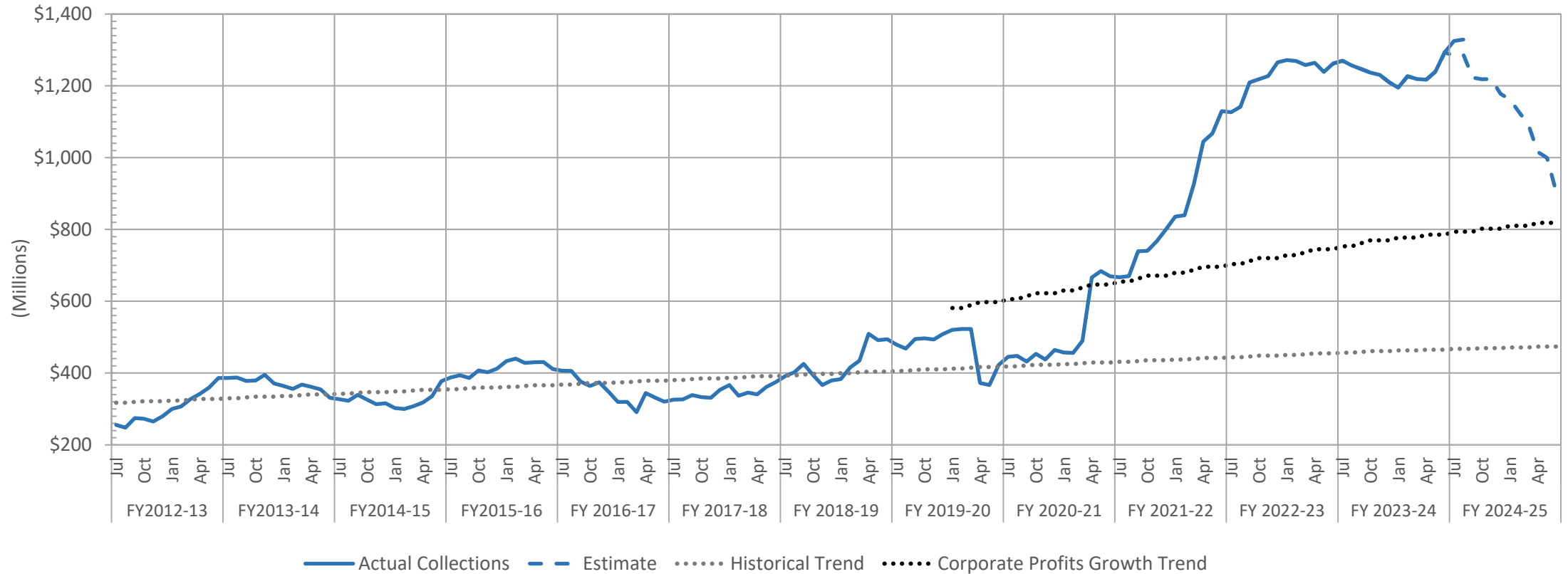


Source: U.S. Bureau of Economic Analysis, National income: Corporate profits after tax (without IVA and CCAdj) [CP], retrieved from FRED, Federal Reserve Bank of St. Louis; 293-RFA/lhj/09/11/2024

Corporate Income Tax – Growth Trends

Corporate income tax revenue is well above the historical trend but also exceeds expectations based on the trend in corporate profit growth since 2019

