



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 AND WORKING GROUP MEETING AGENDA

June 13, 2019, 1:30pm

**Bowers Conference Room, Room 417, Rembert C. Dennis Building**

- I. Welcome
- II. Adoption of Meeting Minutes for May 22, 2019
- III. Review of Revenues and Economic Conditions
  - A. Overview of May 2019 (F. Rainwater)
  - B. Detailed Review of Monthly and Revenue Activity (R. Martin)
- IV. Other Business
- V. Reports from Working Group Members
  - A. Governor's Office
  - B. Senate Finance Committee
  - C. Ways & Means Committee
  - D. Treasurer's Office
  - E. Comptroller General's Office
  - F. Executive Budget Office
- VI. Future Meeting Schedule
  - A. July 25, 2019, 1:30 - **If necessary**, *GoToMeeting* for Members
  - B. August 29, 2019, 1:30 - **If necessary**, *GoToMeeting* for Members
  - C. September 16, 2019, 1:30 - Fiscal Year-End Report, Update on New Fiscal Year
  - D. October 17, 2019, 10:30 - 3:45, BEA and Annual Regional Advisory Meeting
  - E. 2019 Calendar at <http://rfa.sc.gov/meetings?y=2019>
- VII. 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](http://www.rfa.sc.gov)



*South Carolina Revenue and Fiscal Affairs Office*

# OVERVIEW OF REVENUES THROUGH MAY

June 13, 2019



South Carolina Revenue and Fiscal Affairs Office



Board of Economic Advisors General Fund Revenue Monitor

Revenues vs. 2/14/19 BEA Revenue Estimate of \$8,994.7 Million in FY 2018-19 1/

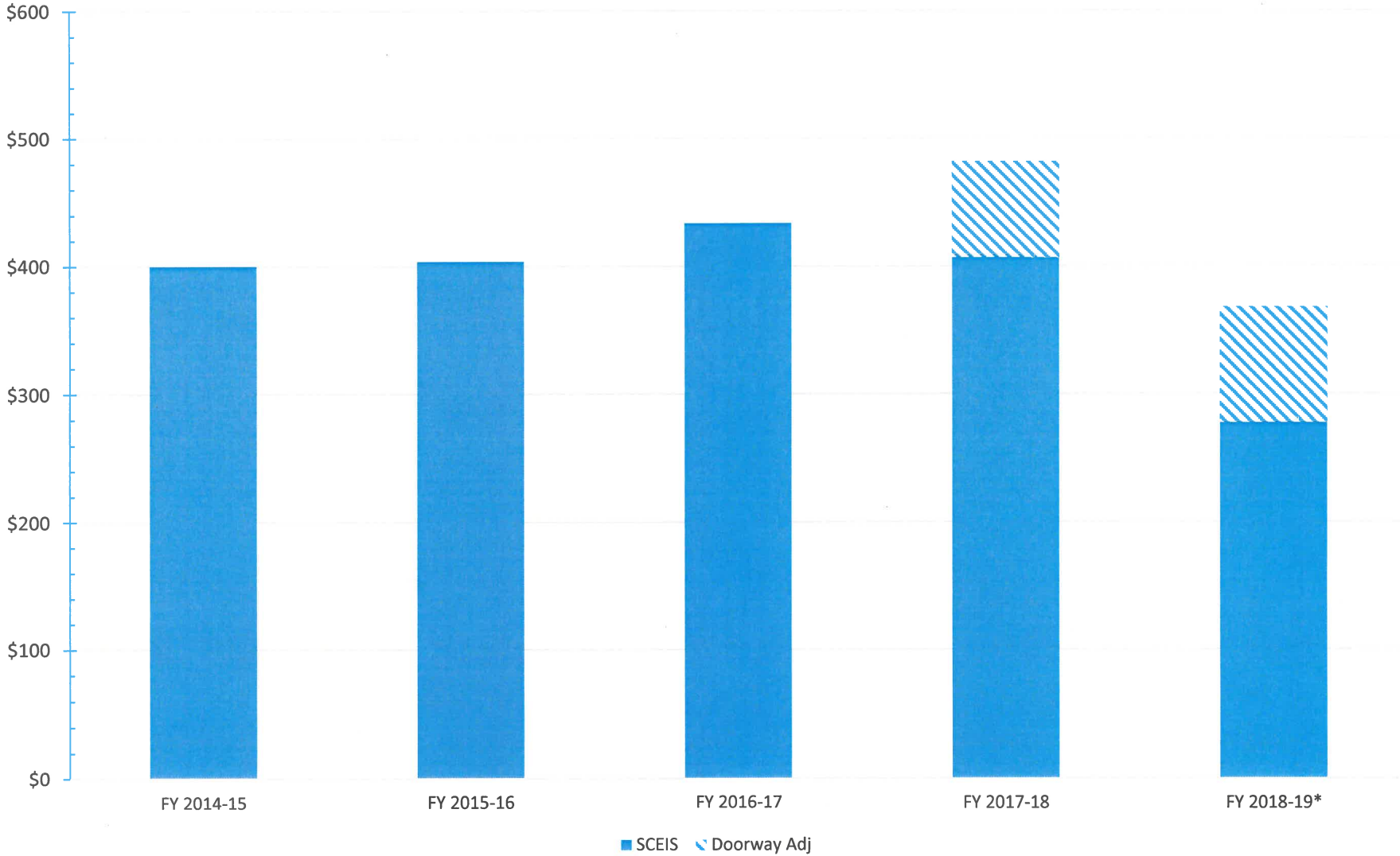
	JULY - MAY FY 2018-19			Revenue Growth Rates (%)	
	(\$ in Millions)			Estimate Full Fiscal Yr.	Actual Yr. to Date
	Actual Revenues	Expected Revenues	Excess / (Shortfall)		
<b>Total General Fund Revenue</b>	<b>8,051.4</b>	<b>7,693.4</b>	<b>358.0</b>	<b>3.3</b>	<b>8.1</b>
Sales Tax	2,599.4	2,589.9	9.5	4.2	4.6
Individual Income Tax	4,205.2	3,973.1	232.0	1.4	7.0
Corporate Income Tax	411.8	326.6	85.2	8.0	39.5
Other Revenue Sources	835.0	803.7	31.3	7.9	13.1
<b>Select Tax Revenues, Sub-Total</b>	<b>722.3</b>	<b>688.2</b>	<b>34.0</b>	<b>10.1</b>	<b>16.7</b>
Admissions Tax - Total	23.8	23.7	0.1	2.7	3.1
Alcoholic Liquors Tax	67.6	66.9	0.6	4.1	5.1
Bank Tax	58.7	38.2	20.6	7.0	64.7
Beer and Wine Tax	90.4	89.3	1.1	1.4	2.6
Corporation License Tax	110.1	101.1	9.0	(7.4)	0.8
Documentary Tax	64.4	64.5	(0.1)	5.8	5.7
Earnings on Investments	79.9	62.9	17.0	74.5	121.8
Insurance Tax	203.8	217.6	(13.9)	18.6	13.8
Tobacco Tax	23.6	21.1	2.5	(5.9)	5.4
<b>Residual Revenue, Sub-Total 2/</b>	<b>112.7</b>	<b>115.5</b>	<b>(2.8)</b>	<b>(3.4)</b>	<b>(5.7)</b>

