

# SOUTH CAROLINA ECONOMIC AND FISCAL UPDATE

June 4, 2021



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# Introduction

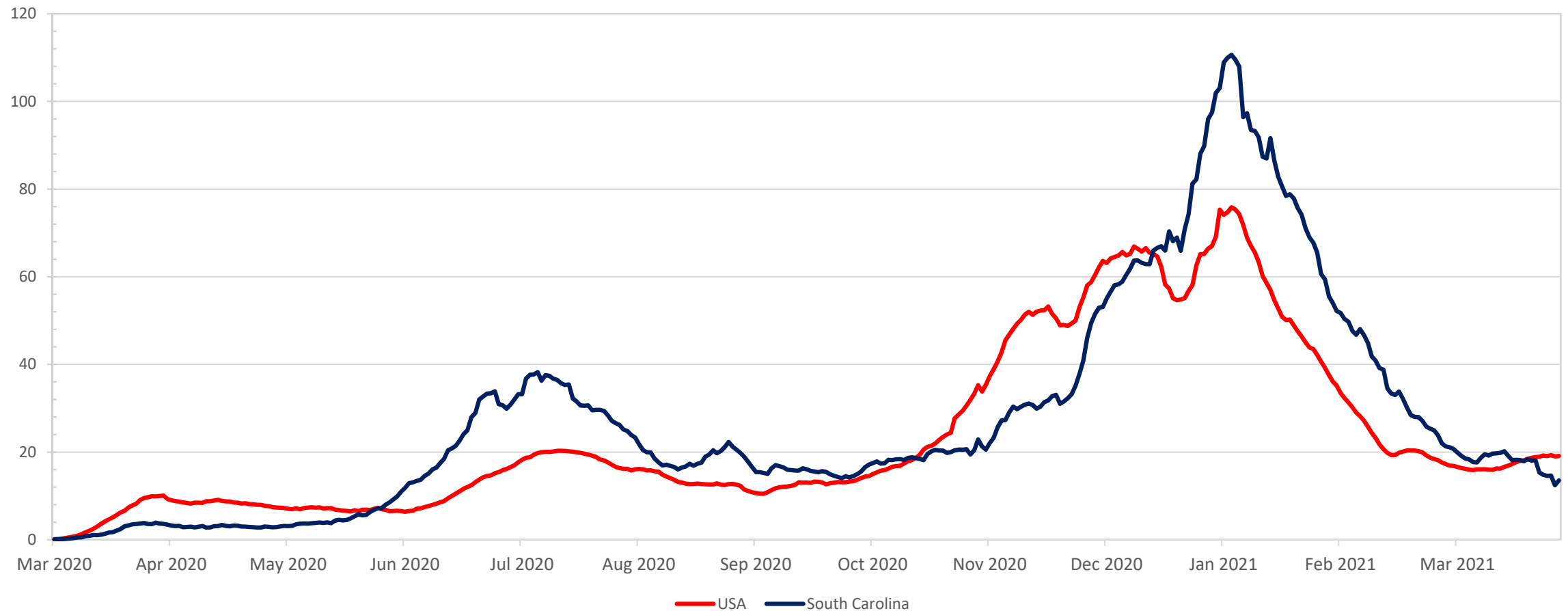
**Economics is extremely useful as a form of employment for economists**

**- John Kenneth Galbraith**

# COVID-19 Case Rate

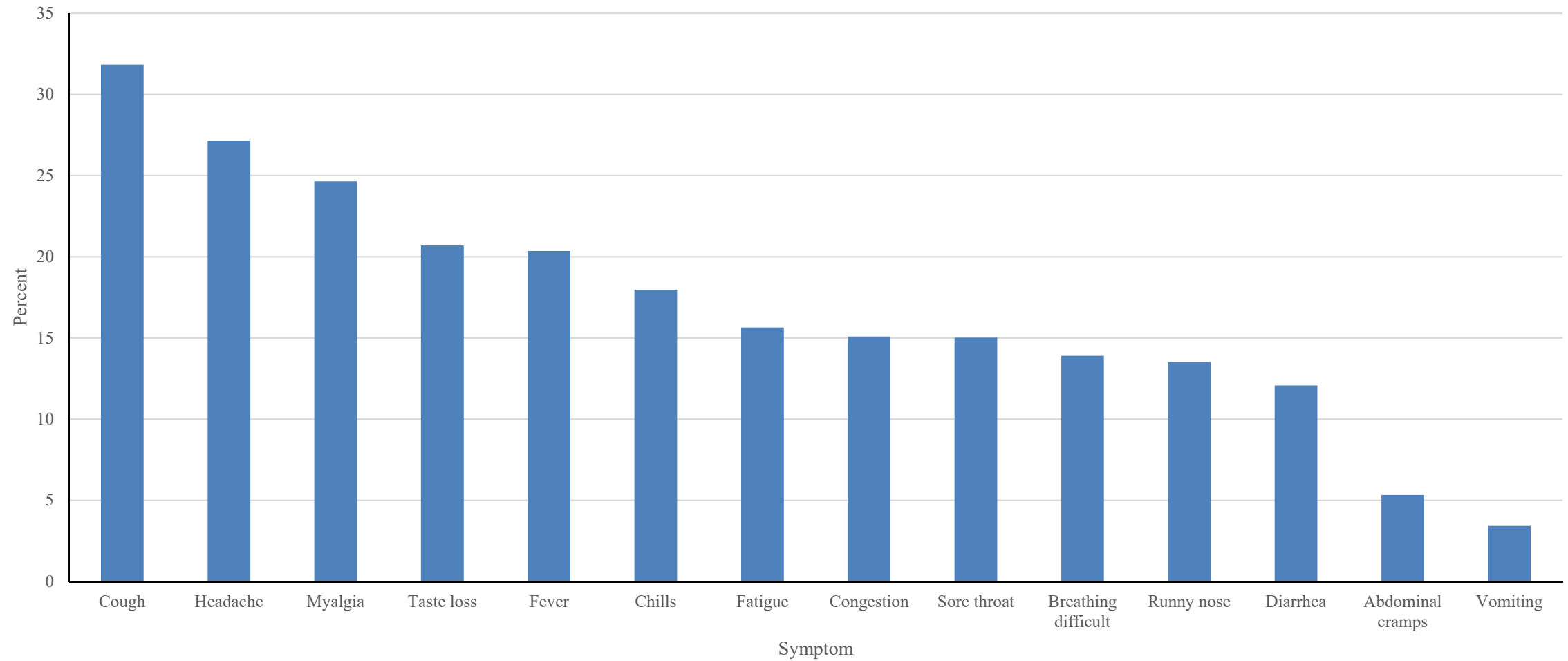
Rates in South Carolina and the nation have declined from the winter peak

7-DAY AVERAGE NEW CASES PER 100K



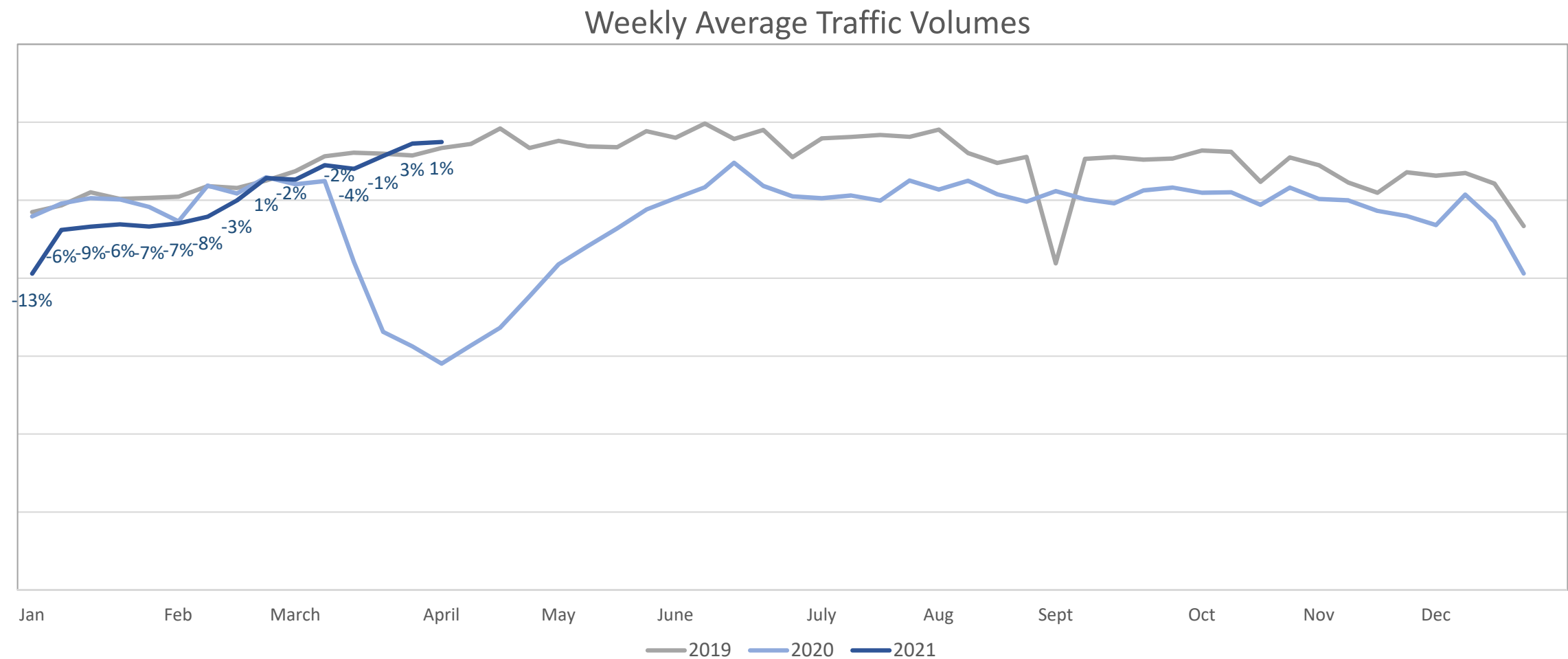
Source: Centers for Disease Control and Prevention COVID Data Tracker 294 - RFA/bdc/04/06/2021

## Distribution of Symptoms for SC COVID-19 Patients, Hospitalization and Mortality, SC COVID-19 Patients, Feb 2020 – Jan 2021



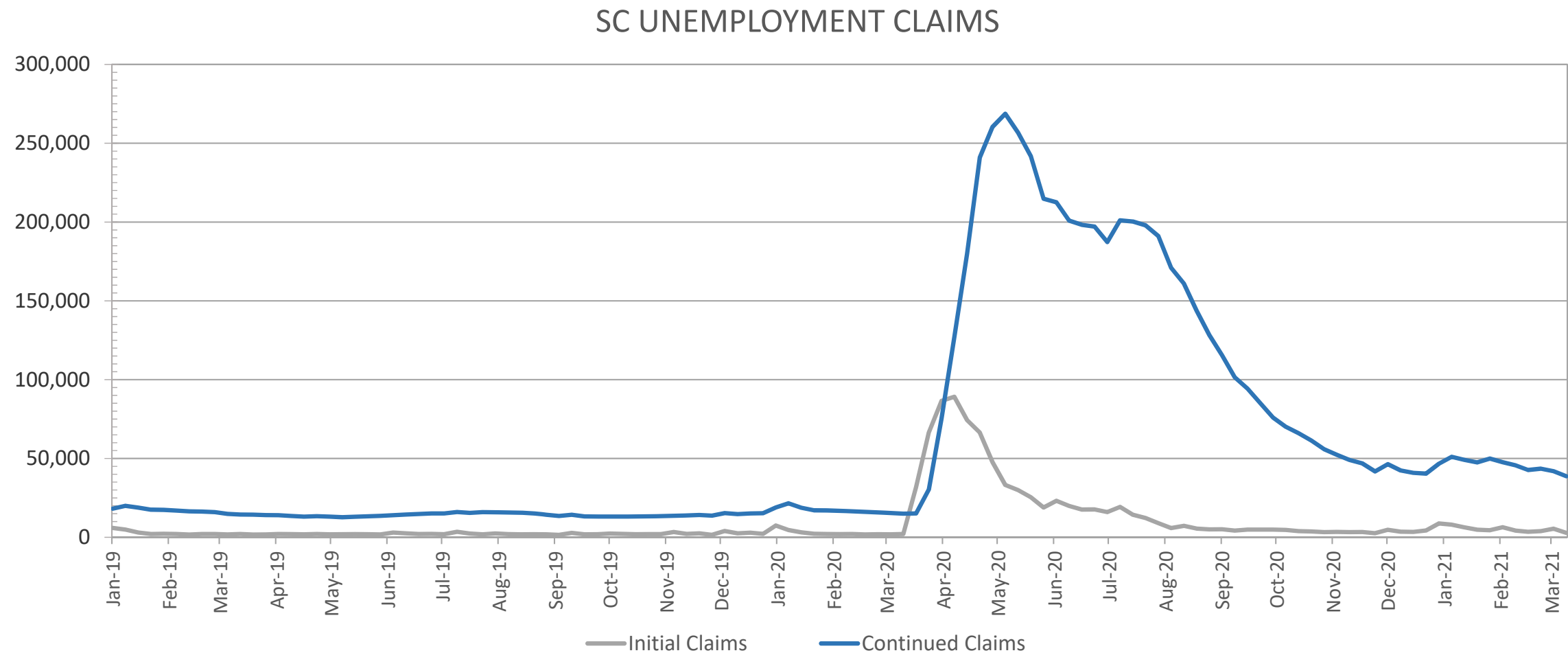
# SC Weekly Traffic Counts

After declining in 2020, traffic levels have recently exceeded 2019 levels



# SC Unemployment Claims

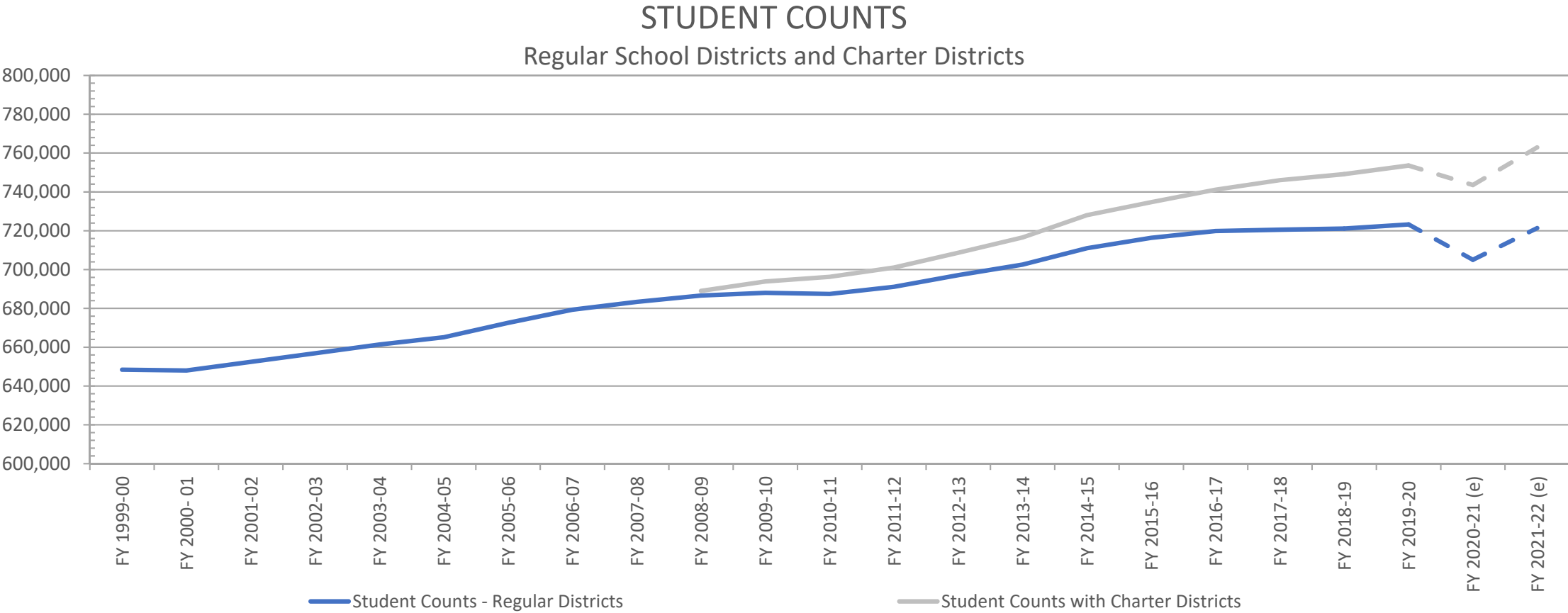
Spike in claims; gradual return to normal levels



Source: U.S. Department of Labor; 287-RFA/lhj/03/29/2021

# Shift in SC Public School Enrollment

Regular public school enrollment dropped by 18,217 students, but statewide charter district enrollment grew 8,190 students in FY 21

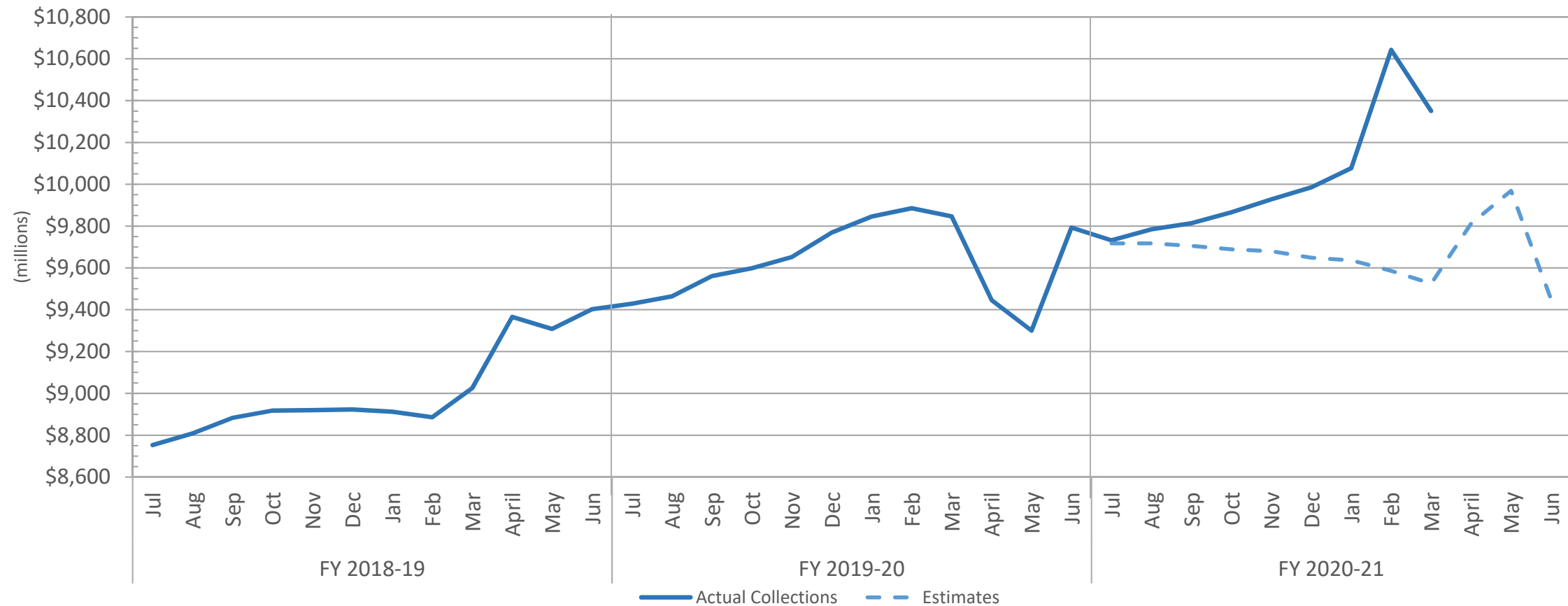


Note: Charter districts include the S.C. Public Charter School District and the Charter Institute at Erskine.  
Data Source: S.C. Department of Education, 135-day ADM counts; S.C. RFA FY 2020-21 and FY 2021-22 estimates.  
Source: S.C. Revenue and Fiscal Affairs Office - 301 - 4/16/2021

# General Fund Revenues – Actual vs. Estimate

## Revenues are growing faster than expected in November 2020 Estimate

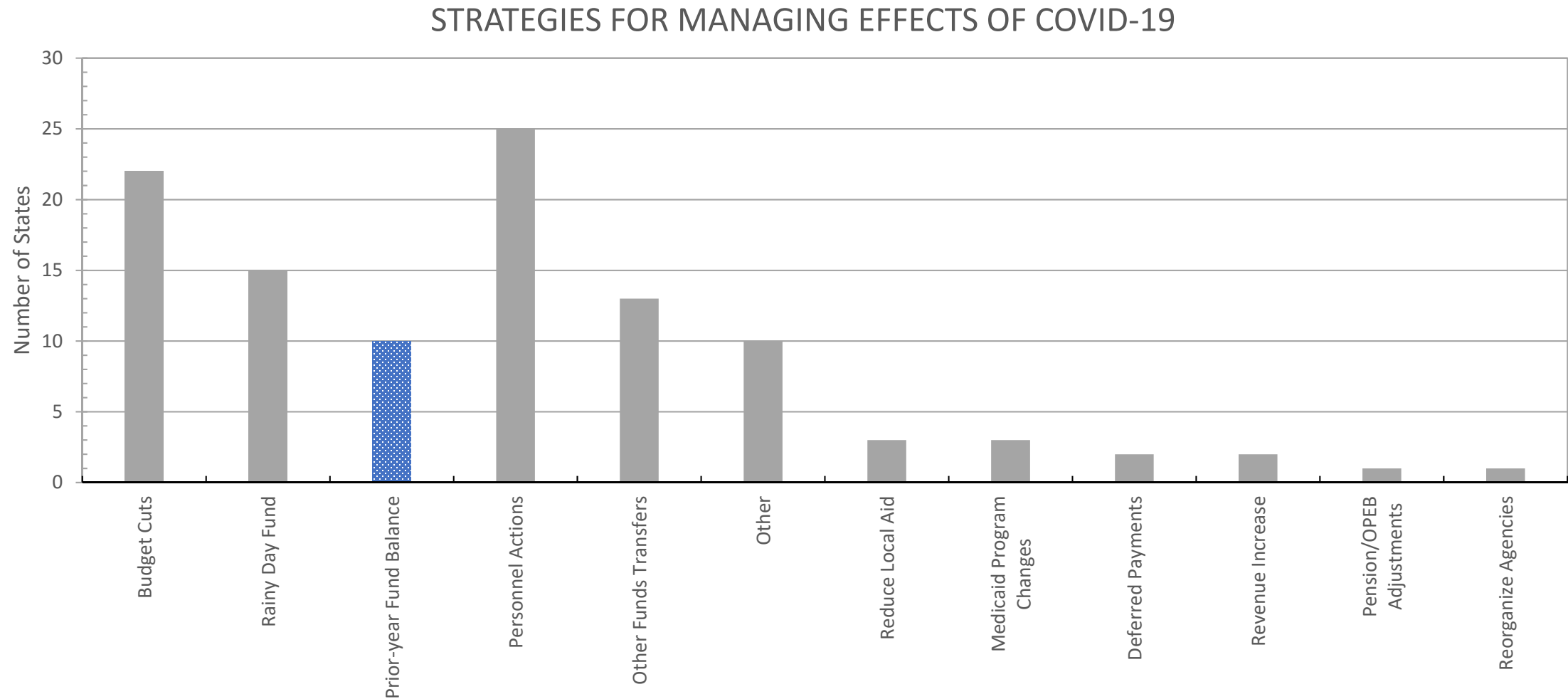
ROLLING FISCAL YEAR - TOTAL GENERAL FUND REVENUE  
Actuals, Estimates, and Limits - FY 2018-19 to FY 2020-21





# How States Managed Budgets in 2020

SC avoided most of the options adopted in other states; used fund balance for pandemic related expenses



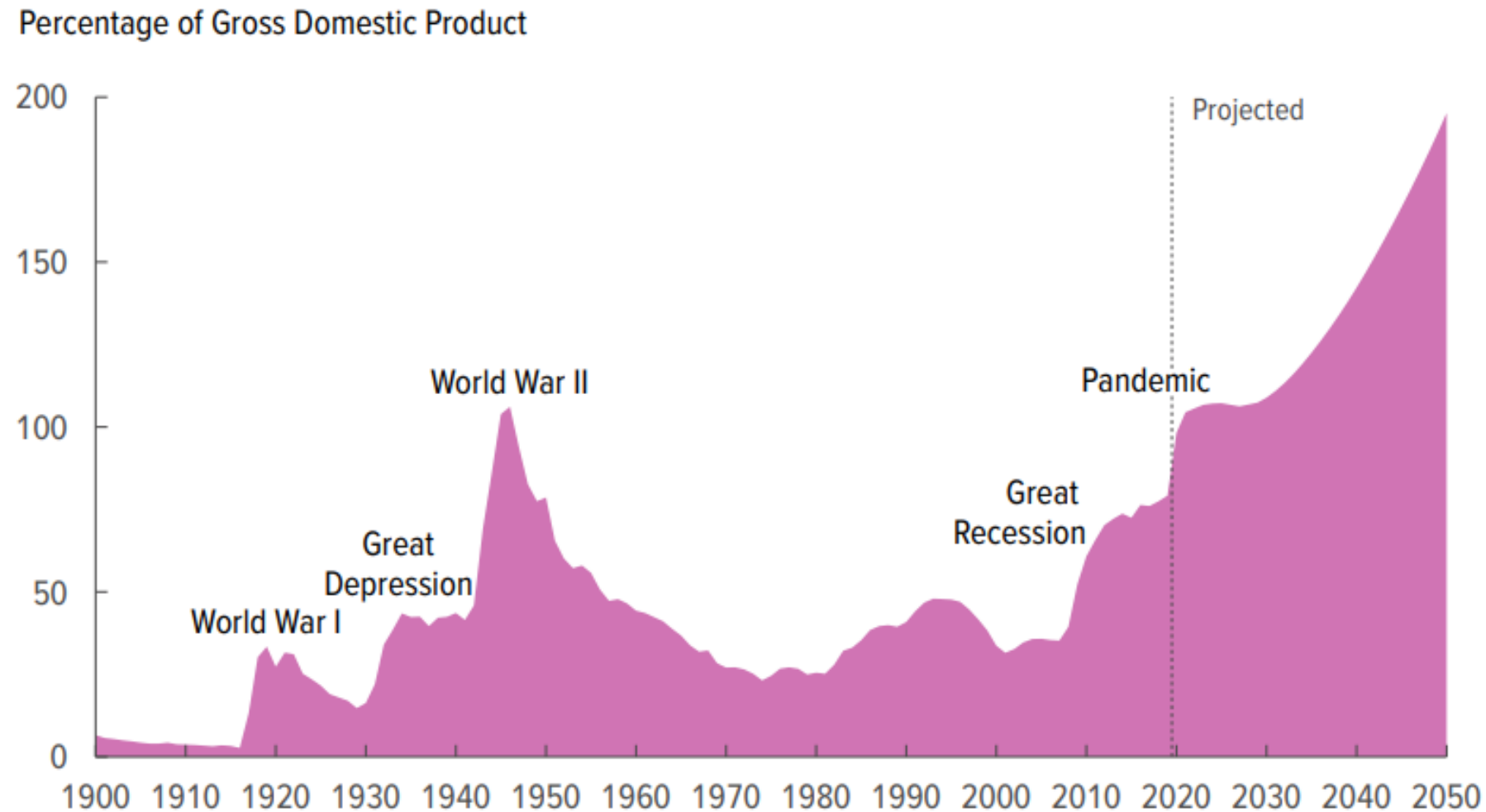
Source: National Association of State Budget Officers, Fiscal Survey of States, Fall 2020

# Key Economic Measures

**Blessed are the young, for they shall inherit the national debt**  
- Herbert Hoover

# US National Debt

Federal debt held by the public is projected to equal **195%** of GDP in 2050



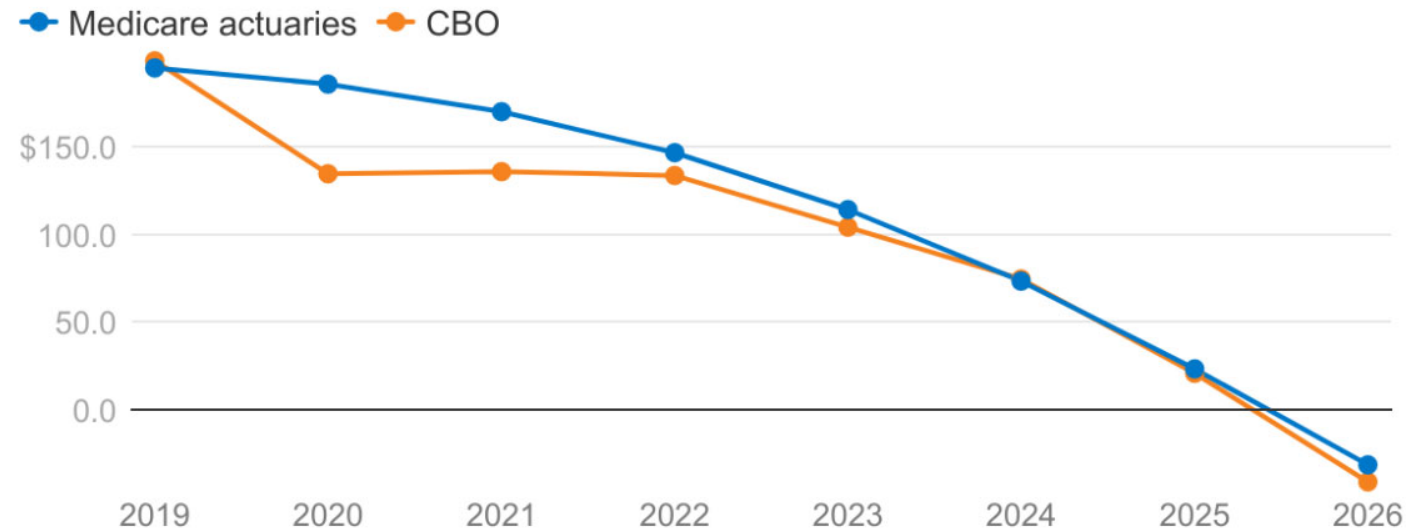
Source: Congressional Budget Office, The 2020 Long-Term Budget Outlook, September 2020, ng/4/19/2020

# Medicare's Financial Outlook

## Trust fund reserves estimated to be depleted in 2026

Both the Medicare Actuaries and the Congressional Budget Office Project Depletion of the Medicare Hospital Insurance Trust Fund in 2026

*Balance in the HI trust fund at the end of the year (in billions)*



NOTE: HI is Hospital Insurance. Medicare actuaries: actual data for 2019 and projected data for 2020-2026. CBO: actual data for 2019-2020 and projected data for 2021-2026.