ROLLING FISCAL YEAR - CORPORATE INCOME TAX
FY 2012-13 to FY 2024-25



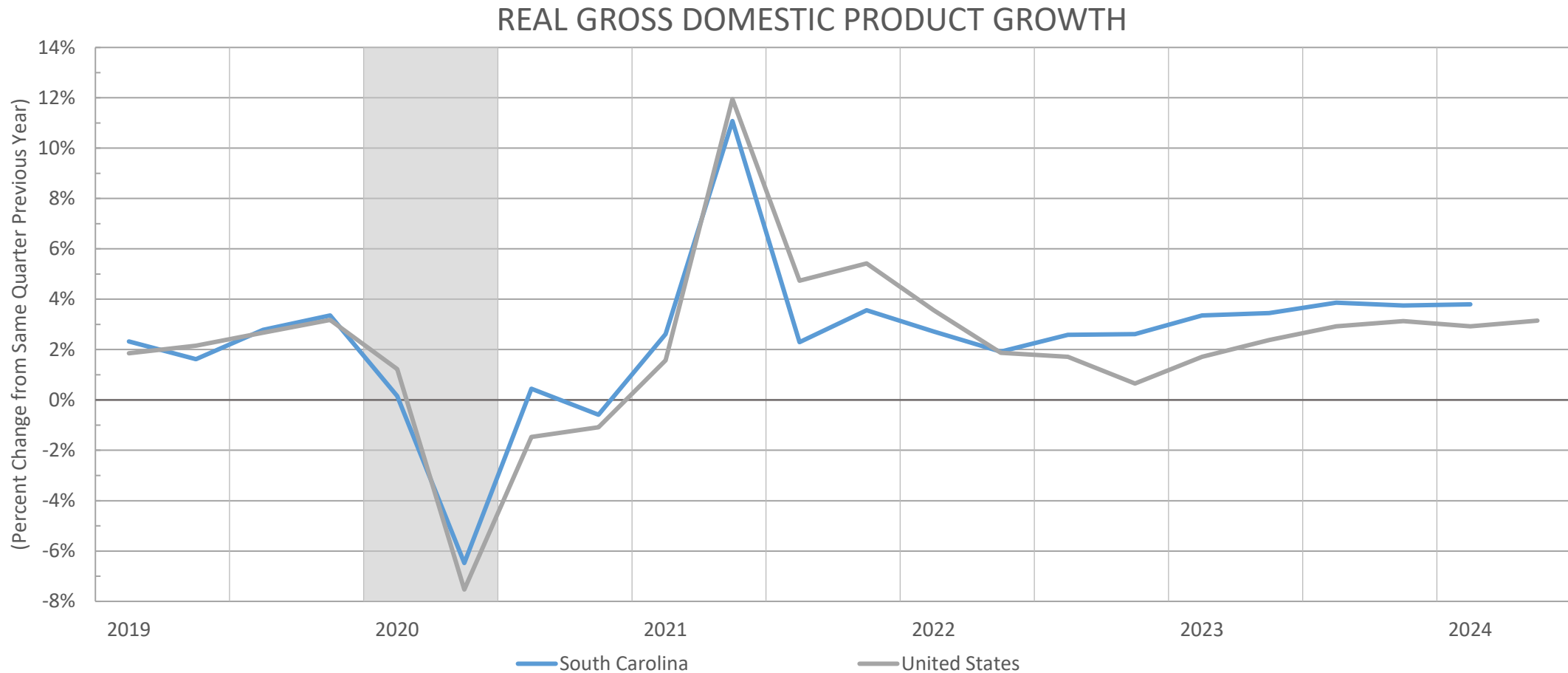
Note: Corporate profits growth trend since 2019

