



# REVENUE DIGEST

## MAY 2021, FY 2020-21

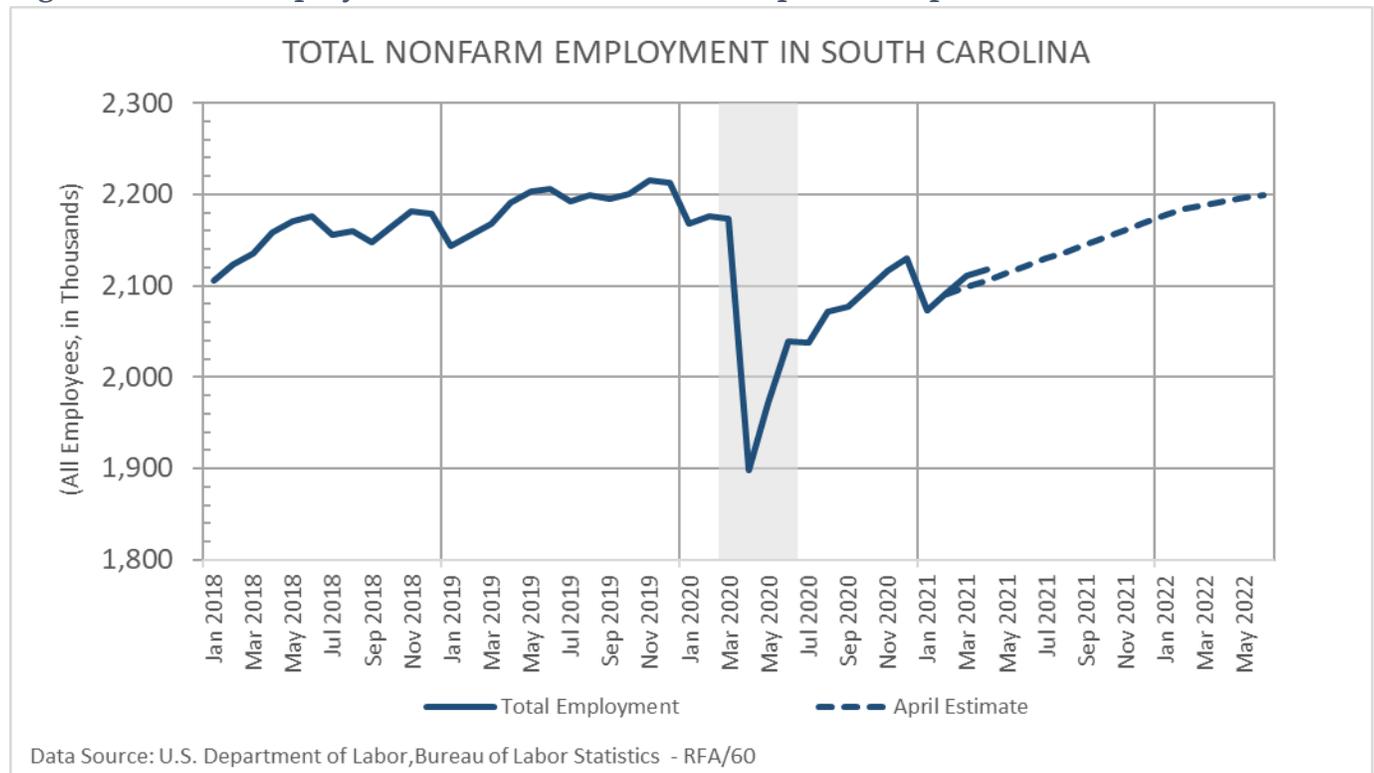
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### South Carolina Economy

Total nonfarm employment in South Carolina grew in April, adding 7,500 jobs and bringing total employment to 2,118,200. South Carolina has recovered 79.2 percent of the nonfarm jobs lost since COVID-19 impacted the state. Employment in the Leisure and Hospitality sector remains notably below pre-pandemic levels, but some recovery has occurred in recent months with a gain of 14,500 jobs since February 2021. The current employment trend is slightly above the expectations from the April 2021 forecast by about 12,000 jobs as shown in Figure 1. The forecast indicated that employment would have recovered 74.9 percent of the jobs lost compared to the actual recovery of 79.2 percent.