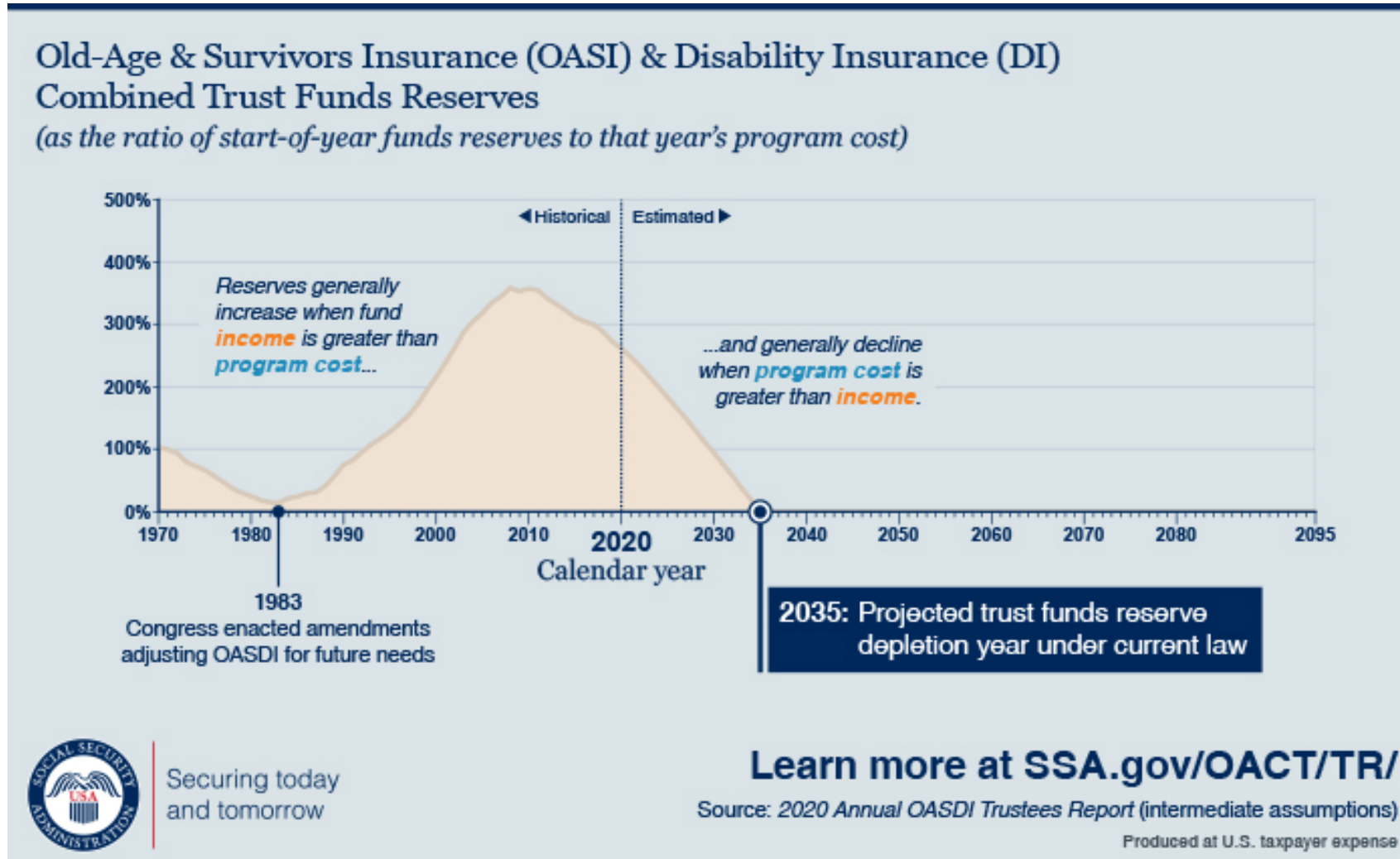
SOURCE: KFF analysis of data from the 2020 Annual Report of the Boards of Trustees, Federal Hospital Insurance and Federal Supplementary Medical Trust Funds, April 2020, and the Congressional Budget Office (CBO), 10-year Trust Fund Projections, February 2021.

**KFF**

Source: Kaiser Family Foundation, FAQs on Medicare Financing and Trust Fund Solvency, March 16, 2021, ng/4/19/2020

# Social Security's Long Term Financial Outlook

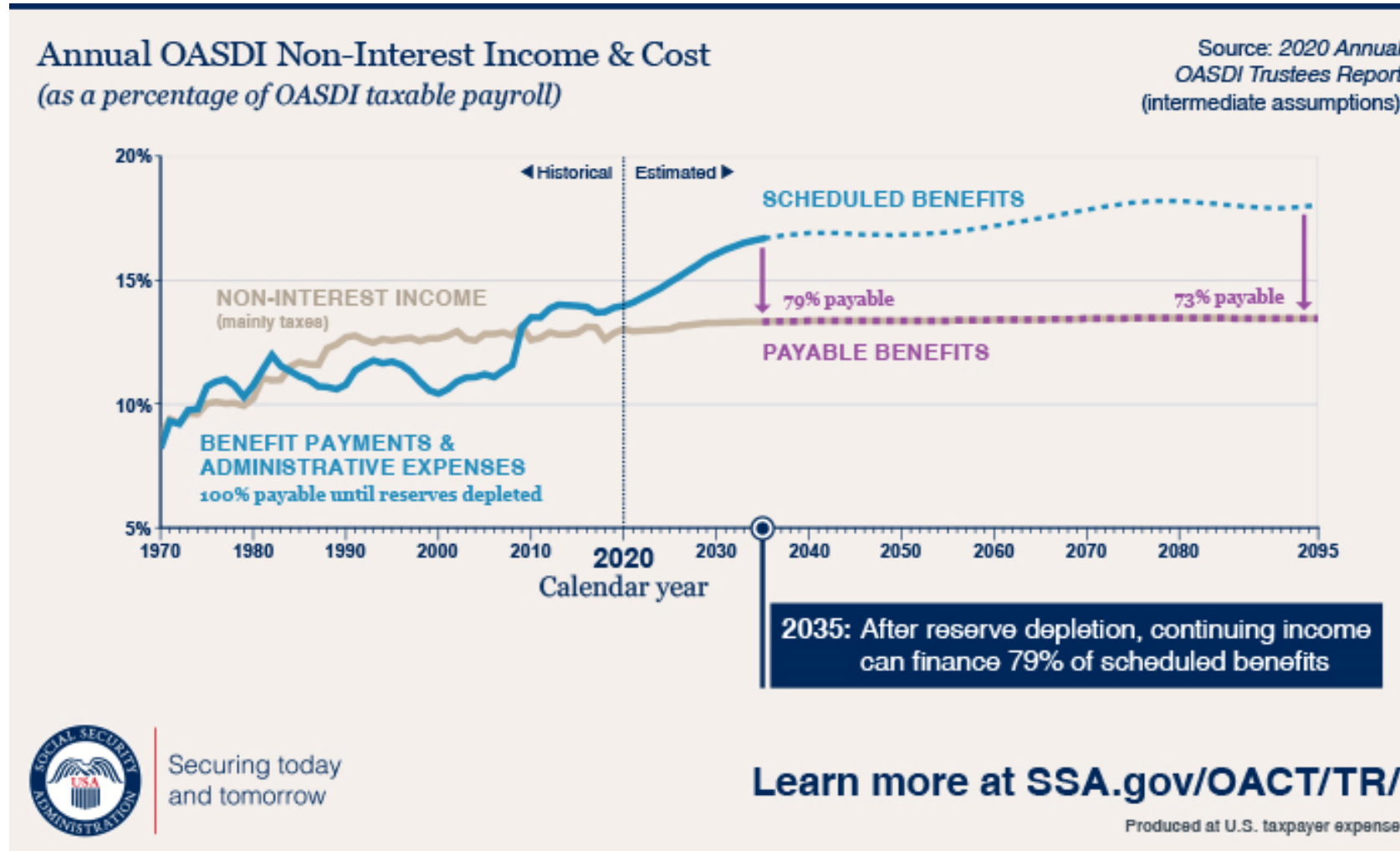
## Trust fund reserves estimated to be exhausted by 2035



Source: Social Security Administration, 2020 Annual OASDI Trustee Report (intermediate assumptions), April 2020, ng/4/19/2020

# Social Security's Long Term Financial Outlook

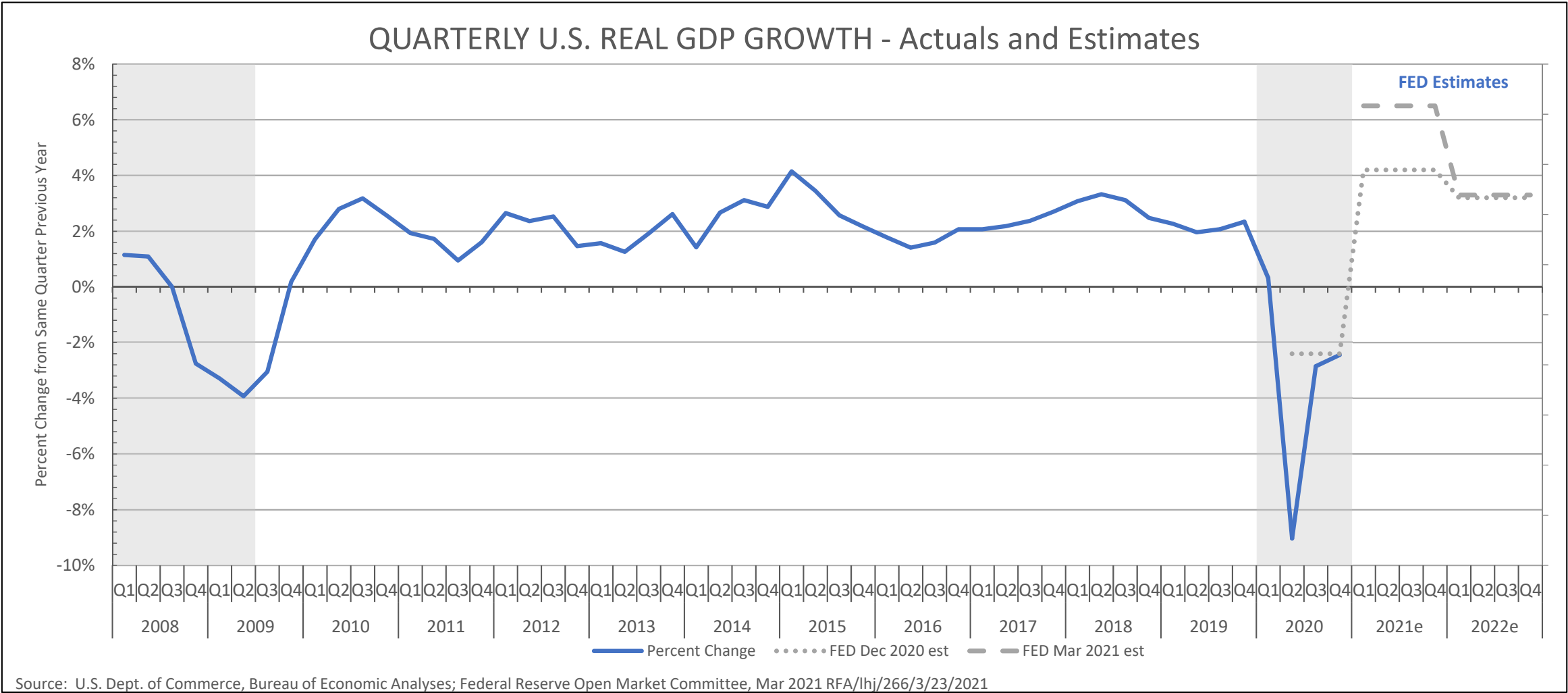
Contributing income will finance an estimated 79% of scheduled benefits once trust fund is depleted



Source: Social Security Administration, 2020 Annual OASDI Trustee Report (intermediate assumptions), April 2020, ng/4/19/2020

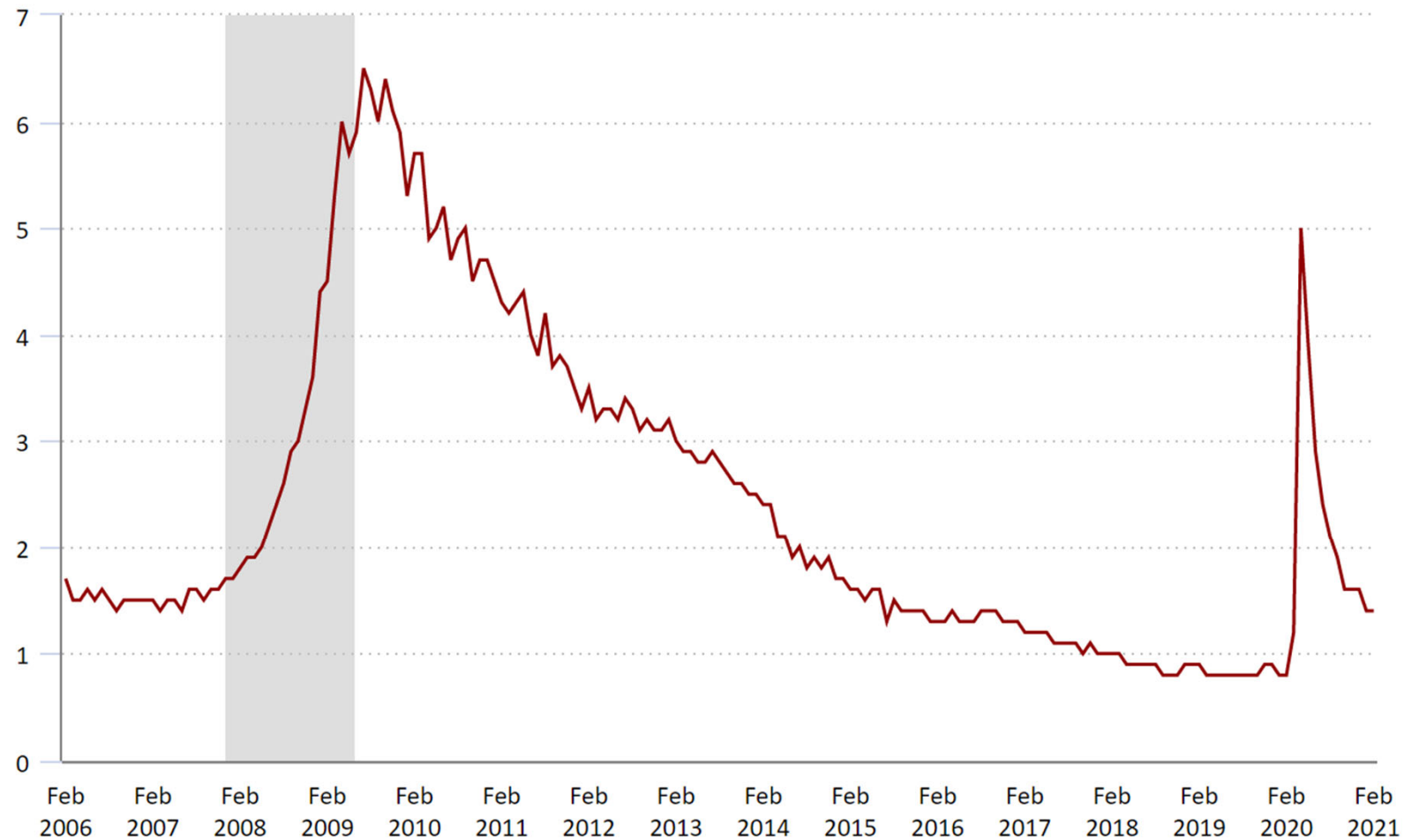
# Real GDP Growth

Expectations for 2021 improved since Dec 2020; Fed revised Q4 2021 estimate up from 4.2% to 6.5%; stimulus boosting GDP growth above pre-pandemic rates



# Unemployed vs Job Openings

Number of unemployed persons per job opening, seasonally adjusted



Source: U.S. Bureau of Labor Statistics; retrieved 4/16/2021

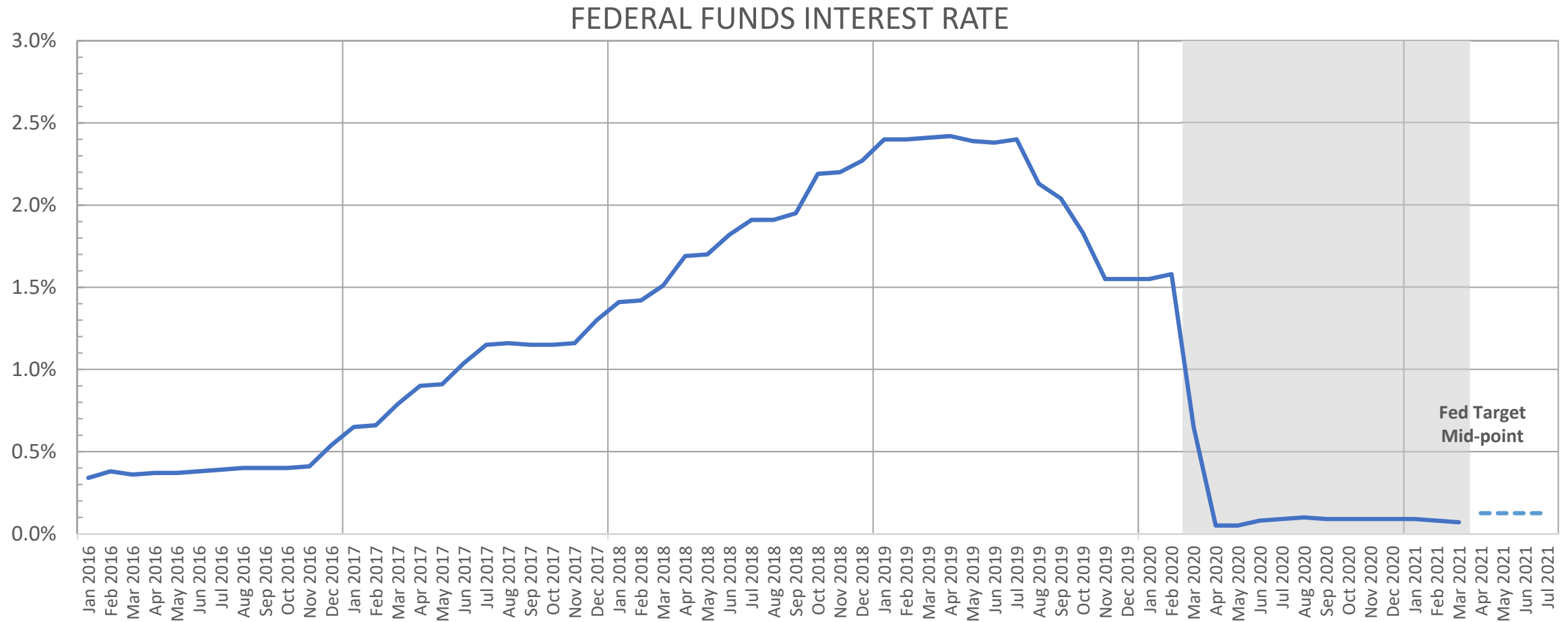
<https://www.bls.gov/charts/job-openings-and-labor-turnover/unemp-per-job-opening.htm>





# Interest Rates

Fed target range is 0% to 0.25% through 2022



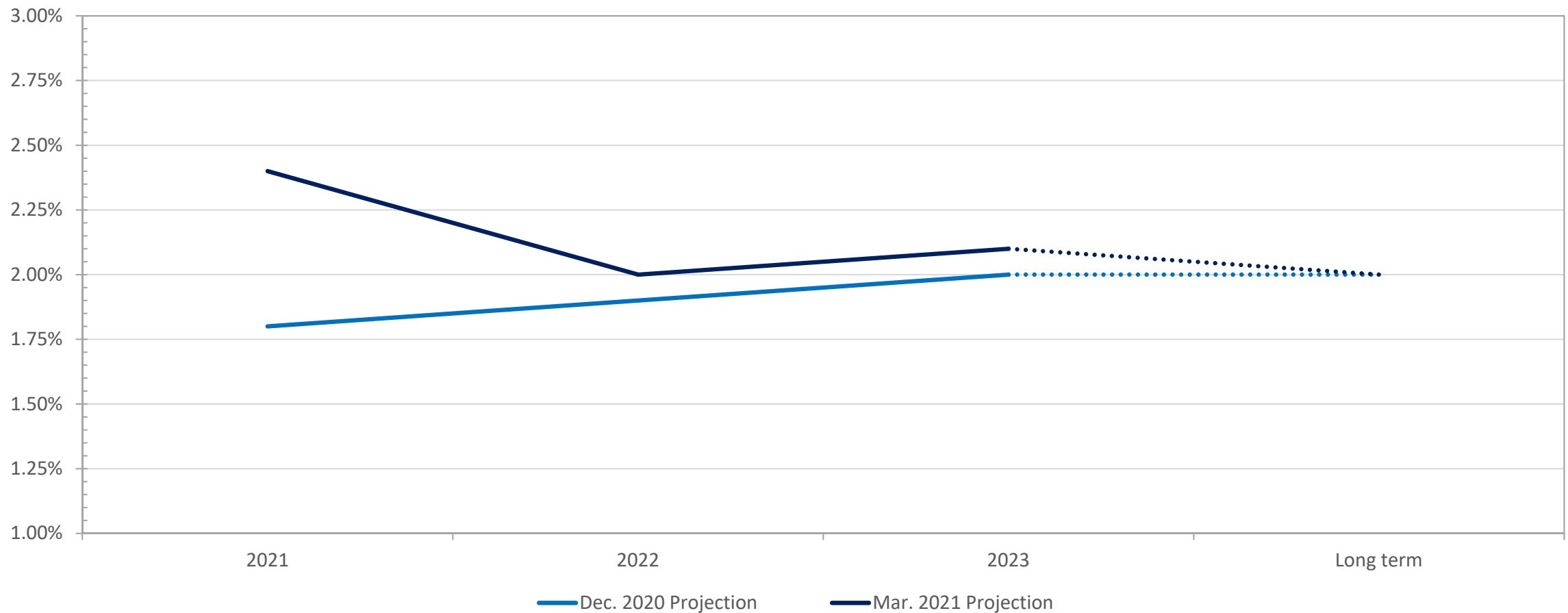
Source: Board of Governors of the Federal Reserve System via FRED Economic Data 277-RFA/lhj/4/16/2021



