

SOUTH CAROLINA GENERAL FUND REVENUE

Review of April 2021 Revenues and Estimates



May 20, 2021

Adoption of Minutes – Corrected FY 2020-21 estimate for EIA

- Approval of Minutes includes recognition and correction of the EIA Revenue forecast for FY 2020-21 contained in the April meeting materials.
- The EIA revenue estimate was mistakenly reported at \$993,430,024, and the correct number should be \$953,430,024.
- This error and the correct estimate were noted on our website and reported to the Ways and Means and Senate Finance committees, and the correct number is being used in the budget process.
- The EIA estimate for FY 2021-22 is correct as previously presented.

Introduction

- General Fund revenues are \$421.8 million above expected collections through April.
- Sales and Corporate Income tax came in above expectations.
- Impact of the Individual Income tax filing delay to May 17 on Refunds and Non-Withholdings is yet to be determined.

General Fund Revenue



REVENUES V. BEA MONTHLY ESTIMATES

JULY - APRIL FY 2020-21

(\$ in Millions)

	Actual Revenues	Expected Revenues	Over/ (Under) Expected	Estimate Full Yr.	Actual YTD		Actual Revenues	Expected Revenues	Over/ (Under) Expected	Estimate Full Yr.	Actual YTD
Total General Fund Revenue	\$8,398.4	\$7,976.6	\$421.8	2.7%	15.1%	Other Revenue Items, Sub-Total	\$632.8	\$590.5	\$42.3	(10.5%)	(5.1%)
Sales Tax	2,739.05	2,683.4	55.6	10.4%	14.2%	Admissions Tax	15.7	15.8	(0.1)	5.3%	(15.7%)
Individual Income Tax	4,278.2	4,065.0	213.2	(1.4%)	13.6%	Alcoholic Liquors Tax	71.0	65.0	6.1	6.1%	31.1%
Withholdings	5,022.3	4,969.8	52.5	3.9%	6.6%	Bank Tax	29.0	19.0	10.0	(68.5%)	(56.7%)
Nonwithholdings	1,027.0	924.3	102.7	2.4%	35.0%	Beer and Wine Tax	85.0	82.9	2.0	1.2%	6.1%
Refunds	1,771.1	1,829.1	(58.0)	16.8%	3.8%	Corporate License Tax	141.6	133.7	7.8	5.4%	12.3%
Corporate Income Tax	519.1	414.7	104.4	10.1%	88.2%	Doc. Tax (Deed Rec.)	82.8	73.1	9.6	15.8%	31.0%
Insurance Tax	229.2	222.9	6.3	16.0%	22.7%	Earnings on Investments	59.6	65.7	(6.1)	(42.7%)	(48.0%)
Other Revenue Items, Sub-Total	632.8	590.5	42.3	(10.5%)	(5.1%)	Residual Revenue	148.2	135.2	12.9	(4.1%)	3.5%

