



# REVENUE DIGEST

## FINAL FY 2020-21 & JULY FY 2021-22

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### South Carolina Economy

In July 2021, South Carolina’s employment recovery continued its upward trajectory. Total nonfarm employment increased to 2,140,400, only 1.6% below pre-pandemic levels. A majority of industries, including the heavily hit Leisure and Hospitality sector, are now above or nearly equal to pre-pandemic employment levels. A portion of the remaining difference is due to seasonal effects in education-related positions in the Government sector, which are normally down in July due to summertime school closures. Further, driven in part by federal spending, strong collections across the majority of tax categories in FY 2020-21 reflect the state’s robust economic growth during a year marked by the uncertainty of COVID-19.

### General Fund Revenue

This fiscal year ended with total General Fund revenues \$1.296 billion higher than last fiscal year, resulting in a General Fund revenue increase of 13.2 percent for FY 2020-21. Despite a drop in employment and the challenges presented by the pandemic, the state collected more in revenue across almost all categories than expected. Through March, fiscal year-to-date revenues were running \$84.8 million ahead of the revised April forecast, with the impact of tax filing season and the third round of stimulus still to be seen. However, tax season proved strong; excess growth ballooned over the estimate, leading to an unprecedented revenue surplus of \$1.028 billion even though employment was down 3.6 percent on average over the year compared to February 2020. Notably, revenue growth in the final four months was 23.8 percent. This strong growth for FY 2020-21, however, raises concerns for FY 2021-22 as it is unclear how the economy will perform without continued stimulus funds.

**Table 1. General Fund Revenue Growth Summary**

Revenue Category	Growth Rates	
	FY 2020-21 Actual	FY 2020-21 Forecast
<b>Sales Tax</b>	16.4%	10.4%
<b>Individual Income Tax</b>	8.0%	(1.4%)
<b>Corporate Income Tax</b>	58.2%	10.1%
<b>Other Revenue Items</b>	10.2%	(4.5%)
<b>Total General Fund Revenue</b>	<b>13.2%</b>	<b>2.7%</b>





# REVENUE DIGEST

## FINAL FY 2020-21 & JULY FY 2021-22

### Revenue Categories

#### Sales Tax

- July collections increased 20 percent over last year, resulting in growth of 16.4 percent for the fiscal year overall, well above the estimated growth of 10.4 percent.
- Consumer behavior has changed since the beginning of the pandemic in March 2020, with individuals shifting spending away from services and towards taxable goods in response to health concerns and service business closures. Retail spending in South Carolina has remained high since May 2020 compared to January 2020, with recent spending up 25.2 percent in August 2021 and growing faster than the nation at 20.6 percent<sup>1</sup>. This growth is higher than what was observed last August, which hovered around 20 percent, indicating that the consumer behavior shift towards spending more on goods has not yet waned. Further, it is unclear how long this high Sales tax growth trend that has been driven by behavior changes and the federal stimulus payments will continue as we move into FY 2021-22.

#### Individual Income Tax

- Individual Income tax revenue totaled \$5,421.3 million in FY 2020-21 compared to \$5,019.4 million in FY 2019-20, a growth rate of 8.0 percent. Notably, this yearly growth is slightly understated due to late July 2020 filings that did not meet the deadline to be accrued back to FY 2019-20. Correcting for the estimated \$146.8 million in extra Refunds and \$59.6 million in extra Non-Withholdings yields an increased growth rate of 11.7 percent.
- Withholdings collections were a major contributor to this yearly growth as the FY 2020-21 total settled at \$6,041.2 million. At 7.0 percent growth over the previous fiscal year, Withholdings collections remained strong as the heaviest impact of the pandemic fell on the lowest-earning employment sectors, while the higher-earning sectors saw less of an impact. While resiliency in collections was expected, higher than projected employment gains, wage gains, and unemployment compensation meant that the forecasted Withholdings growth of 3.9 percent was surpassed.
- Non-Withholdings collections were also a substantial contributor to overall Individual Income tax growth. Driven by robust financial market returns, strong proprietors' income growth, and elevated business startups, total collections growth reached 24.8 percent over the previous fiscal year. This result was surprising not only in that income grew during the pandemic, but that it grew by such a large amount.
- Refunds ended the year at \$2,214.8 million, up 16.2 percent over the previous fiscal year compared to the estimate of 16.8 percent. This growth was largely driven by an estimated

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<sup>1</sup> Harvard University, Brown University, and the Bill and Melinda Gates Foundation. "Opportunity Insights: Economic Tracker." Track the Recovery, 2021. <https://tracktherecovery.org/>.