# Inflation

Fed expects higher inflation in 2021; no significant concerns for the long run

FEDERAL RESERVE PCE INFLATION PROJECTION



Source: Federal Reserve FOMC Projections 298-RFA/bdc/3/24/2021

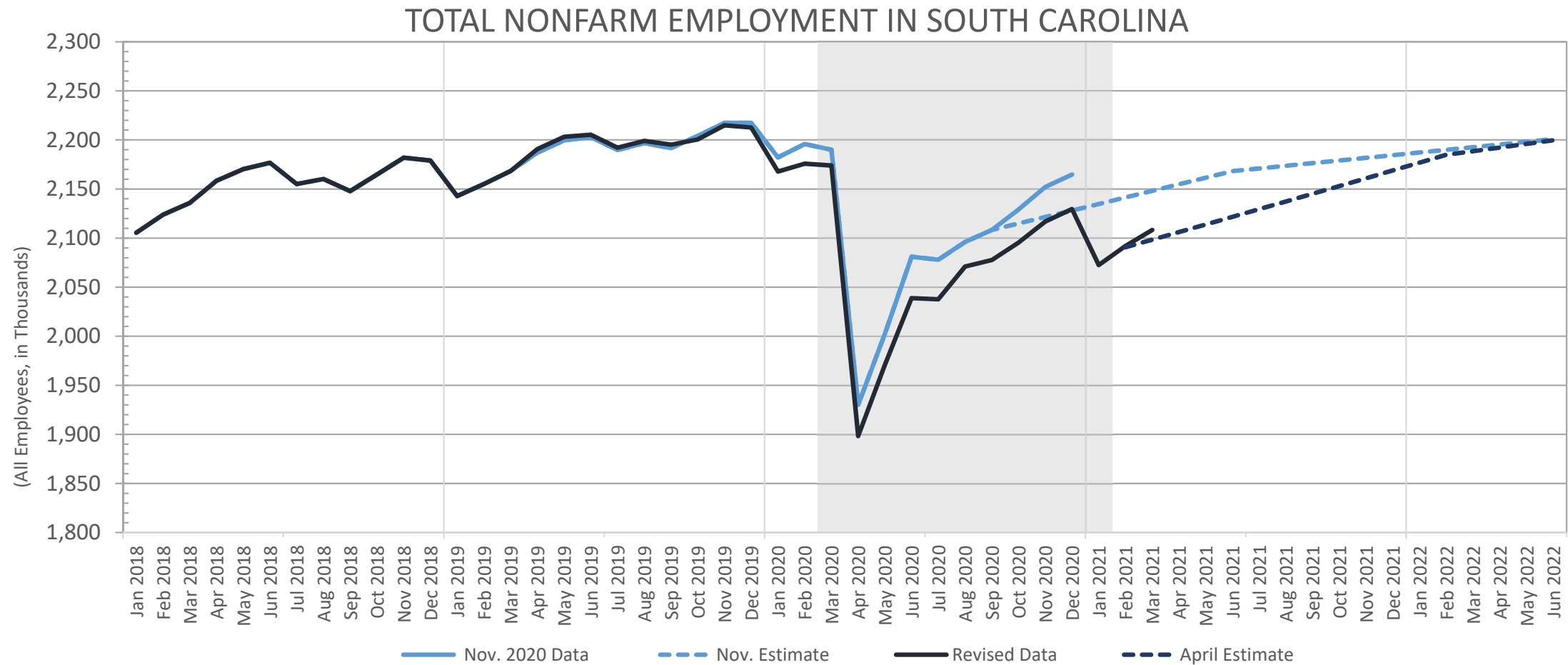
# South Carolina Key Indicators

**Economics has never been a science – and it is less now than a few years ago**

**– Paul A. Samuelson**

# Employment – Previous and Current Actuals and Estimates

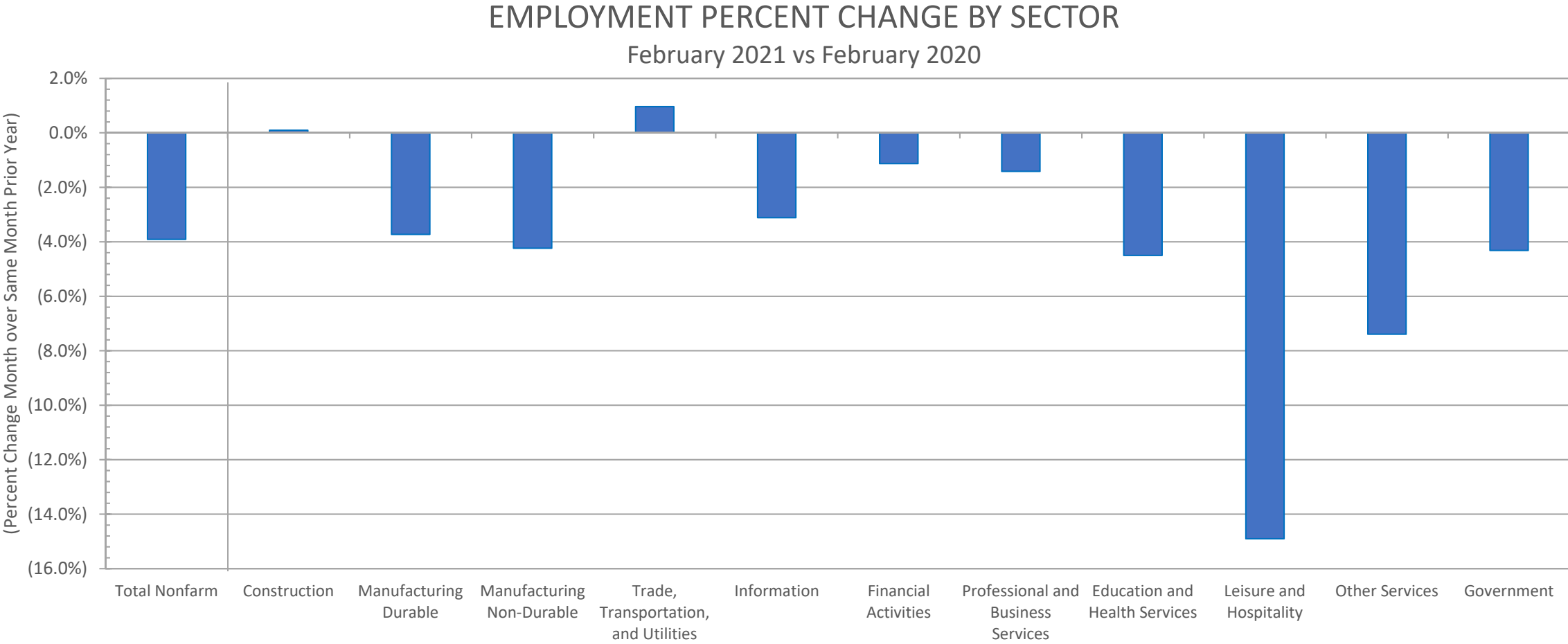
Revisions result in lower forecasted employment growth in FY 21; estimate for FY 22 still assumes reaching pre-pandemic employment in Feb. 2022



Source: U.S. Department of Labor, Bureau of Labor Statistics RFA/4/19/2021

# South Carolina Employment by Sector

February employment levels settle below prior year after revisions and seasonal losses



Source: U.S. Dept. of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Federal Reserve Bank of St. Louis, FRED 281a--RFA/bdc/3/26/2021

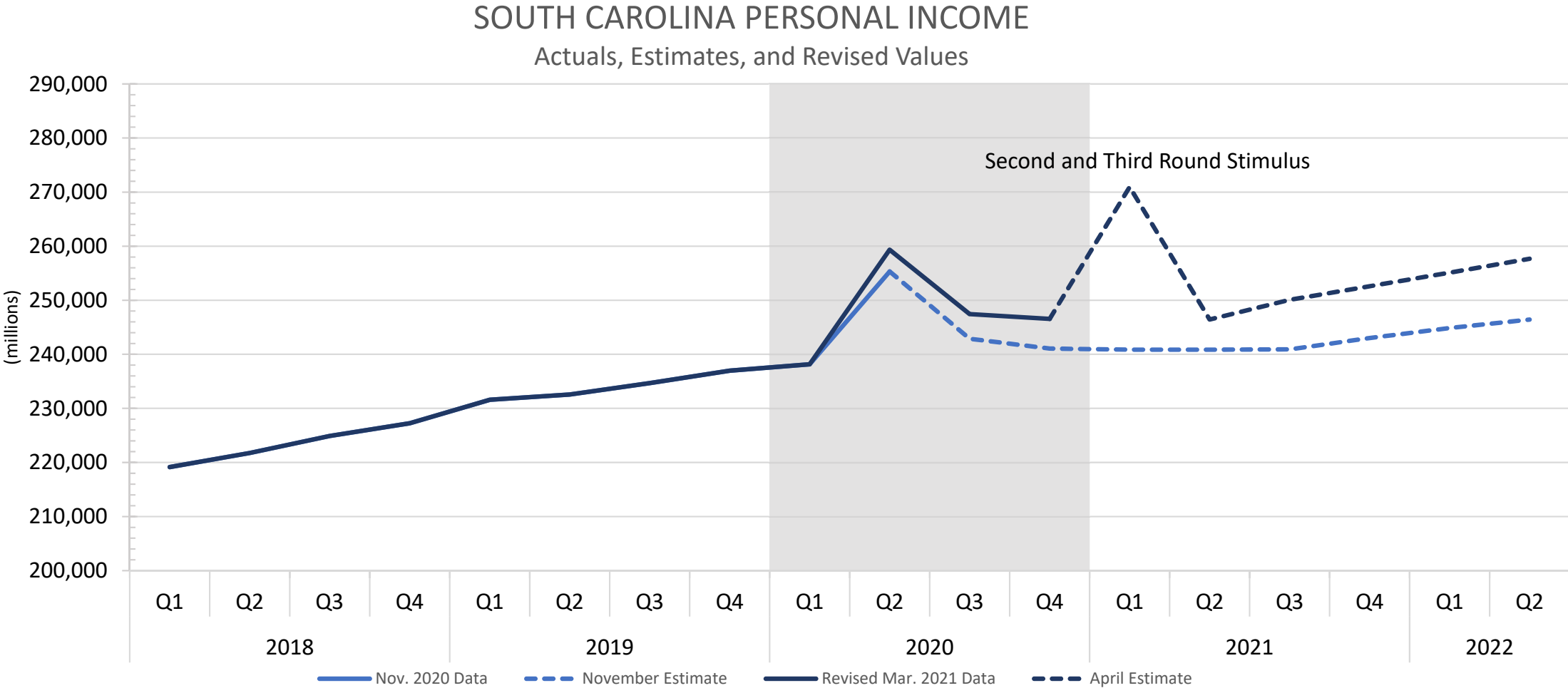
# Federal Stimulus

**If you start me up.  
If you start me up, I'll never stop.**

**- Mick Jagger, "Start Me Up"**

# Personal Income – Actuals and Estimates

FY 21 growth boosted by federal stimulus; FY 22 anticipates no stimulus and lower than normal growth in the wage base



# Federal Fiscal Policy - Stimulus Payments to SC

## Direct to SC Residents and Businesses

- Federal Stimulus Checks (\$1,200) - \$4.32 billion<sup>1</sup>
- Federal Stimulus Checks (\$600/\$1,400) – TBD
- PPP Loans - \$7.85 billion<sup>2</sup>
- Federal Unemployment Compensation - \$4.49 billion<sup>3</sup>
- Child Tax Credits – advance payments beginning July 1, 2021

## Direct to State Government for Appropriation

- CARES Act Funds - \$1.90 billion
- American Rescue Plan Act Funds - \$2.095 billion (preliminary)<sup>4</sup>
- For comparison – total payroll in the state budget is approximately \$3.4 billion

*1 – I.R.S. Statement on Economic Impact Payments by State as of June 26, 2020*

*2 – Small Business Administration; sba.gov; 1<sup>st</sup> and 2<sup>nd</sup> round approvals through March 28, 2021*

*3 – SC Department of Employment and Workforce; dew.sc.gov; as of March 22, 2021*

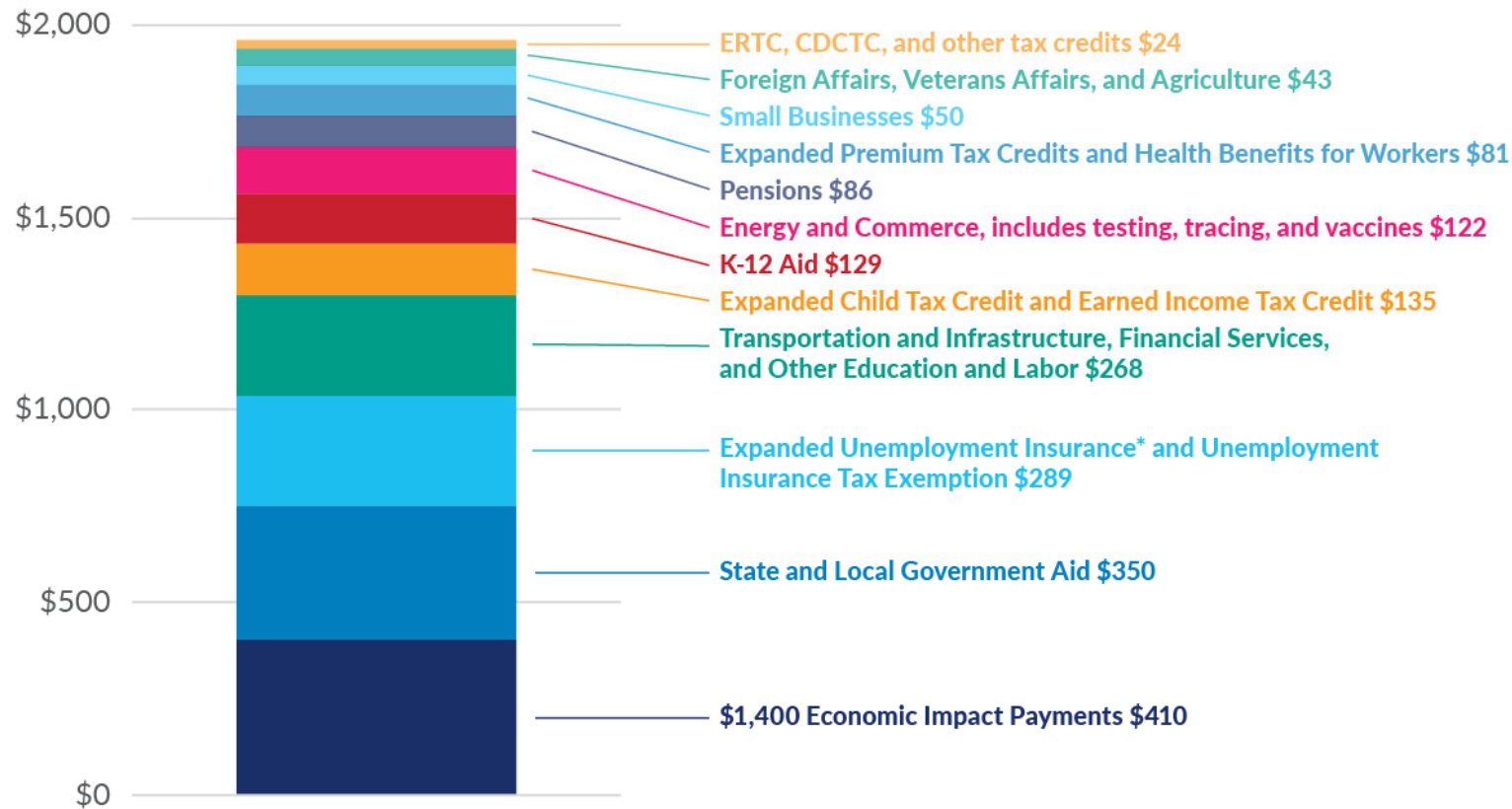
*4 – NCLS.org estimates for Rescue Plan funds as of March 8, 2021; Total state and local funding of \$3.869 billion*



# American Rescue Plan Act - March 2021

## What's in the \$1.9 Trillion American Rescue Plan Act?

Topline summary of relief in Billions of Dollars



Note: \*Subject to change pending estimate of Senate version of unemployment insurance expansion.

Source: Joint Committee on Taxation and Committee for a Responsible Federal Budget

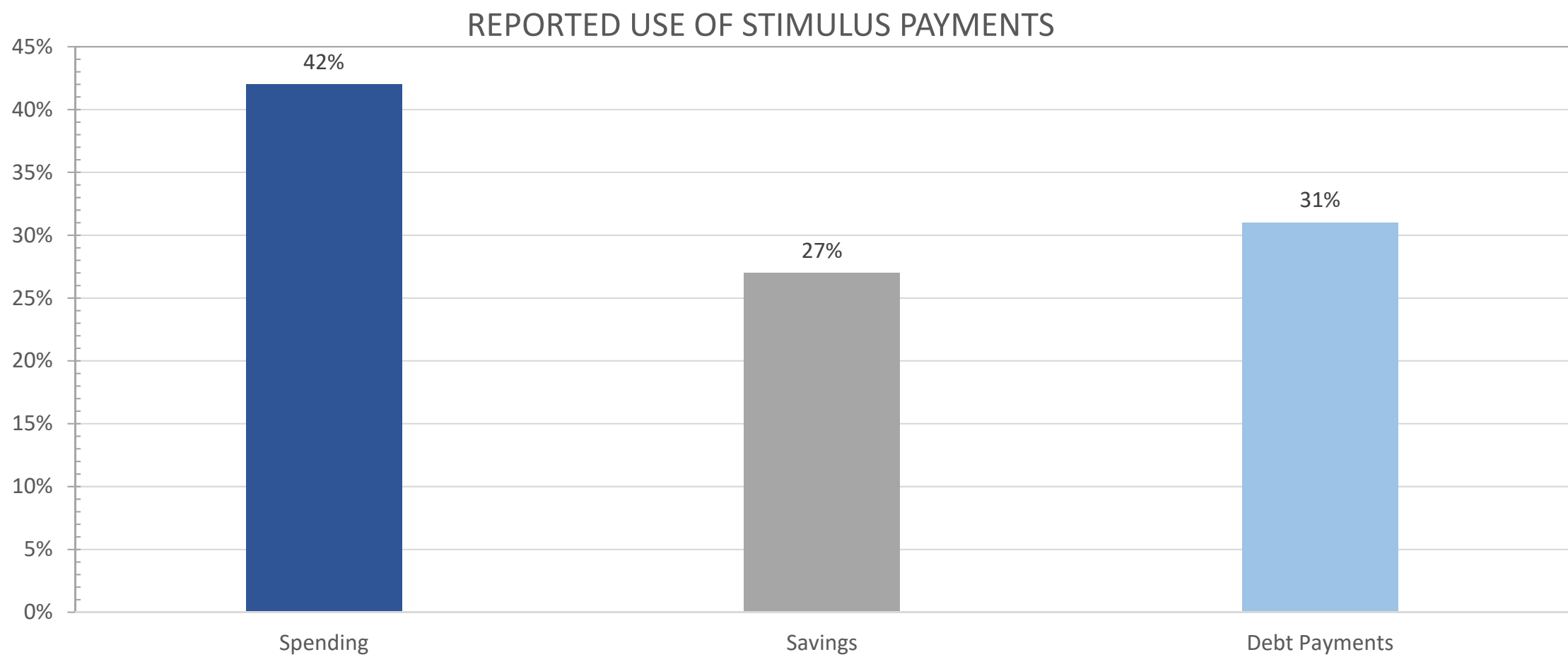
TAX FOUNDATION

@TaxFoundation

Source: Tax Foundation: <https://taxfoundation.org/american-rescue-plan-covid-relief/> ; retrieved 4/19/2021

# Spending of Federal \$1,200 Stimulus Payments

Recipients spent 42% of stimulus, saved 27%, and used remaining 31% to pay down debt

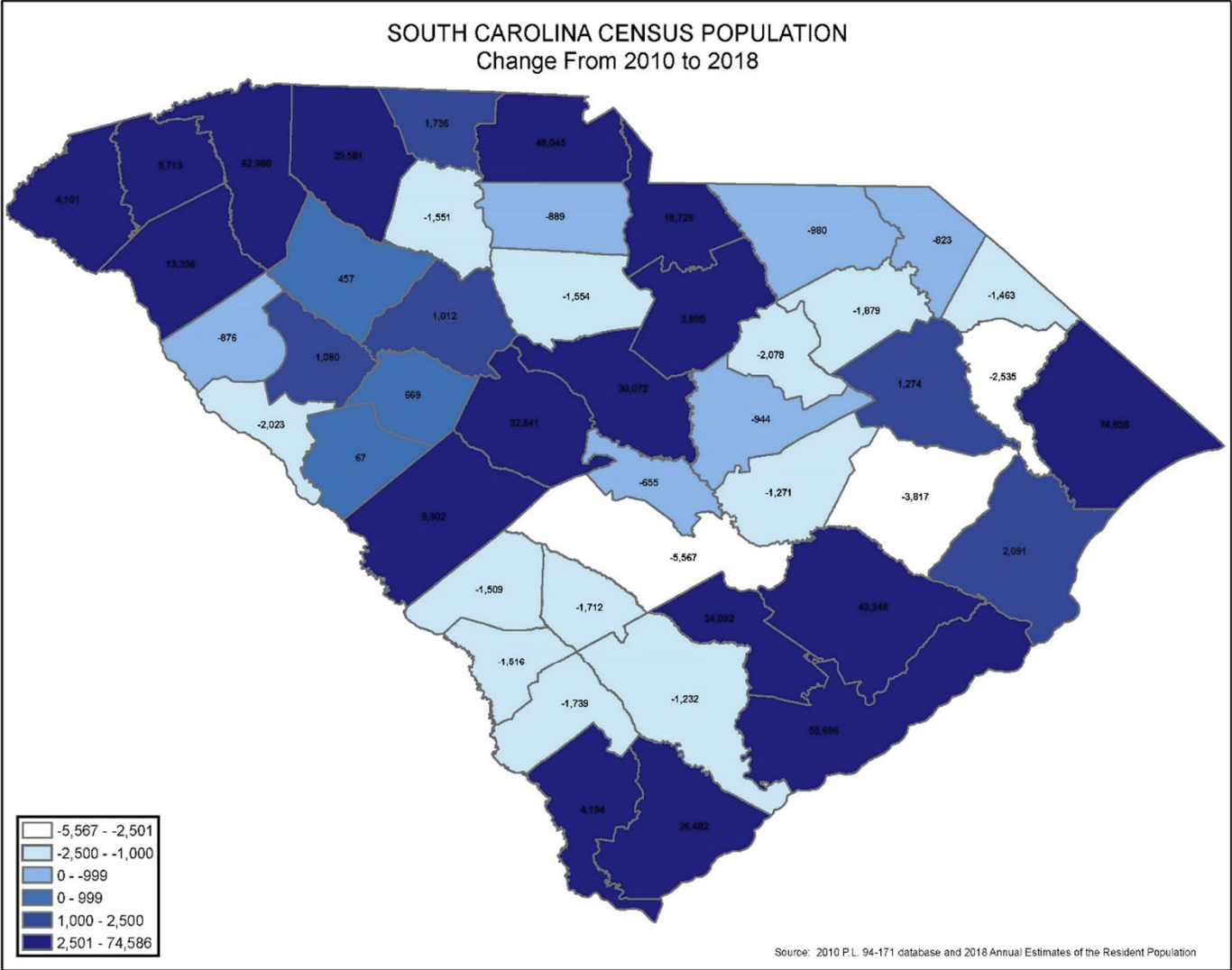


Source: National Bureau of Economic Research; calculations from the Nielsen Homescan Panel

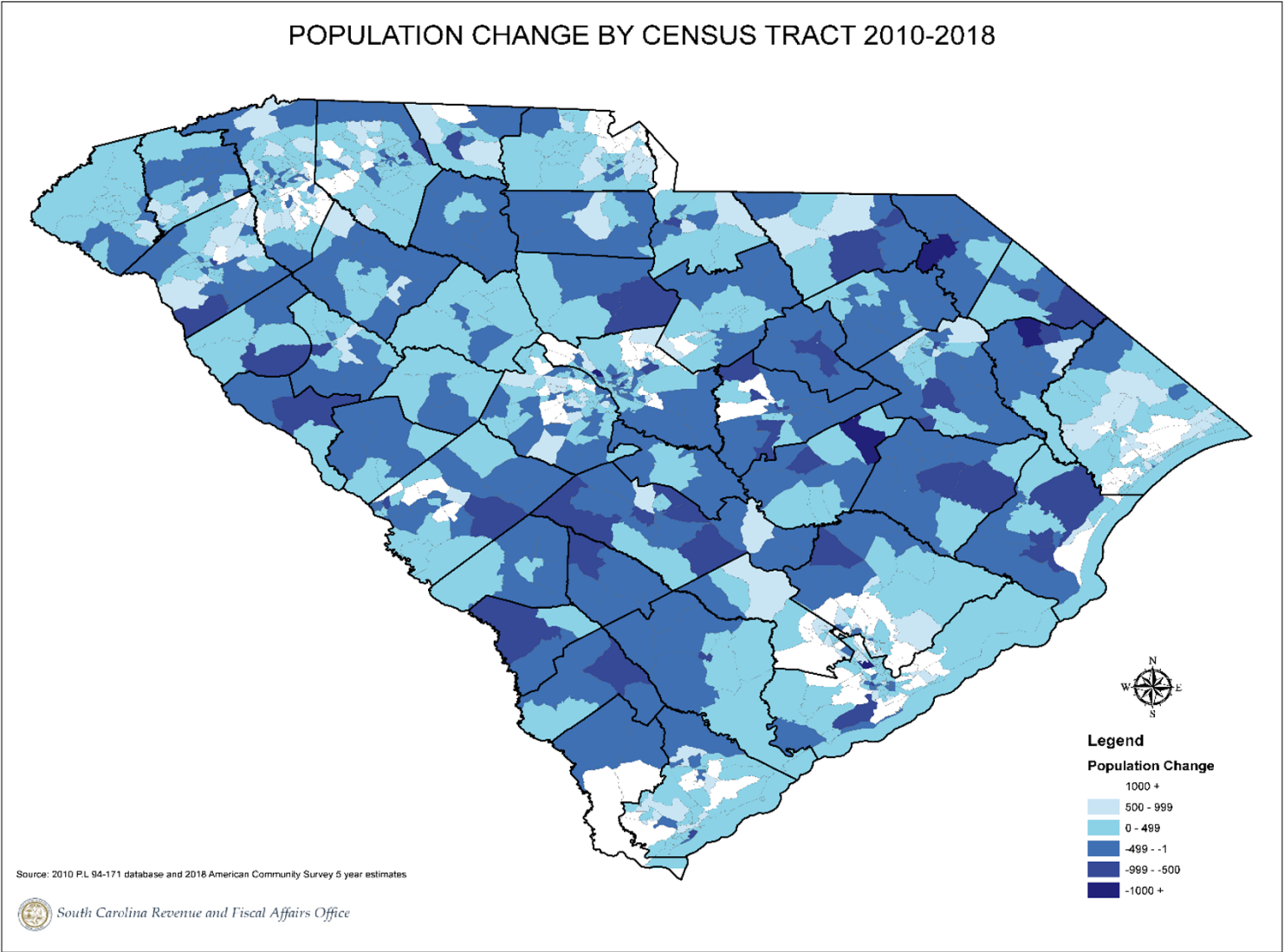
# Census Population and Redistricting



# South Carolina Population Change – County Level

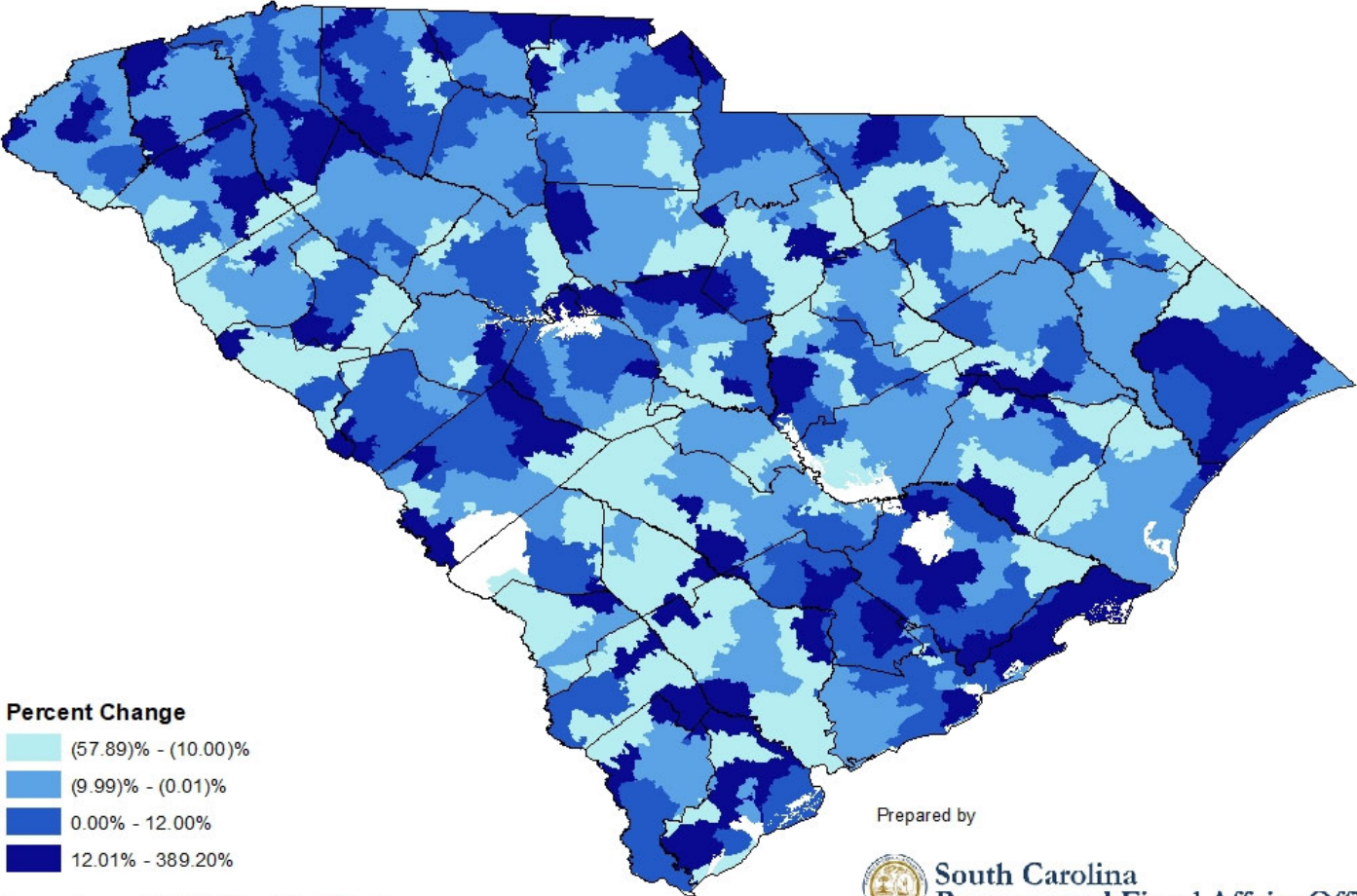


# South Carolina Population Change – Census Tract Level



# South Carolina Population Change – Working Age

5 Year Percent Change in Working Age Population  
2014 - 2019



Percent Change  
(57.89)% - (10.00)%  
(9.99)% - (0.01)%  
0.00% - 12.00%  
12.01% - 389.20%

