



EDWARD B. GRIMBALL, Chairman
HOWELL CLYBORNE, JR.
EMERSON F. GOWER, JR.

SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

FRANK A. RAINWATER
Executive Director

BOARD OF ECONOMIC ADVISORS WORKING GROUP MEETING AGENDA June 14, 2018, 2:00 P.M.

Bowers Conference Room 417, Rembert C. Dennis Building

1. Welcome
2. Adoption of Meeting Minutes for May 17, 2018
3. FY 2017-18 General Fund Revenue Updates
 - A. Overview (F. Rainwater)
 - B. Economic and Revenue Details (R. Martin)
4. Other Business
5. Reports from Working Group Members
 - A. Governor's Office
 - B. Senate Finance Office
 - C. Ways & Means Office
 - D. Treasurer's Office
 - E. Comptroller General's Office
6. Future Meeting Schedule:
 - A. July 26, 2018, 1:30pm - **If necessary** - Members join via WebEx
 - B. August 29, 2018, 2:00pm - Fiscal Year-End Report
 - C. September 20, 2018, 2:00pm - WebEx possible for Members
 - D. 2018 Calendar at <http://rfa.sc.gov/meetings>
7. Adjournment

Please note that the Agenda is subject to change.
For further information, please contact Karen Rhinehart at (803) 734-2265,
or visit the RFA webpage at www.rfa.sc.gov



South Carolina Revenue and Fiscal Affairs Office

OVERVIEW

- Through May, General Fund Revenues have exceeded estimates by \$197.5 million
- The bulk of the excess is attributable to higher than expected income reported on individual income tax returns
 - ❖ Higher payments and lower refunds accounted for \$138.1 million of the excess
 - ❖ Stock market rally last year may have been a key driver
- Appears that only a small portion of this excess may affect FY 2018-19 estimates
 - ❖ One-time event, not broad based
 - ❖ Estimates in smaller categories are still reasonable





Board of Economic Advisors General Fund Revenue Monitor

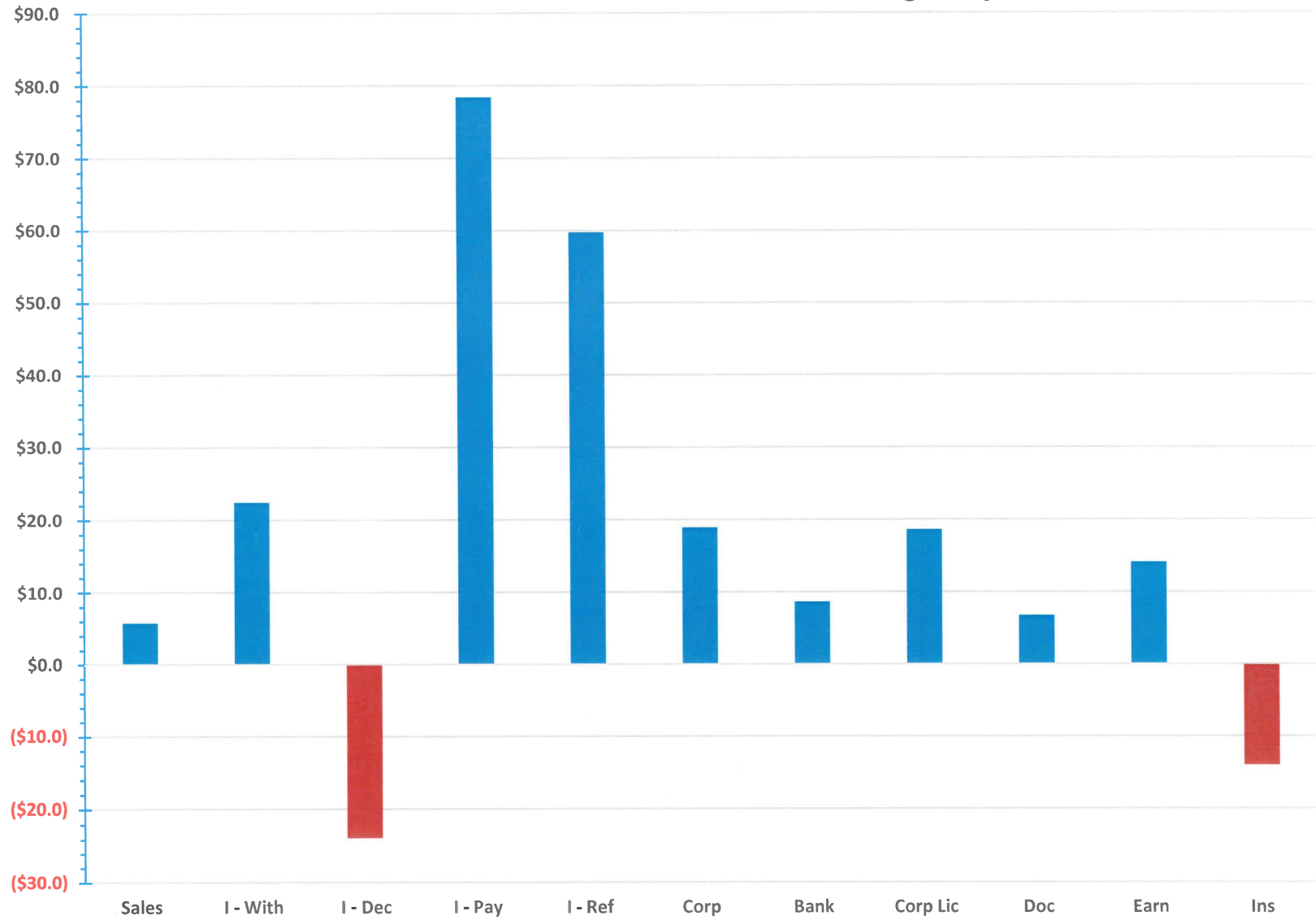
Revenues vs. 4/9/18 BEA Revenue Estimate of \$8,534.4 Million in FY 2017-18 1/

	JULY - MAY FY 2017-18			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate Full Fiscal Yr.	Actual Yr. to Date
	Actual Revenues	Expected Revenues	Excess / (Shortfall)		
Total General Fund Revenue	7,448.6	7,251.2	197.5	4.6	7.4
Sales Tax	2,485.6	2,479.7	5.9	5.0	5.3
Individual Income Tax	3,929.7	3,793.1	136.7	4.6	8.4
Corporate Income Tax	295.3	276.5	18.9	7.5	16.2
Other Revenue Sources	738.0	702.0	36.0	2.3	6.8
Select Tax Revenues, Sub-Total	618.8	593.9	24.8	3.8	8.1
Admissions Tax - Total	23.1	21.4	1.6	(4.2)	(2.2)
Alcoholic Liquors Tax	64.3	64.1	0.2	4.7	5.0
Bank Tax	35.7	27.1	8.6	(40.9)	(22.3)
Beer and Wine Tax	88.1	93.5	(5.4)	4.8	(1.2)
Corporation License Tax	109.3	90.6	18.6	36.4	67.3
Documentary Tax	61.0	54.3	6.7	31.4	47.5
Earnings on Investments	35.9	21.8	14.1	(22.1)	16.8
Insurance Tax	179.1	193.1	(14.0)	1.8	(7.6)
Tobacco Tax	22.4	22.5	(0.1)	3.9	3.3

1/: BEA format - includes certified adjustments and excludes non-recurring cash transfers and certain "other source" revenues, where applicable.