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

2/: Refer to "Residual Revenue" on page 15 for a list of components in this subcategory.

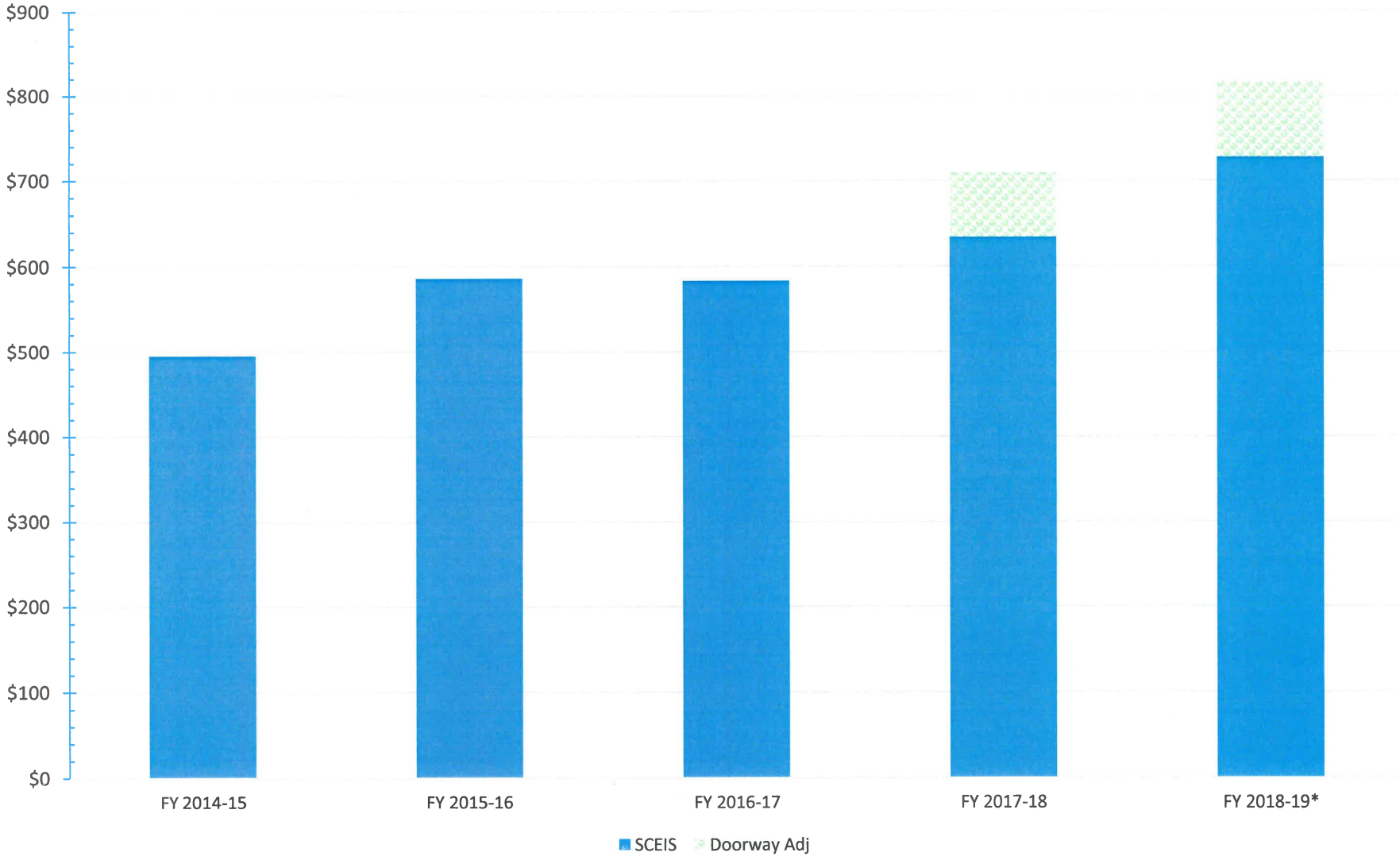
Note: Detail may not sum to total due to independent rounding of individual revenue categories.