Based on BEA Forecast as of April 08, 2021

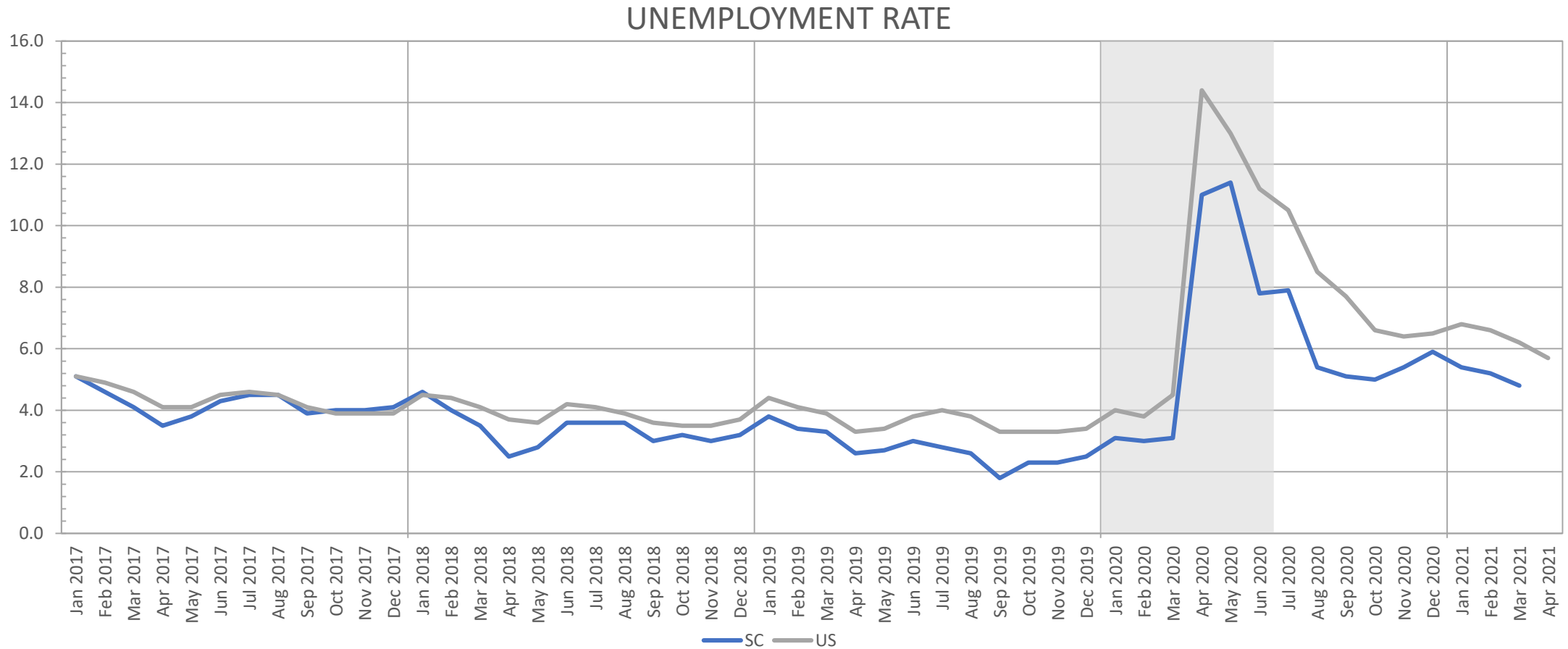


Economic Indicators



Unemployment Rate

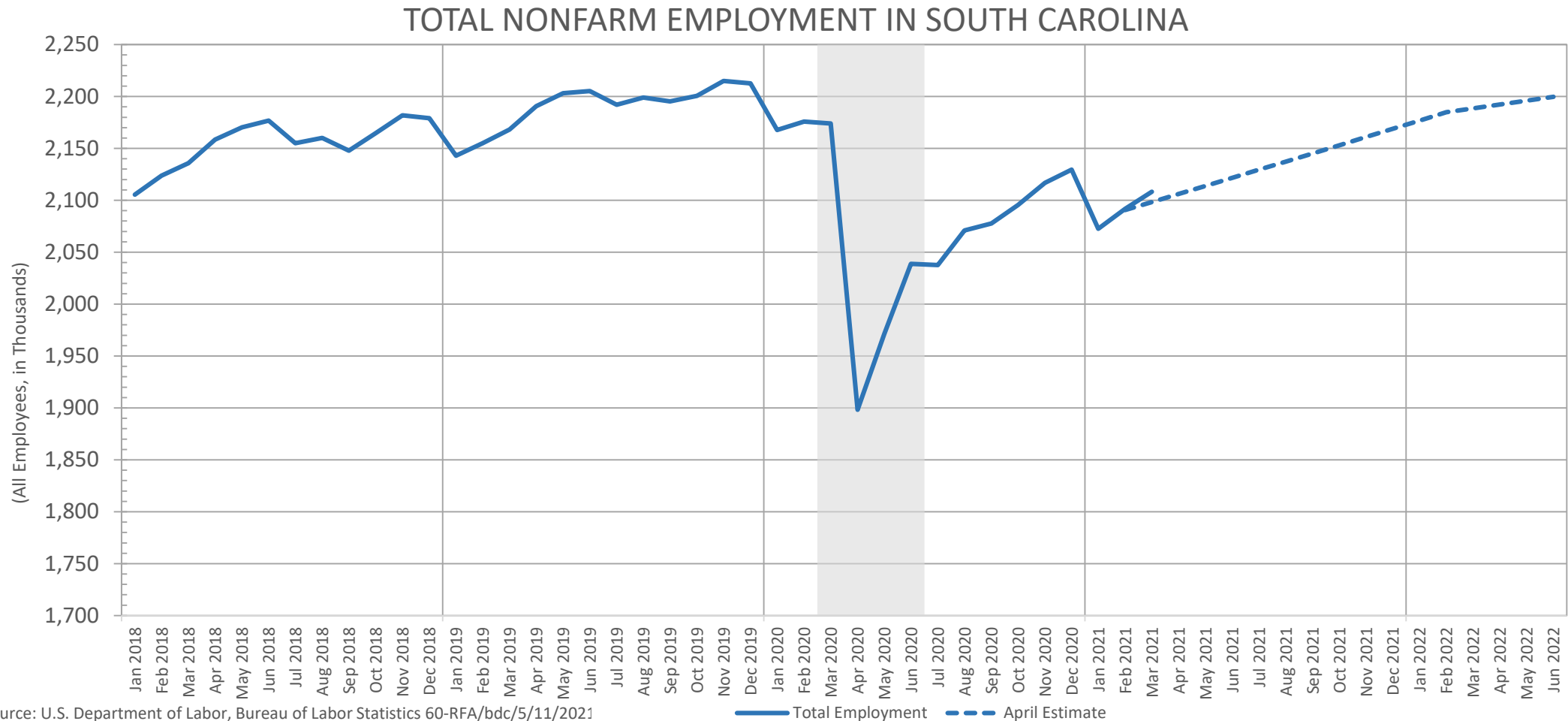
SC unemployment rate trending down to 4.8% in March 2021 compared to US rate of 6.2%; US rate dropped to 5.7% in April 2021



Source: U.S. Department of Commerce, Bureau of Labor Statistics 129--RFA/lhj/05/11/2021