# REVENUE DIGEST

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\$158.0 million in delayed tax year 2020 filings, as well as by increased refunds processed due to job losses.

### Corporate Income and License Tax

- Fiscal year-to-date Corporate Income tax collections grew \$246.2 million over last fiscal year, settling at a fiscal year end growth rate of 58.2 percent. Collections reached an all-time high of \$669.2 million.
- Corporate Income tax collections greatly surpassed expectations, with fiscal year-end growth settling at \$203.3 million above the forecast. Virtually all of the growth occurred in the last quarter of the fiscal year after the April forecast. At the time of our estimate, Corporate Income taxes totaled \$314 million through the first nine months, but then grew by \$355 million in the final three months.

### FY 2021-22 July Revenues

General Fund revenues for the first month of the new fiscal year totaled \$570.3 million, up 29.3 percent over the previous year. Much of this growth is artificial due to timing issues related to the delay of tax filing in 2020 that pushed tax refunds into July last year. However, the annualized growth over two years prior, which was not affected by filing delays, was 6.5 percent. Additionally, Withholdings for July are up 6.9 percent over the same month in 2021.

### Conclusion

Fiscal year-end revenues exceeded estimates by \$1,028.4 million as strong economic activity and continued changes in consumer behavior drove unprecedented revenue growth during the pandemic. This unexpected outcome resulted in 13.2 percent General Fund revenue growth in FY 2020-21 over FY 2019-20, compared to an estimated 2.7 percent. The current bump in the economy may be largely driven by federal spending, pent-up demand, and changes in consumer behavior as the economy continues to adjust during the pandemic. After netting the revenue surplus with final expenditures, a balance of \$1,023.8 million will be transferred to the Contingency Reserve Fund and be available for appropriation by the General Assembly.

However, the high growth experienced in FY 2020-21 is likely unsustainable throughout FY 2021-22, and revenues are expected to decline as federal stimulus subsidies and income levels decrease without these payments. Figure 1 shows the spike in personal income and the expected decline with the lack of federal stimulus. It is unclear, though, when this change will occur. As shown in Figure 2, General Fund Revenue as a percentage of Total Personal Income jumped to approximately 4.3 percent, outside its ten-year range of 3.9 to 4.1 percent. Updated Personal Income data will be released in September and may provide additional insight into the forecast. The BEA will hear testimony from industry representatives and economists at the next two meetings and will consider how final FY 2020-21 results may impact the estimate for FY 2021-22 at the November meeting.