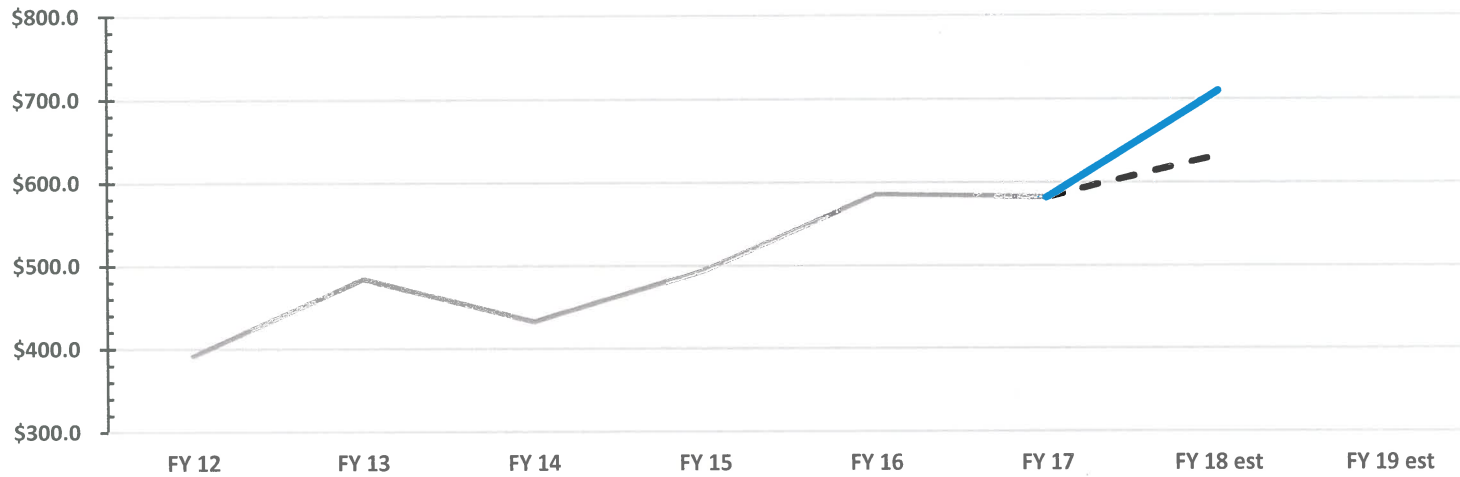
Note: Detail may not sum to total due to independent rounding of individual revenue categories.

FY 2017-18 Revenue - Excess and Shortfall through May

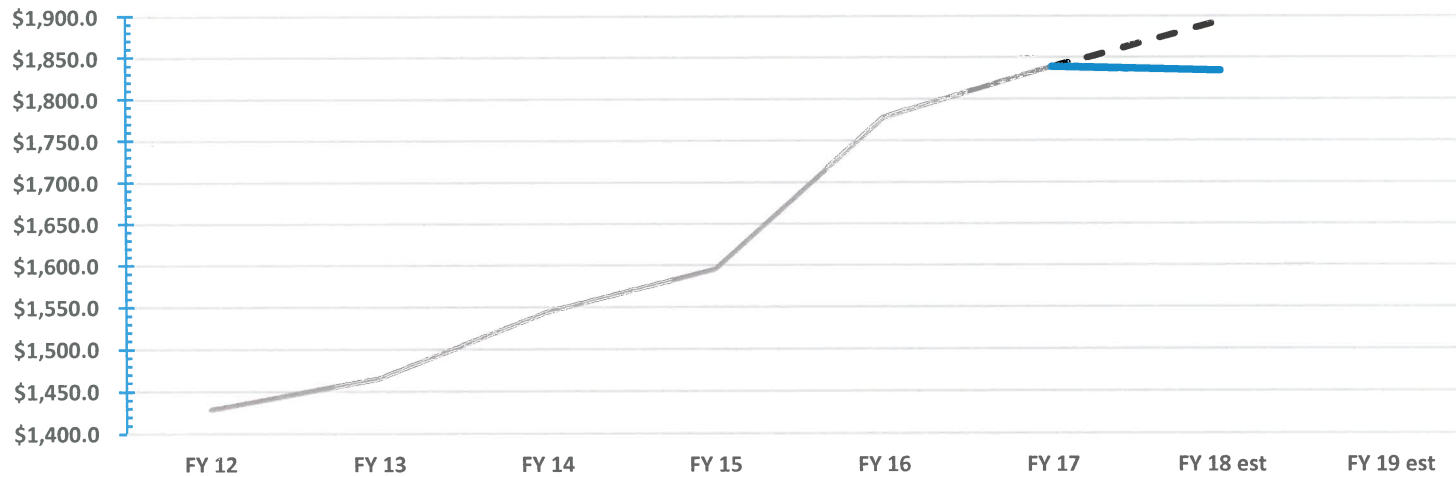


Source: Revenue and Fiscal Affairs Office\210\FAR\06-07-18

Individual Income Tax - Payments



Individual Income Tax - Refunds



Source: Revenue and Fiscal Affairs Office\210\FAR\06-07-18



May 2018

Focus of Report

- **General Fund Revenue**
 - Revenue excess
 - Stock market and capital gains

- **Current Economic Developments**
 - Oil prices have softened since May
 - European debt crisis (Italy)
 - Tariffs on steel (25%) and aluminum (10%) in place 5/31/18
 - Auto data will now be released quarterly vs. monthly