### Ind Income Declarations with Doorways Adjustment



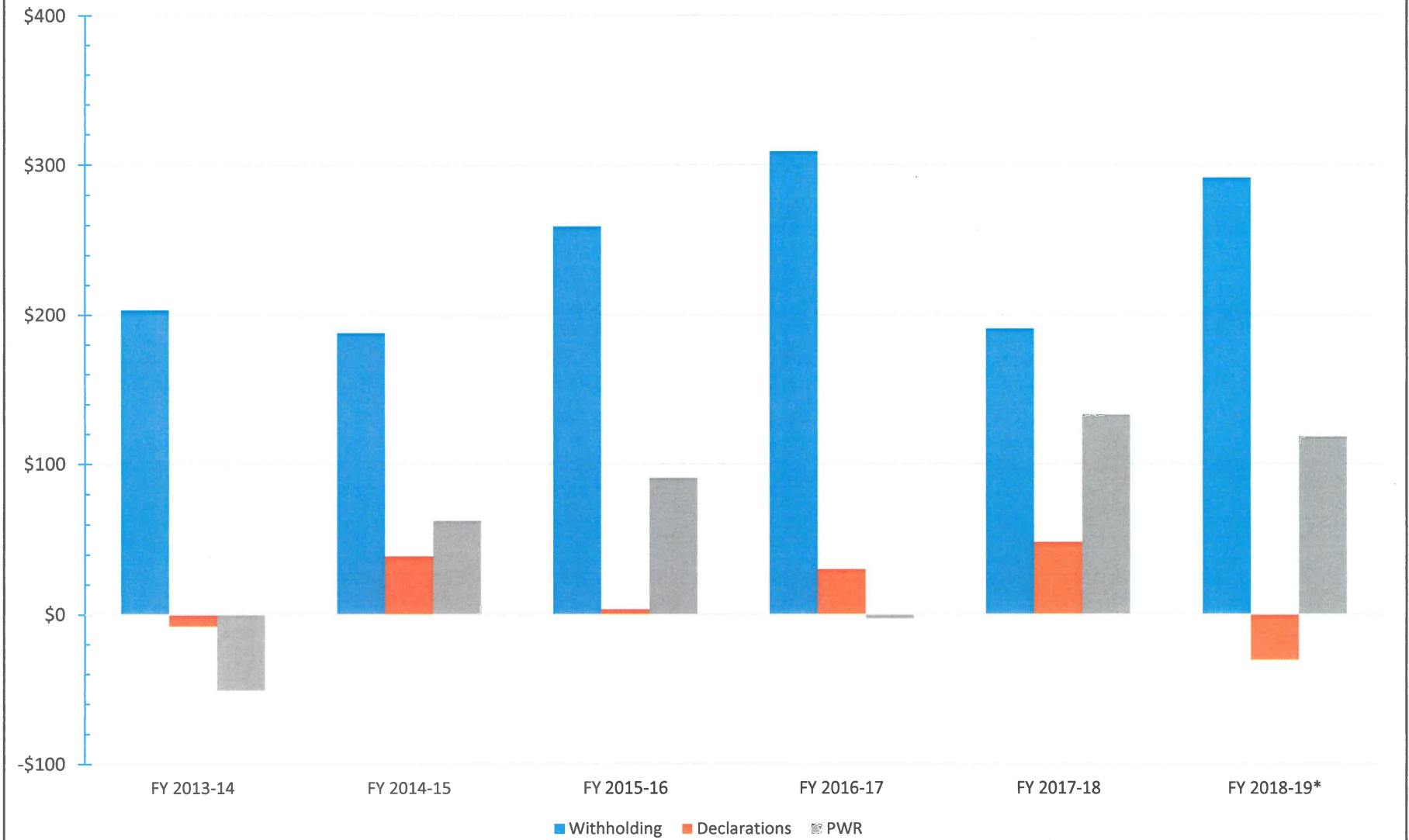
Source: DOR Doorways

### Paid with Returns with Doorways Adjustment



Source: DOR Doorways

### Fiscal Year Growth for IIT Categories - Adjusted for Doorways Change



Source: DOR Doorways



May 2019

## Presentation Agenda

- **Review of General Fund Revenues – May 2019**
- **Contingencies and Other Items of Concern**