National Economic Indicators



Real GDP Growth

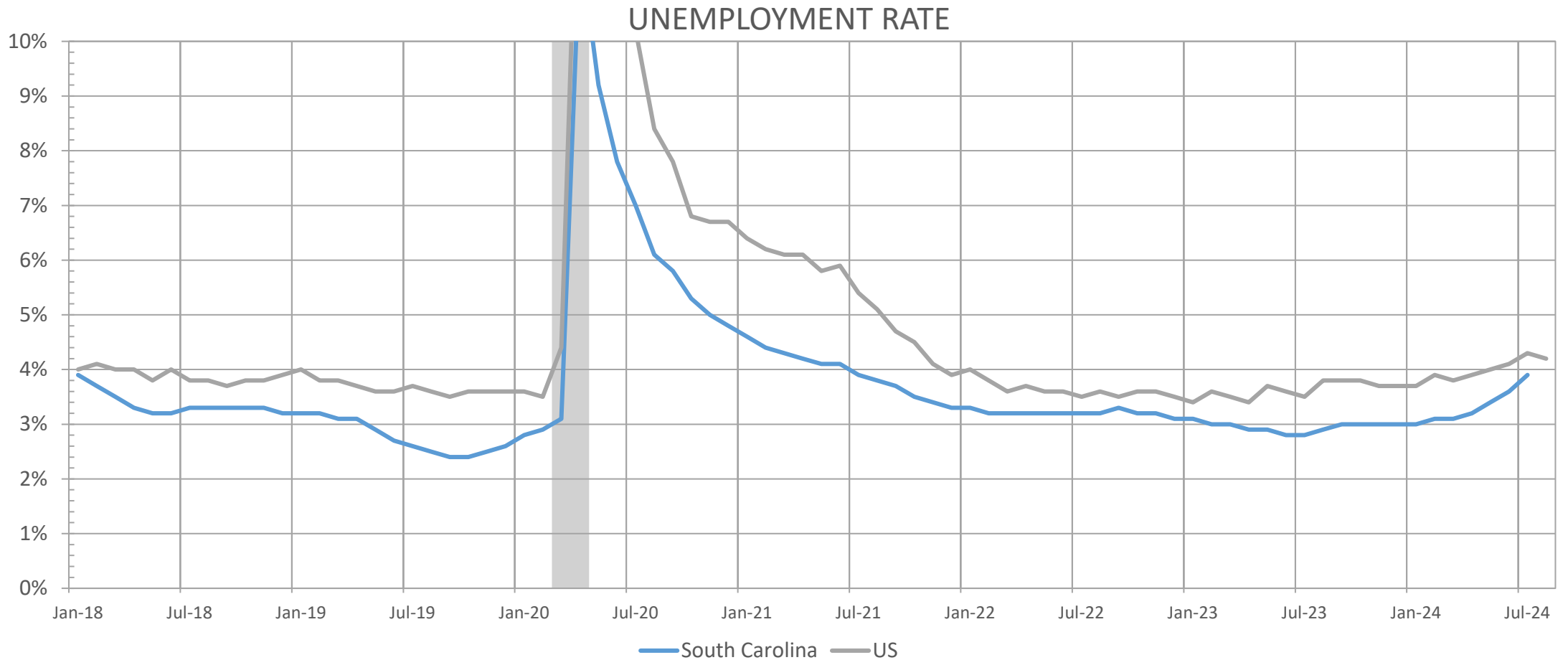
US GDP grew 3.1% from last year; SC GSP grew 3.8% from last year