# REVENUE DIGEST

## FINAL FY 2020-21 & JULY FY 2021-22

Figure 1. South Carolina Total Personal Income, Actuals and Estimates

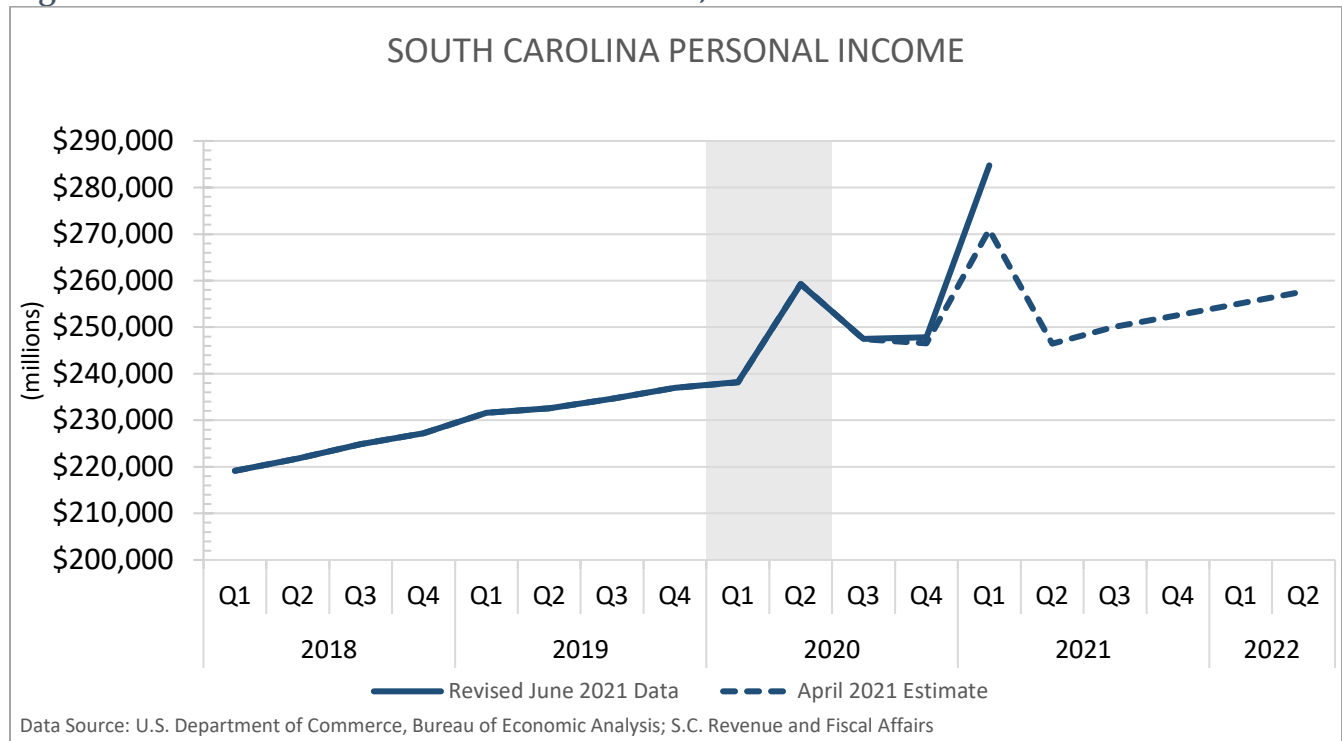
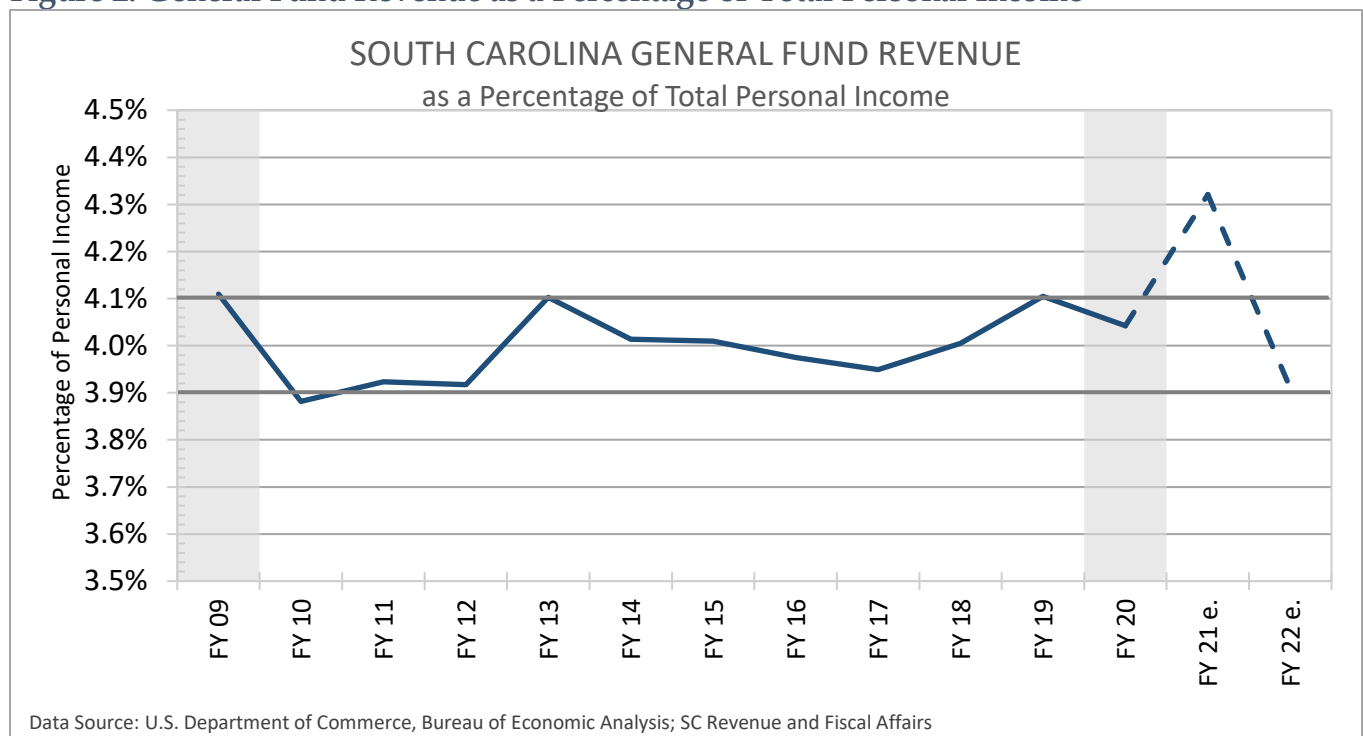