- **Economic Sectors to Watch**



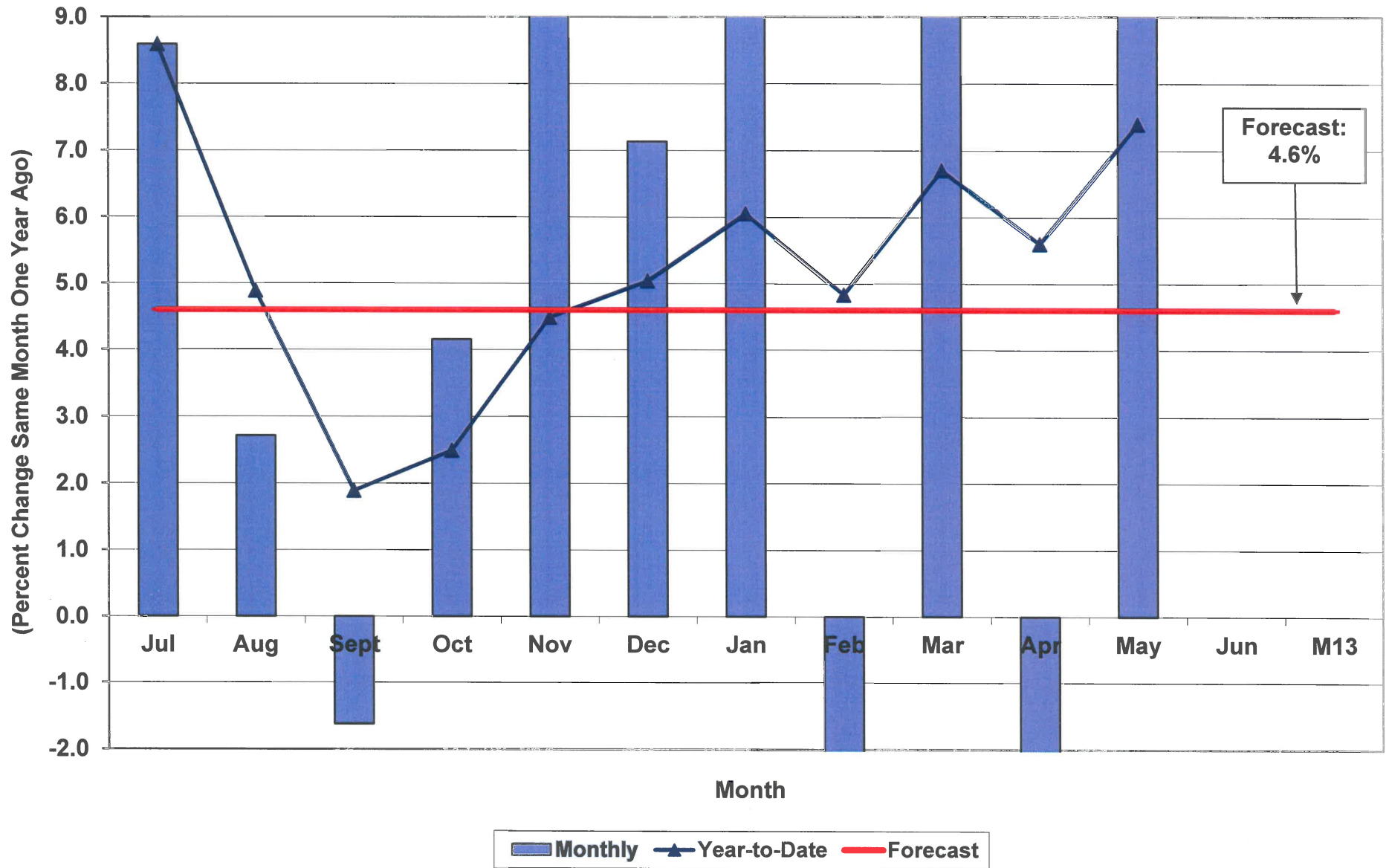
May 2018

General Fund Revenue

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Total General Fund	\$7,448.6	\$7,251.2	\$197.5	4.6	7.4

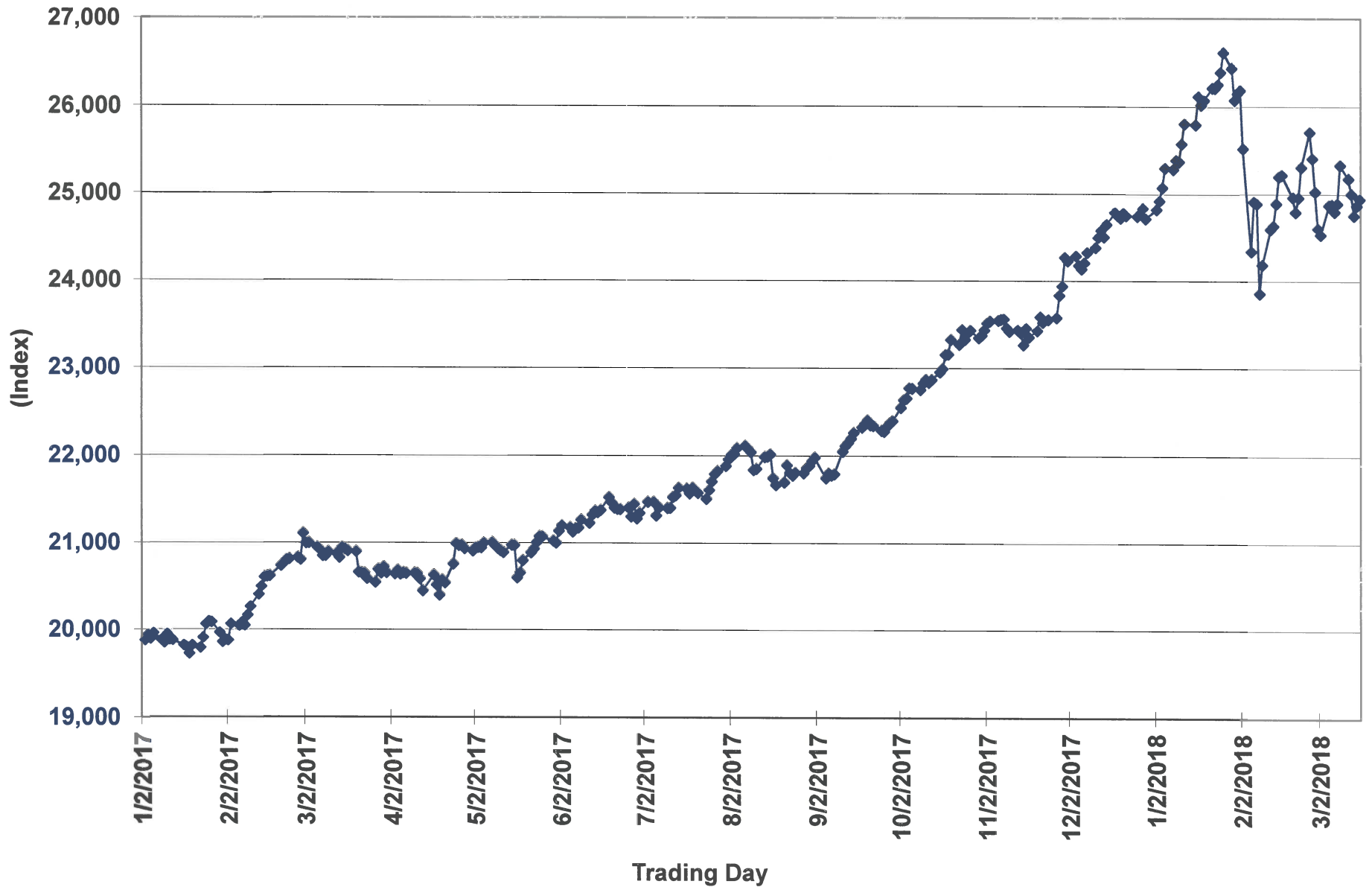
- Through the first eleven months of FY2017-18, General Fund revenues have increased 7.4 percent and are trending above current forecast projections by \$197.5 million
- After adjustments for sales tax held in a clearing account, the Y-T-D revenue growth is unchanged at 7.4 percent

