

## MEMORANDUM FOR THE RECORD

**DATE:** March 22, 2018  
Room 417, Dennis Building  
1:30pm

**SUBJECT:** Minutes of Board of Economic Advisors Meeting

**ATTENDEES:** *Board Members* –Edward Grimball-Chairman (via WebEx), Howell Clyborne (via WebEx), Emerson Gower (via WebEx), Hartley Powell (via WebEx); *Executive Director*, Frank Rainwater; *Staff* – Robert Martin, Karen Rhinehart, Lisa Jolliff, Amanda Martin, Gordon Shuford. *Guests* – Brian Gaines, Kevin Ethridge (Executive Budget Office), Michael Moore, John Barfield (Comptroller General’s Office), Katie Turner, Daniel Boan (WMC), Kevin Kibler, Sharon McElveen (State Treasurer’s Office).

Press:

1. Chairman Grimball welcomed everyone to the meeting at 1:35pm.
2. Chairman Grimball presented the meeting minutes of the meetings for February 15, 2018 which had previously been shared with the Members and asked if any Member had additions or corrections. There were no comments from the Members and Chairman Grimball declared the minutes approved as presented. *(See attached)*
3. Frank Rainwater and Robert Martin presented a review of revenues and economic conditions. *(See Attached)*  
~Mr. Rainwater provided an overview of monthly activity. His major comments were:
  - \*The revenue excess in sales tax received in November is holding. In November revenues were \$16 million above estimate and through February they were up by \$17 million.
  - \*The single largest revenue source, Withholdings, is currently \$15 million above estimate and the fiscal year-to-date growth of 4.5% is slightly above the annual estimate of 4.1%.
  - \*Due to the timing of income tax refunds, the month reflected lower growth. This pattern should catch up later but it depends on when the refunds will be processed and whether the total estimate is correct.
  - \*Corporate Income Tax and Corporate License Tax revenue continue to go in different directions, but the surplus in Corporate License Tax offsets a good portion of the shortfall in Corporate Income Tax.

**\*Overall, some of the larger categories are performing better than expected, but some of the more volatile categories are behind estimate. At this point, there is no clear indication whether these patterns will continue, improve or decline.**

**\*Taking all timing issues into consideration, revenue growth is still consistent with the estimate.**

**~Mr. Martin presented the detailed review of economic and revenue activity. (See attached)**

**\*Chairman Grimball asked if the shortfall of \$84.4 million in Corporate Income Tax would be turning around. Mr. Powell replied that he felt the shortfall was due to income tax processing timing issues and that there would be a turn around.**

**\*Mr. Martin mentioned that at this time the growth in total individual income tax revenue collections is down more than usual, however he felt this was due to the fact that the Department of Revenue did not begin to process refunds until late January. Mr. Powell stated that part of this issue was due to making sure that the claims are not fraudulent which takes time.**

**4. The final item of discussion was a preview of the April 9<sup>th</sup> meeting. (See attached)**

**~Items to be discussed at next meeting are:**

**\*Economic Assumptions**

**\*Detailed Adjustments to Specific Categories**

**\*Federal Tax Conformity Uncertainty - There was some discussion about the debate that will occur in the House and Senate concerning the decision to adopt the updated federal tax code.**

**Mr. Rainwater emphasized that the complexity and scope of federal tax reform will make the South Carolina debate on tax conformity more challenging. He also expressed concern about the potential revenue impact if South Carolina does not maintain conformity with the federal code. The largest concern, he explained would be on tax compliance. De-coupling from the federal code would cause a significant change to the state income tax system and the administrative challenge to the Department of Revenue (DOR) to implement this change, the challenge to educate the public about the change, and the loss of the benefit the state receives from piggy-backing on Internal Revenue Service audits would likely cause compliance to be affected. He emphasized that the impact is unknown and unmeasurable at this time, but as a point of reference, a one percent impact on revenues would be about \$40 million. DOR Director Hartley Powell agreed with Mr. Rainwater's concerns.**

**Chairman Grimball asked if the Board should make an official statement concerning conformity, but the other Members as well as Mr. Rainwater and Mr. Martin felt it would be best for the Board Members to monitor the situation at this time. The issue will hopefully be addressed before the legislative session is completed in May.**

There were no other questions or comments from the Members or Working Group.

Mr. Clyborne motioned to adjourn the meeting and Mr. Gower seconded the motion. All voted aye and the meeting adjourned at 2:22pm.

The next scheduled meeting is Monday, April 9, 2018 at 2:00pm.

Attachments: Agenda, Meeting Materials

Public Notice of this meeting was posted at <http://www.rfa.sc.gov/calendar>

These minutes were approved on 4/9/18.

Karen Rhinehart

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