May 2019

## Total 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	\$8,051.2	\$7,693.4	\$357.9	3.3	8.1

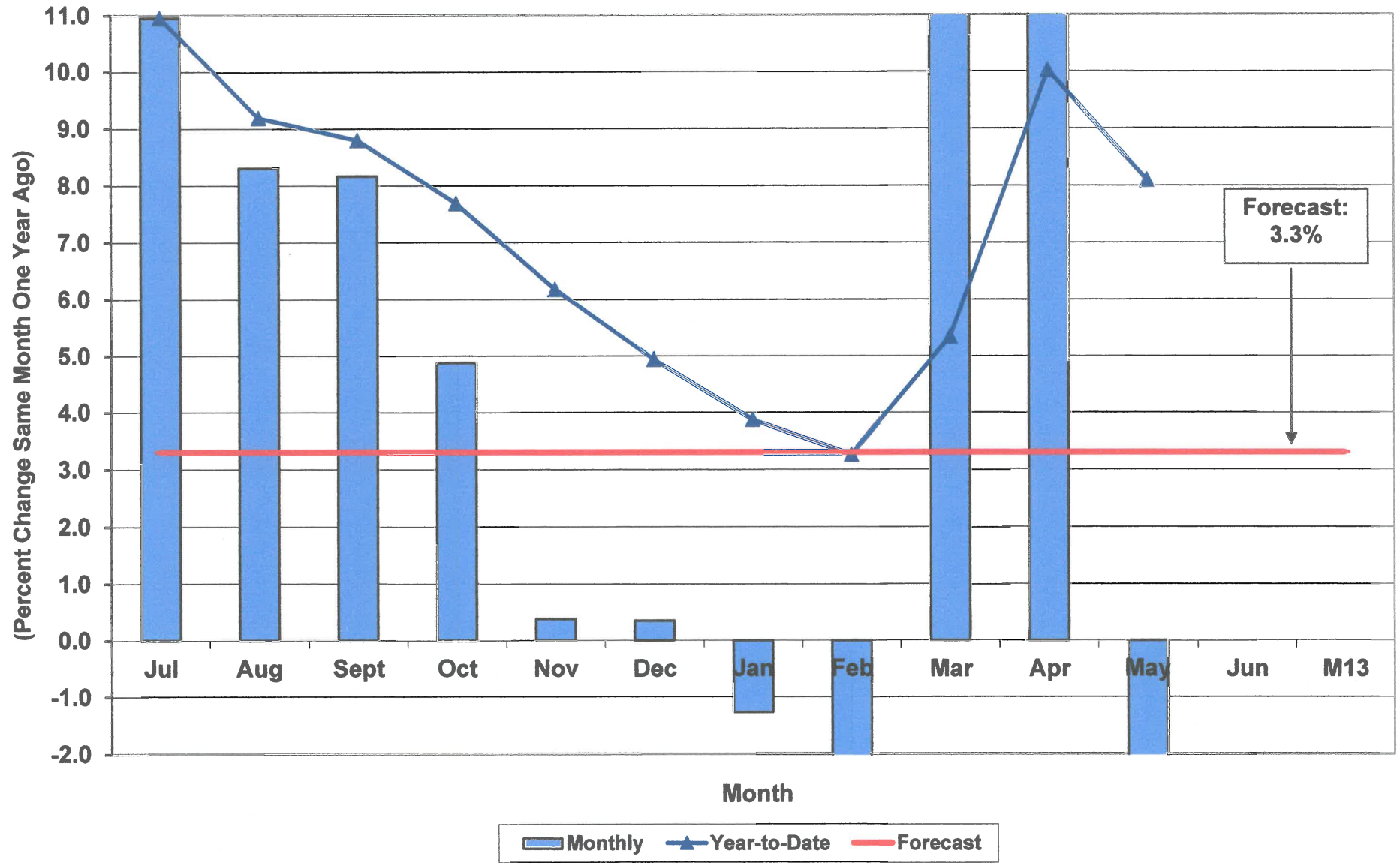
- General Fund revenue decreased 6.7 percent, or \$57.5 million, during the month of May 2019 from May 2018.
- The Individual Income tax and the Corporation Income tax combined for a reduction of \$66.0 million in May 2019 reversing a combined increase of \$301.2 million in April 2019.
- Revenues through May 2019 have grown 8.1 percent, or \$602.3 million, year-to-date and are exceeding the revised 3.3 percent



May 2019

growth rate required to meet the General Fund revenue estimate for FY2018-19.

## Growth in Total General Fund Revenue Collections FY2019 Monthly and Year-to-Date





May 2019

## Sales Tax Revenue

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Sales Tax	\$2,599.1	\$2,589.9	\$9.2	4.2	4.6