Sources Census ACS ZCTA Population Estimates

Prepared by



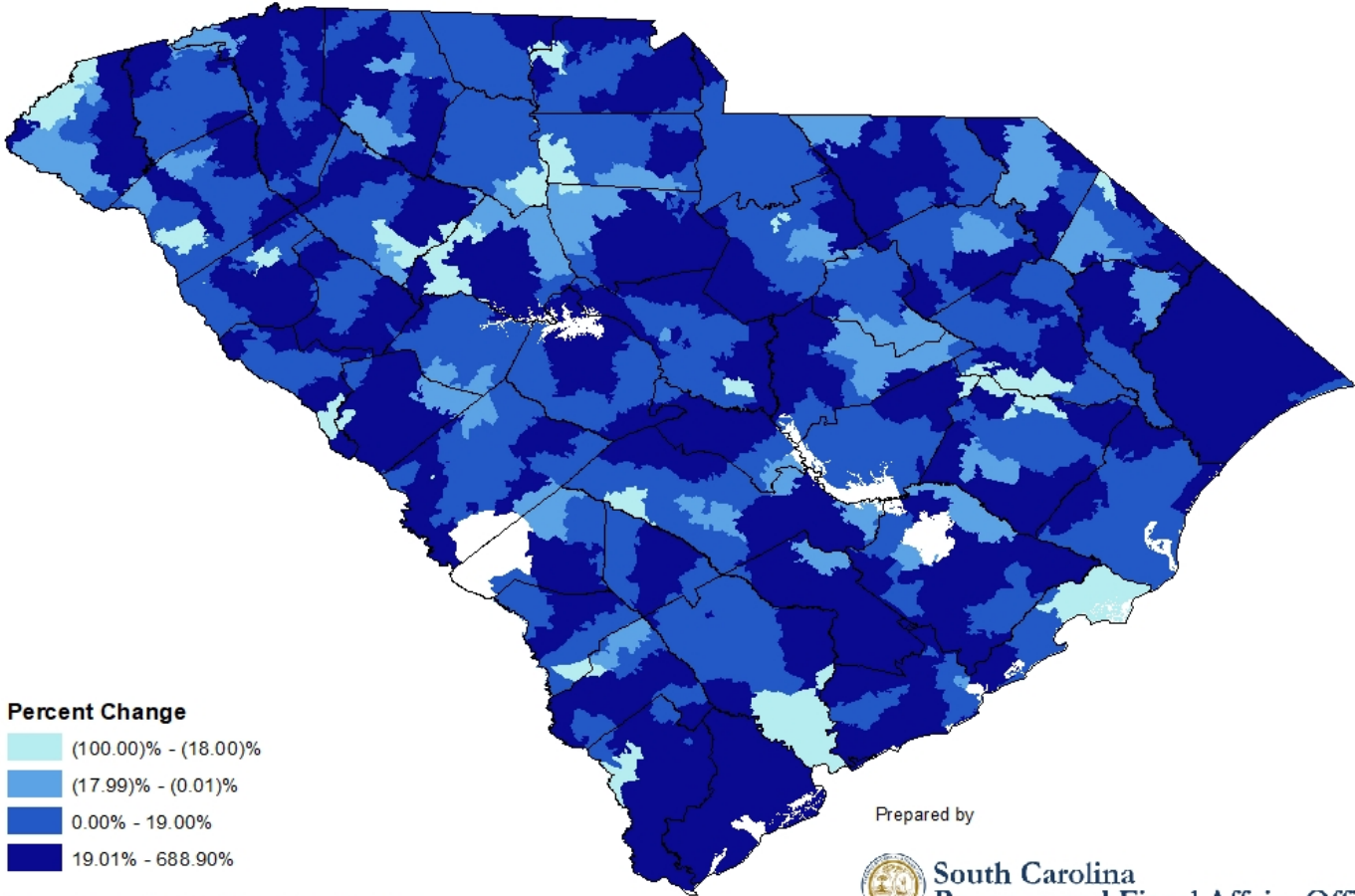
South Carolina  
Revenue and Fiscal Affairs Office





# South Carolina Population Change – Age 65 and over

5 Year Percent Change in Age 65 and Over Population  
2014 - 2019

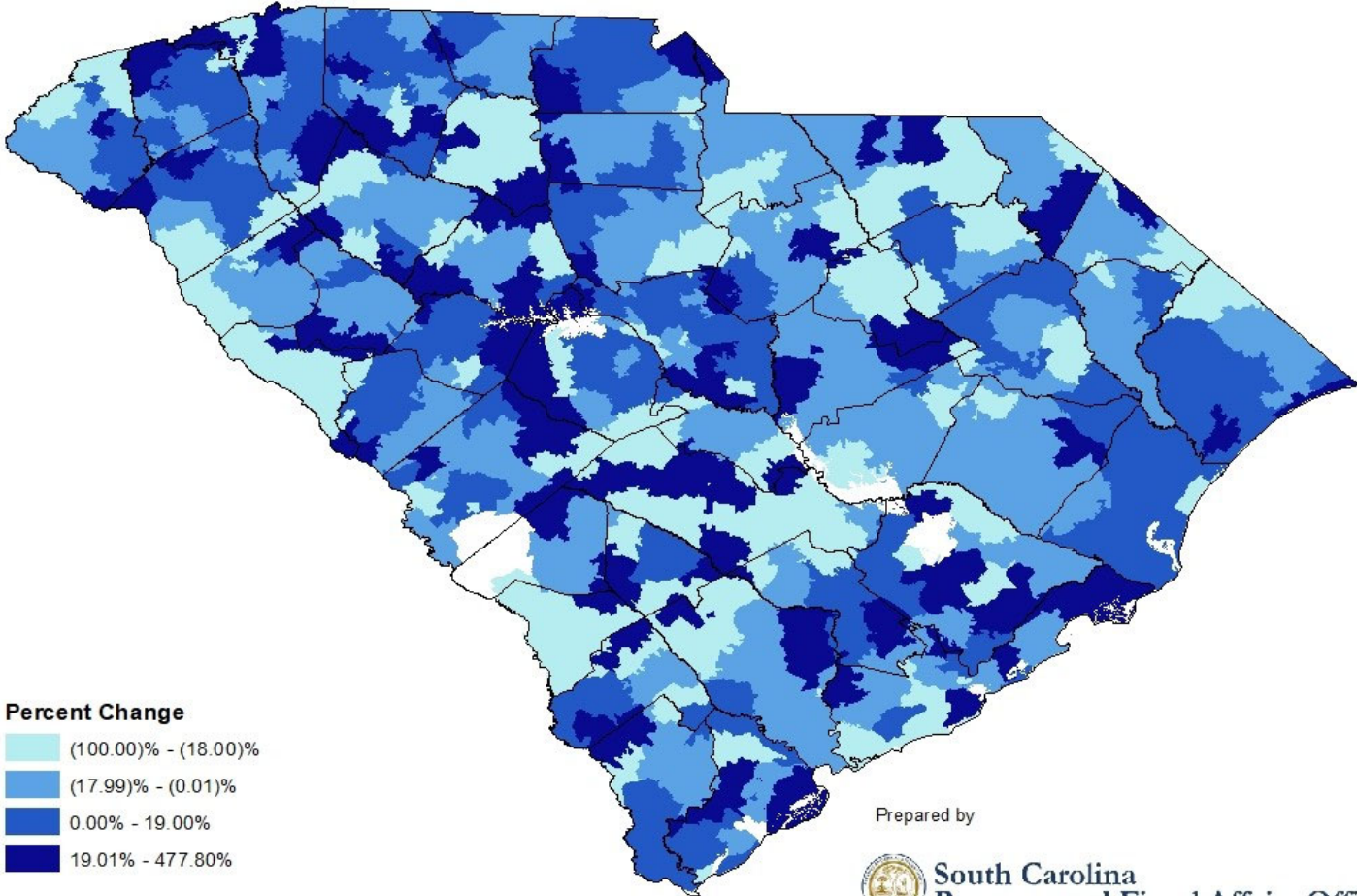


Sources Census ACS ZCTA Population Estimates

Prepared by  
 South Carolina  
Revenue and Fiscal Affairs Office

# South Carolina Population Change – School Age

5 Year Percent Change in School Age Population  
2014 - 2019



**Percent Change**  
(-100.00)% - (-18.00)%  
(-17.99)% - (-0.01)%  
0.00% - 19.00%  
19.01% - 477.80%

Sources Census ACS ZCTA Population Estimates

Prepared by



South Carolina  
Revenue and Fiscal Affairs Office





# Redistricting

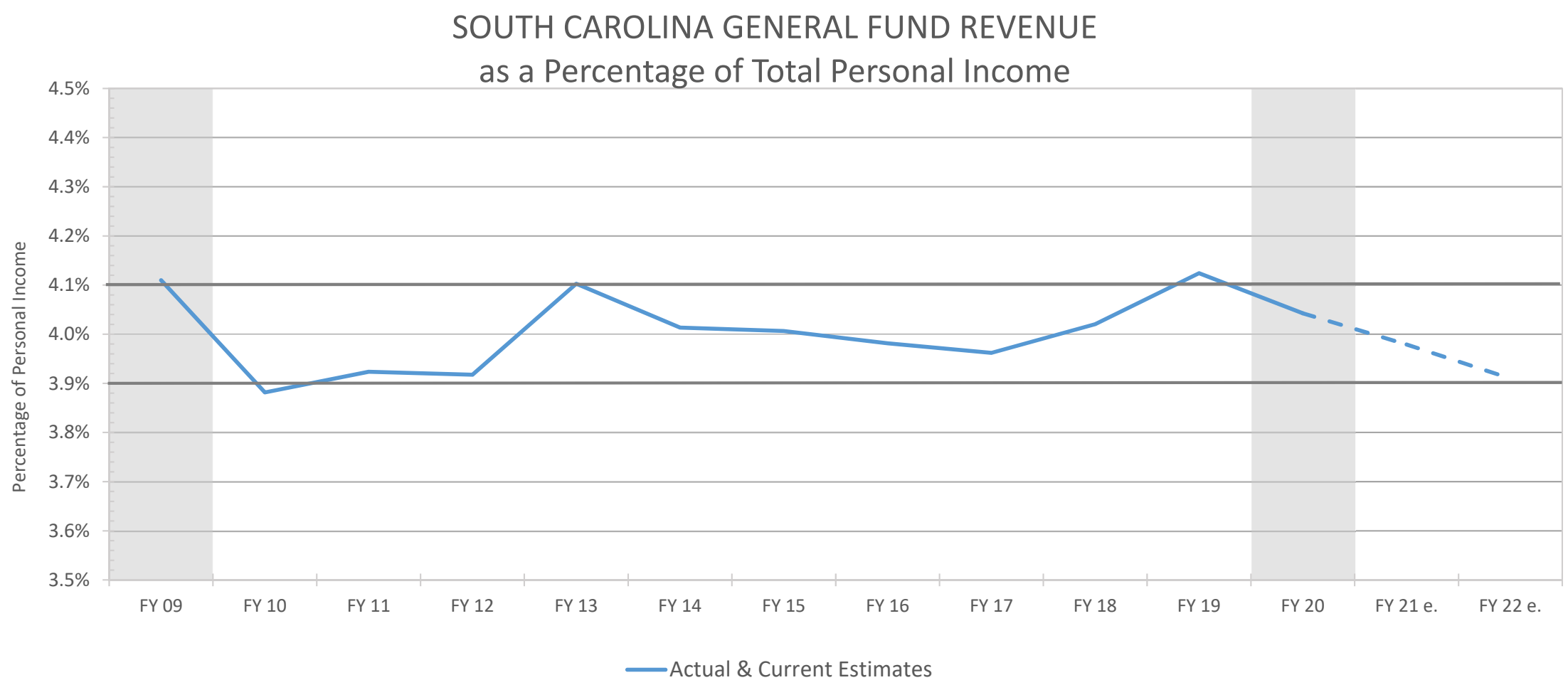
- Census data delayed until September 30, 2021
  - Question for municipal elections scheduled for Nov. 2021 – delay elections or redistrict for later election
  - Lawsuits
  - Delay
  - Statistical “noise”
  - Estimates for congressional reapportionment number lower than expected

# State Finances

**The only function of economic forecasting is to make astrology  
look respectable**  
- John Kenneth Galbraith

# General Fund Revenue as a Percentage of Personal Income

Apr. 2021 estimates reflect recent patterns



Source: U.S. Department of Commerce, Bureau of Economic Analysis; SC Revenue and Fiscal Affairs Office 34F-

# History of FY 2020-21 Forecast Changes

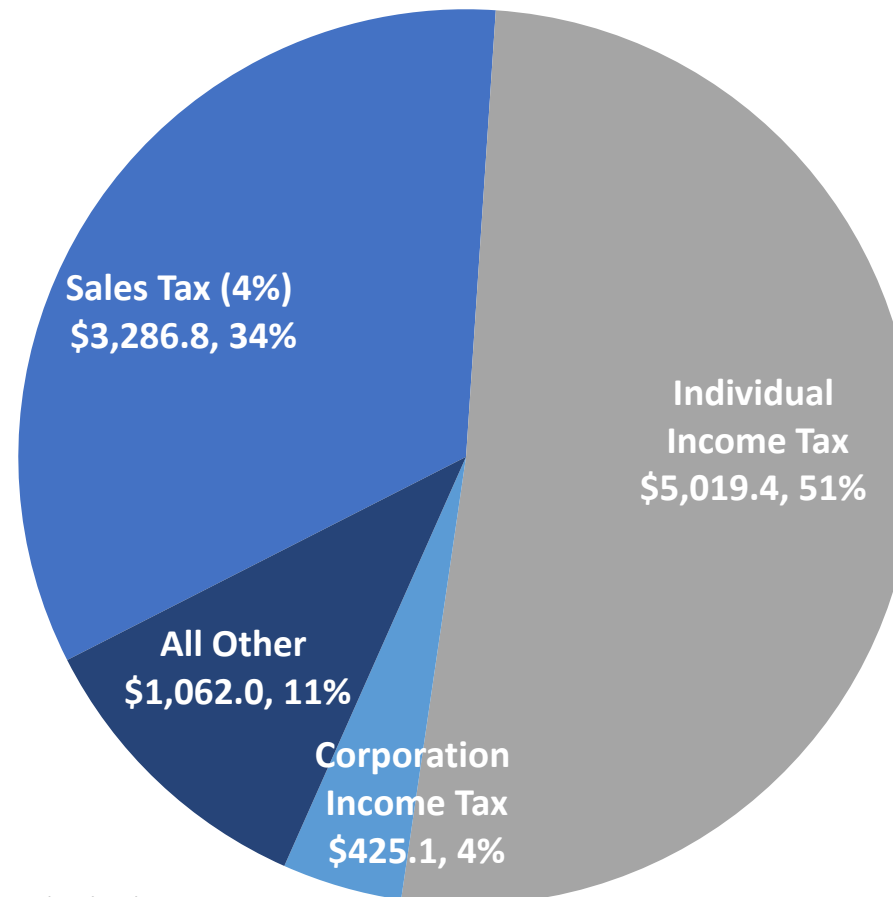
## Latest forecast within \$193 million (98%) of pre-pandemic expectations

Revenue Category	2/13/2020 Estimate FY 2020-21	4/9/2020 Estimate FY 2020-21	5/8/2020 Estimate FY 2020-21	08/31/2020 Estimate FY 2020-21	11/10/2020 Estimate FY 2020-21	4/8/2021 Estimate FY 2020-21	Total Change Since 2/13/2020
Sales and Use Tax	\$3,572,229,000	\$3,399,926,024	\$3,399,926,000	\$3,367,926,000	\$3,371,458,000	\$3,630,230,000	\$58,001,000
Individual Income Tax	5,156,732,000	4,707,915,608	4,707,916,000	4,707,916,000	4,695,664,000	\$4,948,250,000	(208,482,000)
Corporation Income Tax	444,214,000	421,977,600	375,560,000	375,560,000	370,590,000	\$465,900,000	21,686,000
Insurance Taxes	288,995,000	288,995,000	288,995,000	288,995,000	280,155,000	\$280,155,000	(8,840,000)
Admissions Tax	34,354,000	34,354,000	34,354,000	24,354,000	24,354,000	\$26,175,000	(8,179,000)
Aircraft Tax	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	\$2,500,000	0
Alcoholic Liquor Tax	91,948,000	91,948,000	91,948,000	83,148,000	83,148,000	\$85,996,000	(5,952,000)
Bank Tax	87,190,000	87,190,000	87,190,000	87,190,000	50,500,000	\$23,150,000	(64,040,000)
Beer and Wine Tax	113,728,000	113,728,000	113,728,000	113,728,000	113,728,000	\$113,728,000	0
Bingo Tax	113,000	113,000	113,000	(500,000)	0	\$0	(113,000)
Business Filing Fees	8,200,000	8,200,000	8,200,000	8,200,000	8,820,000	\$10,760,000	2,560,000
Circuit/Family Court Fines	6,217,000	6,217,000	6,217,000	5,500,000	5,308,000	\$5,308,000	(909,000)
Corporation License Tax	119,060,000	119,060,000	107,154,000	107,154,000	107,154,000	\$137,900,000	18,840,000
Documentary Tax	91,050,000	91,050,000	91,050,000	91,050,000	91,050,000	\$94,680,000	3,630,000
Earned on Investments	75,000,000	75,000,000	75,000,000	75,000,000	85,000,000	\$75,000,000	0
Indirect Cost Recoveries	15,500,000	15,500,000	15,500,000	15,500,000	15,500,000	\$16,535,000	1,035,000
Motor Vehicle Licenses	12,890,000	12,890,000	12,890,000	12,890,000	11,775,000	\$10,674,000	(2,216,000)
Nursing Home Fees	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	\$3,600,000	0
Parole and Probation Fees	3,393,000	3,393,000	3,393,000	3,393,000	3,393,000	\$3,393,000	0
Private Car Lines Tax	6,787,000	6,787,000	6,787,000	6,787,000	6,492,000	\$6,733,000	(54,000)
Public Service Authority	17,700,000	17,700,000	17,700,000	17,700,000	17,450,000	\$17,450,000	(250,000)
Purchasing Card Rebates	3,497,000	3,497,000	3,497,000	3,497,000	3,497,000	\$3,089,000	(408,000)
Record Search Fees	4,461,000	4,461,000	4,461,000	4,461,000	4,461,000	\$4,461,000	0
Savings and Loan Assoc. Tax	1,038,000	1,038,000	1,038,000	1,038,000	3,048,000	\$1,273,000	235,000
Security Dealer Fees	28,100,000	28,100,000	28,100,000	28,100,000	28,100,000	\$29,119,000	1,019,000
Surcharge on Vehicle Rentals	175,000	0	0	0	0	\$0	(175,000)
Tobacco Tax	28,657,000	28,657,000	28,657,000	28,657,000	28,657,000	\$28,657,000	0
Uncashed Checks	1,000,000	1,000,000	1,000,000	1,000,000	0	\$0	(1,000,000)
Unclaimed Property Fund	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	\$15,000,000	0
Workers' Comp. Insurance Tax	8,828,000	8,828,000	8,828,000	8,828,000	7,057,000	\$9,200,000	372,000
Other Source Revenues	11,931,000	11,931,000	11,931,000	11,931,000	12,904,000	\$11,849,000	(82,000)
							0
<b>Gross General Fund Revenue</b>	<b>\$10,254,087,000</b>	<b>\$9,610,556,232</b>	<b>\$9,552,233,000</b>	<b>\$9,500,103,000</b>	<b>\$9,450,363,000</b>	<b>\$10,060,765,000</b>	<b>(\$193,322,000)</b>



# General Fund Revenue by Source – 89% from top 3 items

FY 2019-20 GENERAL FUND REVENUE  
Percentage Distribution By Revenue Type (\$ in millions)

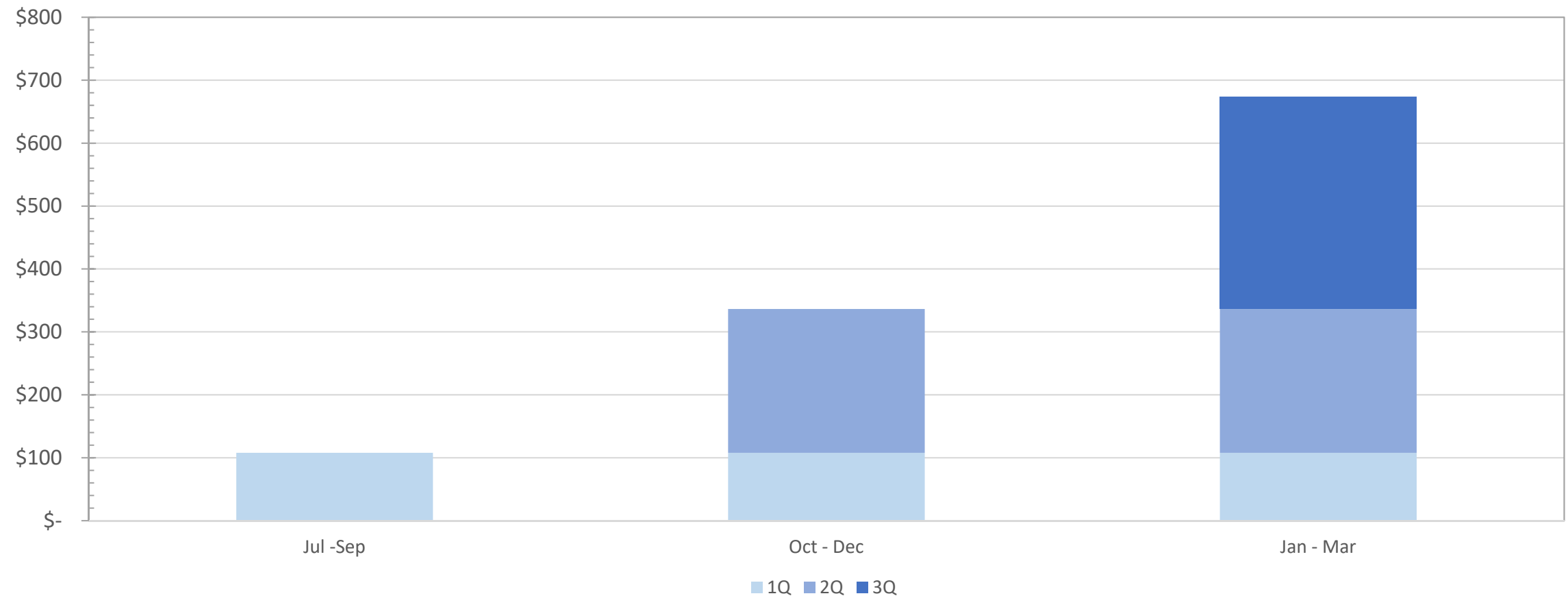


Source: S.C. Revenue and Fiscal Affairs 30 - lhj/11/16/2020

# Revenue Excess / (Shortfall) by Quarter

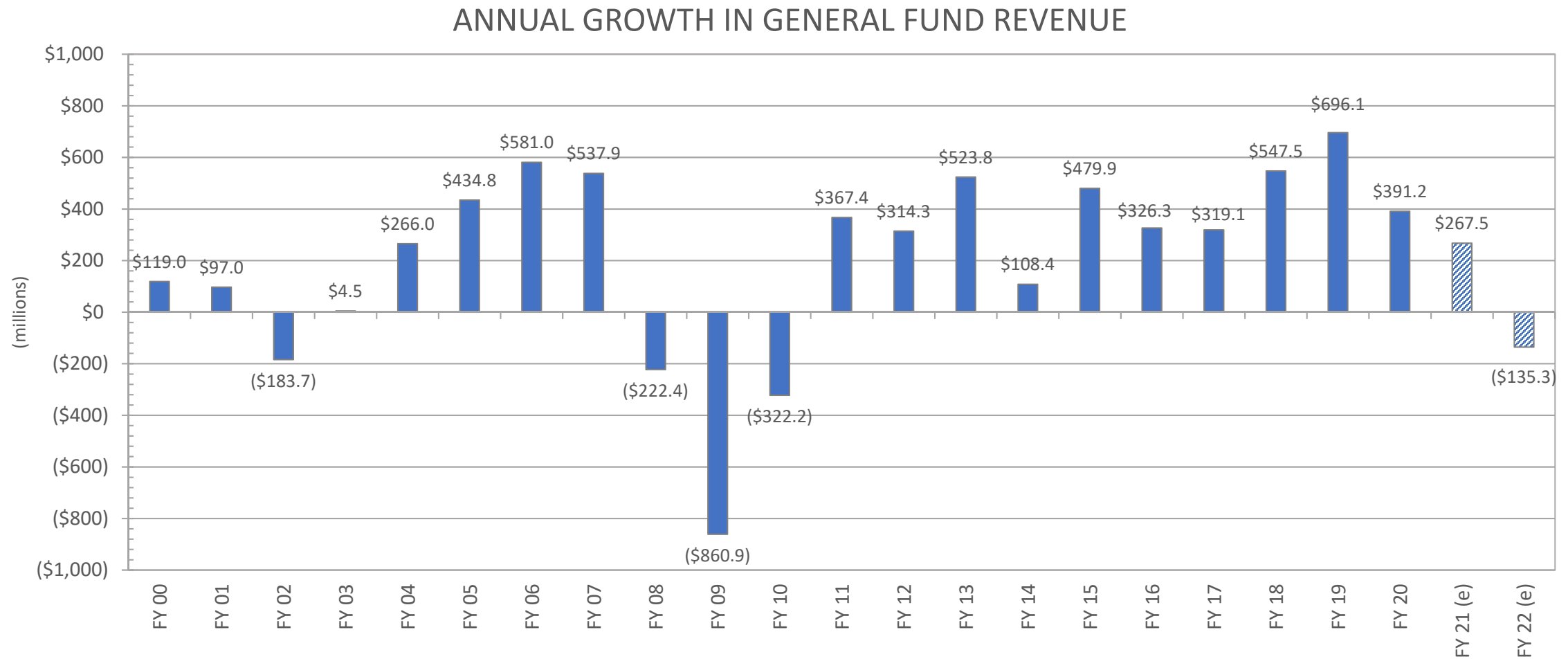
Revenues further outperformed expectations; excess increased in the 3Q