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis RFA/266/kav/09/12/2024

Unemployment Rates

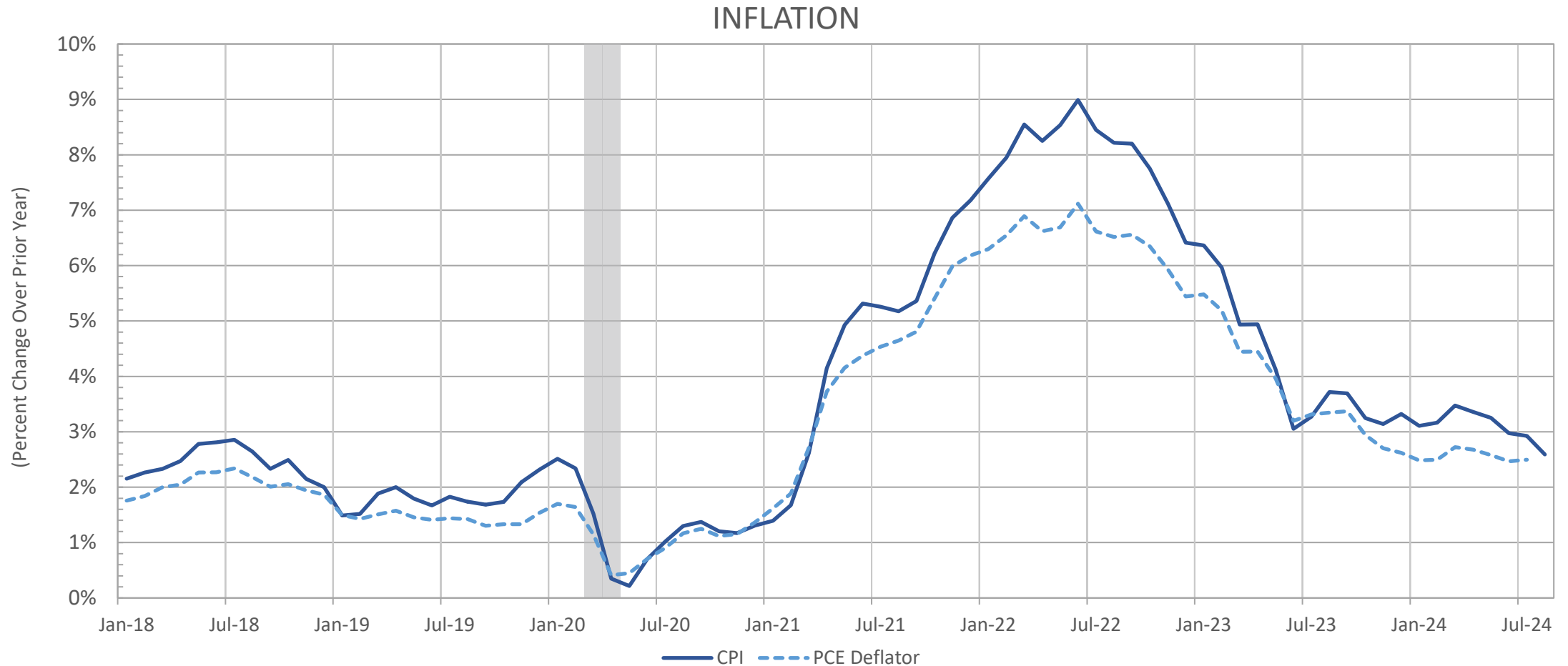
South Carolina's unemployment rate of 3.9% in July 2024 remained below the national unemployment rate of 4.3%



Source: U.S. Department of Labor, Bureau of Labor Statistics 129-RFA/kav/09/06/2024

Price Indices

CPI inflation remains elevated at 2.5% year-over-year; inflation was 3.3% in FY 24



Source: U.S. Department of Labor, Bureau of Labor Statistics; U.S. Department of Commerce, Bureau of Economic Analysis - 216 RFA/kav/09/11/2024