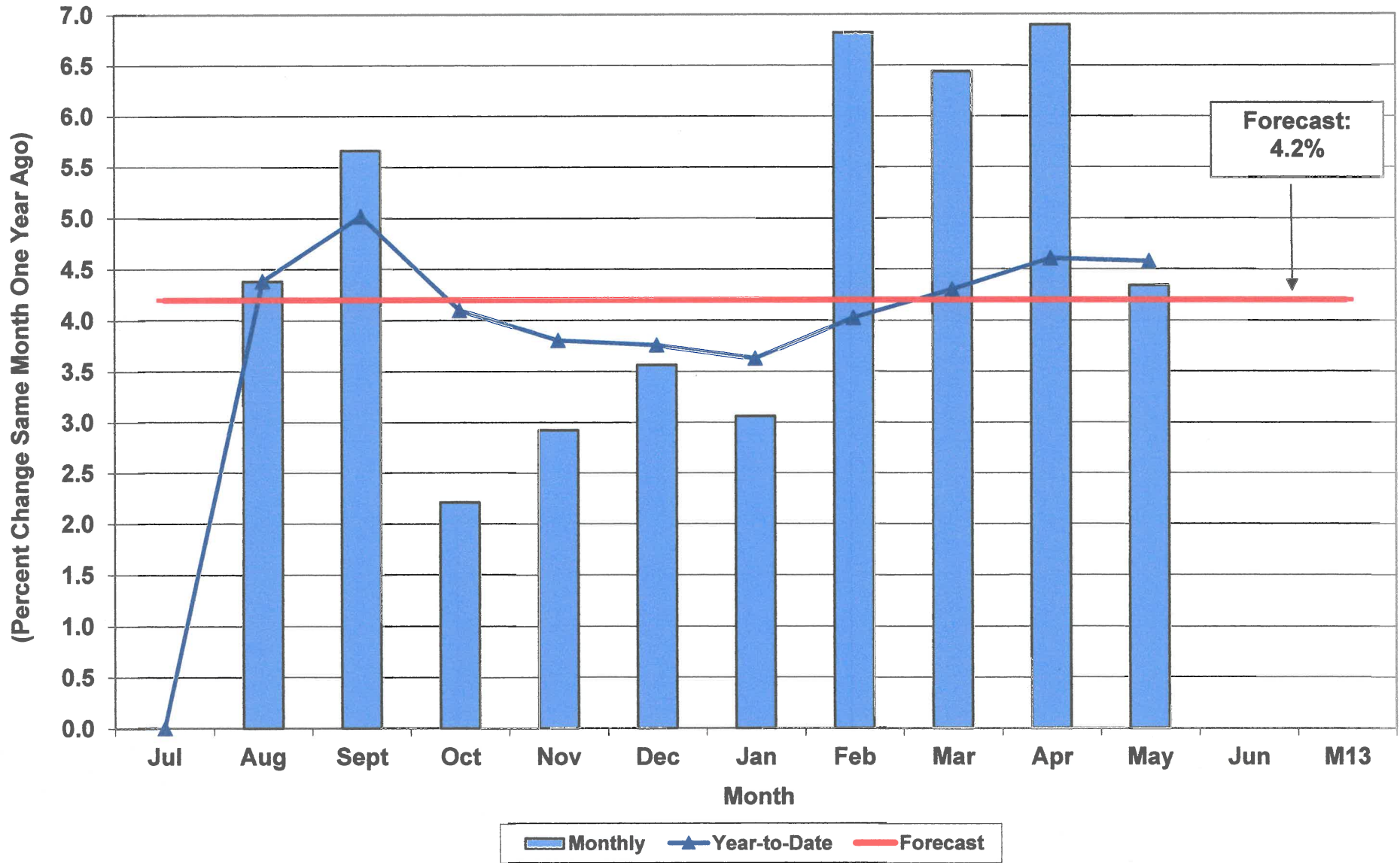
- Sales and Use tax revenue increased \$11.8 million, or 4.3 percent, for the month of May resulting in year-to-date growth of 4.6 percent.
- Inclusion of \$16.8 million in remote internet sales taxes.
- Without the added revenue from the *Wayfair* decision, Sales tax collections would be slightly below forecast.



## May 2019

- The cumulative Sales and Use tax revenue growth of 4.6 percent through May 2019 is running slightly above the 4.2 percent revenue forecast for FY2018-19 by \$9.2 million.

## Growth in Total Sales & Use Tax Revenue Collections FY2019 Monthly and Year-to-Date





May 2019

## Individual Income Tax Revenue

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Individual Income Tax	\$4,205.2	\$3,973.1	\$232.0	1.4	7.0

- The Individual Income tax revenue decreased \$48.4 million, or 9.6 percent, during the month of May 2019. Individual Income tax payments with tax returns reversed a large gain in April 2019 with tax payments falling by 44.7 percent in May 2019.
- Individual Income tax declarations also exhibited the same reversal pattern in May 2019.