Growth in Total General Fund Revenue Collections FY2018 Monthly and Year-to-Date

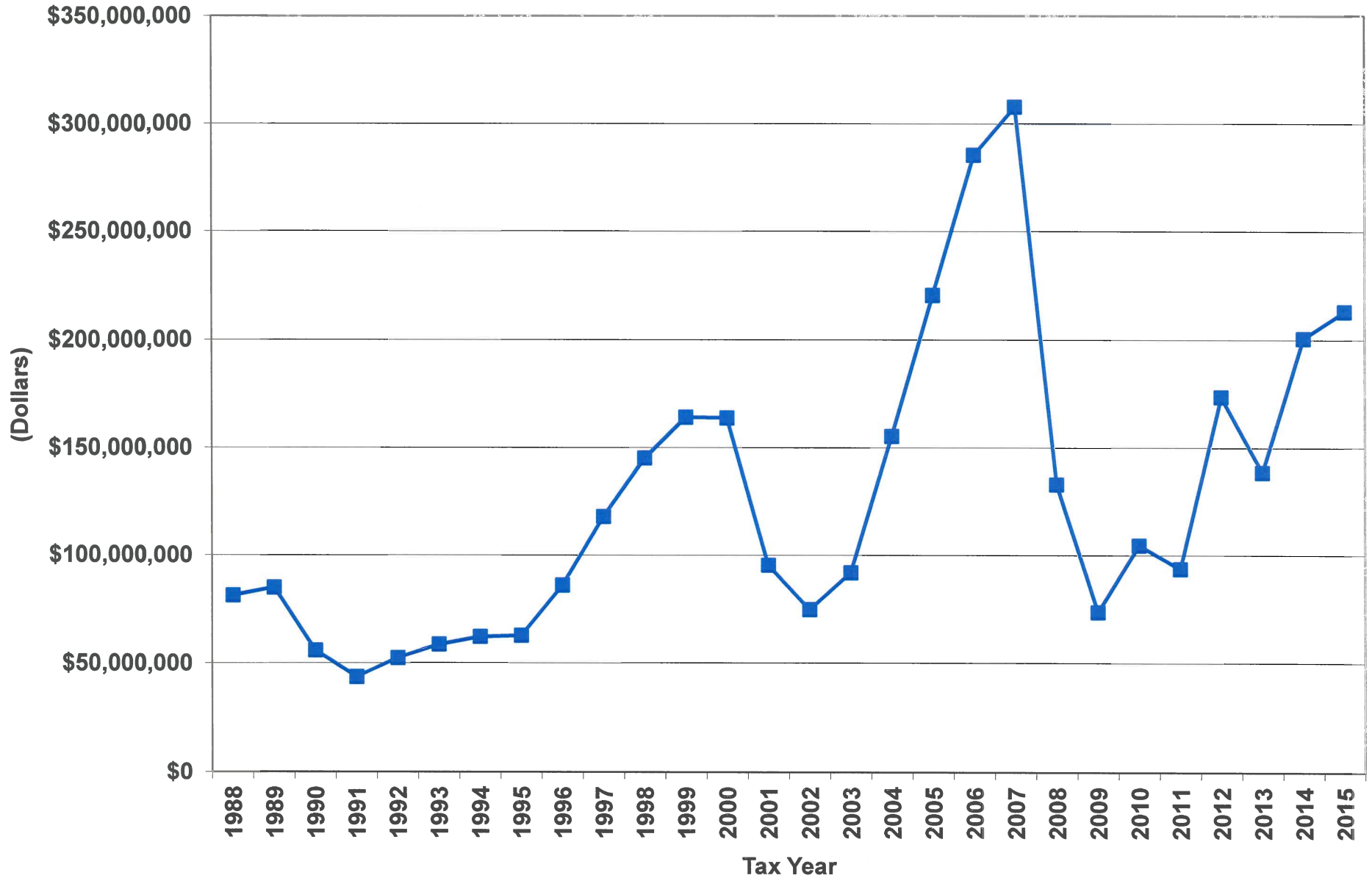


Source: Board of Economic Advisors
BEA/RWM/06/14/18

Dow Jones Industrial Average



Net Capital Gains Income Tax in South Carolina



Source: U.S. Department of the Treasury, Internal Revenue Service, Washington, D.C.