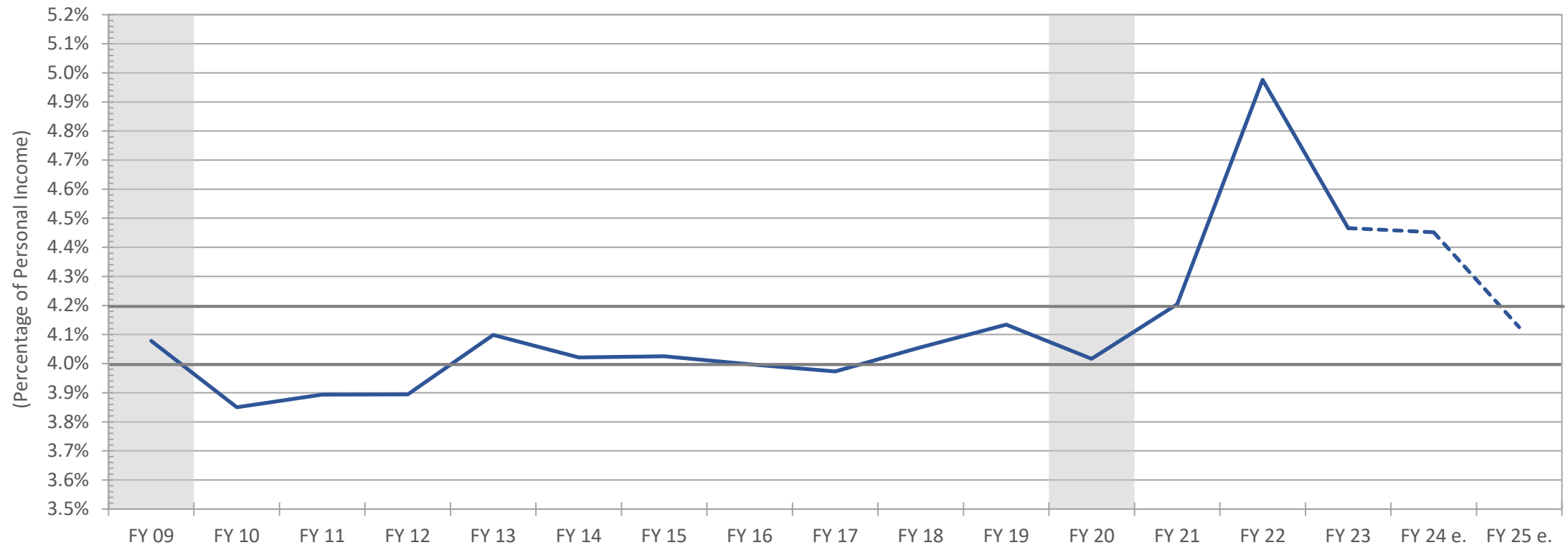
Personal Income and Revenue Trends



General Fund as Percentage of Personal Income

The relationship between General Fund revenue and personal income is still above the historical range but trending down largely due to income tax cuts