FY 2020-21 REVENUE EXCESS BY QUARTER  
Adjusted for Delayed Refunds



# General Fund Revenue Growth

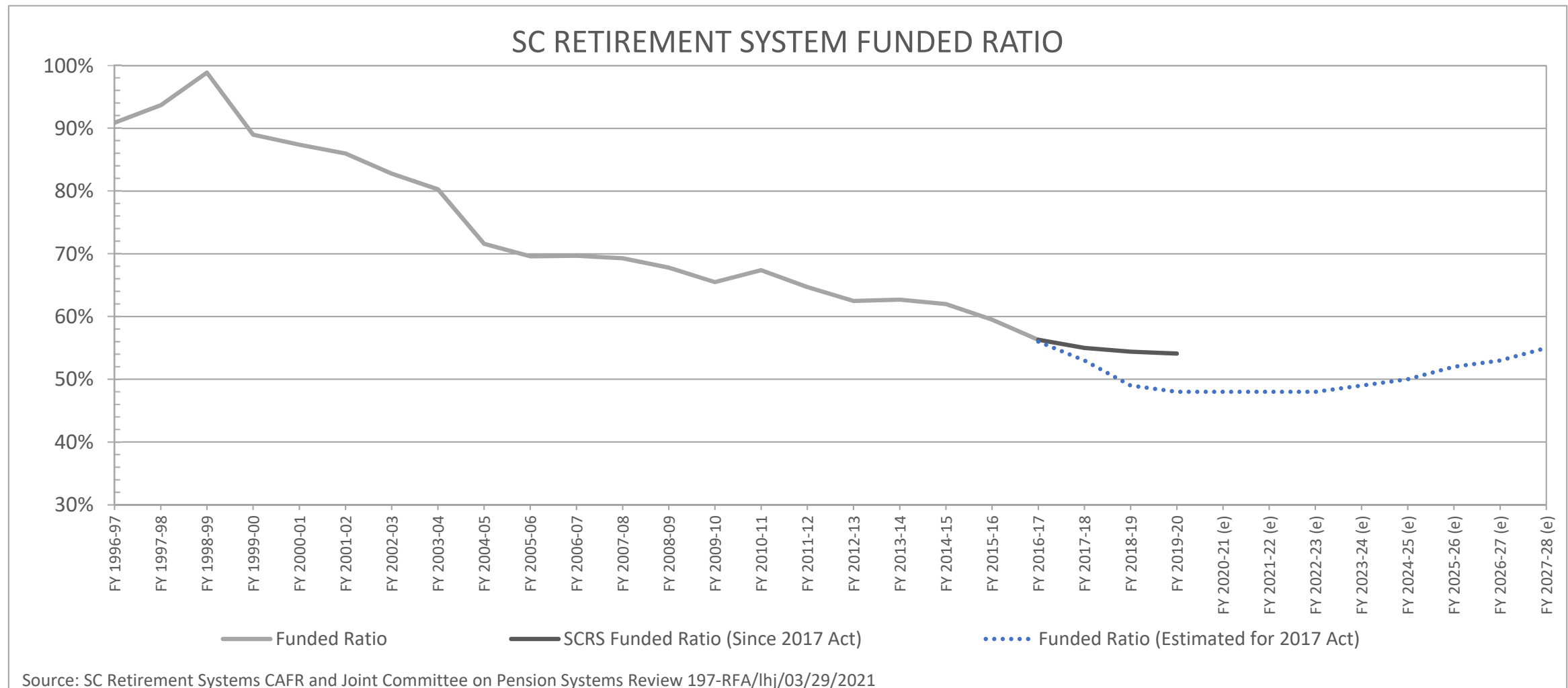
Despite pandemic FY 21 collections are expected to be \$267.5m above FY 20 but drop by \$135m in FY 22 with the end of federal stimulus



Source: Revenue and Fiscal Affairs - 169A/HI/04/19/2021

# Retirement System Funding Progress

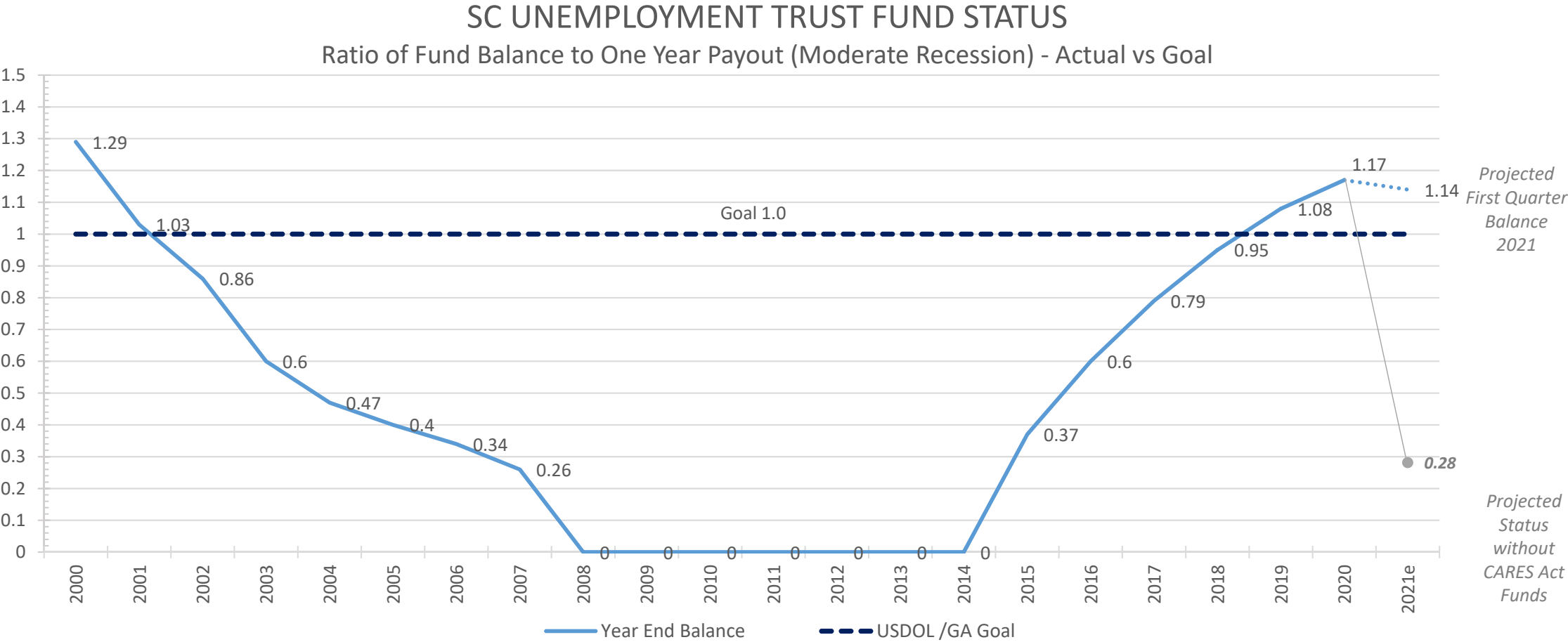
Funded ratio remains above the original projections in reform bill





# SC Unemployment Trust Fund

## CARES Act funding of \$847 million<sup>1</sup> helped maintain funded ratio

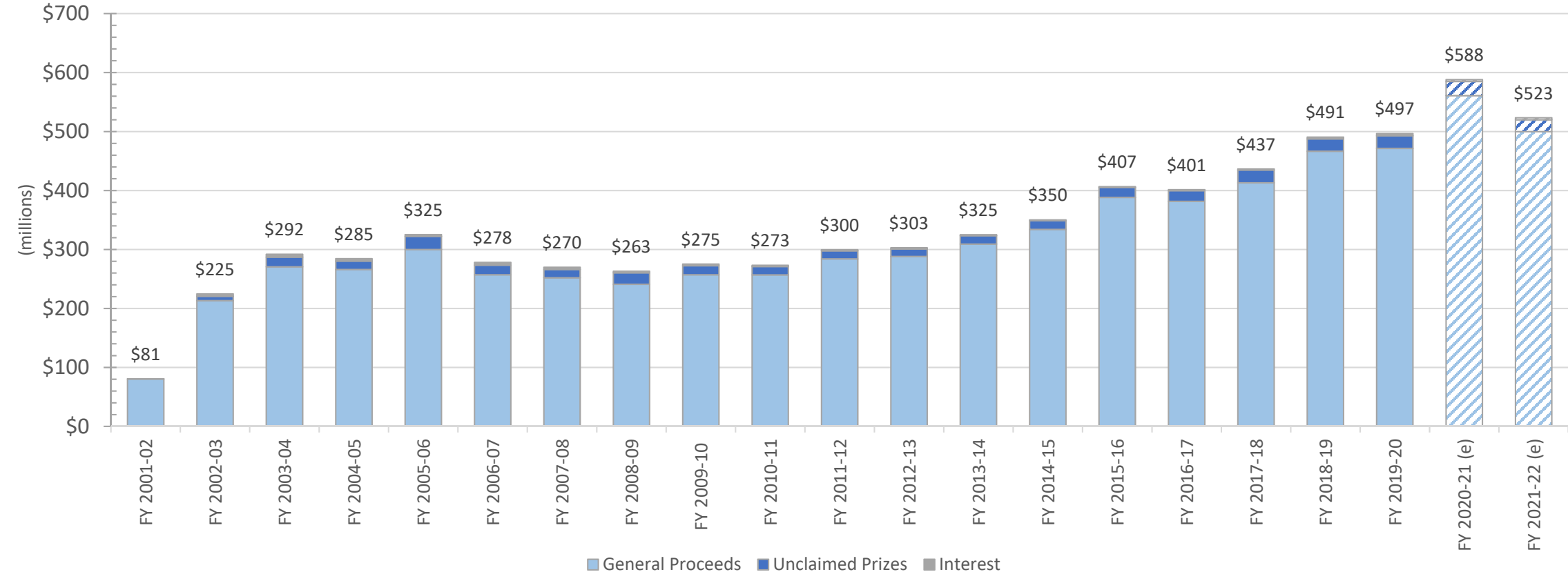


Source: S.C. Department of Employment and Workforce 271-RFA/mkm/03/29/2021  
1- Total appropriations of \$920 million

# SC Education Lottery

FY 21 growth driven by federal stimulus, one huge jackpot, and lack of alternative entertainment options; FY 22 expected to return to normal levels

TRANSFERS TO SC EDUCATION LOTTERY ACCOUNTS  
Inception to FY 2021-22 Estimate



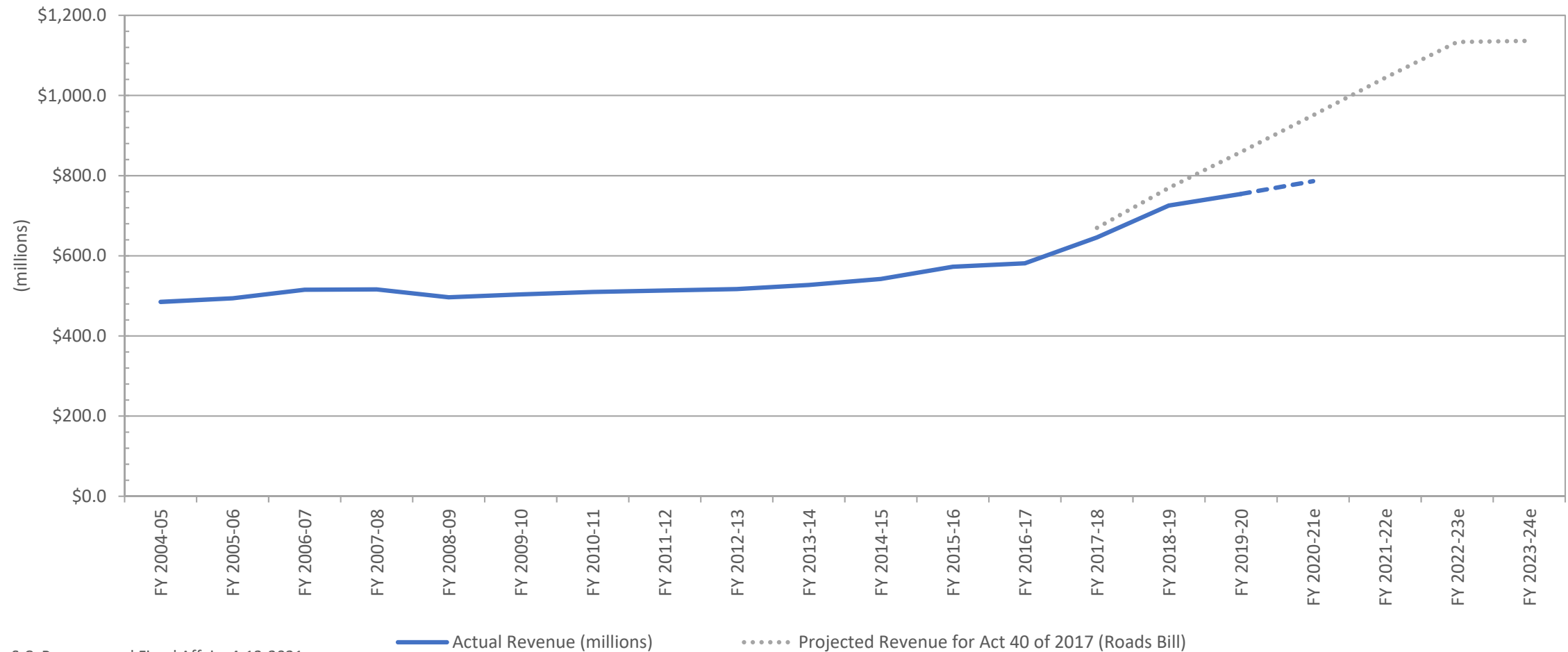
Source: South Carolina Revenue and Fiscal Affairs Office RFA/265/lhj/04/14/2021

# Motor Fuel User Fees

Pandemic has resulted in motor fuel revenues falling below expectations

## SOUTH CAROLINA MOTOR FUEL USER FEE REVENUE

Actual vs Estimated





# Half-Time

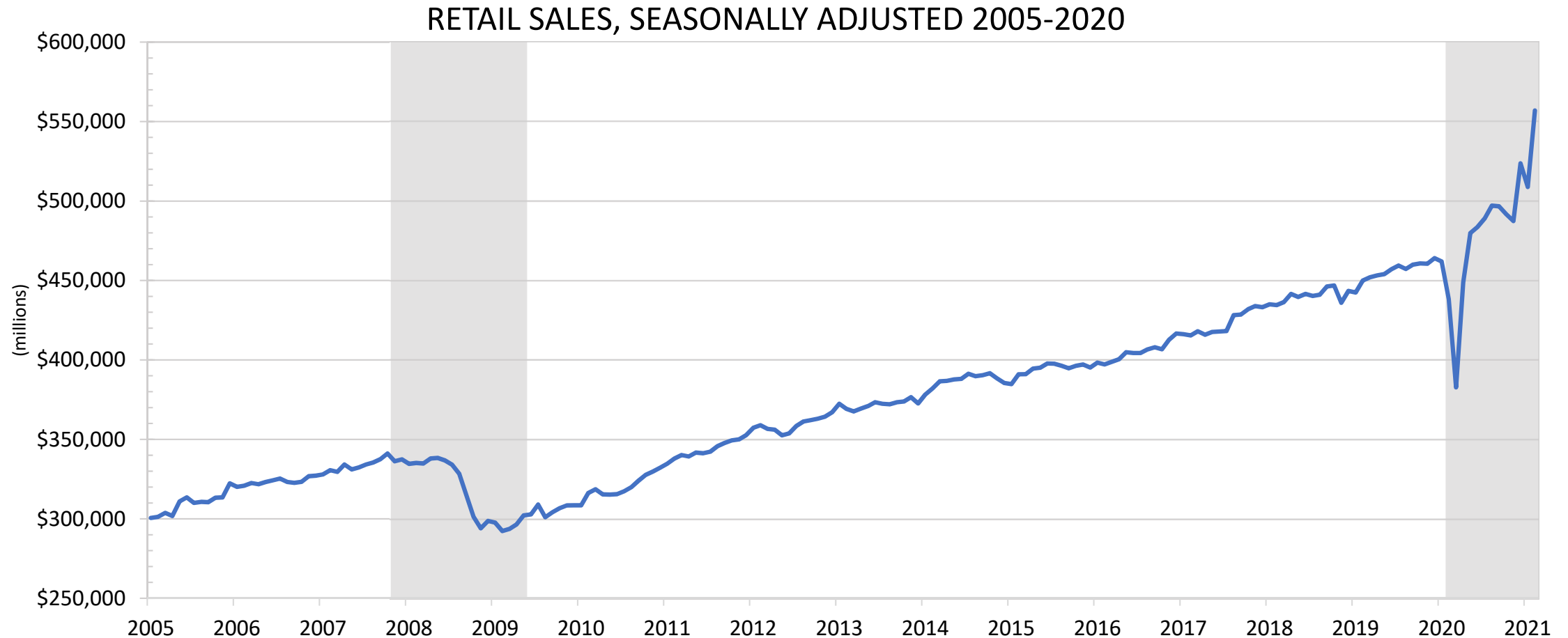


# Consumption and Sales Tax

**Everything is worth what its purchaser will pay for it**  
**- Syrus (1<sup>st</sup> Century B.C.)**

# U.S. Retail Sales

Fourth straight month of year-over-year growth in September, monthly growth increased in September after slowing since May

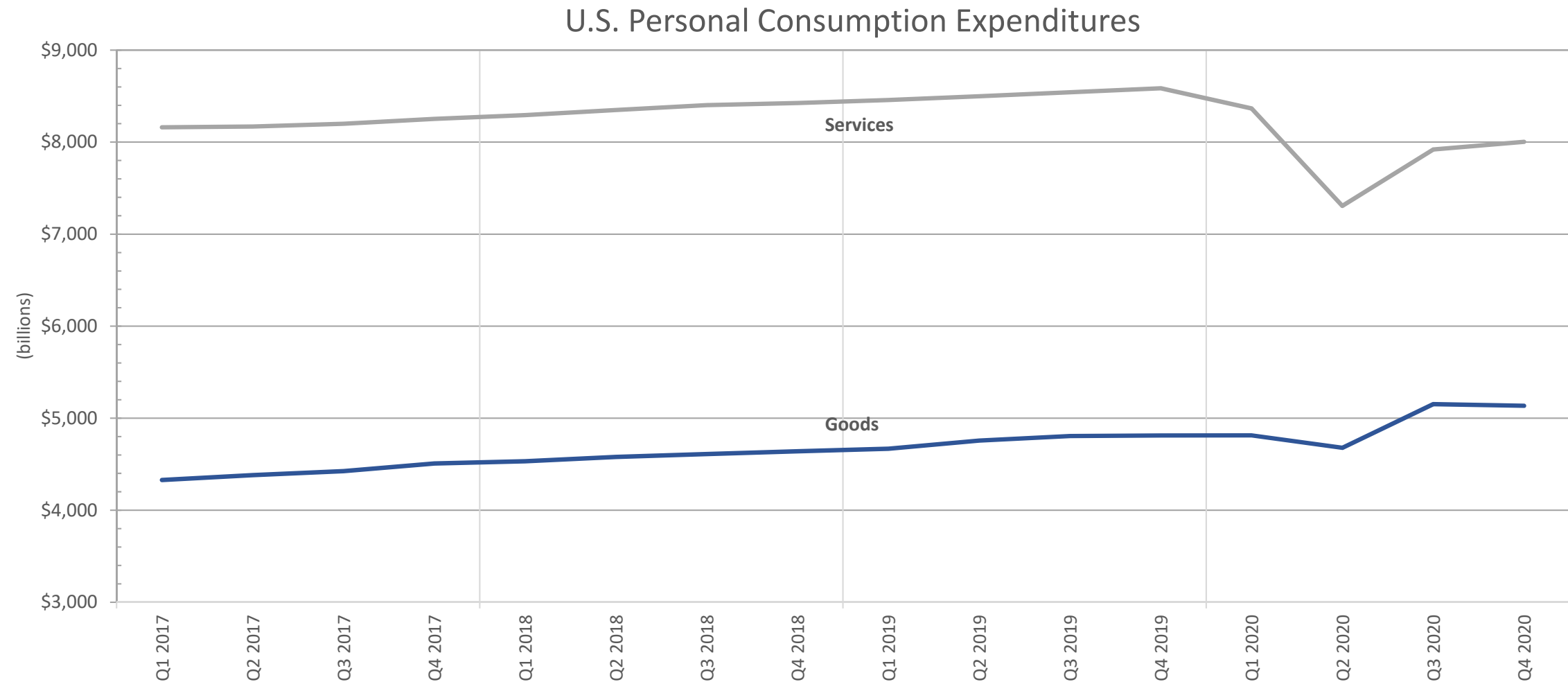


Source: U.S. Census Bureau, Advance Monthly Sales for Retail and Food Services, data through December 2020, 283-6 RFA/nmg/01/05/2020



# U.S. Consumer Spending

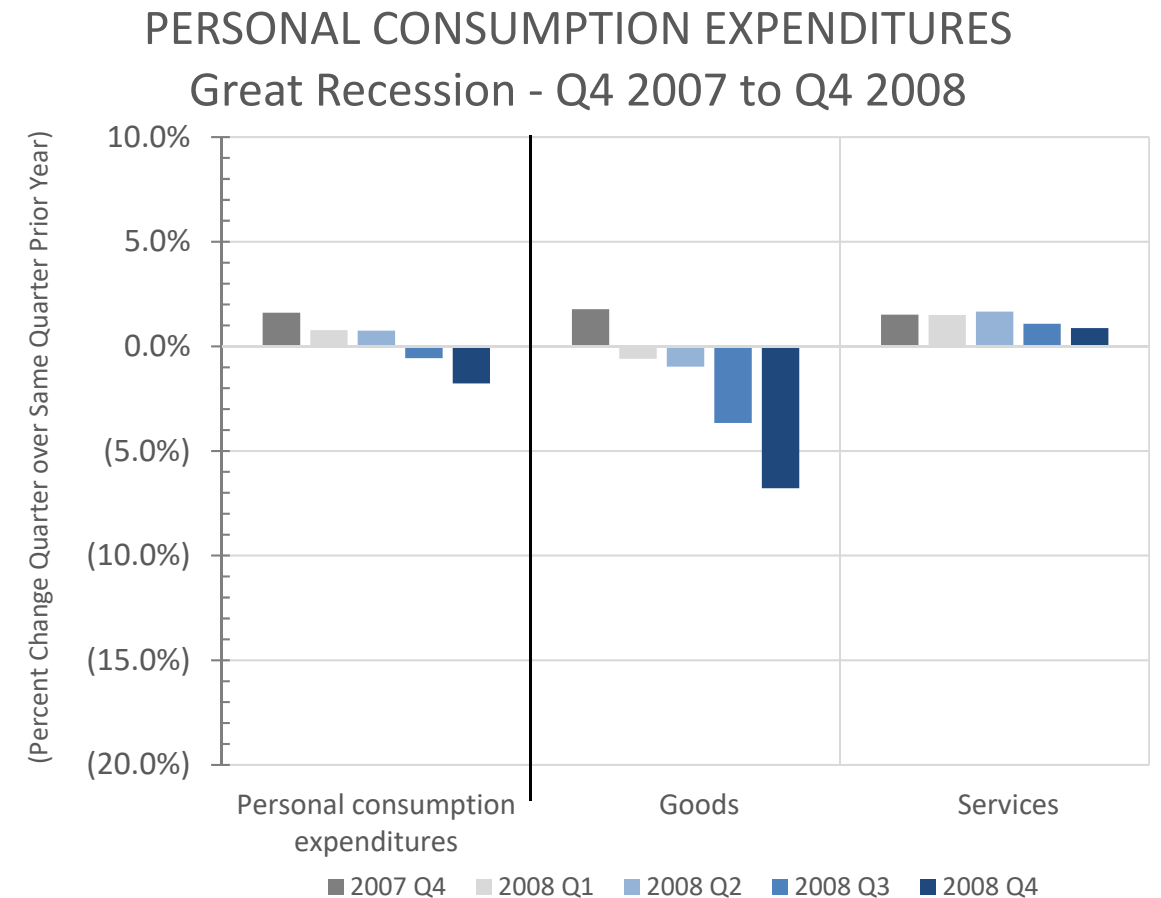
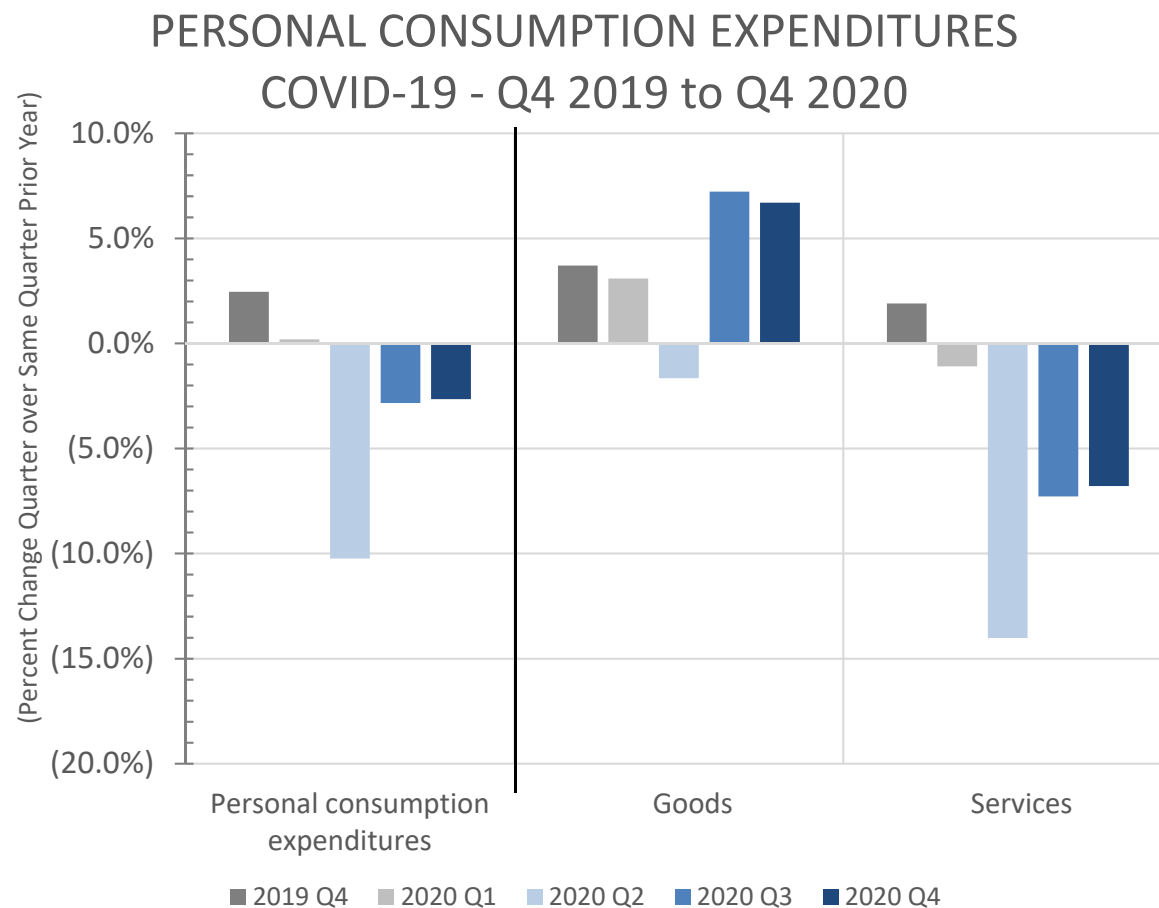
Consumption of goods is above historical trends while spending on services is well below normal