From a broader perspective, the South’s regional economy continues to show resilience as the rate of employees leaving jobs has fallen back to pre-recession levels after surging at the start of the pandemic in spring 2020<sup>1</sup>. The latest Bureau of Labor Statistics reports also indicate that job openings were 35.0 percent higher as of April 2021 compared to pre-pandemic levels in February 2020<sup>2</sup>.

Figure 1. Actual Employment in South Carolina Compared to April Forecast Estimates



<sup>1</sup> U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, accessed June 11, 2021.

<sup>2</sup> U.S. Bureau of Labor Statistics, Job Openings: Total Nonfarm in South Census Region, accessed June 11, 2021.





# REVENUE DIGEST

MAY 2021, FY 2020-21

## General Fund Revenue

For the month of May, revenues grew 51.3 percent over the prior year. Collections for May last year were low due to decreased sales as a result of business closures. Additionally, businesses were allowed to delay remittance for many taxes, including Sales, Alcoholic Liquors, and others, until June 1, 2020, resulting in very low collections in May of 2020.

Total General Fund revenues are currently \$1,439.8 million higher than last fiscal year, resulting in a year-to-date General Fund revenue increase of 18.1 percent for FY 2020-21. In addition to the delay for remittance of Sales taxes, Individual Income tax filings were delayed until July 15<sup>th</sup> in 2020, further distorting the comparisons between this year and last year. Some of these timing issues are expected to level off by the end of the fiscal year. Nevertheless, year-to-date collections are above the revised forecast by \$640.8 million.

Table 1. General Fund Revenue Growth Summary

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2020-21 Annual Forecast
<b>Sales Tax</b>	47.1%	17.1%	10.4%
<b>Individual Income Tax</b>	49.3%	16.8%	(1.4%)
<b>Corporation Income Tax</b>	201.9%	91.7%	10.1%
<b>Other Revenue Items</b>	64.8%	3.5%	(4.5%)
<b>Total General Fund Revenue</b>	51.3%	18.1%	<b>2.7%</b>

## Revenue Categories

### Sales Tax

- Collections are currently running \$99.6 million ahead of the forecast.
- Sales tax revenue grew 47.1 percent in May 2021 compared to May 2020, and year-to-date collections are 17.1 percent above last year. May 2020 collections were heavily impacted by business closures resulting from COVID-19 and delays in remittance due to the filing extension to June 1<sup>st</sup>, resulting in abnormally high growth for the month.
- Changes in consumer behavior as a result of COVID-19 continue as individuals maintain higher spending on taxable goods. Overall, total consumer spending in South Carolina





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was up 20.5 percent as of the second week in May 2021 when compared to January 2020, driven largely by an increase in spending on retail of 30.7 percent<sup>3</sup>.

### Individual Income Tax

- Individual Income tax revenue totaled \$557.8 million in May 2021 compared to \$373.7 million in May 2020. This irregular amount of growth over last year is largely because filing was delayed to July 15<sup>th</sup> last year as opposed to this year's deadline of May 17<sup>th</sup>, which has sped up processing in 2021. Non-Withholdings collections totaled \$399.0 million in May 2021 compared to \$57.5 million in May 2020, contributing to the monthly growth.
- Fiscal year-to-date Individual Income tax growth is up from 13.6 percent in April to 16.8 percent growth in May, although this is largely due to last year's filing delays.
- Compared to the forecast, total Individual Income tax revenue is ahead of expectations by \$352.7 million. This excess is driven largely by higher than anticipated growth in Non-Withholdings collections, which are currently ahead of the forecast by \$238.3 million.
- Withholdings grew by \$58.9 million in May 2021 compared to May 2020, increasing fiscal year-to-date growth to 7.2 percent. Withholdings collections are currently \$85.3 million above the latest estimate, also contributing to the excess growth in total Individual Income tax collections.
- Refunds are projected to increase by 16.8 percent over the full fiscal year due to increased unemployment following business closures in 2020 combined with the estimated \$147 million in last year's delayed refunds processed at the beginning of this fiscal year. Refunds are currently up 15.4% year-to-date, as around \$1.65 billion in refunds have been processed since tax filing season began.
- The percentage of returns receiving a refund is currently 66.5 percent, which is below the average of 69.7 percent during the same time period from the previous three years. Despite the lower percentage of tax filers receiving a refund, the total number of returns processed is up 5.6 percent over two years ago, and the average refund per return is up 3.5 percent over two years ago, driving total Refunds growth over previous years.