Figure 2. General Fund Revenue as a Percentage of Total Personal Income





# REVENUE DIGEST

## FINAL FY 2020-21 & JULY FY 2021-22

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### Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be on September 23, 2021. The BEA will address the fiscal year-end in more detail at this time, as well as recent economic trends.





13th Month

Table 1

General Fund Revenue	FY 2019-20	FY 2020-21	\$ Change	% Change
Sales and Use Tax	\$317,857,434	\$381,492,947	\$63,635,514	20.0%
Individual Income Tax	\$362,912,574	(\$420,000)	(363,332,574)	---
Corporation Income Tax	\$102,783,016	\$0	(102,783,016)	---
Insurance Taxes	\$0	\$0	0	---
Admissions Tax	\$2,666,769	\$5,423,264	2,756,495	103.4%
Aircraft Tax	\$0	\$0	0	---
Alcoholic Liquor Tax	\$8,359,733	\$10,710,298	2,350,565	28.1%
Bank Tax	\$4,510,381	\$0	(4,510,381)	---
Beer and Wine Tax	\$10,016,685	\$10,549,743	533,058	5.3%
Bingo Tax	(\$90,638)	(\$219,748)	(129,110)	---
Business Filing Fees	(\$17,354)	\$0	17,354	---
Circuit/Family Court Fines	\$0	\$0	0	---
Corporation License Tax	\$0	\$0	0	---
Documentary Tax	\$7,458,488	\$14,136,173	6,677,685	89.5%
Earned on Investments	\$1,064,104	\$12,389	(1,051,715)	(98.8%)
Indirect Cost Recoveries	\$1,862,399	\$1,237,382	(625,017)	(33.6%)
Motor Vehicle Licenses	\$46,415	\$550	(45,865)	(98.8%)
Nursing Home Fees	\$0	\$0	0	---
Parole and Probation Fees	\$0	\$0	0	---
Private Car Lines Tax	\$0	\$0	0	---
Public Service Authority	\$0	\$0	0	---
Purchasing Card Rebates	\$0	\$0	0	---
Record Search Fees	\$0	\$0	0	---
Savings and Loan Assoc. Tax	\$0	\$0	0	---
Security Dealer Fees	\$0	\$0	0	---
Surcharge on Vehicle Rentals	\$0	\$0	0	---
Tobacco Tax	\$2,625,210	\$2,484,274	(140,935)	(5.4%)
Uncashed Checks	\$0	\$0	0	---
Unclaimed Property Fund	\$0	\$0	0	---
Workers' Comp. Insurance Tax	\$2,313,254	\$2,924,555	611,301	26.4%
Other Source Revenues	\$1,241,099	\$3,053,644	1,812,544	146.0%
<b>Gross General Fund Revenue</b>	<b>\$825,609,568</b>	<b>\$431,385,472</b>	<b>(\$394,224,096)</b>	<b>(47.7%)</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.