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

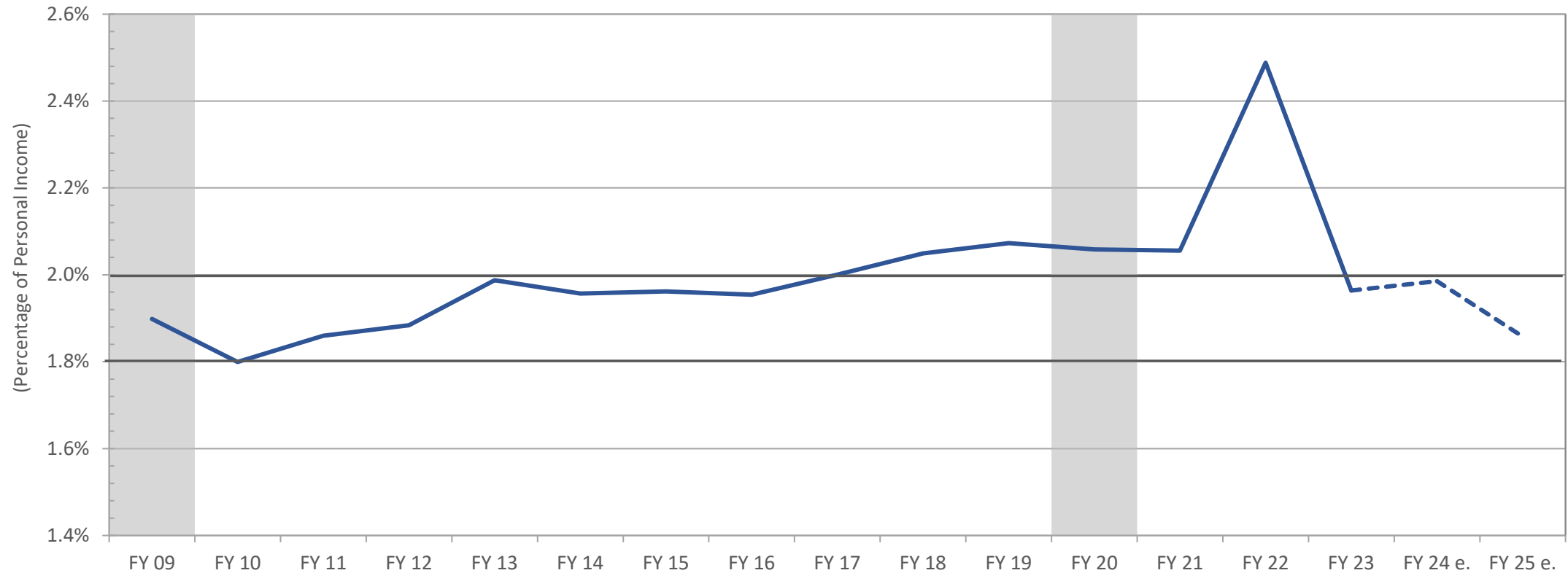


Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34F-lhj/9/5/2024

Individual Income Tax as Percentage of Personal Income

Individual income tax revenue has declined relative to total personal income due to tax rate cuts