### Corporate Income and License Tax

- Corporate Income tax revenue for the month totaled \$26.3 million compared to \$8.7 million in 2020, partially due to filing delays. Corporate License tax is up \$1.0 million for the month.
- Fiscal year-to-date Corporate Income tax collections are \$124.1 million ahead of expectations, and Corporate License tax is ahead by \$9.1 million.
- Corporate Income tax revenue is projected to increase by 10.1 percent over the full fiscal year, and Corporate License tax is projected to increase by 5.4 percent. Currently, these

<sup>3</sup> Harvard University, Brown University, and the Bill and Melinda Gates Foundation. "Opportunity Insights: Economic Tracker." Track the Recovery, 2021. <https://tracktherecovery.org/>.





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categories are far exceeding expectations, with growth reaching 91.7 percent and 12.9 percent year-to-date, respectively.

### Conclusion

Revenues exceeded monthly estimates in May as strong economic activity and continued changes in consumer behavior drove higher than normal revenue growth. The current bump in the economy may be largely driven by federal spending and pent-up demand as the economy continues to emerge from the pandemic. Changes in consumer behavior with a focus on spending on taxable goods are driving up Sales tax collections, and the duration of this shift in buying patterns is yet to be determined.

In addition to changes in consumer behavior, the U.S. personal savings rate is up from 7.6 percent in January 2020 to 14.9 percent as of April 1, 2021<sup>4</sup>. This combined with U.S. consumer credit card debt declining from a high of \$858.2 billion as of March 4, 2020, to \$749.0 billion as of May 26, 2021, indicates consumers have savings and credit available and may continue spending at elevated levels through the end of this fiscal year<sup>5</sup>.

The results of processed returns from income tax filing season show strong Non-Withholdings collections and Refunds activity. Total growth is expected to trend back down when final revenues are compared to accruals processed in June 2020 for delayed taxes. While economic signals remain strong as COVID-19 rates subside and business activity reengages, uncertainty remains regarding the sustainability of this economic activity as well as the full recovery timeline for the most impacted sectors. Personal Income data due to be released soon for the first calendar quarter of 2021 from the U.S. Bureau of Economic Analysis may shed additional light on current income growth, both from federal spending and economic activity.

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<sup>4</sup> U.S. Bureau of Economic Analysis, Personal Saving Rate [PSAVERT], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PSAVERT>, June 11, 2021.

<sup>5</sup> Board of Governors of the Federal Reserve System (US), Consumer Loans: Credit Cards and Other Revolving Plans, All Commercial Banks [CCLACBW027SBOG], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CCLACBW027SBOG>, June 10, 2021.





May

Table 1

General Fund Revenue	FY 2019-20	FY 2020-21	\$ Change	% Change
Sales and Use Tax	\$238,000,169	\$349,989,169	\$111,989,000	47.1%
Individual Income Tax	\$373,684,802	\$557,761,146	184,076,344	49.3%
Corporation Income Tax	\$8,714,119	\$26,309,117	17,594,998	201.9%
Insurance Taxes	\$1,040,401	\$1,371,000	330,599	31.8%
Admissions Tax	\$1,359,109	\$4,076,229	2,717,120	199.9%
Aircraft Tax	\$450	\$0	(450)	---
Alcoholic Liquor Tax	\$980,400	\$10,430,781	9,450,381	963.9%
Bank Tax	(\$1,896,499)	\$1,108,064	3,004,563	---
Beer and Wine Tax	\$7,801,900	\$10,810,204	3,008,304	38.6%
Bingo Tax	(\$342,090)	\$2,768	344,858	---
Business Filing Fees	\$726,589	\$1,295,540	568,951	78.3%
Circuit/Family Court Fines	\$251,851	\$756,984	505,133	200.6%
Corporation License Tax	\$1,879,632	\$2,905,800	1,026,168	54.6%
Documentary Tax	\$5,572,755	\$9,955,351	4,382,596	78.6%
Earned on Investments	\$7,278,477	\$4,596,912	(2,681,565)	(36.8%)
Indirect Cost Recoveries	\$3,067,839	\$3,033,028	(34,811)	(1.1%)
Motor Vehicle Licenses	\$2,681,613	\$1,107,538	(1,574,075)	(58.7%)
Nursing Home Fees	\$0	\$0	0	---
Parole and Probation Fees	\$282,734	\$282,734	0	0.0%
Private Car Lines Tax	\$13,259	\$0	(13,259)	---
Public Service Authority	\$0	\$0	0	---
Purchasing Card Rebates	\$0	\$0	0	---
Record Search Fees	\$0	\$0	0	---
Savings and Loan Assoc. Tax	\$938,630	(\$2,383,110)	(3,321,740)	---
Security Dealer Fees	\$626,131	\$735,068	108,937	17.4%
Surcharge on Vehicle Rentals	\$0	(\$17)	(17)	---
Tobacco Tax	\$2,049,106	\$2,428,616	379,510	18.5%
Uncashed Checks	(\$43,678)	(\$48,277)	(4,599)	---
Unclaimed Property Fund	\$0	\$3,750,000	3,750,000	---
Workers' Comp. Insurance Tax	(\$396,875)	(\$400,000)	(3,125)	---
Other Source Revenues	\$554,207	\$917,316	363,109	65.5%
<b>Gross General Fund Revenue</b>	<b>\$654,825,035</b>	<b>\$990,791,961</b>	<b>\$335,966,926</b>	<b>51.3%</b>