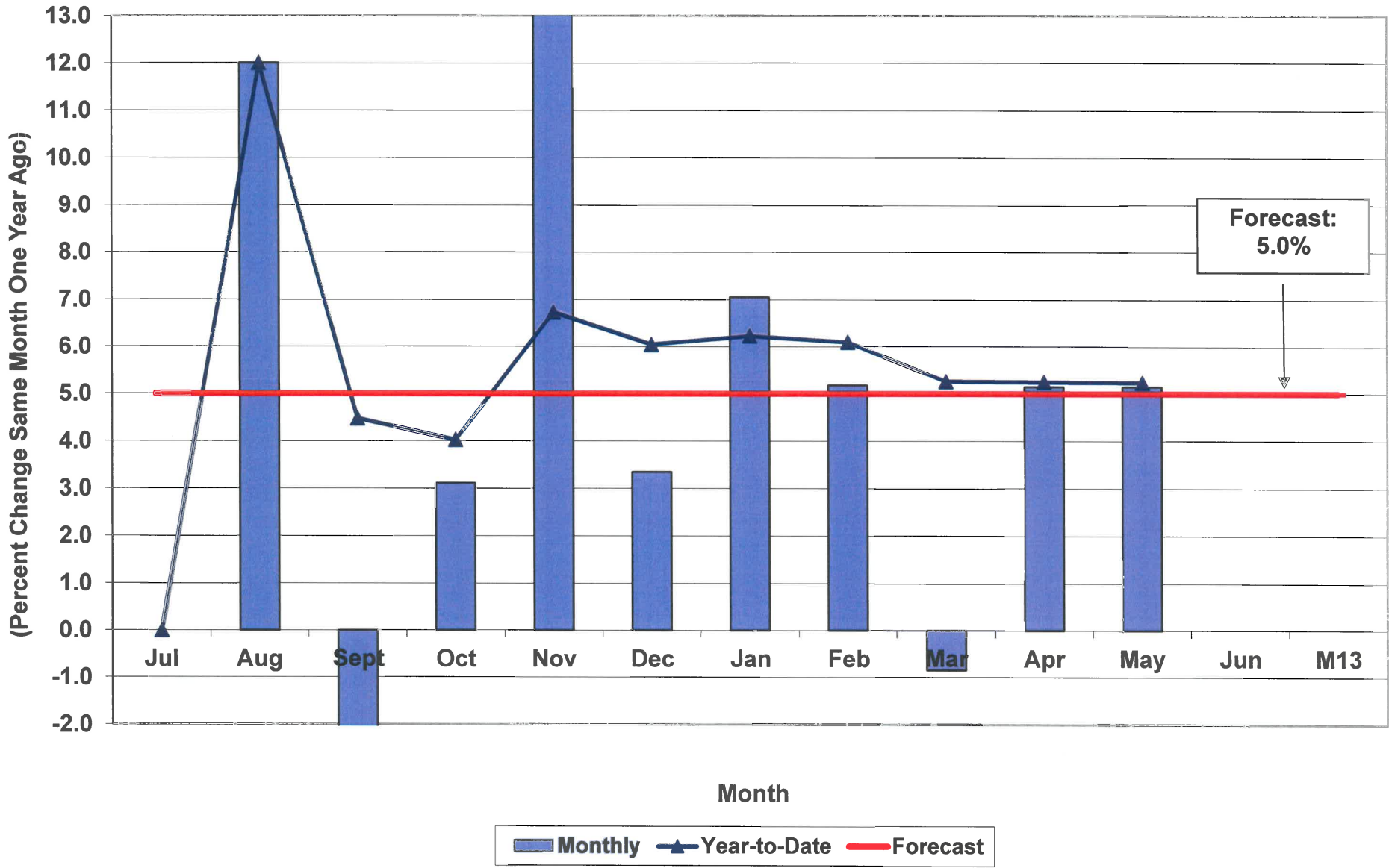
May 2018

Sales Tax

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Sales Tax	\$2,485.6	\$2,479.7	\$5.9	5.0	5.3

- There remains \$4.3 million in clearing account in May 2018
- After adjustments, the Y-T-D growth rate is 5.0 percent
- The growth in retail sales taxes has been stable since the holiday season and has increased within a narrow band in the five percent range

Growth in Total Sales & Use Tax Revenue Collections FY2018 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/06/14/18



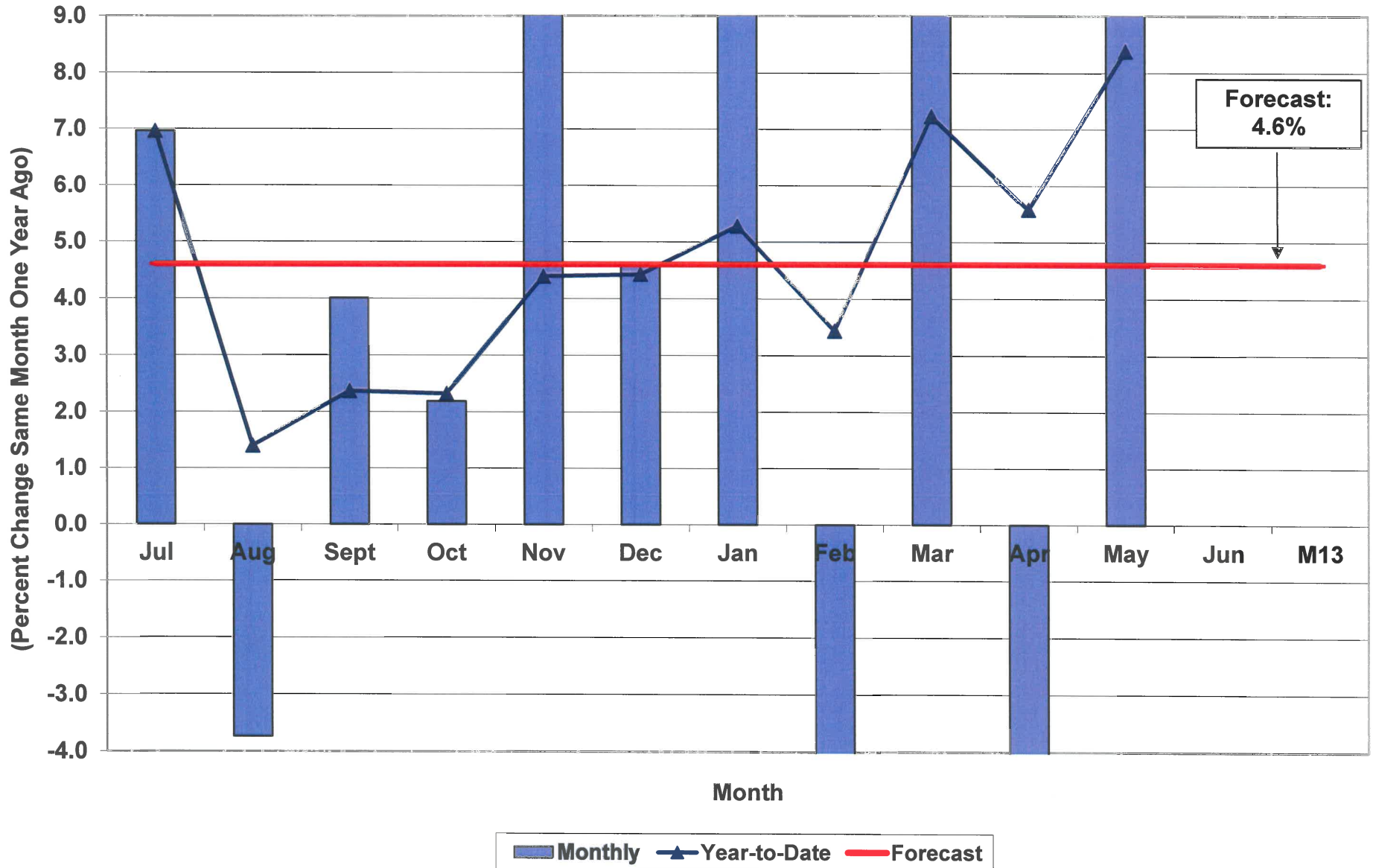
May 2018

Individual Income Tax

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Individual Income Tax	\$3,929.7	\$3,793.1	\$136.7	4.6	8.4