Final

Table 2

General Fund Revenue	FY 2019-20	FY 2020-21	\$ Change	% Change
Sales and Use Tax	\$3,286,771,744	\$3,825,920,335	\$539,148,591	16.4%
Individual Income Tax	\$5,019,420,030	\$5,421,280,543	401,860,513	8.0%
Corporation Income Tax	\$423,028,678	\$669,221,114	246,192,436	58.2%
Insurance Taxes	\$241,496,469	\$293,235,485	51,739,016	21.4%
Admissions Tax	\$24,858,654	\$29,531,233	4,672,579	18.8%
Aircraft Tax	\$2,621,301	\$2,877,150	255,849	9.8%
Alcoholic Liquor Tax	\$81,089,410	\$101,569,635	20,480,225	25.3%
Bank Tax	\$73,484,038	\$69,828,425	(3,655,613)	(5.0%)
Beer and Wine Tax	\$112,351,535	\$116,859,053	4,507,518	4.0%
Bingo Tax	(\$678,982)	\$418,565	1,097,547	---
Business Filing Fees	\$7,979,168	\$12,763,604	4,784,437	60.0%
Circuit/Family Court Fines	\$5,731,715	\$5,366,354	(365,361)	(6.4%)
Corporation License Tax	\$130,867,571	\$148,136,873	17,269,302	13.2%
Documentary Tax	\$81,757,989	\$118,902,924	37,144,935	45.4%
Earned on Investments	\$130,855,336	\$72,623,590	(58,231,746)	(44.5%)
Indirect Cost Recoveries	\$15,269,683	\$23,269,863	8,000,180	52.4%
Motor Vehicle Licenses	\$10,977,190	\$12,128,159	1,150,969	10.5%
Nursing Home Fees	\$3,480,988	\$3,355,741	(125,247)	(3.6%)
Parole and Probation Fees	\$3,392,808	\$3,392,808	0	0.0%
Private Car Lines Tax	\$6,351,887	\$6,673,116	321,229	5.1%
Public Service Authority	\$17,479,000	\$17,135,000	(344,000)	(2.0%)
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	\$8,489,235	\$1,147,447	(7,341,788)	(86.5%)
Security Dealer Fees	\$27,533,590	\$29,188,874	1,655,284	6.0%
Surcharge on Vehicle Rentals	(\$816,951)	(\$848)	816,103	---
Tobacco Tax	\$27,009,655	\$28,786,137	1,776,482	6.6%
Uncashed Checks	\$2,434,382	\$3,064,334	629,952	25.9%
Unclaimed Property Fund	\$15,000,000	\$15,000,000	0	0.0%
Workers' Comp. Insurance Tax	\$13,142,343	\$12,516,852	(625,491)	(4.8%)
Other Source Revenues	\$14,128,597	\$37,384,561	23,255,964	164.6%
<b>Gross General Fund Revenue</b>	<b>\$9,793,194,794</b>	<b>\$11,089,126,540</b>	<b>\$1,295,931,746</b>	<b>13.2%</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.



July

Table 3

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$0	\$0	(\$0)	---
Individual Income Tax	\$393,426,292	\$519,179,576	125,753,284	32.0%
Corporation Income Tax	\$38,836,277	\$36,413,257	(2,423,020)	(6.2%)
Insurance Taxes	\$1,030,523	\$3,603,223	2,572,700	249.6%
Admissions Tax	\$0	\$0	(0)	---
Aircraft Tax	\$0	\$0	0	---
Alcoholic Liquor Tax	\$372,592	\$174,010	(198,582)	(53.3%)
Bank Tax	\$2,398,479	(\$767,814)	(3,166,293)	---
Beer and Wine Tax	\$404,092	\$459,772	55,680	13.8%
Bingo Tax	\$3,000	\$4,000	1,000	33.3%
Business Filing Fees	\$450,711	\$524,858	74,147	16.5%
Circuit/Family Court Fines	\$617,990	\$501,720	(116,270)	(18.8%)
Corporation License Tax	\$3,586,622	\$4,928,605	1,341,983	37.4%
Documentary Tax	\$0	\$0	0	---
Earned on Investments	\$3,616,232	\$4,046,065	429,833	11.9%
Indirect Cost Recoveries	\$53,713	\$126,600	72,887	135.7%
Motor Vehicle Licenses	(\$1,108,191)	(\$478,305)	629,886	---
Nursing Home Fees	\$0	\$0	0	---
Parole and Probation Fees	\$282,734	\$282,734	0	0.0%
Private Car Lines Tax	\$7	\$0	(7)	---
Public Service Authority	\$0	\$0	0	---
Purchasing Card Rebates	\$0	\$0	0	---
Record Search Fees	\$0	\$0	0	---
Savings and Loan Assoc. Tax	\$140,806	\$18,266	(122,540)	(87.0%)
Security Dealer Fees	\$10,874	\$0	(10,874)	---
Surcharge on Vehicle Rentals	\$3,894	\$0	(3,894)	---
Tobacco Tax	\$12,390	\$82,181	69,791	563.3%
Uncashed Checks	(\$24,245)	(\$352,102)	(327,857)	---
Unclaimed Property Fund	\$0	\$0	0	---
Workers' Comp. Insurance Tax	(\$2,599,825)	(\$400,000)	2,199,825	---
Other Source Revenues	(\$448,194)	\$1,941,726	2,389,920	---
<b>Gross General Fund Revenue</b>	<b>\$441,066,773</b>	<b>\$570,288,372</b>	<b>\$129,221,599</b>	<b>29.3%</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.