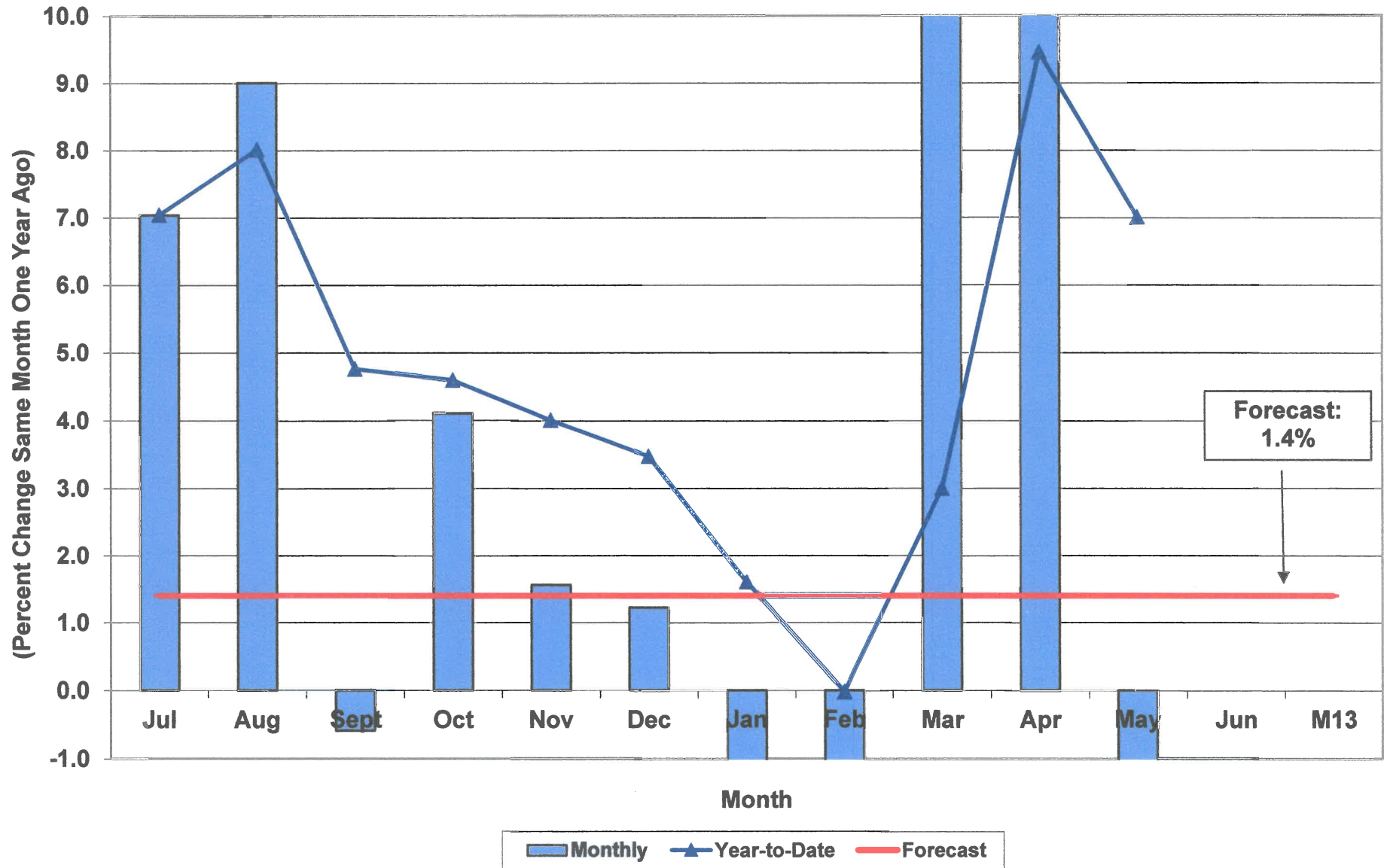


## May 2019

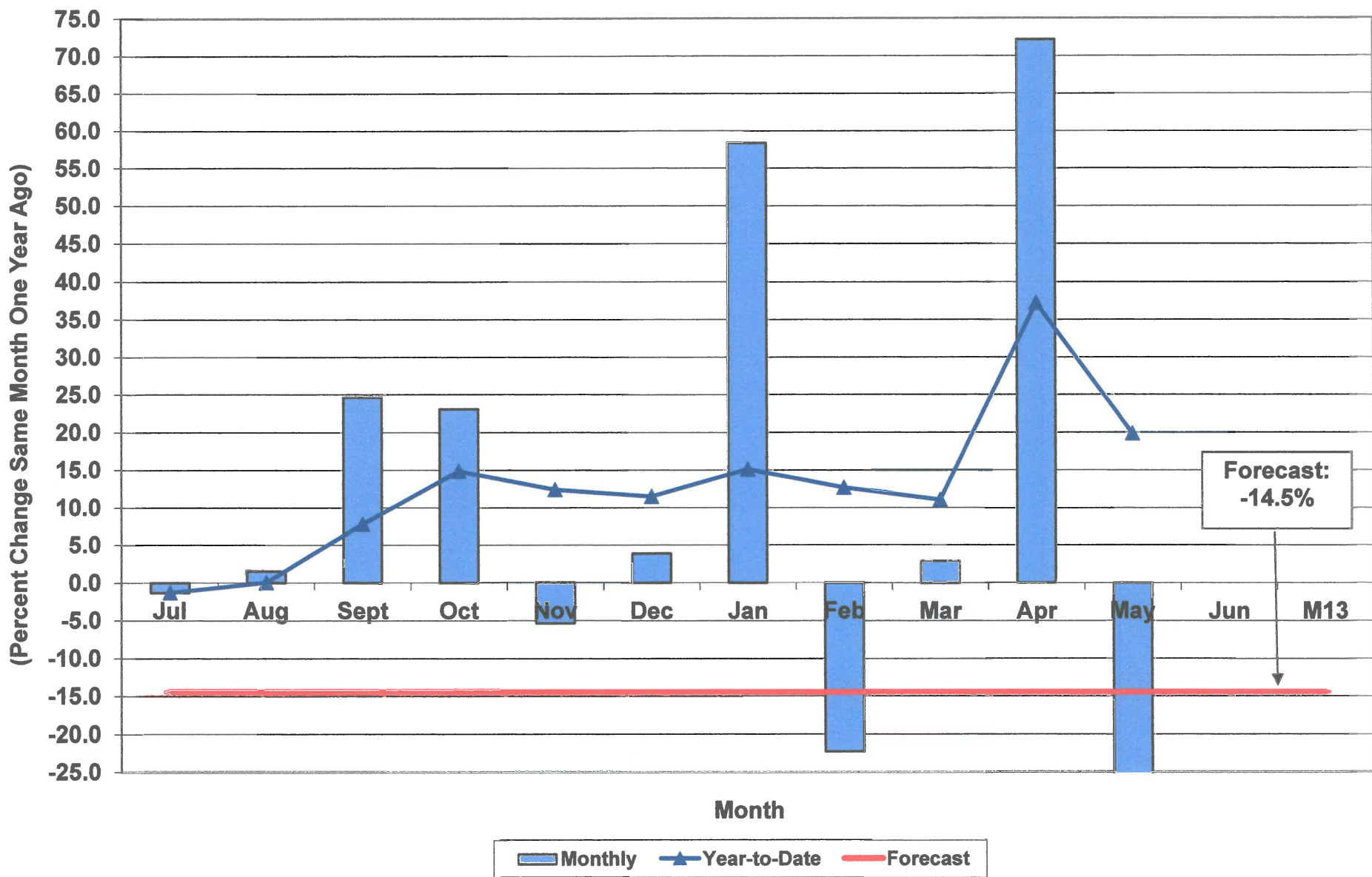
- Individual Income tax withholdings grew by \$25.4 million in May and have grown 6.2 percent through May 2019.
- Income tax withholdings are exceeding the 3.9 percent revenue forecast by \$106.6 million for FY2018-19.
- This combination added to the weak monthly revenue gain in the Individual Income tax.