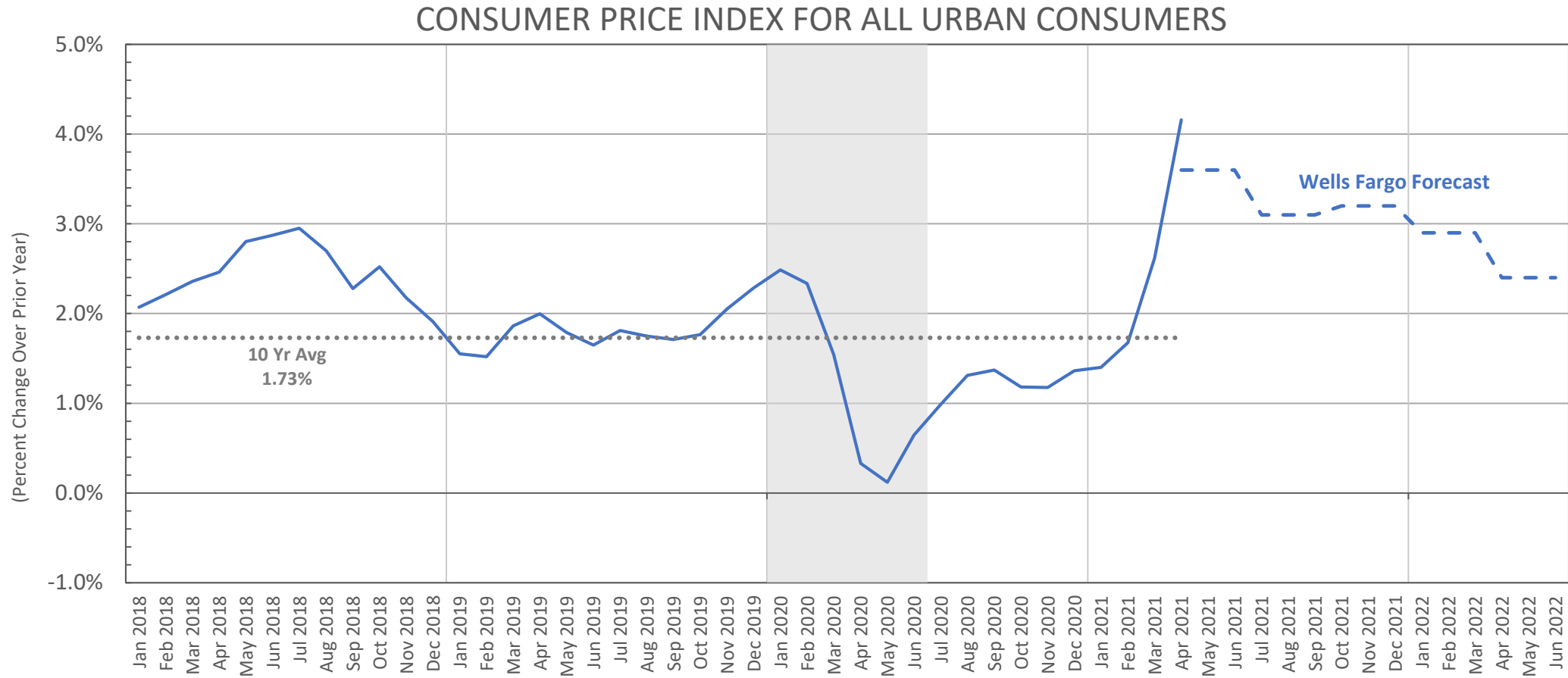
S.C. Employment

SC has recovered 75.6% of jobs lost; March exceeded current estimate by 9,900 jobs



Inflation Rates

CPI jumped to 4.2% in April 2021 due to rising consumer demand, supply chain disruptions, and the low April 2020 base; these effects are expected to subside over time



Source: U.S. Department of Labor, Bureau of Labor Statistics; Wells Fargo Securities 216 - RFA/bdc/5/12/21