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

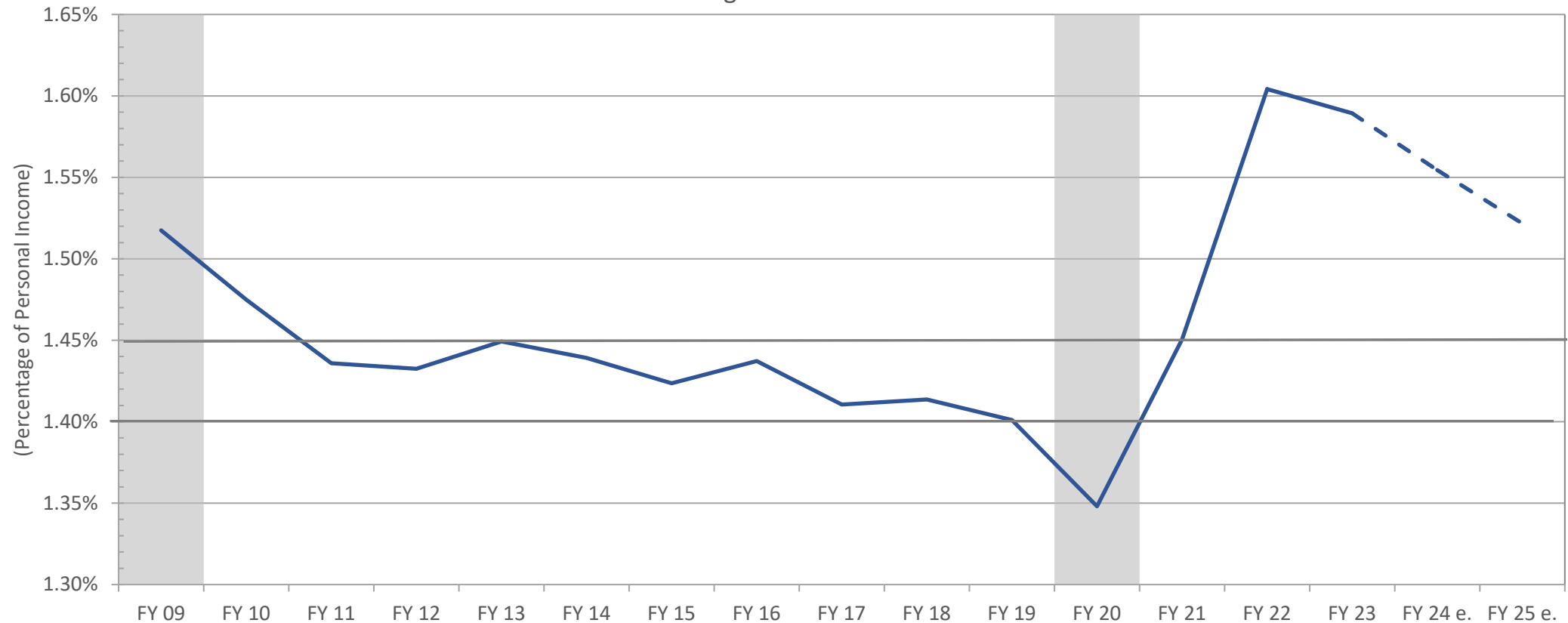


Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34-lhj/9/5/2024

Sales Tax as Percentage of Personal Income

Sales tax is still well above the historical range

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

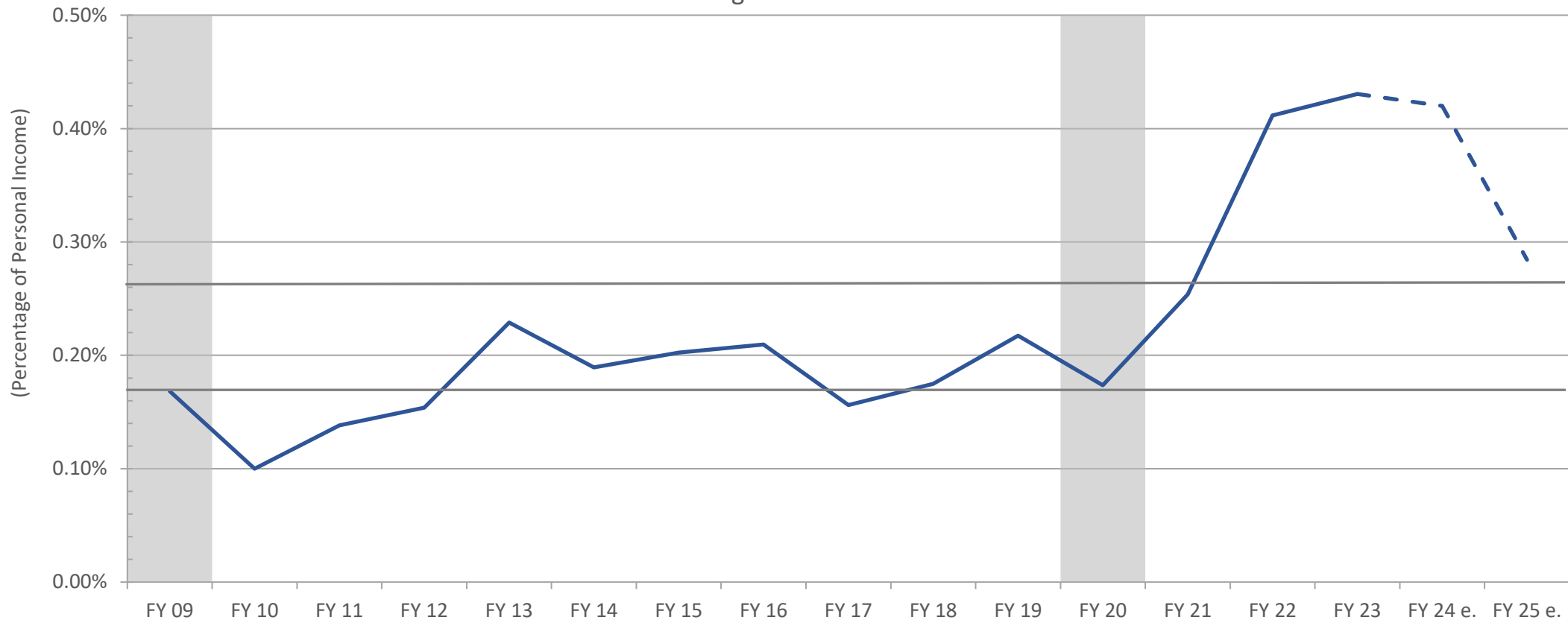


Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 32-lhj/9/5/2024

Corporate Income Tax as Percentage of Personal Income

Corporate income tax is significantly above the historical level as well

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



Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34-lhj/9/5/2024

Key Questions for FY 2024-25 and FY 2025-26

- Personal Income
 - Will wage growth change?
 - Will the US enter a recession and what level of impact will we see?
 - How quickly will the Federal Reserve adjust interest rates?
 - How will global economic issues affect SC's economy?
- Consumer Spending
 - How does consumer spending change?

Reports from Working Group Members

Other Items for Discussion