Source: U.S. Bureau of Economic Analysis; 299-RFA/lhj/03/29/2021

# Real GDP - Personal Consumption of Goods and Services

Consumption of services was down substantially more than goods in 2020;  
Great recession saw the reverse

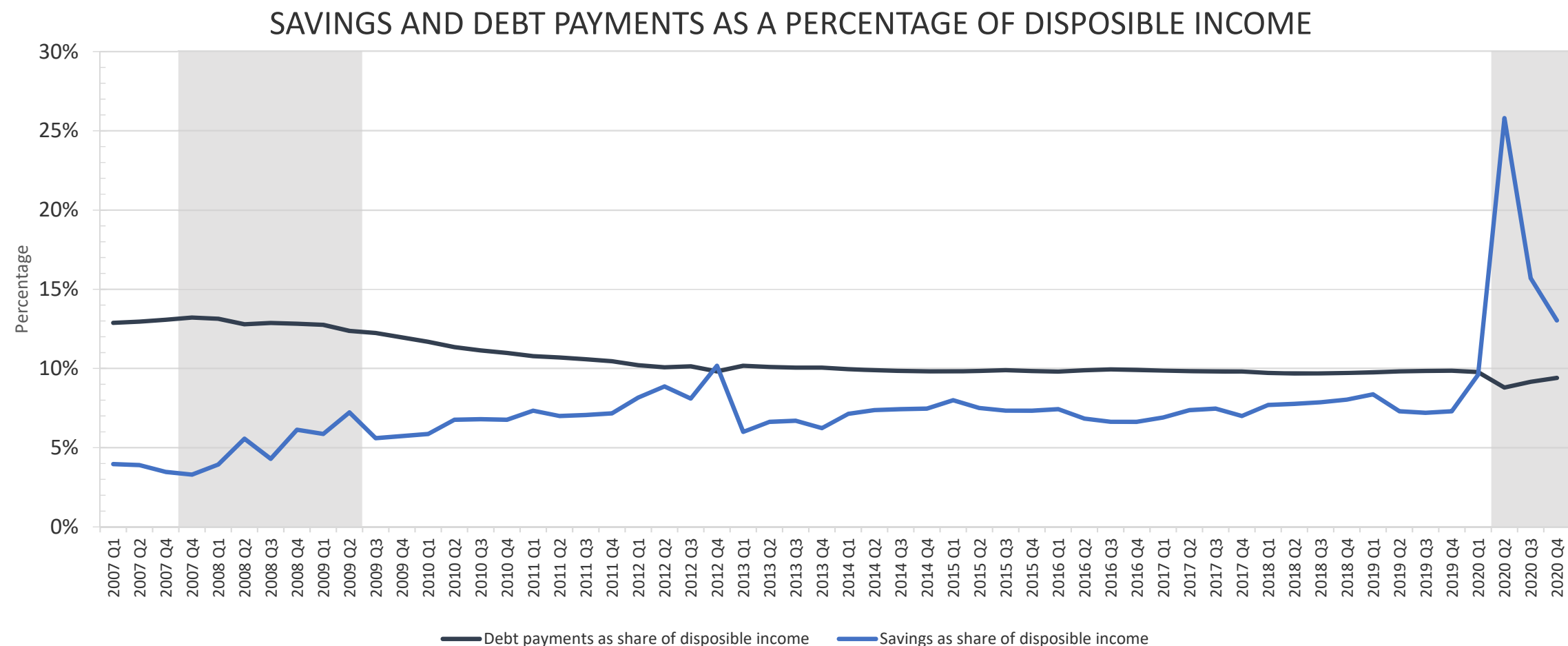


Source: Bureau of Economic Analyses 292B RFA/lhj/03/29/2021



# Consumer Savings

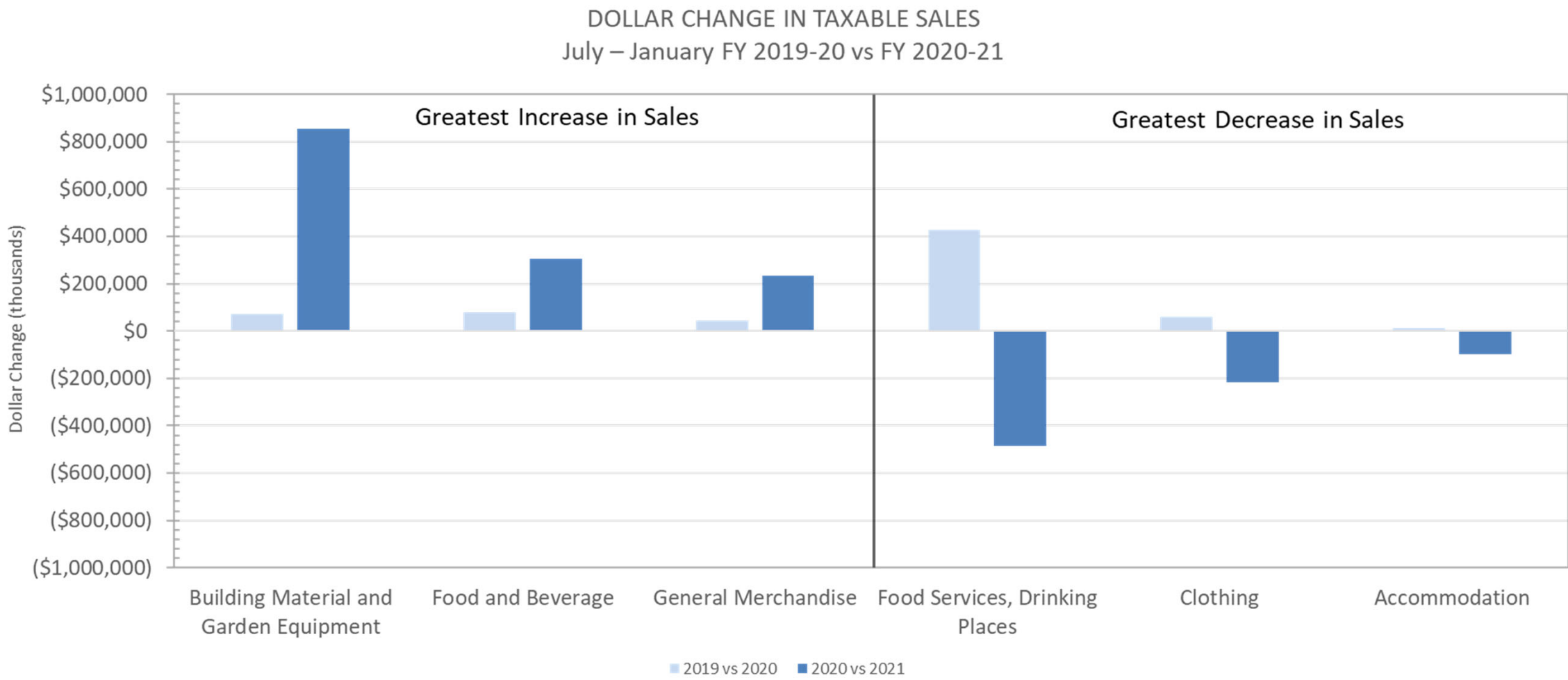
Continued spending expected in the short-run as households have lower debt and higher savings than after the previous recession



Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, 302-RFA/nmg/3/29/2021

# S.C. Sales by Sector

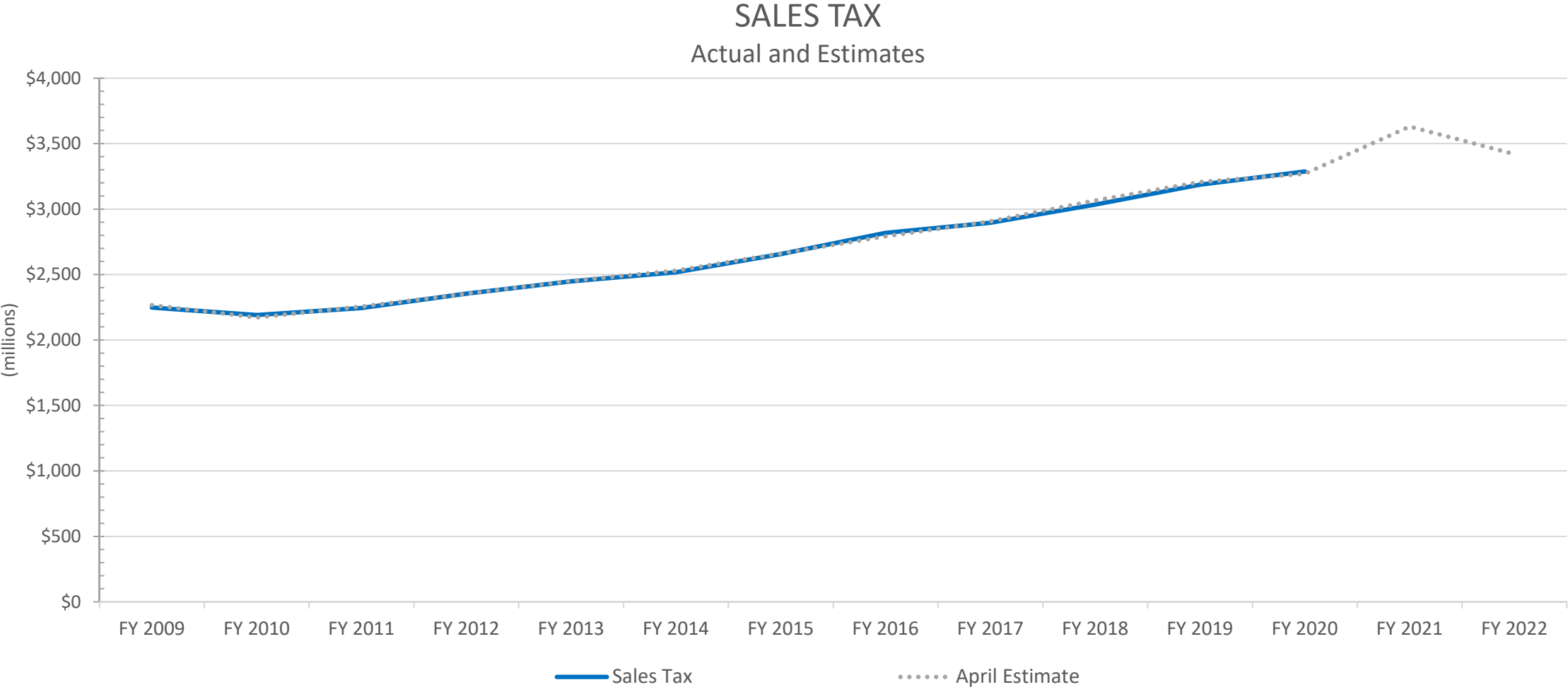
Pandemic spending habits have significantly impacted select industries



Source: Department of Revenue, Net Taxable Sales Data, data through January 2021, nmg/3/29/2021

# Sales Tax

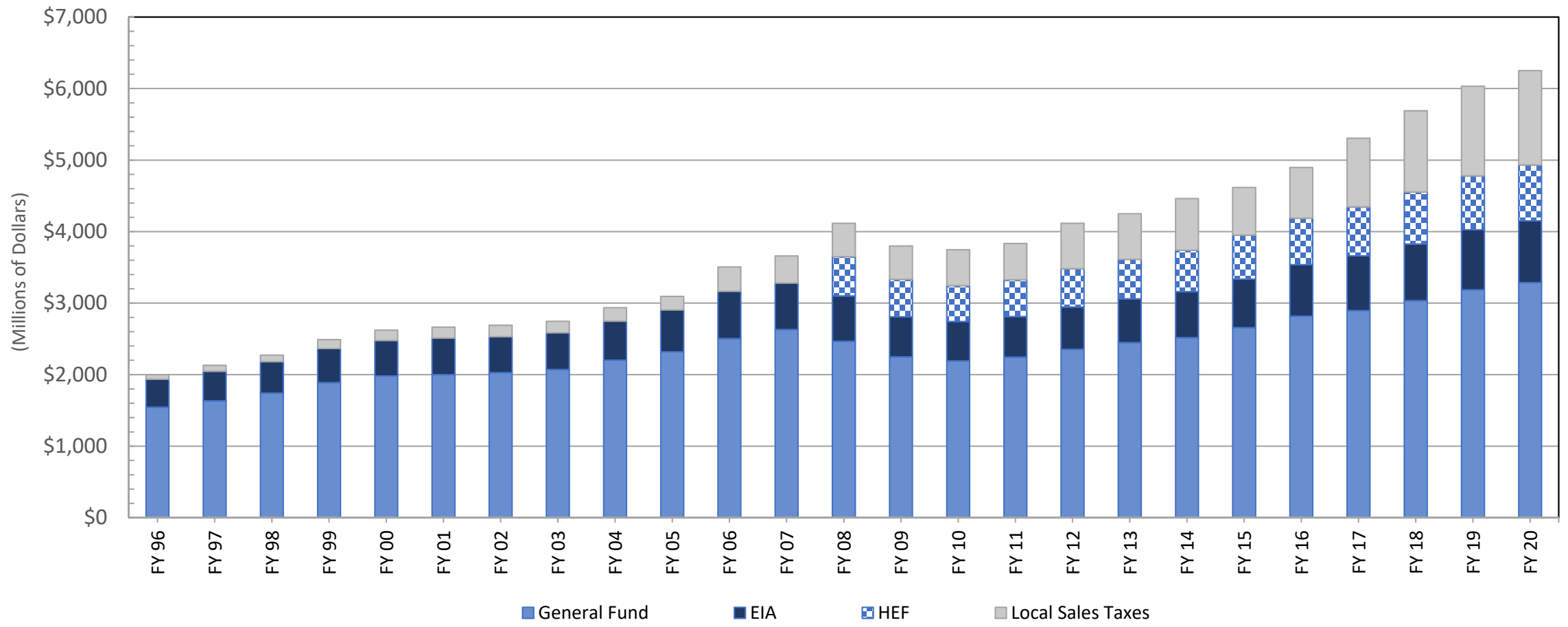
FY 21 estimate increased for actual results, stimulus, and spending patterns, but FY 22 is unchanged as one-time influences wane



# SC Sales Tax

Faster growth in local revenue as more options are adopted

SOUTH CAROLINA STATE AND LOCAL SALES TAXES

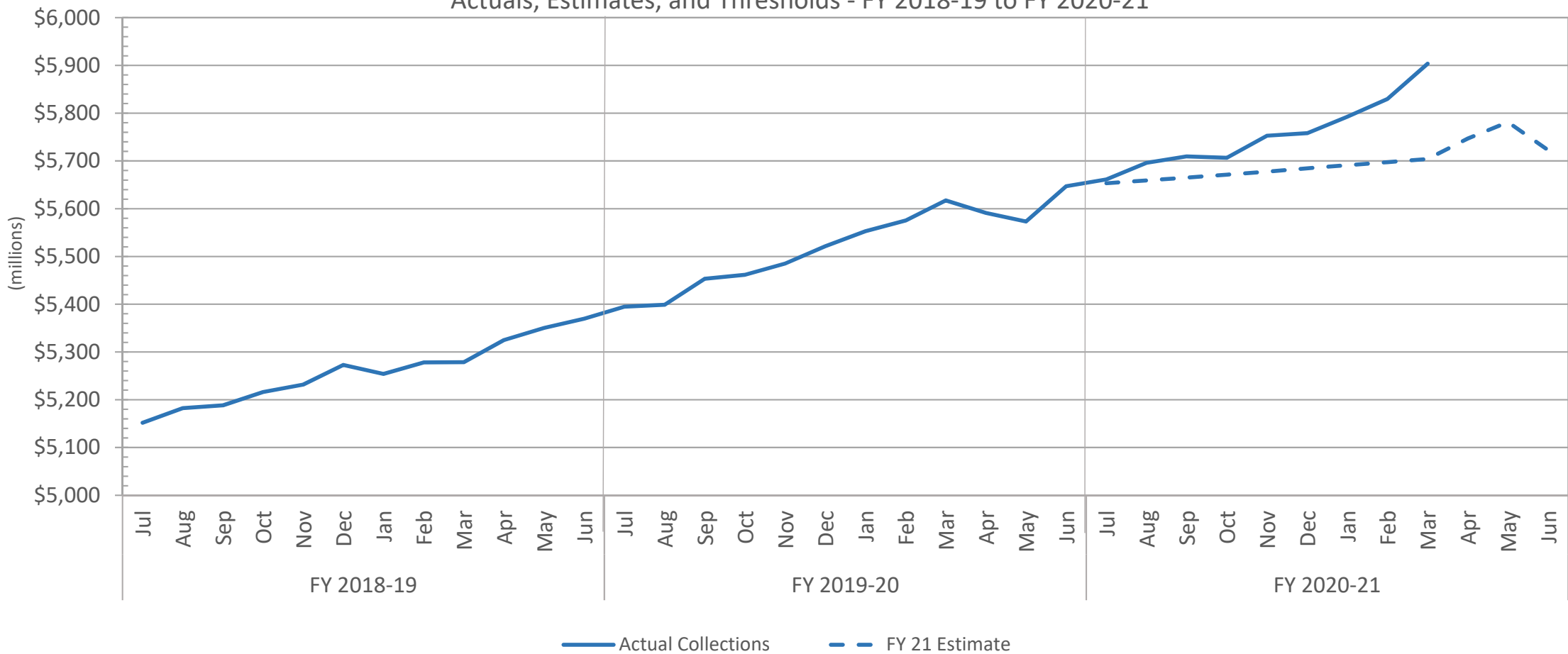


# Withholdings - Actual vs. November Estimate

Revenues exceed expectations by \$199.6 million; FYTD growth of 6.0% exceeds annual estimate of 1.3%

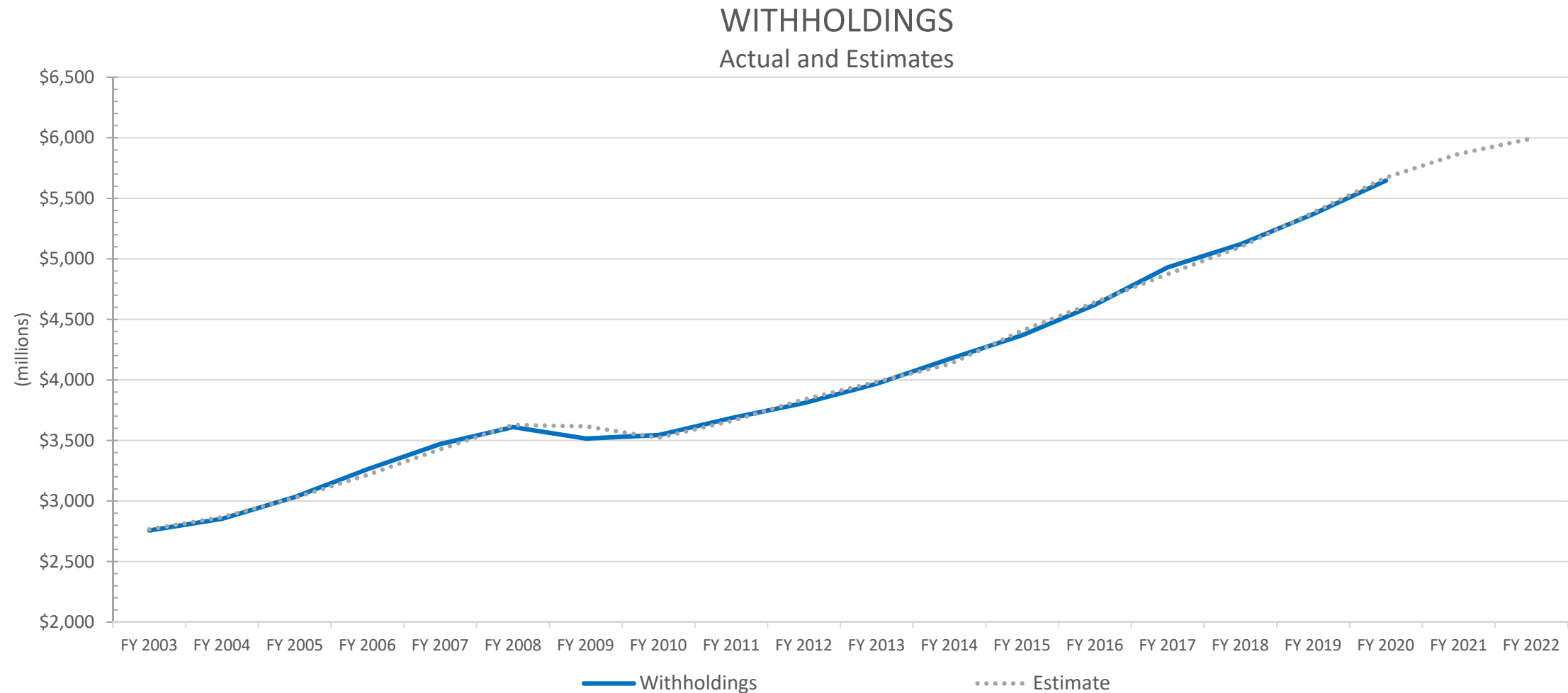
## ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

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



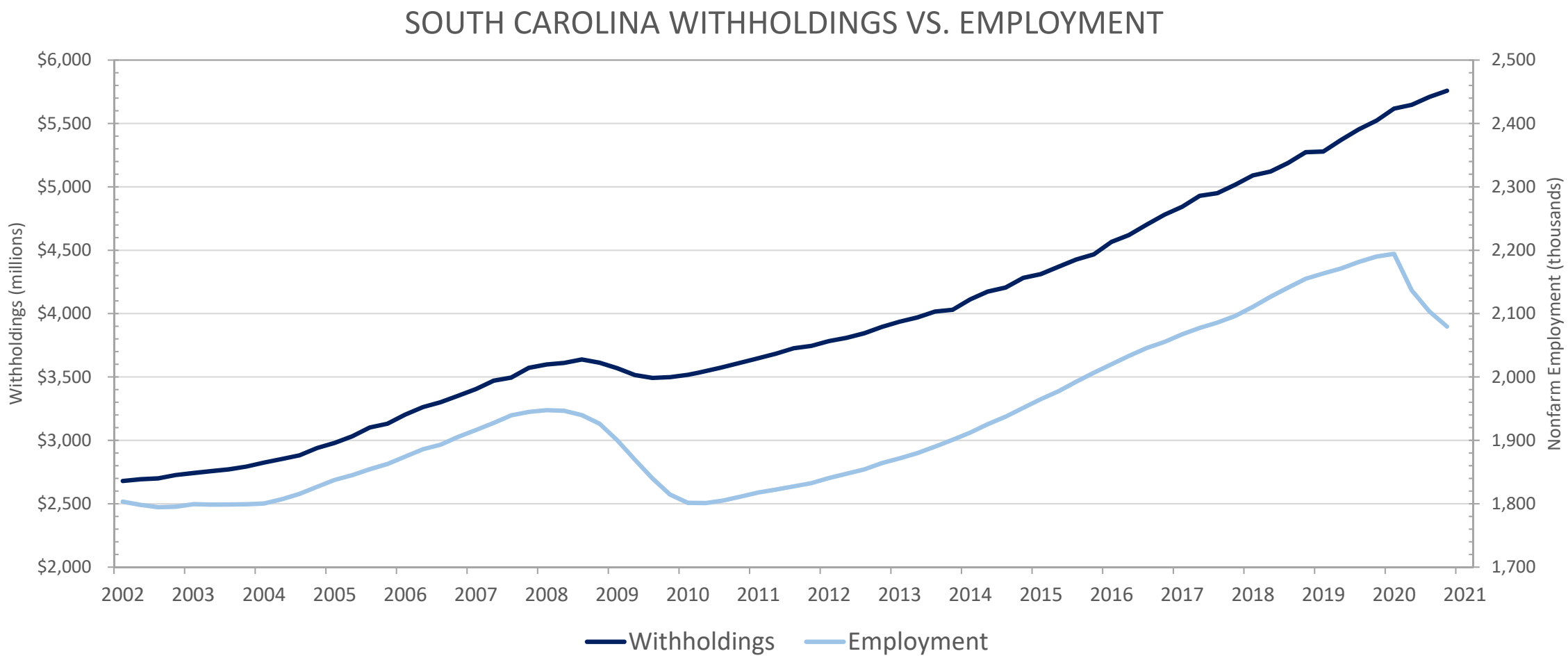
# Individual Income Withholdings

Updated revenue and income data result in higher expectations for FY 21 and FY 22



# SC Employment and Withholdings

FY 2020-21 withholdings grew despite employment decline due to disproportionate losses in low-wage jobs



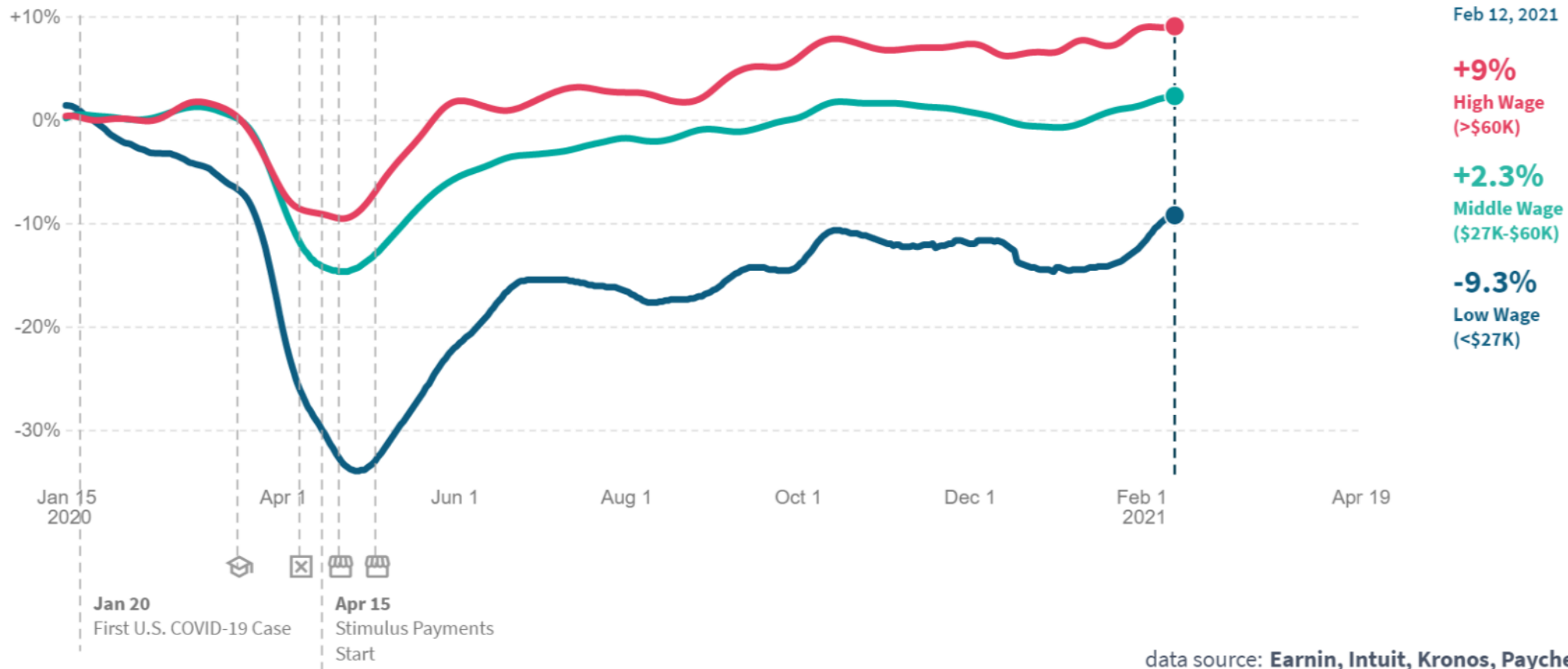
Source: U.S. Department of Labor, Bureau of Labor Statistics; Revenue and Fiscal Affairs RFA/bdc/3/26/2021

# SC Employment Change by Wage Level

## Employment losses are in low wage jobs; high wage jobs are up

### Percent Change in Employment\*

In **South Carolina**, as of **February 12 2021**, employment rates among workers in the bottom wage quartile **decreased** by **9.3%** compared to January 2020 (not seasonally adjusted).