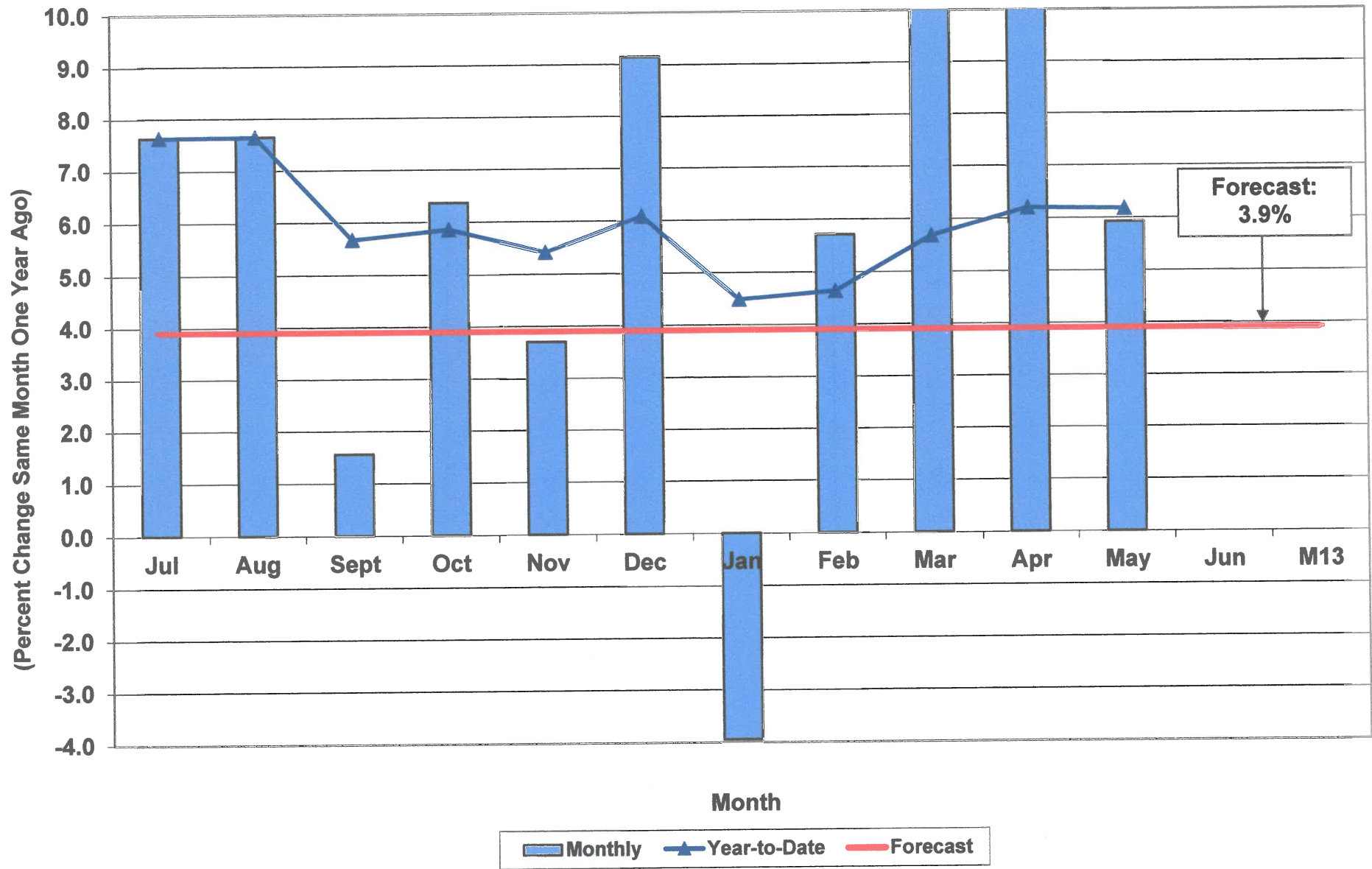
## Growth in Total Individual Income Tax Revenue Collections FY2019 Monthly and Year-to-Date