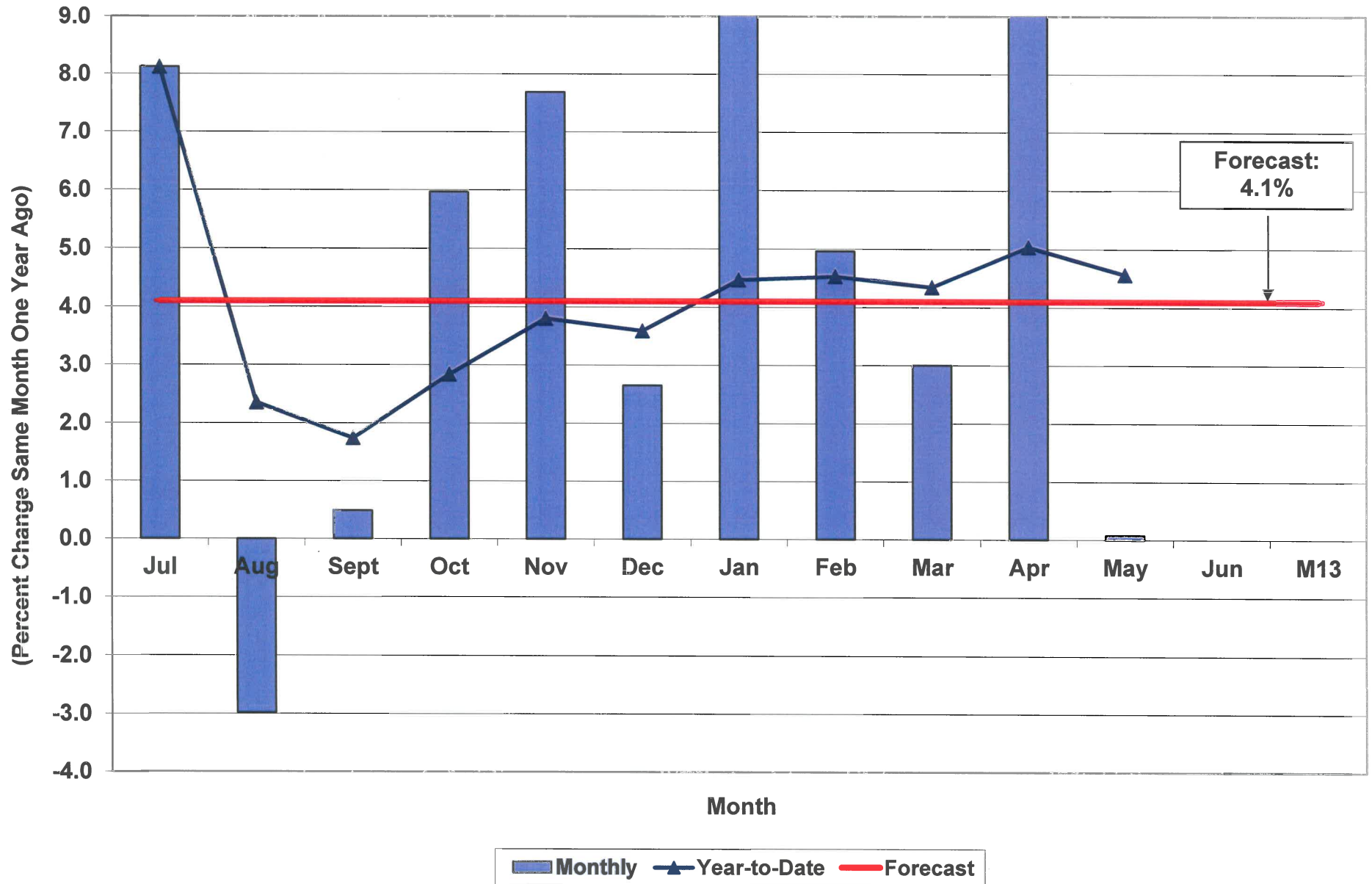
- Tax payments with returns nearly doubled the monthly revenue estimate contributing \$78.4 million to the year-to-date revenue excess
- Lower than anticipated income tax refunds boosted the year-to-date revenue excess by \$59.7 million
- These events accounted for \$138.1 million of the year-to-date revenue excess of \$197.5 million, or nearly 70 percent of the revenue excess

Growth in Total Individual Income Tax Revenue Collections FY2018 Monthly and Year-to-Date



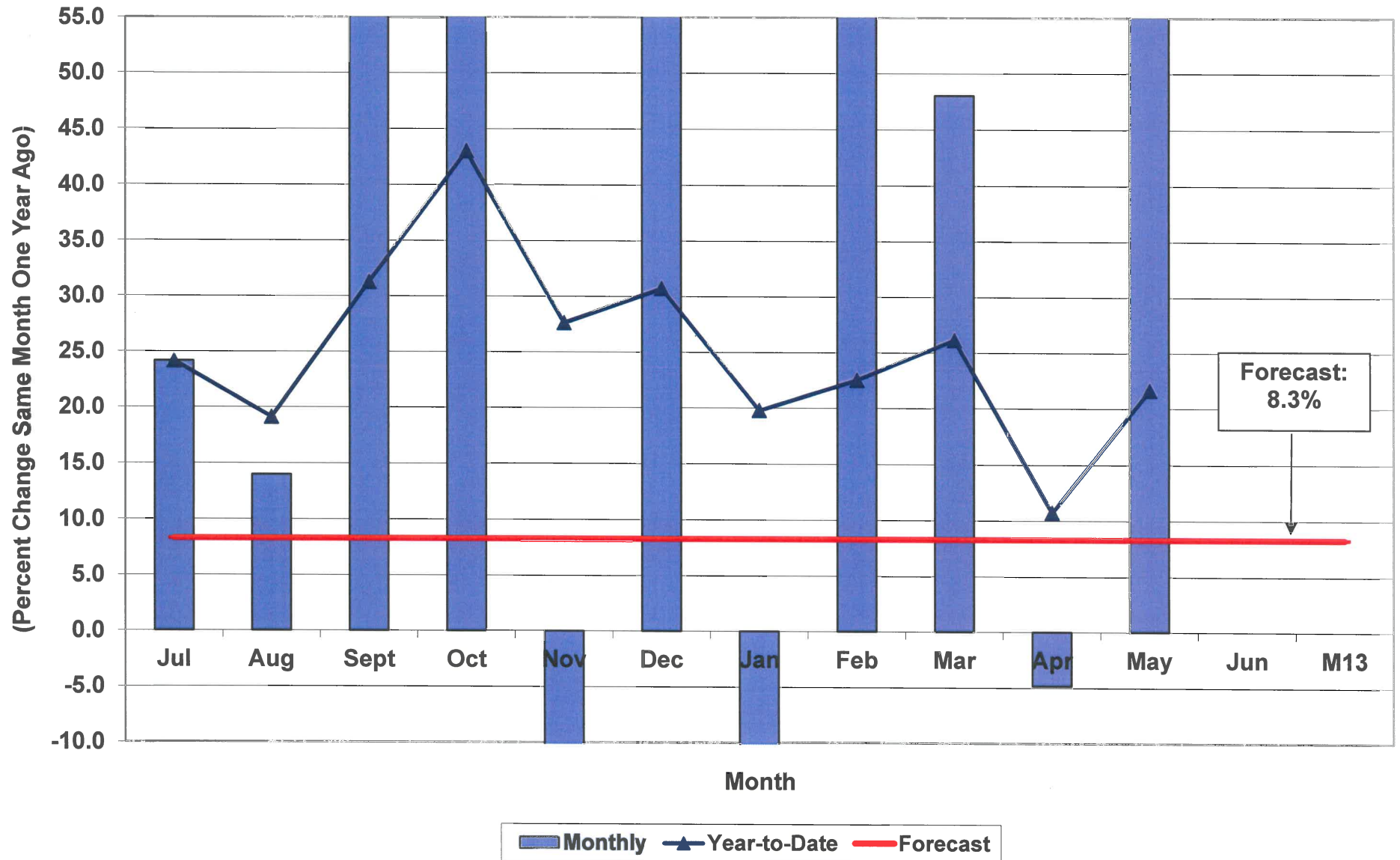
Source: Board of Economic Advisors
BEA/RWM/06/14/18