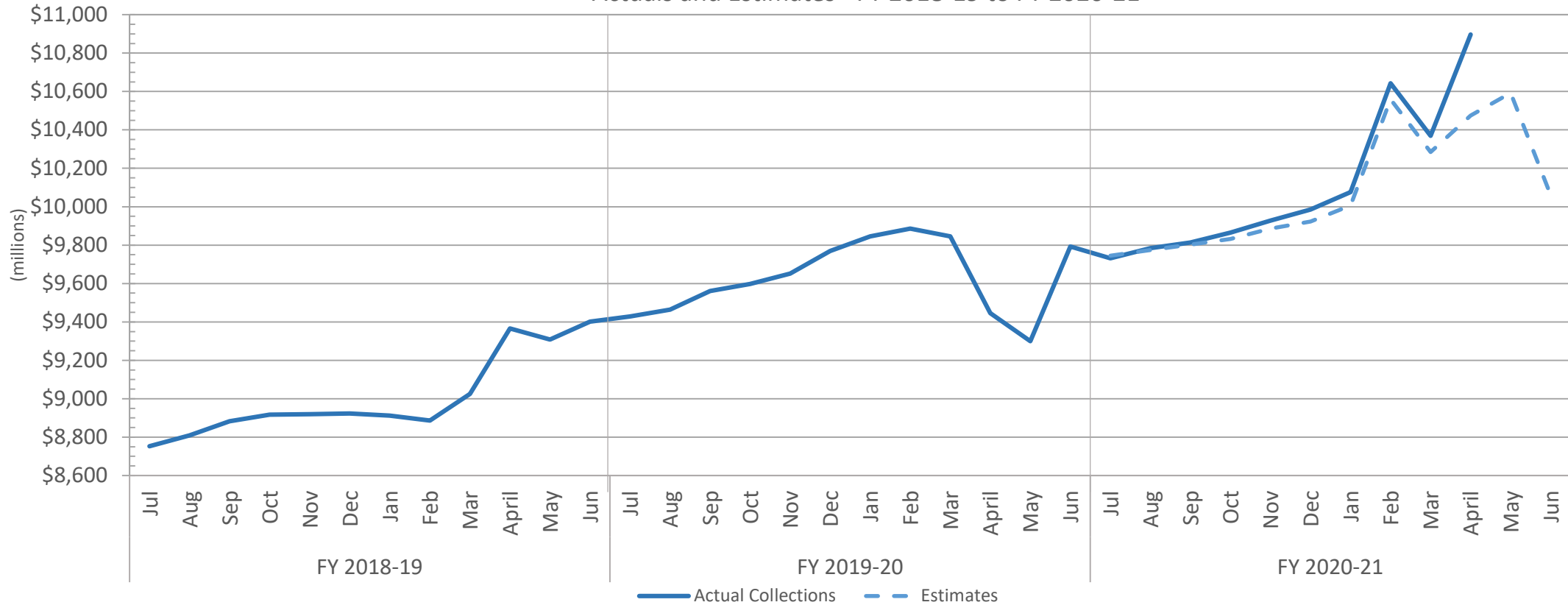
General Fund Revenue

General Fund – Actual vs. Estimate

Revenues are growing faster than expected and are \$421.8 million above the revised April estimate

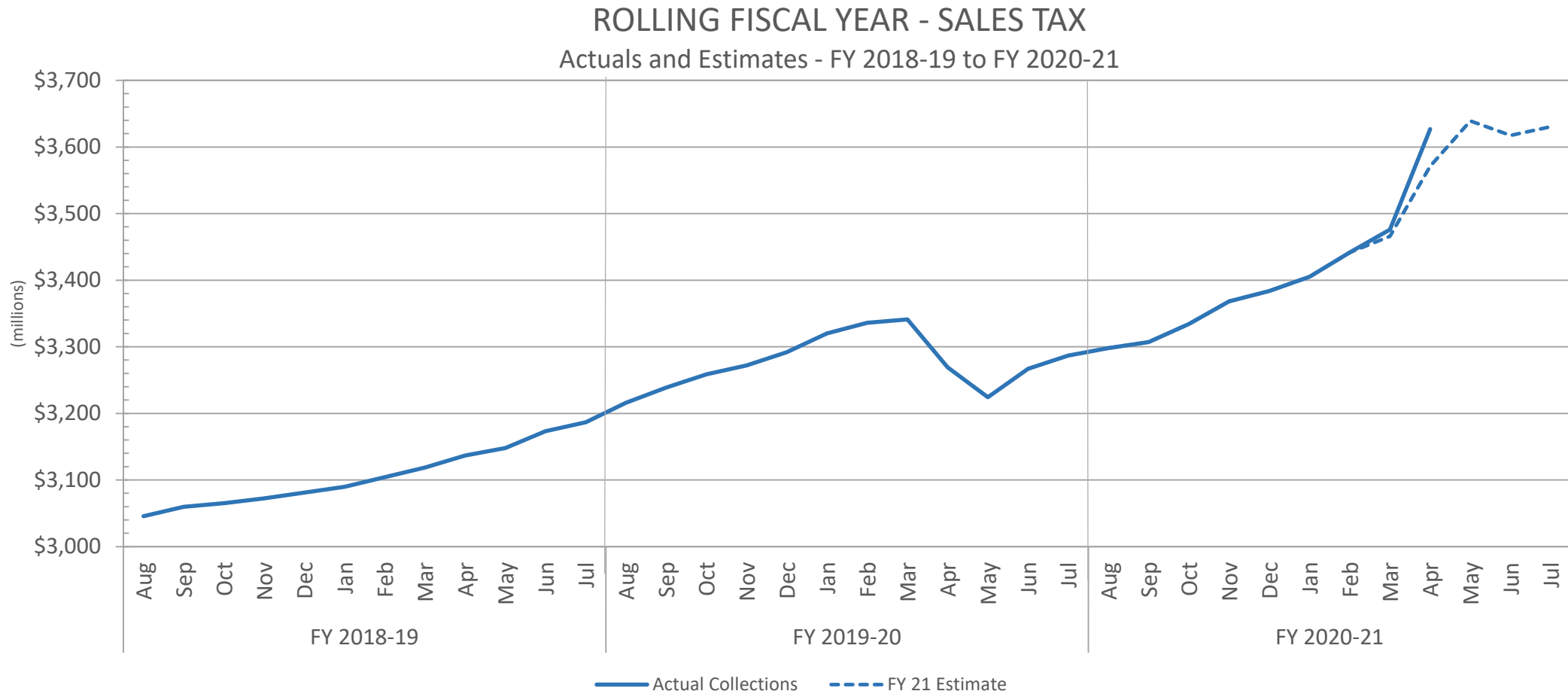
ROLLING FISCAL YEAR - TOTAL GENERAL FUND REVENUE

Actuals and Estimates - FY 2018-19 to FY 2020-21



Sales Tax - Actual vs. Estimate

Collections exceeded expectations and are \$55.6 million above the current estimate