## Growth in Individual Income Tax Paid With Returns in South Carolina FY2019 Monthly and Year-to-Date



## Growth in Individual Income Tax Withholding Revenue FY2019 Monthly and Year-to-Date





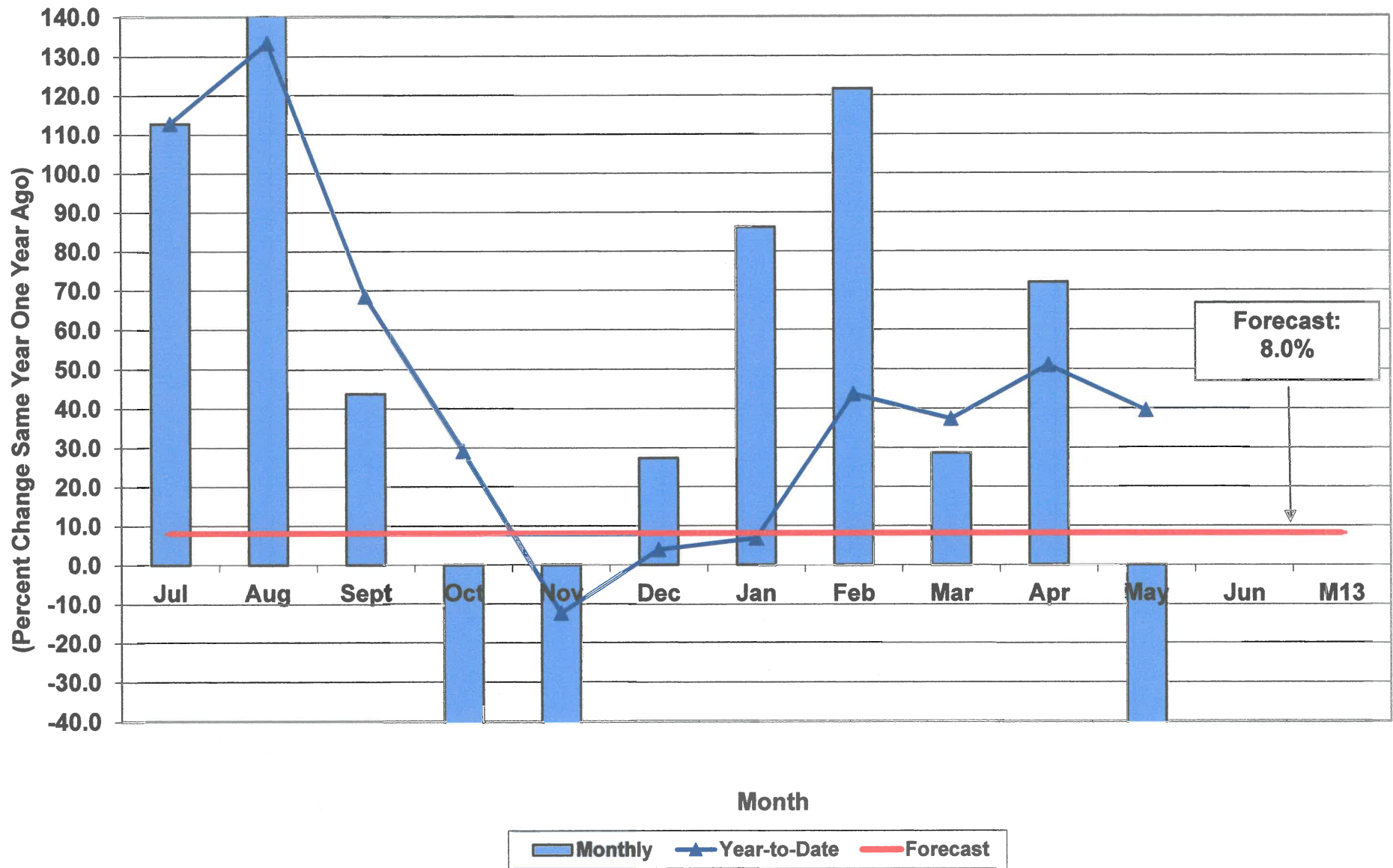
May 2019

## Corporate Income Tax Revenue

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Corporation Income Tax	\$411.8	\$326.6	\$85.2	8.0	39.5

- The Corporation Income tax decreased 55.0 percent in May 2019 compared to the same month one year ago resulting in a monthly revenue deficit of \$17.6 million.
- Overall, the Corporation Income tax has increased 39.5 percent year-to-date through May 2019 and is running above the 8.0 percent revenue forecast for FY2018-19, or by \$85.2 million.

## Growth in Total Corporation Income Tax Revenue Collections FY2019 Monthly and Year-to-Date





May 2019

## Other Revenue

Revenue Category	Actual Revenue (\$ Mil.)	Forecast Revenue (\$ Mil.)	Excess/ Shortfall (\$ Mil.)	Revenue Growth Rates	
				Forecast (%)	Actual Y-T-D (%)
Other Revenues	\$835.1	\$803.7	\$31.4	7.9	13.1

- Other Revenues decreased 5.4 percent in May 2019 from one year ago and have increased 13.1 percent year-to-date from a variety of sources and timing of receipts.



May 2019

## Summary

- Through the first eleven months of FY2018-19, General Fund revenues have increased 8.1 percent and are trending above current forecast projections by an estimated \$358.0 million.
- Nearly one-third of the surplus is due to one-time, non-recurring events that are not expected to occur next fiscal year.
- To date, the state economy is closely tracking the forecast growth rates of employment and personal income.



May 2019

- In November 2018, the Board of Economic Advisors adopted an employment growth rate of 1.8 percent and a personal income growth rate of 4.25 percent in FY2018-19.
- Revised employment figures show that job growth is expanding at an average rate of growth of 2.0 percent through the ten months of the fiscal year.
- Personal income is growing at a revised annual rate of 4.4 percent based on the latest available figures.





May 2019

## Contingencies and Other Items of Concern

### South Carolina

- SC GDP figures show a slowing economy – at odds with reality
- Housing is showing some weakness
- 2019Q1 State Personal Income to be released late-June 2019



May 2019

## United States

- Sluggish retail sales
- Uncertainty over Federal Reserve policy
- U.S. trade uncertainty
- Tariffs on steel & aluminum lifted for Canada and Mexico
- Tariffs will not be increased on China imports – at least for now
- Will lead to increased inflation
- Temporary effects of the federal tax changes to diminish
- Economic growth to slow
- Stock market volatility



May 2019

## International and Global

- Global economic growth is slowing
- Negative bond yields in Germany
- Europe escaped recession in 2019Q1
- Tariffs and trade policy still unresolved
  - Delay in tariffs on auto imports
- Brexit (PM May resigns – Brexit deal in flux)
- Venezuela uprising and political tensions
- Mexican immigration and threat of tariffs on Mexican imports
- Iranian sanctions on oil exports reimposed

# OTHER BUSINESS

# REPORTS FROM WORKING GROUP

June 13, 2019



South Carolina Revenue and Fiscal Affairs Office

# FUTURE MEETING SCHEDULE

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