Growth in Individual Income Tax Withholding Revenue FY2018 Monthly and Year-to-Date



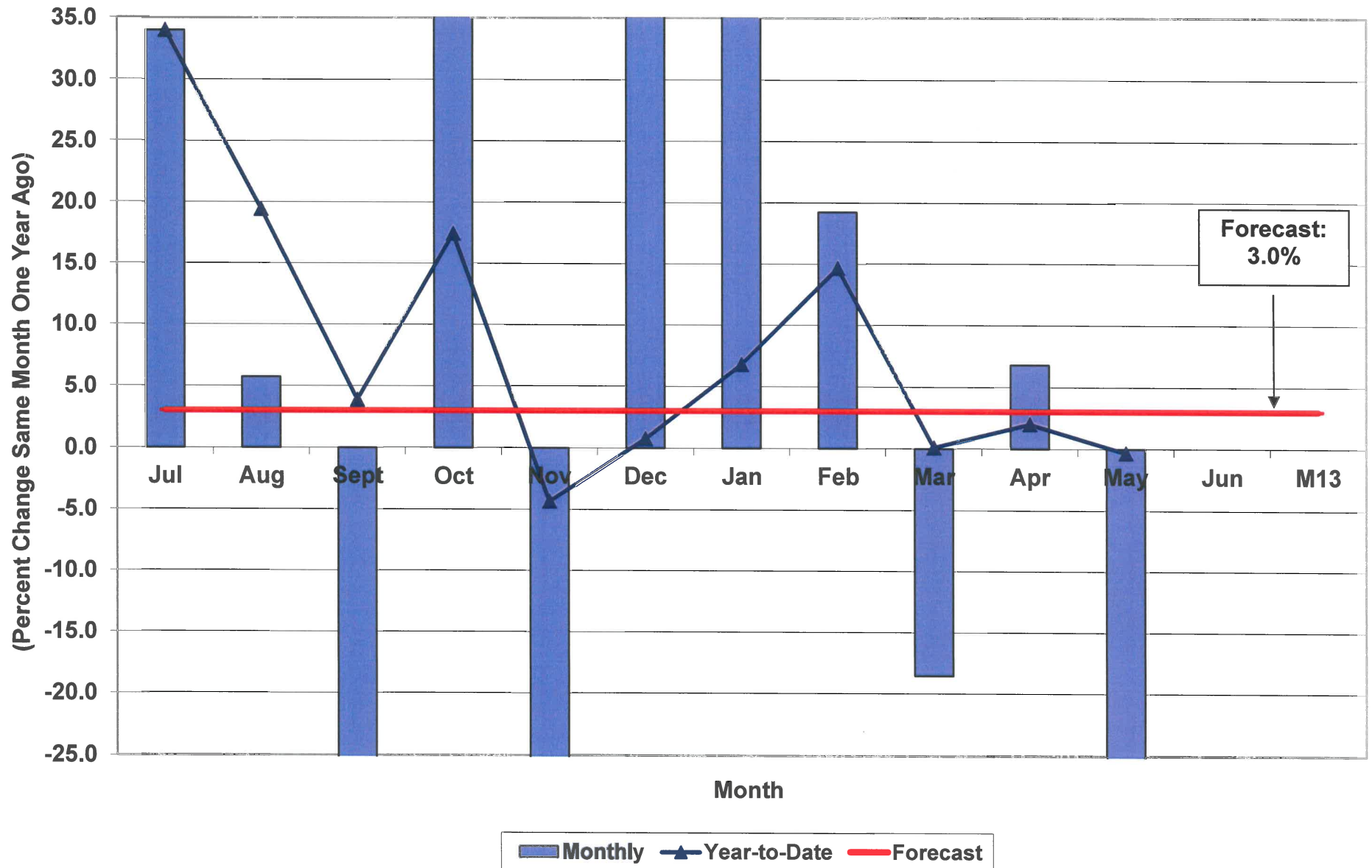
Source: Board of Economic Advisors
BEA/RWM/06/14/18

Growth in Individual Income Tax Paid With Returns in South Carolina FY2017 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/06/14/18

Growth in Individual Income Tax Refunds in South Carolina FY2018 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/06/14/18