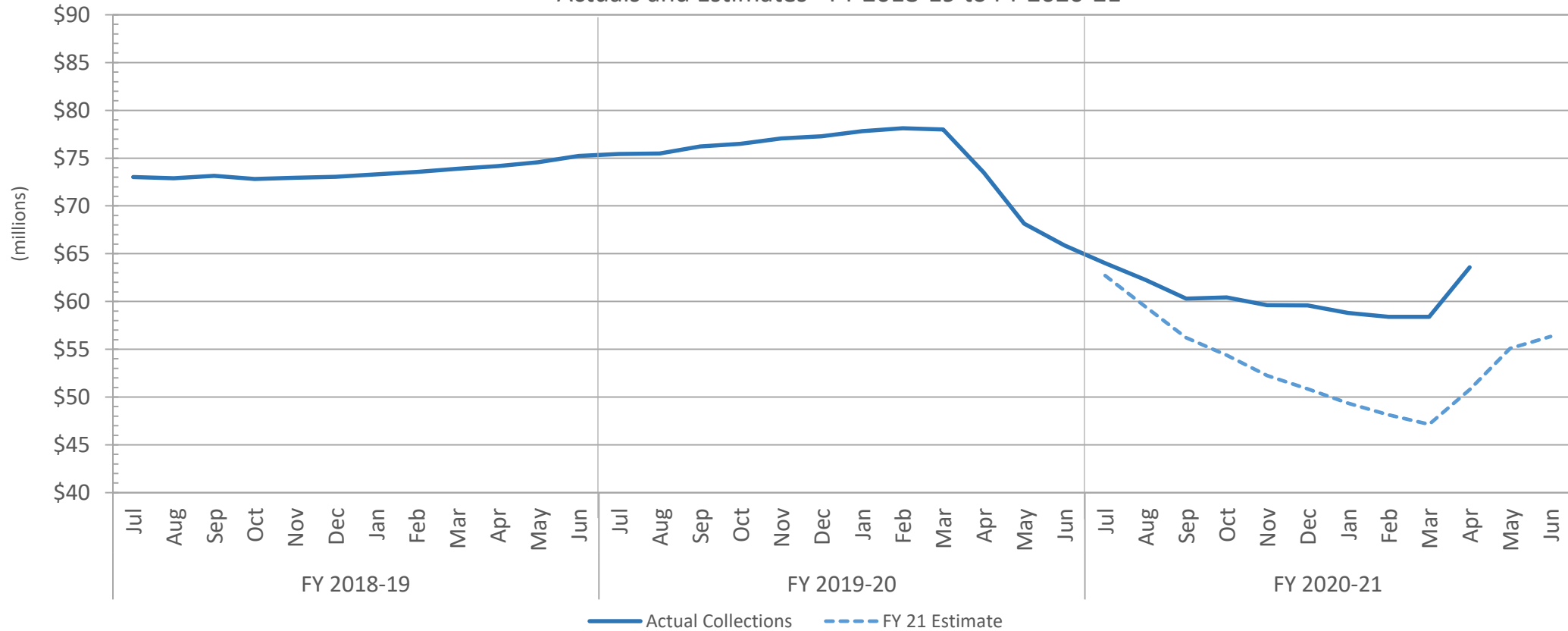


Accommodations Tax - Actual vs. Estimate

Strong growth in Accommodations Tax indicates people are beginning to travel more as vaccination rates increase