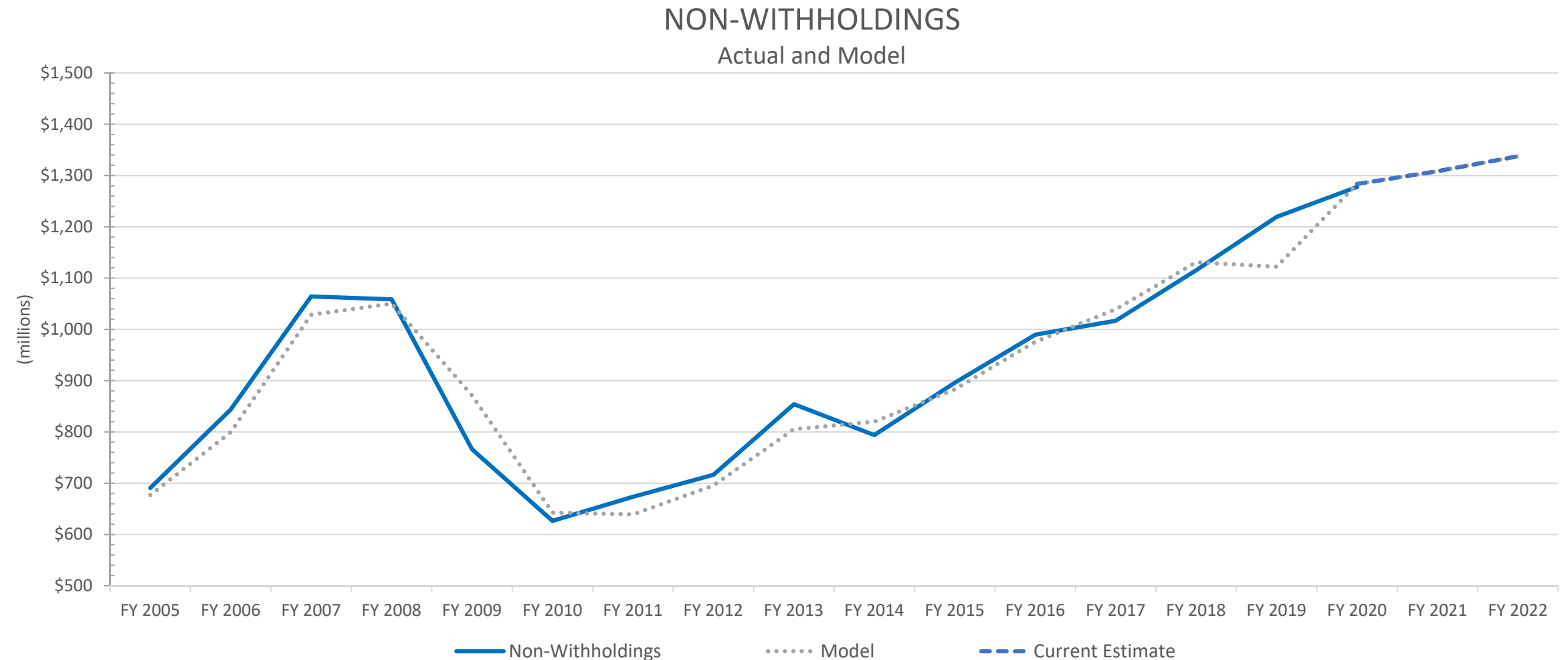


Source: Opportunity Insights Economic Tracker [tracktherecovery.org](https://tracktherecovery.org), retrieved April 19, 2021; Data as of February 12, 2021



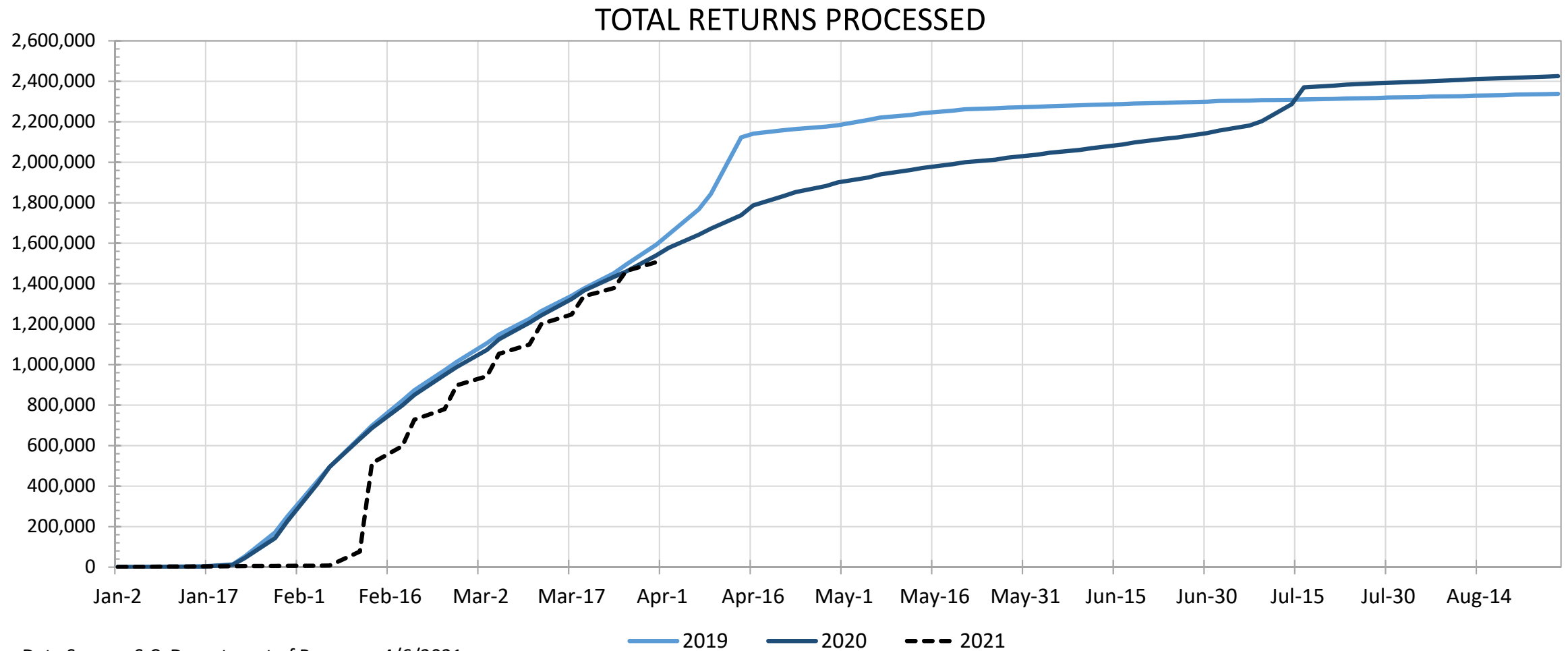
# Non-Withholdings

Updated revenue and income data result in improved expectations for FY 21 but less of an increase in FY 22



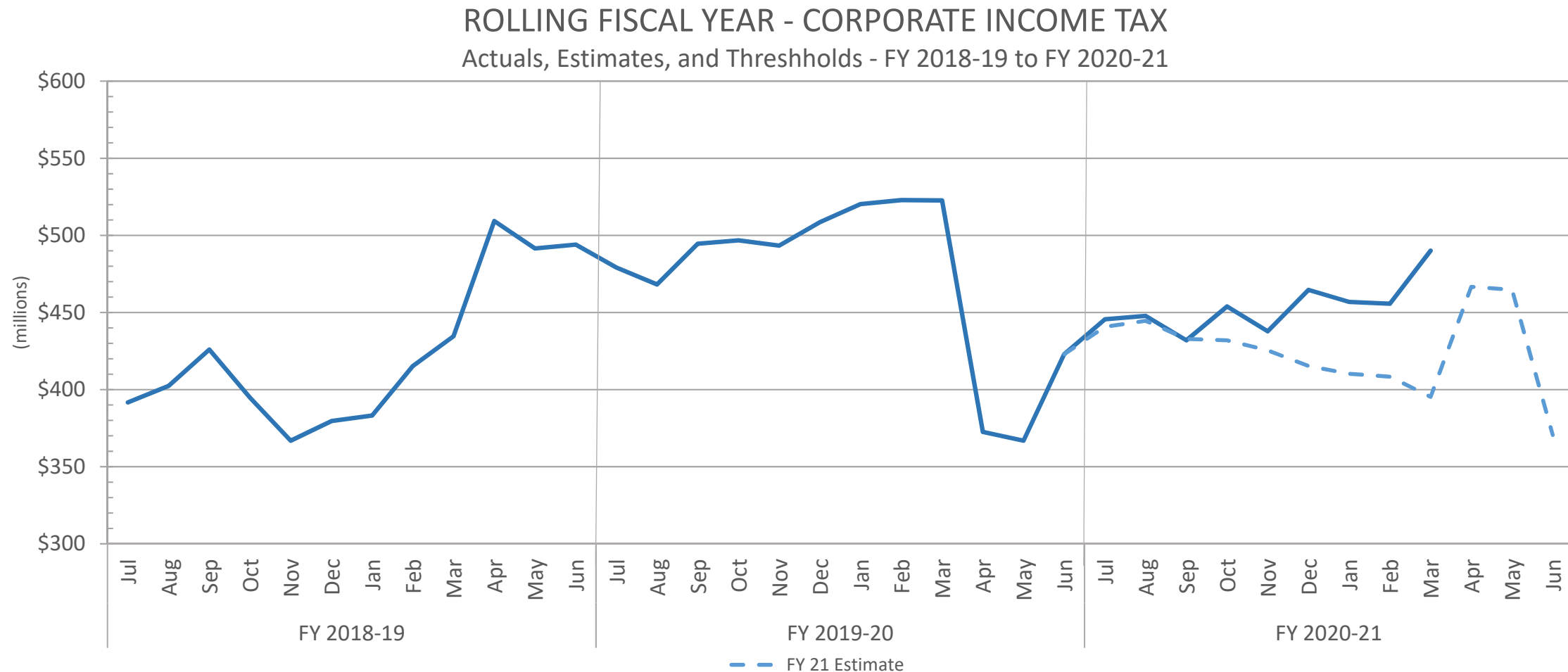
# Individual Income Tax Returns Filed

Deadline for filings extended to May 17, extending uncertainty of final results



# Corporate Income Tax – Actual vs. November Estimate

Collections exceed expectations by \$95.3 million, showing growth instead of expected decline

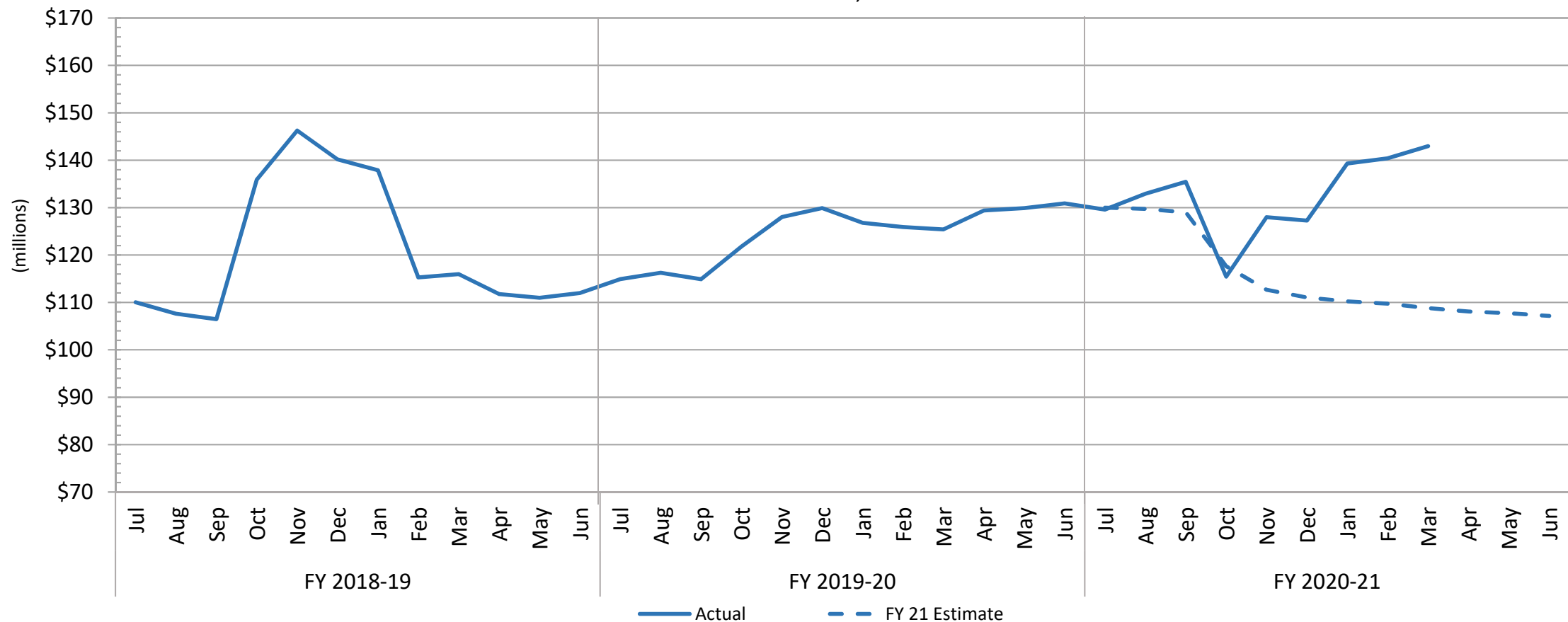


# Corporate License Tax – Actual vs. November Estimate

Revenues have grown instead of declining and are \$33.5 million above expectations; FY 21 working estimate is increased by \$30.7 million to \$137.9 million, no change to FY 22

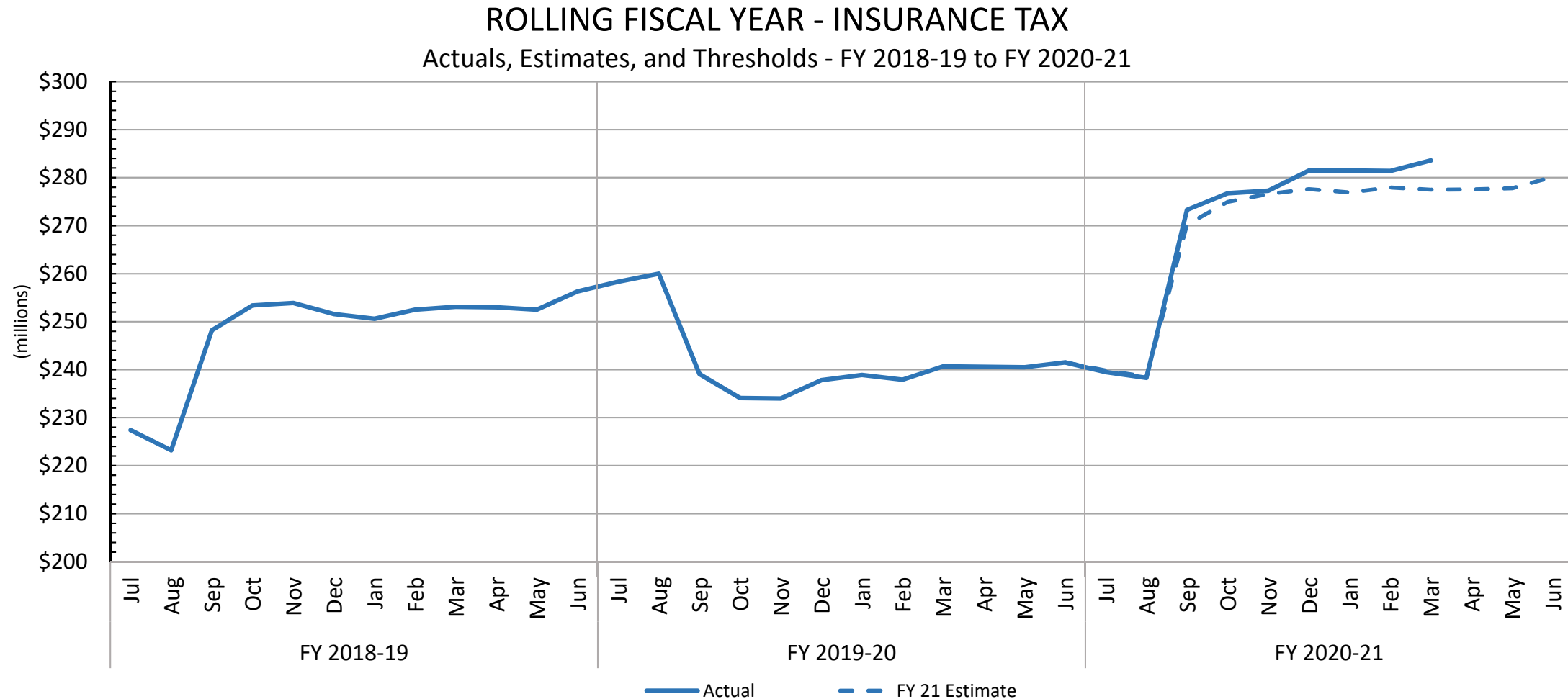
## ROLLING FISCAL YEAR - CORPORATE LICENSE TAX

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



# Insurance Tax – Actual vs. November Estimate

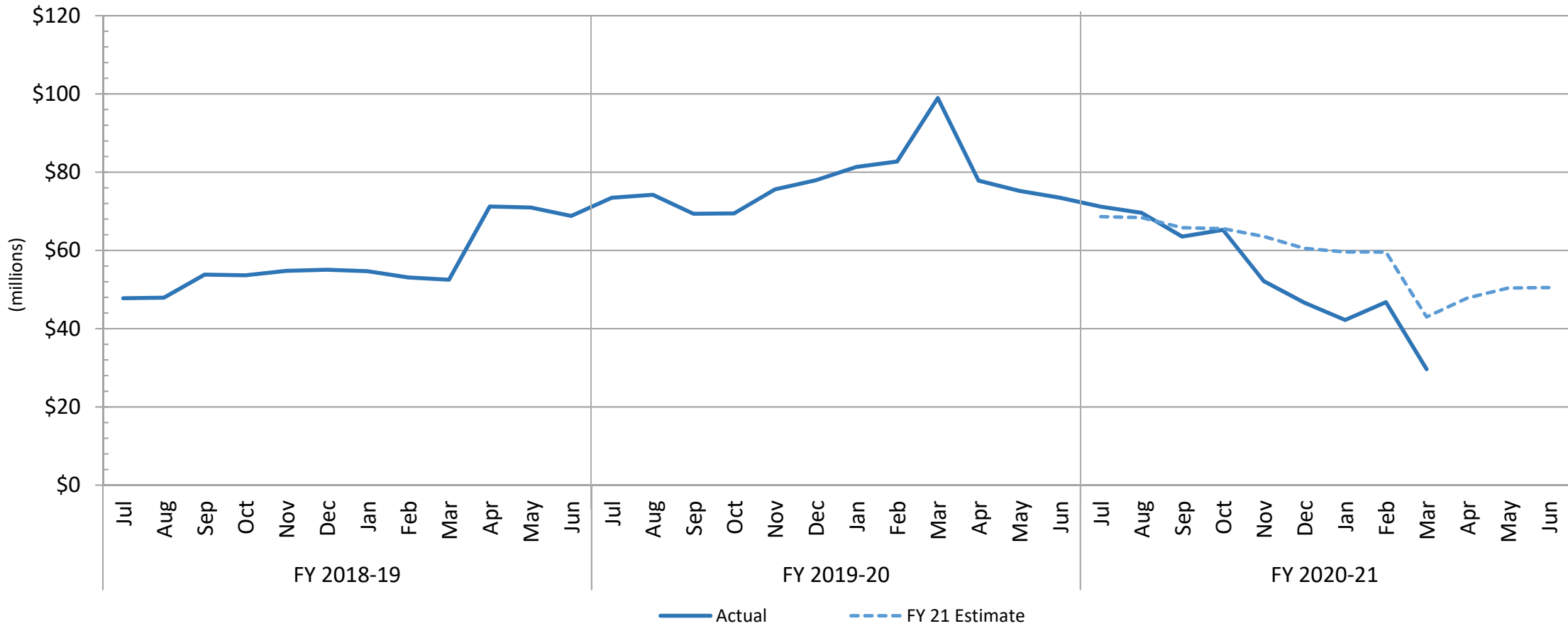
Collections are \$6 million above estimate – recommend no change to forecast



# Bank Tax – Actual vs. November Estimate

Collections are below forecast by \$13.4 million, including timing issue with delayed returns in March; working estimate is reduced by \$27.4 million to \$23.2 million

ROLLING FISCAL YEAR - BANK TAX  
Actuals, Estimates, and Thresholds - FY 2018-19 to FY 2021-22



# Estimates - April 2021

Reflect actual revenue, current but waning stimulus

## SUMMARY OF PROPOSED CHANGES

	FY 2020-21			FY 2021-22		
Revenue Category	Gross Estimate	Dollar Change from Current Estimate	Percent Change from FY 2019-20	Gross Estimate	Dollar Change from Current Estimate	Percent Change from FY 2020-21
Sales and Use Tax	\$3,630,230,000	\$258,772,000	10.4%	\$3,419,654,000	\$0	(5.8%)
Individual Income Tax	\$4,948,250,000	\$252,586,000	(1.4%)	\$5,064,667,000	\$237,564,000	2.4%
Corporate Income Tax	\$465,900,000	\$95,310,000	10.1%	\$465,900,000	\$118,600,000	0%
Insurance Tax	\$280,155,000	\$0	16.0%	\$256,190,000	\$0	(8.6%)
Earnings on Investments	\$75,000,000	(\$10,000,000)	5.3%	\$82,500,000	(\$17,500,000)	10.0%
Bank Tax	\$23,150,000	(\$27,350,000)	(4.6%)	\$32,000,000	(\$20,015,000)	38.2%
Other Revenues	\$638,080,000	\$41,084,000	1.0%	\$604,517,000	(\$2,266,000)	(5.3%)
General Fund Revenue	\$10,060,765,000	\$610,402,000	2.7%	\$9,925,428,000	\$316,383,000	(1.3%)