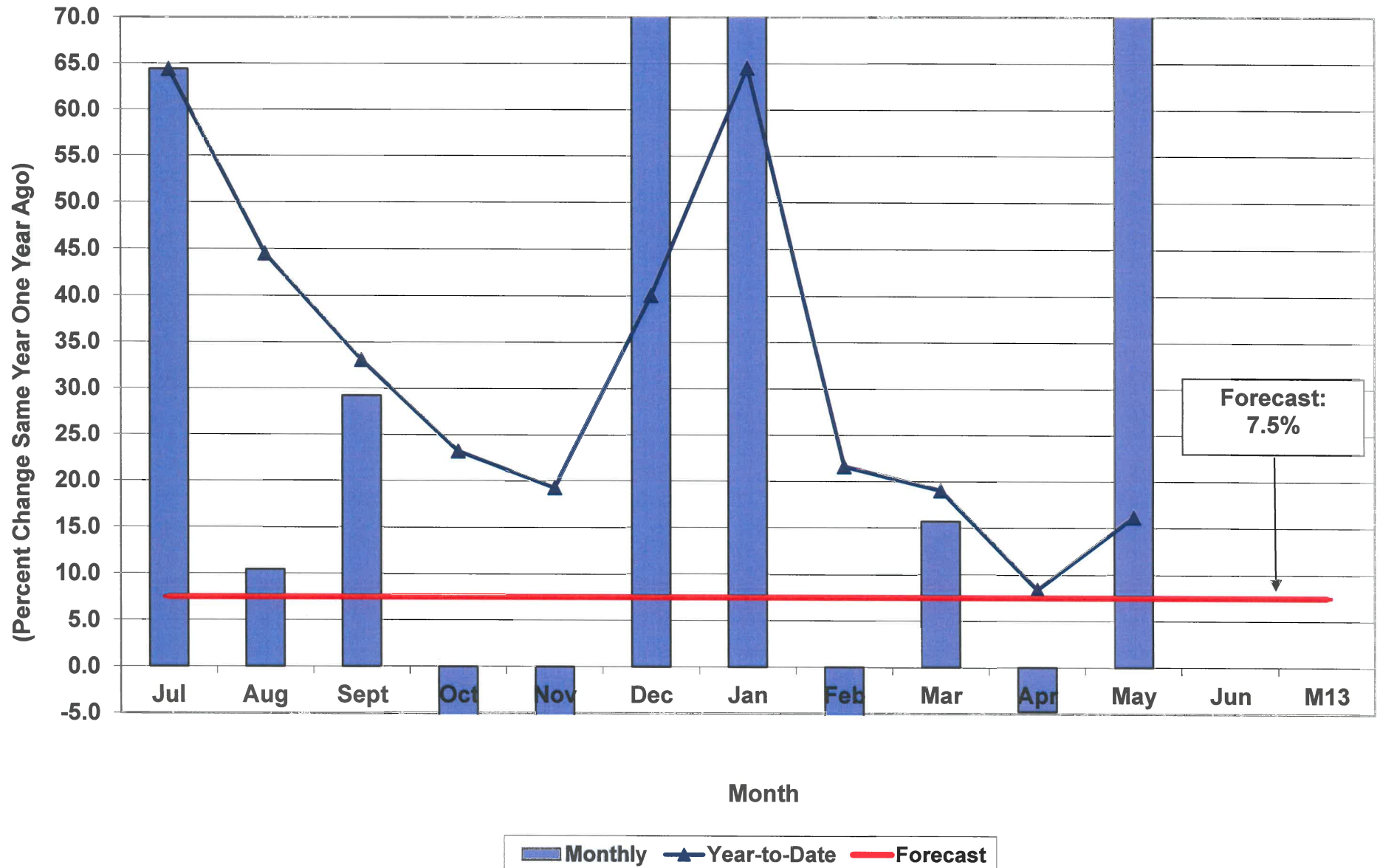
May 2018

Corporate Income Tax

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Corporation Income Tax	\$295.3	\$276.5	\$18.9	7.5	16.2

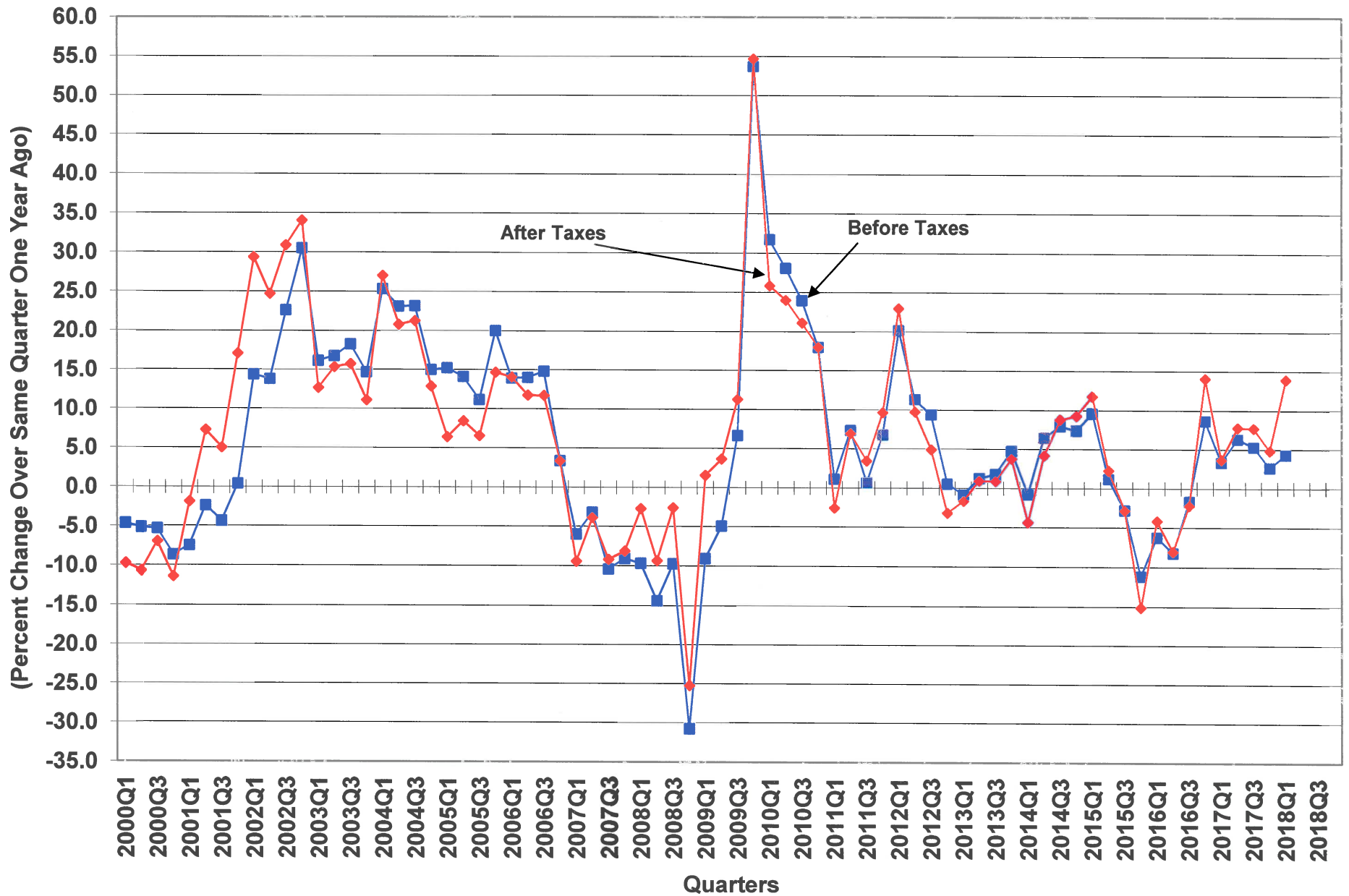
- The increase in corporate declarations demonstrates continued positive earnings growth
- The Corporation Income tax year-to-date growth rate of 16.2 percent is outpacing forecast expectations

Growth in Total Corporation Income Tax Revenue Collections FY2018 Monthly and Year-to-Date



Source: Board of Economic Advisors
BEA/RWM/06/14/18

U.S. Corporate Profits Before and After Taxes



Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.



May 2018

Other Taxes

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Other Revenues	\$738.0	\$702.0	\$36.0	2.3	6.8

- Growth is from a variety of sources and timing of receipts
- Documentary Stamp Tax (real estate transfers) collections and Interest Earnings on state General Fund investments have performed well



May 2018

Economic Sectors to Watch (Items of Concern)

- **Federal Reserve meeting in June**
- **Price of Oil & OPEC**
- **Retail Sales**
- **Value of Dollar**
- **Stock Market**
- **Income Tax Refunds**
- **Effect of Tariffs and Retaliation; G-7 meeting**
- **Iranian Conflict and meeting with North Korea**

***OTHER BUSINESS**

***WORKING GROUP**



NEXT MEETING:

Thursday, July 26th

1:30pm

(If Needed)