ROLLING FISCAL YEAR - ACCOMMODATIONS TAX

Actuals and Estimates - FY 2018-19 to FY 2020-21

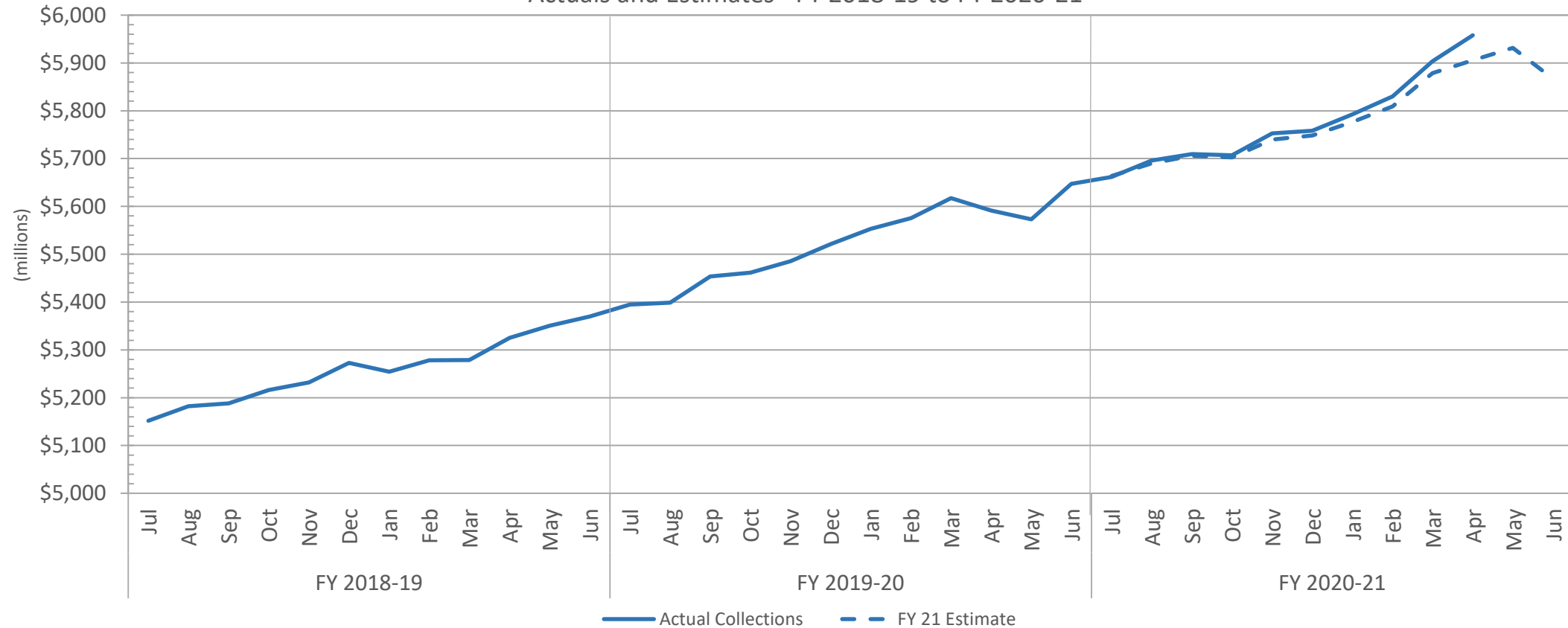


Withholdings - Actual vs. Estimate

Collections are above estimate by \$52.5 million or 1.1%

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

Actuals and Estimates - FY 2018-19 to FY 2020-21

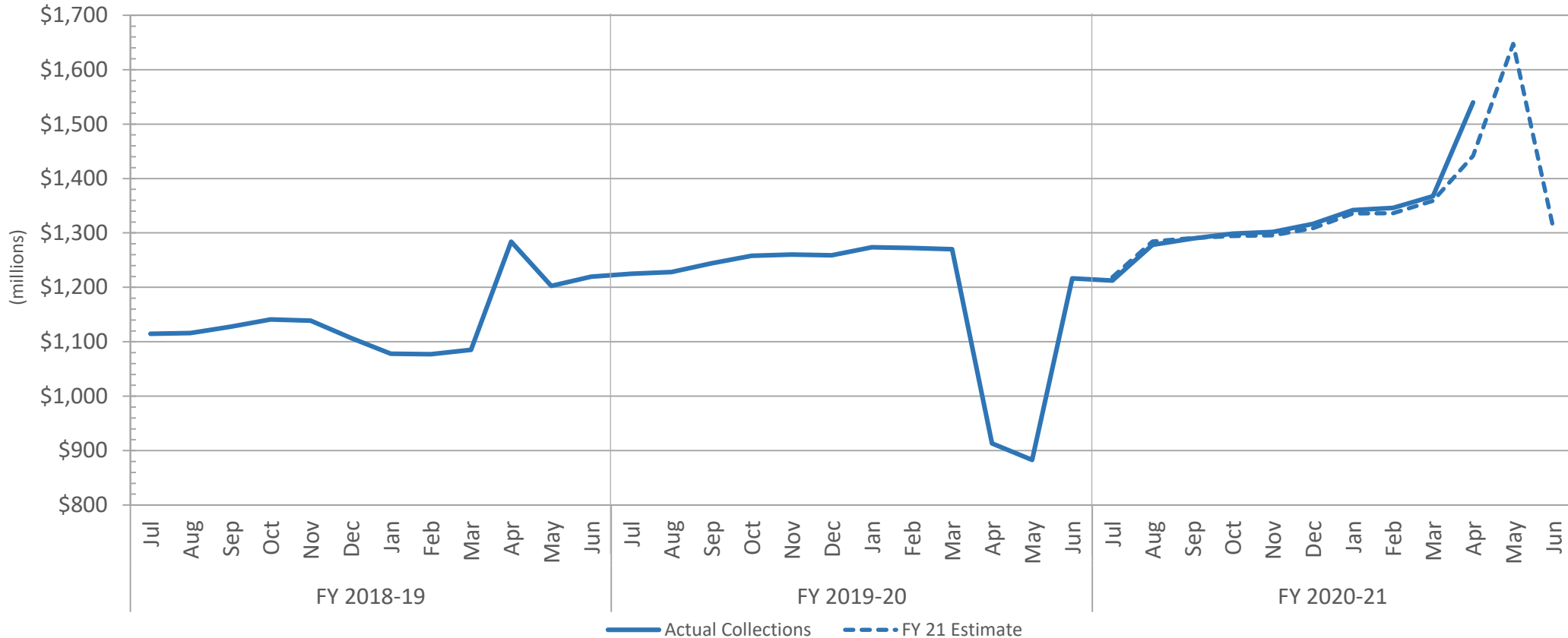


Non-Withholdings - Actual vs. Estimate

Collections are **11.1%** above estimate, but impact of filing extension is yet to be determined