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred to the Property Tax Relief Trust Fund pursuant to §11-11-150.



July - May

Table 2

General Fund Revenue	FY 2019-20	FY 2020-21	\$ Change	% Change
Sales and Use Tax	\$2,637,338,987	\$3,089,044,113	\$451,705,126	17.1%
Individual Income Tax	\$4,139,444,099	\$4,835,958,230	696,514,131	16.8%
Corporation Income Tax	\$284,564,483	\$545,428,823	260,864,340	91.7%
Insurance Taxes	\$187,900,514	\$230,587,358	42,686,844	22.7%
Admissions Tax	\$19,984,284	\$19,779,029	(205,255)	(1.0%)
Aircraft Tax	\$2,621,301	\$2,876,848	255,547	9.7%
Alcoholic Liquor Tax	\$55,144,672	\$81,462,982	26,318,310	47.7%
Bank Tax	\$65,124,270	\$30,108,848	(35,015,422)	(53.8%)
Beer and Wine Tax	\$87,878,378	\$95,772,242	7,893,864	9.0%
Bingo Tax	(\$622,305)	\$404,180	1,026,485	---
Business Filing Fees	\$6,635,263	\$10,959,456	4,324,193	65.2%
Circuit/Family Court Fines	\$5,512,925	\$4,805,360	(707,565)	(12.8%)
Corporation License Tax	\$128,009,132	\$144,495,504	16,486,372	12.9%
Documentary Tax	\$68,735,489	\$92,705,737	23,970,248	34.9%
Earned on Investments	\$121,880,632	\$64,176,944	(57,703,688)	(47.3%)
Indirect Cost Recoveries	\$11,651,050	\$16,167,534	4,516,484	38.8%
Motor Vehicle Licenses	\$10,873,838	\$9,308,118	(1,565,720)	(14.4%)
Nursing Home Fees	\$2,621,307	\$2,533,247	(88,060)	(3.4%)
Parole and Probation Fees	\$3,110,074	\$3,110,074	0	0.0%
Private Car Lines Tax	\$6,365,085	\$6,673,097	308,012	4.8%
Public Service Authority	\$8,952,000	\$8,984,000	32,000	0.4%
Purchasing Card Rebates	\$3,226,732	\$3,088,613	(138,119)	(4.3%)
Record Search Fees	\$4,461,000	\$4,461,000	0	0.0%
Savings and Loan Assoc. Tax	\$8,828,534	\$1,421,547	(7,406,987)	(83.9%)
Security Dealer Fees	\$26,672,724	\$28,514,808	1,842,084	6.9%
Surcharge on Vehicle Rentals	(\$822,016)	(\$848)	821,168	---
Tobacco Tax	\$22,227,675	\$23,727,107	1,499,432	6.7%
Uncashed Checks	\$2,507,069	\$3,168,956	661,887	26.4%
Unclaimed Property Fund	\$11,250,000	\$15,000,000	3,750,000	33.3%
Workers' Comp. Insurance Tax	\$6,857,178	\$5,545,962	(1,311,216)	(19.1%)
Other Source Revenues	\$10,472,342	\$8,899,835	(1,572,507)	(15.0%)
<b>Gross General Fund Revenue</b>	<b>\$7,949,406,717</b>	<b>\$9,389,168,704</b>	<b>\$1,439,761,988</b>	<b>18.1%</b>

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.