

MEMORANDUM FOR THE RECORD

DATE: May 8, 2020
Room 417, Rembert Dennis Building
9:30am

SUBJECT: Minutes of Board of Economic Advisors Meeting

ATTENDEES: *Board Members –Edward Grimball-Chairman (via GoToMeeting), Howell Clyborne (via GoToMeeting), Emerson Gower (via GoToMeeting), Hartley Powell (via GoToMeeting); Executive Director, Frank Rainwater; Staff – Lisa Jolliff, Robert Martin, Karen Rhinehart. Guests: Due to COVID-19 policies all guests participated via GoToMeeting and 100 individuals called-in. An email invitation was sent to the usual BEA Distribution (121 contacts) list and Working Group (10 contacts) list members and the meeting notification was posted on the RFA website and in the Rembert Dennis Building. Meeting information and call-in instructions were provided in the email and posted online. Byron Kirby posted meeting documents online 15 minutes prior to the start of the meeting. Guests were asked to direct any questions to Frank Rainwater after the meeting had concluded via email or phone.*

- Chairman Grimball welcomed everyone to the meeting at 9:30am.
- Chairman Grimball presented the meeting minutes for February 13, 2020 and April 9, 2020 which had previously been shared with the Members, and provided comments regarding the April 2020 Board Meeting. He highlighted several key items about that meeting which included:
 - due to the negative impact of COVID-19 on the State, a reduction of \$507 million was made to the FY 2019-20 forecast, and a reduction of \$644 million was made to the FY 2020-21 forecast.
 - these reductions were made in various revenue categories, but Individual Income tax and Sales tax accounted for most of the reductions.

Chairman Grimball then asked if any Member had additions or corrections to the meeting minutes. There were no comments from the Members, and Chairman Grimball declared the minutes approved as presented and written. *(See attached)*

- **Frank Rainwater presented an overview of April 2020 revenues. His major comments were:** *(See Attached)*
 - General Fund revenues for April 2020 declined \$400.1 million or 42.9 percent from April 2019.

- The decline is more than anticipated and appears attributable to a significant number of tax filers taking advantage of the extended filing date.

Sales Tax

Sales Tax declined \$72.0 million or 25.8 percent.

- This figure represents taxable sales in March 2020, which includes spending before and after business and social activity was restricted.
- Approximately 19,200 fewer returns were filed; payments processed were down 23 percent.
- Collections from new “internet sales” increased.
- Sales tax estimate for FY 20 was reduced by \$101.4 million in April; some recovery of the March and April decline is expected when the extension of the filing deadline approaches and as stimulus programs take effect.

Individual Income Tax

Individual Income tax declined \$158.2 million or 39.9 percent.

- Withholding was down \$26.0 million or 5.5 percent.
- Non-withholding and Refunds were down, as 311,000 fewer income tax returns were processed through April, and 113,000 or 58 percent fewer payments were processed.
- Income tax and Declarations payments are extended to July 15th.
- The FY 20 estimate was reduced in April by \$359.4 million; better net results are expected after the filing extension deadline and re-opening of the economy.

Corporate Income Tax

Corporate Income tax declined \$150.1 million or 84.1 percent.

- Approximately 7,500 or 30 percent fewer returns were processed in April.
- Filing dates are extended until July 15th.
- The estimate was reduced in April by \$25.4 million; improvement is expected when filing extensions are received.

Admission Tax

Admission tax declined \$2.4 million or 60.1 percent.

- Approximately 380 or 39 percent fewer payments were processed.

Alcoholic Liquors Tax

Alcoholic Liquors tax declined \$7.2 million or 92.7 percent.

- Approximately 2,000 or 52 percent fewer returns were processed.

Bank Tax

- Bank tax declined \$21.1 million due to a timing difference, as March revenues received earlier deposits, and April 2019 revenues included an audit payment.
- **Frank Rainwater and Robert Martin shared information for the consideration of revenue estimates. Their major comments were: (See Attached)**

Forecast for FY 2019-20

April 2020 Estimates

- Revenue excess eliminated through March of \$127.1 million.
- The forecast was reduced by \$507 million.

May 2020 Estimates

- No further adjustment to FY 2019-20 April estimate is recommended.
- There is no clear distinction between how much the loss in April revenue was due to the economy versus the extended filing deadlines.
- The impact of the federal stimulus on revenues is also unclear.

Forecast for FY 2020-21

April 2020 Estimates

- The forecast was reduced by \$643.5 million.

Update on Assumptions

- Economic restrictions for health safety are being eased sooner than expected.
- Some major manufacturers are restarting sooner than expected.
- Restaurants and hotels may be restarting sooner than expected.
- Recent GDP data suggest the loss of corporate profits may be greater than previously estimated.

May 2020 Forecast - Adjustments

- No change to the general underlying economic assumptions.
- Given that the recent GDP data show larger losses in corporate profits than previously estimated, staff recommends adjusting the FY 2020-21 forecast.
- Adjust the forecast for selected categories:
 - Reduce Corporate Income tax by \$46.4 million

- Reduce Corporate License tax by \$11.9 million
- ❖ *Following the forecast presentation, Chairman Grimball asked the Board Members if they had any comments or questions concerning the proposed revenue forecast changes in the Corporate Income tax and Corporate License tax categories. The Chairman also noted that the staff had discussed the changes with the Members in preparation of the meeting. Hearing no further discussion, Mr. Gower motioned and Mr. Clyborne seconded the motion to adopt the revised forecast. All voted aye, and the revised forecast was adopted, which included the April reductions and the further reduction in the corporate area of \$58.3 million.*
- ❖ *Mr. Rainwater then commented that the General Assembly will return in September to update the budget, and there is still caution concerning this one corporate item.*
- ❖ *Chairman Grimball then asked Mr. Rainwater if he had any comments concerning Sine Die. Mr. Rainwater stated that according to S.C. Code of Laws §2-1-180(b) if there is a downward forecast adjustment made after April 10th, the Legislature is permitted to extend Sine Die by two weeks. The Governor and General Assembly will be notified of this issue as it relates to this code site. Chairman Grimball then stated that at the conclusion of the meeting, a letter would be sent to the Governor and Legislature concerning the actions of the meeting.*

○ **Other Matters for Consideration**

There were no further matters for consideration or comments from the Members.

Mr. Gower motioned to adjourn the meeting and Mr. Clyborne seconded the motion. All voted aye, and the meeting adjourned at 9:50am.

The next scheduled BEA Meeting is Thursday, June 11, 2020 at 1:30pm.

Attachments: Agenda, Meeting Materials. Public Notice of this meeting was posted at <http://www.rfa.sc.gov/calendar> and at the Rembert Dennis Building.

These minutes were approved on 6/11/20.

Karen Rhinehart

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