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

Actuals and Estimates - FY 2018-19 to FY 2020-21

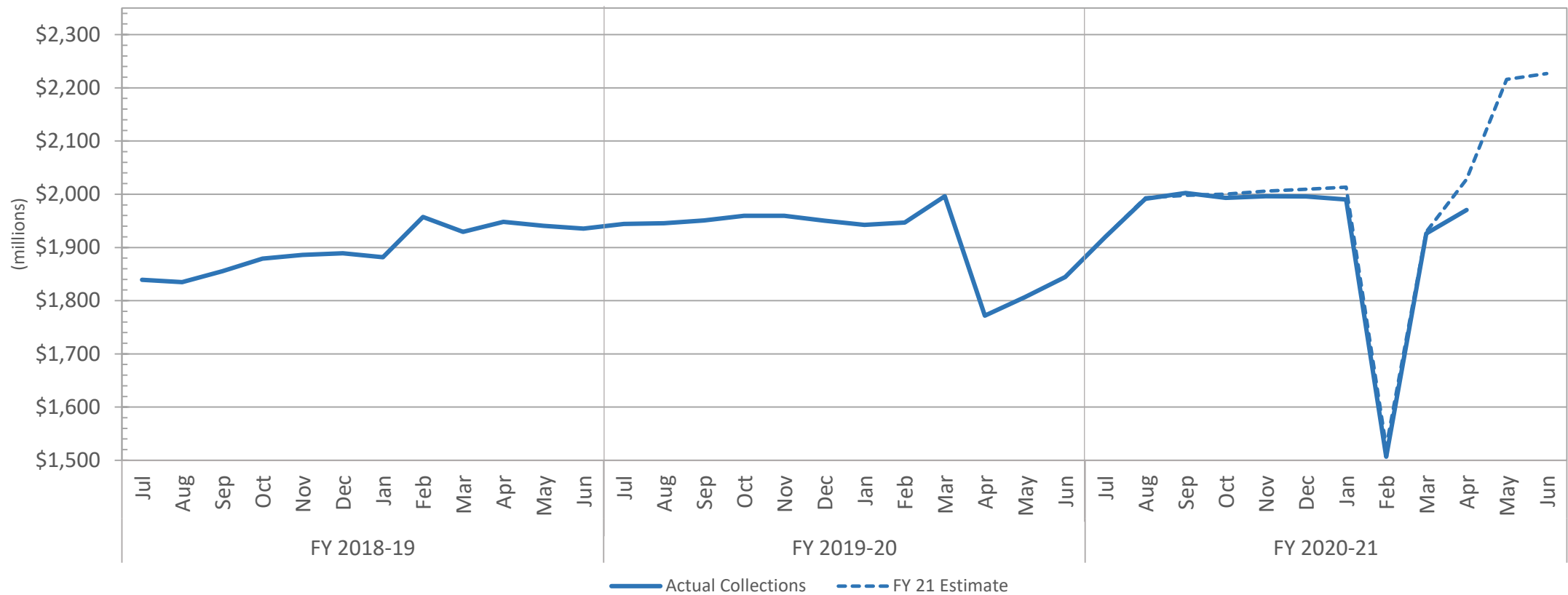


Refunds - Actual vs. Estimate

Refunds are 3.2% below estimate, but filing deadline delay may distort processing timeline

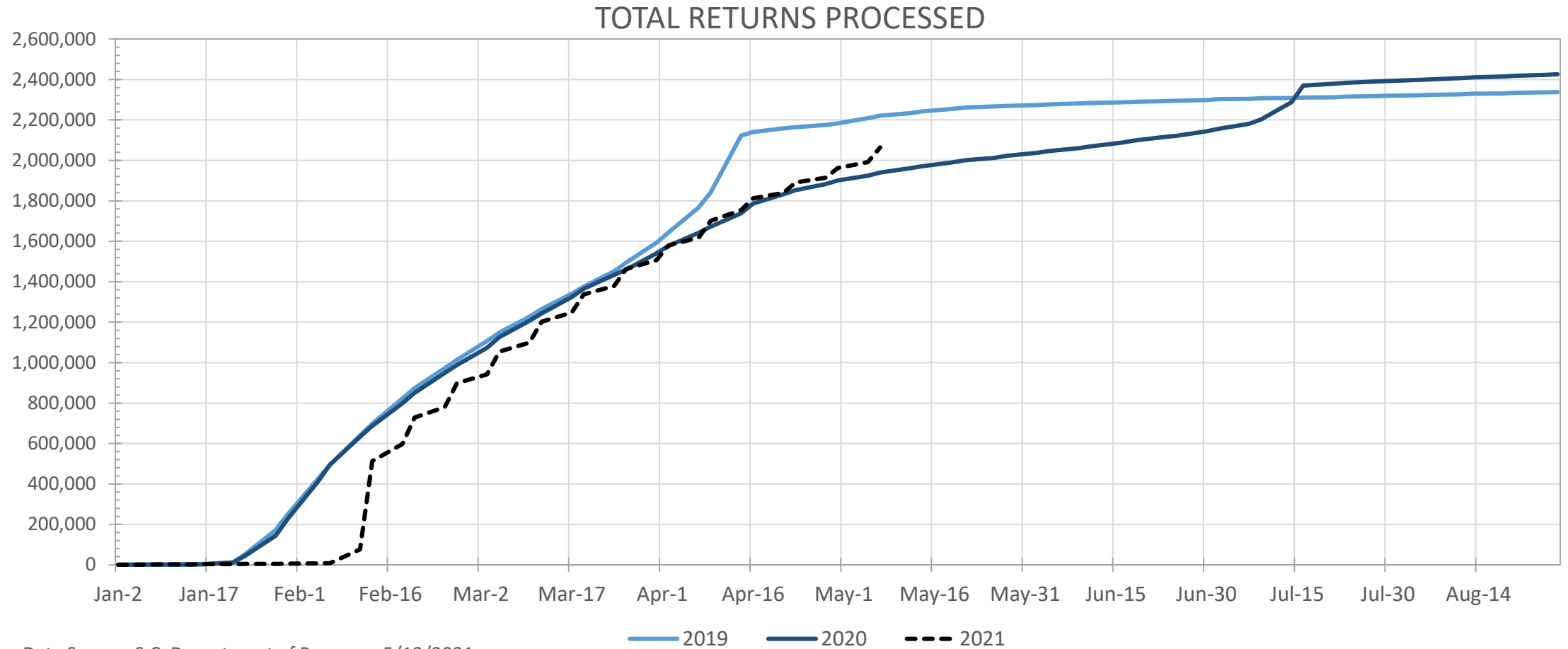
ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