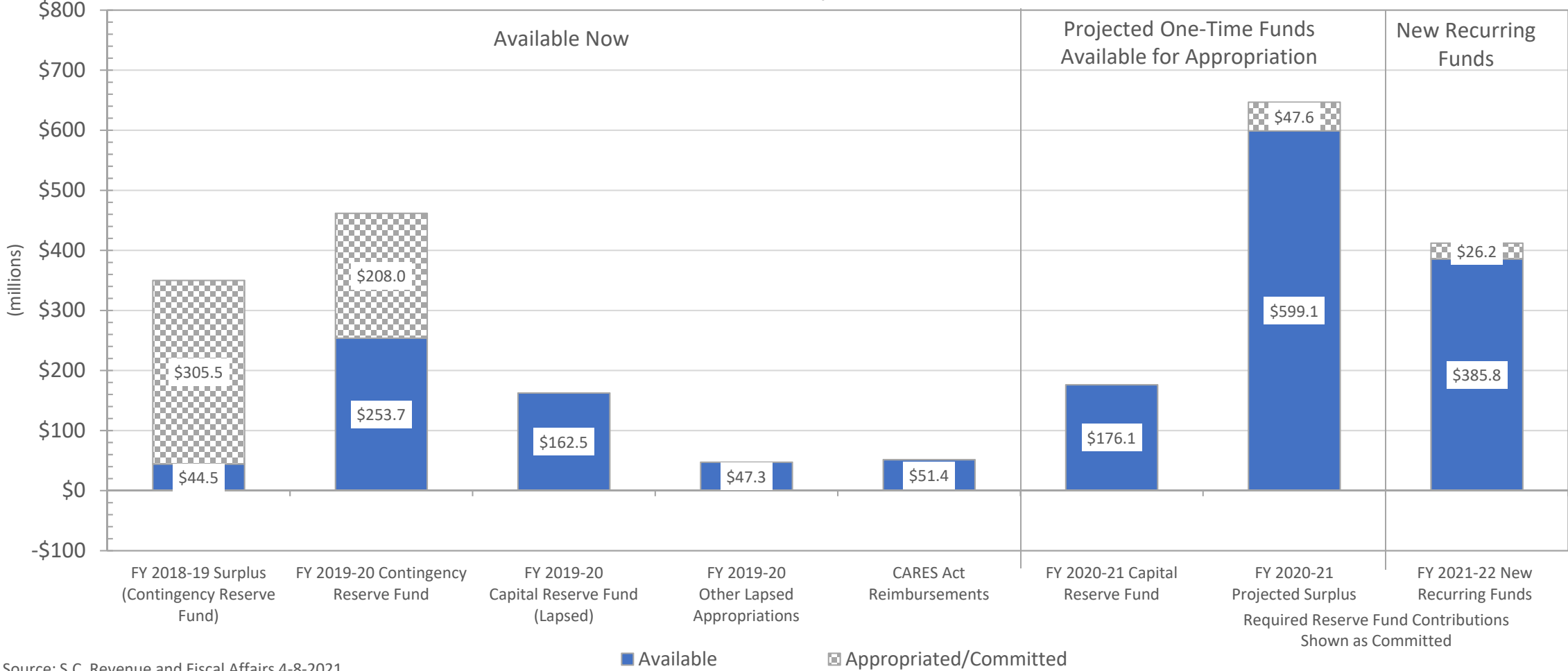
# FY 2021-22 Budget Outlook





# Available Funds – FY 2021-22 Budget Process

AVAILABLE FUNDS - FY 2021-22 BUDGET PROCESS  
as of April 8, 2021

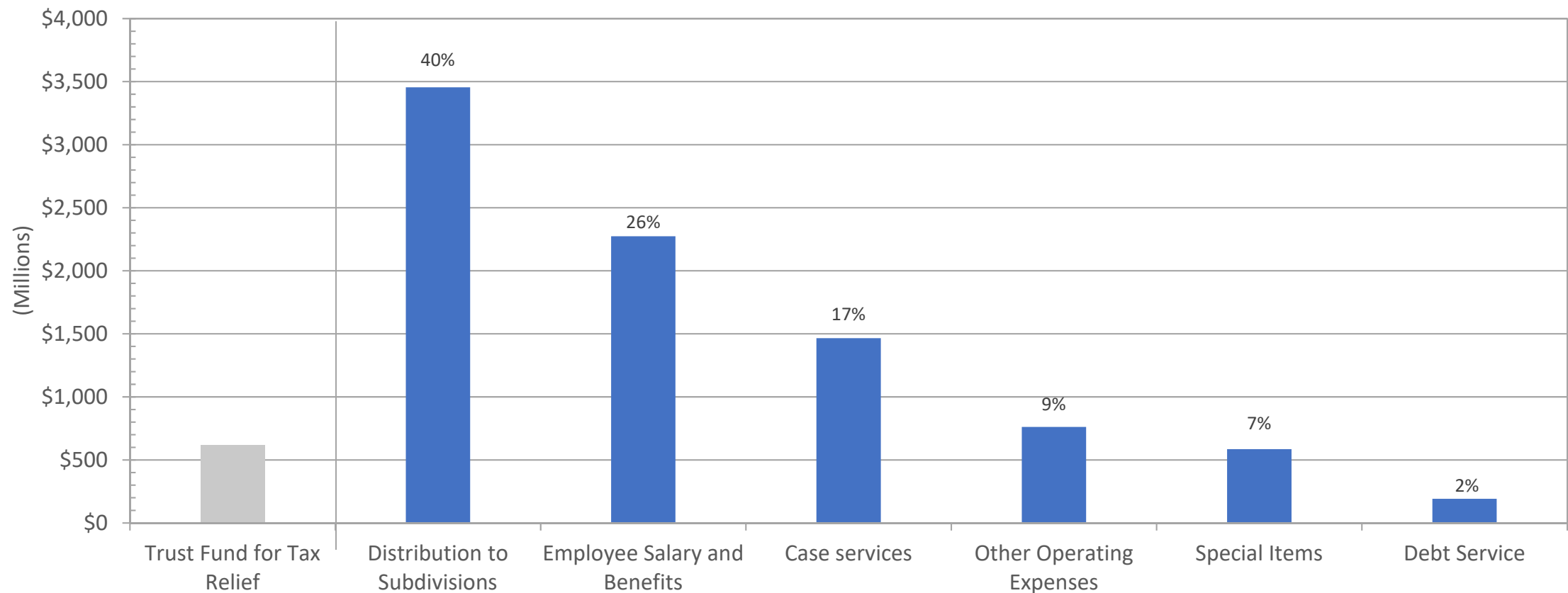


Source: S.C. Revenue and Fiscal Affairs 4-8-2021

# General Fund Expenditures by Type

## Bulk of expenses impact local communities

GENERAL FUND APPROPRIATIONS BY MAJOR BUDGET CATEGORY  
FY 2019-20



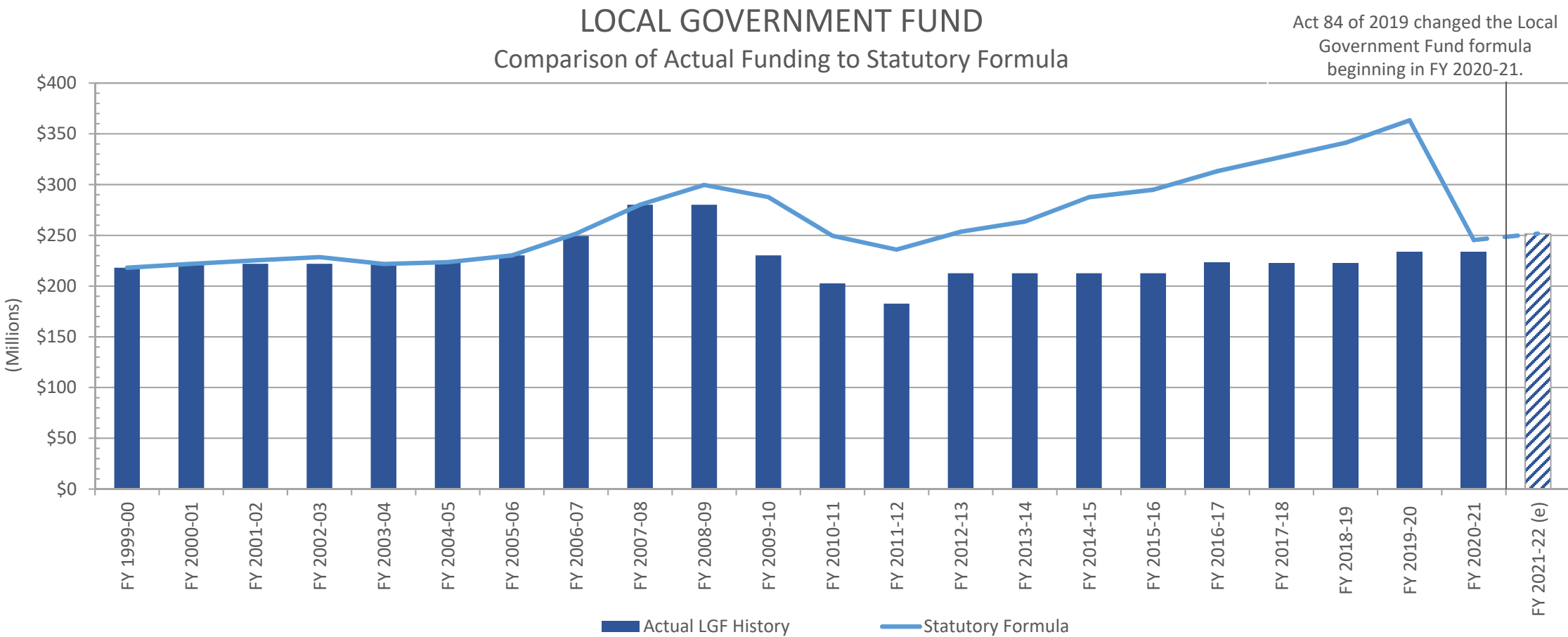
Source: S.C. Revenue and Fiscal Affairs, 195 AM/08/27/2020

# Local Government Topics



# Local Government Fund

## New formula increases funding at growth in the General Fund over the budget base

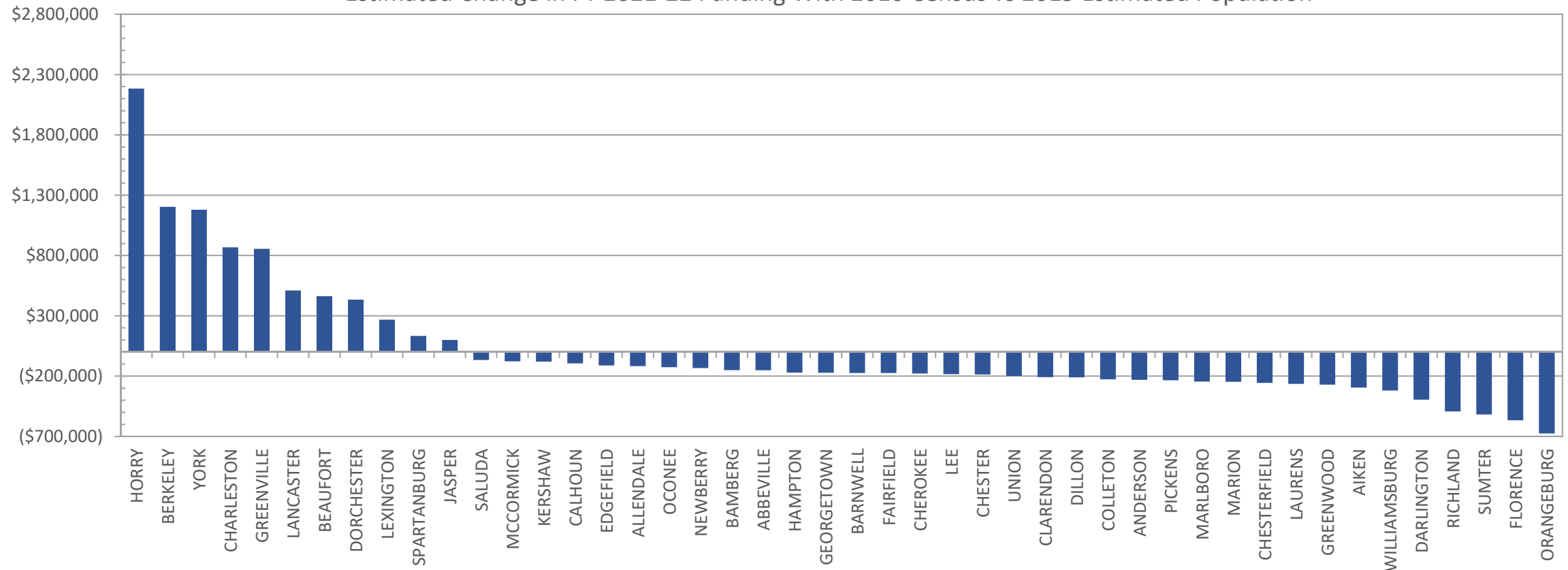


Note: FY 2020-21 is being funded at the same level as FY 2019-20 due to the continuing resolution adopted by the General Assembly on May 13, 2020. The FY 2021-22 statutory formula includes a catch up amount for FY 2020-21, and the House of Representatives appropriated \$251,364,745 on March 24, 2021.  
Source: S.C. Revenue and Fiscal Affairs Office - 193/lpw/4/16/2021

# County Local Government Fund Impact

## Estimated change in Local Government Fund due to Census population revision

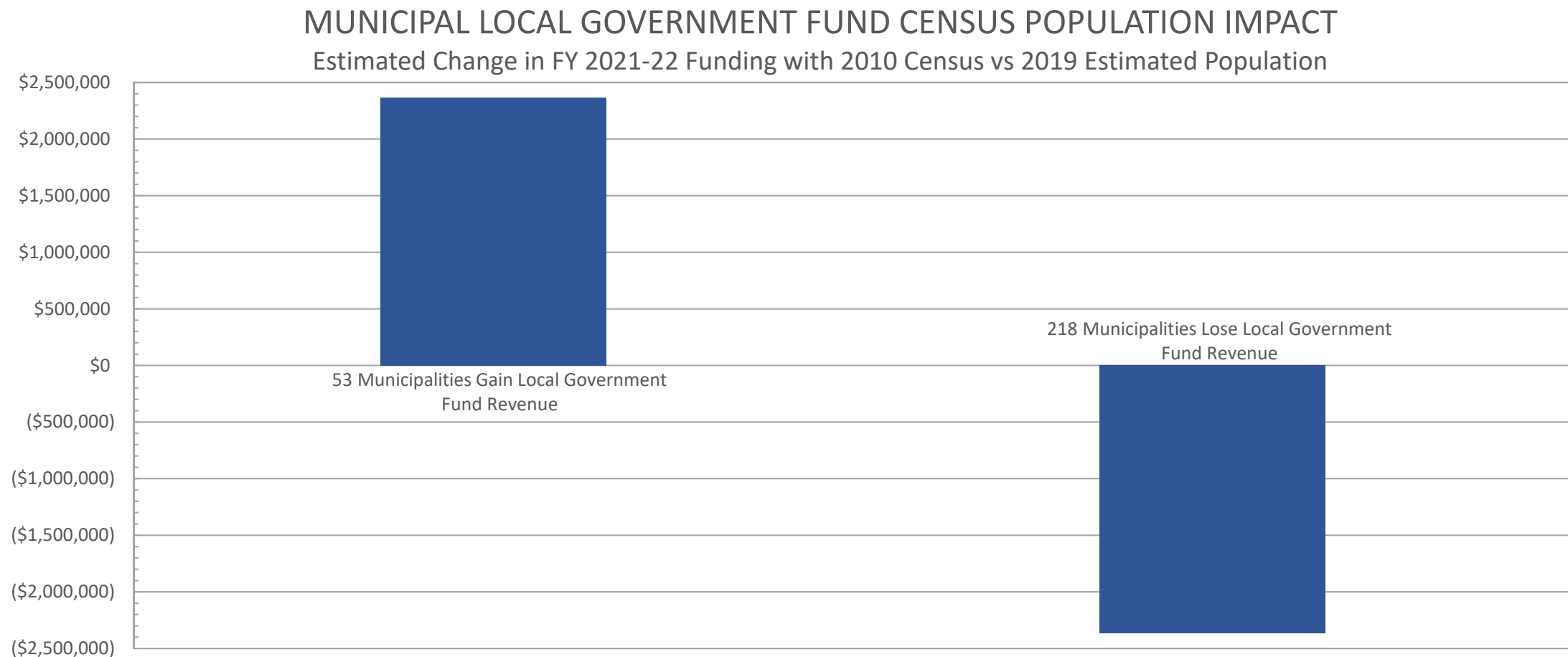
COUNTY LOCAL GOVERNMENT FUND CENSUS POPULATION IMPACT  
Estimated Change in FY 2021-22 Funding With 2010 Census vs 2019 Estimated Population



Note: Local Government Fund estimates are based upon recurring funds of \$251,364,745 as adopted by the House of Representatives on March 24, 2021. The population figures are based on 2010 U.S. Census Bureau data and 2019 U.S. Census population estimates. Source: S.C. Revenue and Fiscal Affairs Office - 211C/lpw/4/20/2021

# Municipal Local Government Fund Impact

## Estimated change in Local Government Fund due to Census population revision



Note: Local Government Fund estimates are based upon recurring funds of \$251,364,745 as adopted by the House of Representatives on March 24, 2021. The population figures are based on 2010 U.S. Census Bureau data and 2019 U.S. Census population estimates. Source: S.C. Revenue and Fiscal Affairs Office - 211G/lpw/4/20/2021

# Limitations on Increases in Property Tax Millage Rates

SC Code of Laws §6-1-320

	<u>FY 2020-21</u>	<u>FY 2021-22</u>
Inflation (all entities)	1.81%	1.26%
Population Change	0% to 3.18%	TBD
Counties		May 4 <sup>th</sup>
Cities		May 27 <sup>th</sup>
School Districts		May 4 <sup>th</sup>

## Notes

- If population declines, then growth rate is deemed to be 0%; applied to 18 counties in FY 21
- Annexation is not population growth
- Decennial Impact – Census to revised annual estimates to match Census

# Business License Fee Standard Classification

## SC Code of Laws §§6-1-400, 420

NAICS Sector/Subsector	Industry Sector	Class
11	Agriculture, forestry, hunting and fishing	2.00
21	Mining	4.00
23	Construction	8.10
31-33	Manufacturing	2.00
42	Wholesale trade	1.00
423930	Recyclable Material Merchant Wholesalers (Junk)	9.10
44-45	Retail trade	1.00
4411	Automobile Dealers	9.30
4412	Other Motor Vehicle Dealers	9.30
454390	Other Direct Selling Establishments (Peddlers)	9.41 & 9.42
48-49	Transportation and warehousing	2.00
482	Rail Transportation	8.20
51	Information	4.00
517311	Wired Telecommunications Carriers	8.30
517312	Wireless Telecommunications Carriers (except Satellite)	8.30
52	Finance and insurance	7.00
522298	Pawnshops	9.20
5241	Insurance Carriers	8.40
5242	Insurance Brokers for non-admitted Insurance Carriers	8.40
53	Real estate and rental and leasing	7.00
54	Professional, scientific, and technical services	5.00
55	Management of companies	7.00
56	Administrative and support and waste management and remediation services	4.00
61	Educational services	4.00
62	Health care and social assistance	4.00

NAICS Sector/Subsector	Industry Sector	Class
71	Arts, entertainment, and recreation	3.00
711190	Other Performing Arts Companies (Carnivals and Circuses)	9.60
713120	Amusement Parks and Arcades	8.51
713290	Nonpayout Amusement Machines	8.52
713290	Bingo Halls	9.50
713990	All Other Amusement and Recreational Industries ( pool tables)	8.60
721	Accommodation	3.00
722	Food services and drinking places	1.00
722410	Drinking Places (Alcoholic Beverages)	9.70
81	Other services	5.00



# Legislative Tax Issues and Tax Conformity



# Tax Conformity with Federal Provisions (H. 4017 of 2021)

## Thanks to Ken Newhouse - Moore Beauston & Woodham, LLP

Line	Provision	IRC §	FY 2021-22	FY 2022-23	
1	\$300 charitable deduction allowed without itemizing deductions in 2020 (See also Line 2)	62	(\$3,808,000)	\$0	<i>Not Adopted</i>
2	Certain charitable contributions deductible by non-itemizers in 2021 (\$300/\$600 married joint) (See also Line 1)	170	(\$7,035,000)	\$0	<i>Not Adopted</i>
3	Modification of limits on charitable contributions for 2020 (See also Line 4)	170	(\$10,498,000)	\$5,225,000	<i>Not Adopted</i>
4	Temporary modification of limitations on charitable contributions for 2021 (See also Line 3)	170	(\$7,000,000)	\$3,481,000	<i>Not Adopted</i>
5	Modifications to income limitations for net operating losses for 2018, 2019, and 2020 (Carrybacks not allowed by SC)	172	(\$38,577,000)	\$1,363,000	<i>Not Adopted</i>
6	Modification of limitation on losses for non-corporate taxpayers in 2018, 2019, and 2020	461(1)	(\$172,070,000)	\$729,000	<i>Not Adopted</i>
7	Personal protective equipment expenses included in educator expense deduction (DOR recommends adopting)	62(a)(2)(D)	(\$5,000)	(\$5,000)	<i>Not Adopted</i>

Line	Provision	IRC §	FY 2021-22	FY 2022-23	
8	Temporary allowance of full deduction for business meals through 2022	274(n)	(\$5,483,000)	(\$6,176,000)	<i>Not Adopted</i>
9	Special rules for qualified disaster relief charitable contributions	170	(\$195,000)	\$68,000	<i>Not Adopted</i>
10	Special rules for qualified disaster-related personal casualty losses	165	(\$3,312,000)	(\$1,019,000)	<i>Not Adopted</i>
<b>Section 1(B) of H. 4017- Additional Changes to Section 12-6-40(A)(1)</b>					
11	Small Business Association loan forgiveness		\$0	\$0	
12	Emergency financial aid grants to students not included in gross income		\$0	\$0	
13	Clarification of loan forgiveness and other business financial assistance		\$0	\$0	
<b>Section 3 of H. 4017- Adopt American Rescue Plan of 2020 Amendment</b>					
14	Exempt \$10,200 of unemployment compensation for tax year 2020		(\$61,300,000) <i>See impact for timing</i>		
<b>Individual Income Tax</b>			(\$61,300,000)	\$0	
<b>Corporate Income Tax</b>			(\$0)	\$0	
<b>Total Provisions Affecting Revenue</b>			<b>(\$61,300,000)</b>	<b>\$0</b>	



# Reimbursements for Tax Relief – Manufacturing Exemptions

## Judicial and statutory changes regarding utility eligibility

- Utility property that manufactures or generates electricity qualifies for the manufacturing property value exemption
  - 2017 Act No. 40 exempted 14.2857 percent of the property tax value of manufacturing property, with a six-year phase-in starting in 2018.
  - Duke Energy Progress, LLC, a utility company, protested its 2018 assessment because the Department of Revenue (DOR) did not include the exemption.
  - SC Administrative Law Court concluded that any property owned or leased by a utility that is used for manufacturing qualifies for the exemption. But any property NOT used for the manufacture or generation of electricity would not qualify. (Duke Energy Progress v. SCDOR ALC 19-ALJ17-0418-CC)
- Legislation is pending to expressly exclude manufacturers of electricity in tax year 2021 forward.

## Other Legislative Issues

- Tax Filing Option – Pass-through Trade and Business Income
  - S. 627
- Apportionment of Income – Broadcasters
  - House Budget Proviso 109.16
- Homestead Exemption Sales Tax – Excess Revenues
  - H. 4064

# Motor Fuel User Fee Credit

## SC Code of Laws §12-6-3780

Total Credits Subject to Annual Limitation

	<u>Max</u>	<u>Actual/Est.</u>
Tax Year 2018: 3 cents per gallon (63.4% proration)	\$40m	\$2.0m
Tax Year 2019: 5 cents per gallon (78.6% proration)	\$65m	\$3.4m
Tax Year 2020: 7 cents per gallon (100% of credit)	\$85m	\$25m (e)
Tax Year 2021: 9 cents per gallon – TBD (Aug. 2021)	\$110m	
Tax Year 2022: 11 cents per gallon – TBD (Aug. 2022)	\$114m	

## Auditing Topics - 9-1-1 Audits §23-47-50(E)

- Requires the “emergency telephone system” fund be included in the audit of the local governments
- RFA must regularly review audits and report any findings or concerns to the board
- Funds may be withheld if audits are not submitted or findings are not corrected

# Auditing Topics

- 9-1-1 Audits §23-47-50(E)
  - Requires the “emergency telephone system” fund be included in the audit of the local governments
  - Audit must include a supplementary schedule detailing revenue and expenses by category
    - RFA will distribute a template for this schedule to local governments before June 2021
  - RFA must regularly review audits and report any findings or concerns to the board
  - Funds may be withheld if audits are not submitted or findings are not corrected

# SC Wireless 9-1-1 Program Update

- Transition to NG9-1-1
  - RFA is facilitating a collaborative effort with local jurisdictions to implement NextGeneration technology across the state
  - The new technology expands means of communication, improves system reliability, and provides more accurate caller location information through a statewide emergency services IP network (ESInet)
  - RFA will begin migrating the first group of Public Safety Answering Points (PSAPs) to the new system this summer and continue remaining transitions through 2026

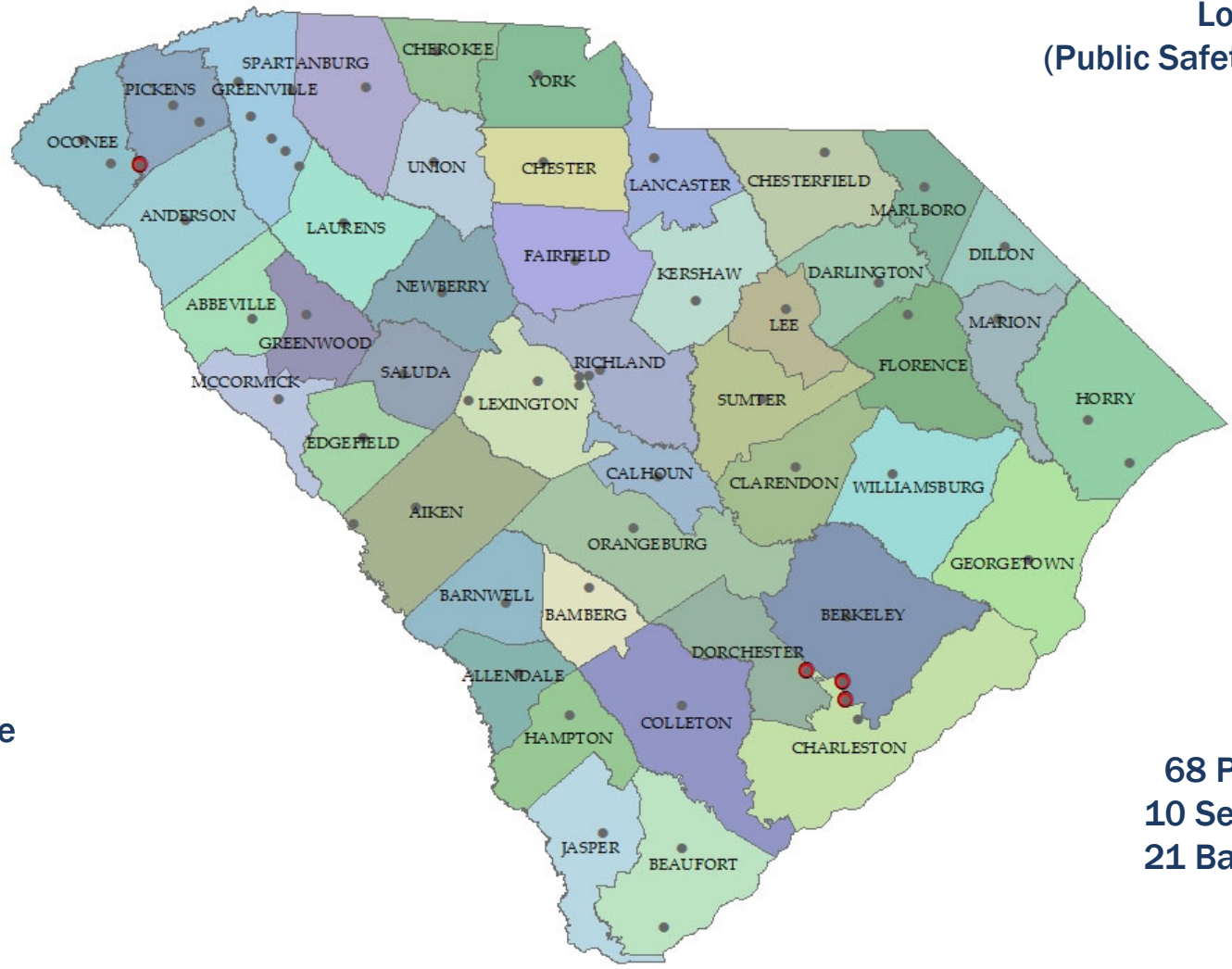


# South Carolina 9-1-1 Community

Local PSAPs  
(Public Safety Answering Points)

Revenue and Fiscal Affairs  
SC Wireless 9-1-1 Program

SC 9-1-1 Advisory Committee



68 Primary PSAPs  
10 Secondary PSAPs  
21 Backup Locations

# Draft Form for E9-1-1 Audit

## Schedule of revenues, expenditures, and changes in fund balance

	YTD ACTUAL 9-1-1 FUND	
REVENUES**		
Intergovernmental Revenues:	-	(Continued)
State	-	
Local	-	
Fees and Service Charges:	-	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
Interest and Investment Income/(loss):	-	-
Other:	-	OTHER FINANCING SOURCES (USES)
TOTAL REVENUE ALL SOURCES	-	
EXPENDITURES**		Transfers In
Public Safety Communications:	-	-
Personnel Services	-	Transfers Out
General Operating	-	-
Repairs and Maintenance	-	TOTAL OTHER FINANCING SOURCES (USES)
Contractual Services	-	-
Supplies	-	NET CHANGE IN FUND BALANCE
Service Charges	-	-
Other	-	FUND BALANCE, Beginning of Year
Total Public Safety Communications	-	-
Capital Outlay	-	FUND BALANCE, End of Year
Depreciation	-	-
TOTAL EXPENDITURES	-	

# Auditing Topics - Local Government Financial Report §6-1-50

- RFA reporting requirement different than that for the Comptroller General
- Potential penalty of withholding 10 percent of state funding for not reporting
- Reports for FY 2017-18 – Withholding on 27 municipalities
- Reports for FY 2018-19 (due March 15, 2020) – Extension granted to June 15, 2020; received 46 counties and 222 of 272 municipalities
- Reports for FY 2019-20 (due March 15, 2021) – Received 35 of 46 counties and 165 of 272 municipalities

*(as of April 2021)*

# Revenue and Fiscal Affairs Office

RFA is responsible for providing diverse sets of fiscal and statistical analyses, reports, and other services to the Governor, General Assembly, state and local government entities, the private sector, and the citizens of the state.

The agency has a staff of approximately seventy-five comprised of analysts, statisticians, epidemiologists, database administrators, web developers, GIS analysts, economists, surveyors, and project and program managers.



## Conclusion & Questions

“Well, my friends, the time has come  
To raise the roof and have some fun  
Throw away the work to be done ...”

- Lionel Richie, “All Night Long”