Actuals and Estimates - FY 2018-19 to FY 2020-21



Individual Income Tax Return Processing

Uncertainty remains due to significant number of returns still to be processed



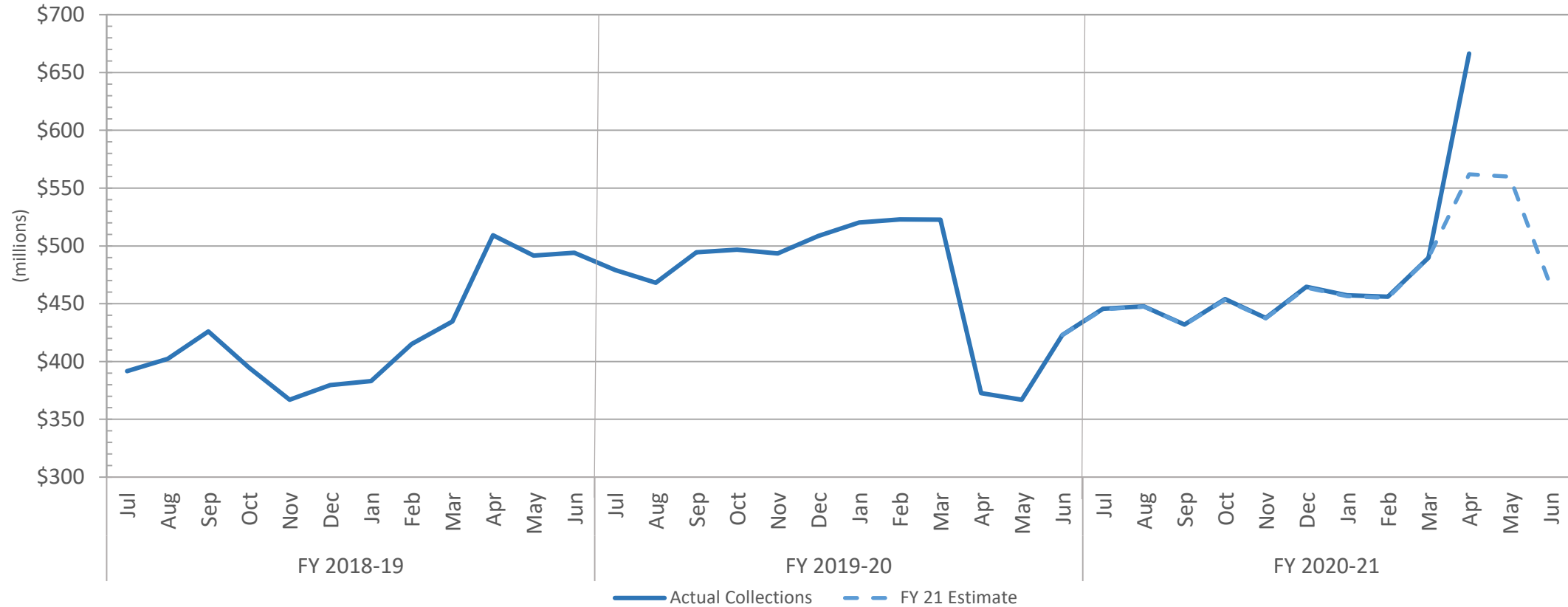
Data Source: S.C. Department of Revenue, 5/12/2021

Corporate Income Tax – Actual vs. Estimate

Record high April 2021 collections of \$204.9 million put FY 21 collections \$104.4 million above revised April estimate

ROLLING FISCAL YEAR - CORPORATE INCOME TAX

Actuals and Estimates - FY 2018-19 to FY 2020-21



Legislation Affecting General Fund Revenues

- Tax Conformity (H. 4017) - exempts \$10,200 of unemployment (Tax Year 2020) - \$61.3 million reduction
- Disguised Sales (S. 677) – may speed up tax credit usage
- Filing option (S. 627) – could shift S-Corp active trade or business income tax collections from individual to corporate
- Aircraft tax (S. 675)– \$1.25 million reduction in FY 2021-22; \$2.5 million reduction in FY 2022-23
- Apportionment of Income, Broadcasters (Proviso 109.16) - decrease in income tax revenue
- Agribusiness Processor (Proviso 117.164) - \$1.2 million reduction

Conclusions – Impact on April 2021 Forecast

- Underlying economic conditions and assumptions are still unchanged from last month.
- Recent concerns about inflation, supply chain issues, and COVID-19 in other countries are additional risks to the forecast.
- Strong April collections may result in a larger surplus for the current year, but the impact of tax season is yet to be determined.
- Timing issues reflected in April collections have little impact on the FY 2021-22 assumptions and estimates.

Reports from Working Group Members

Other Business