



REVENUE DIGEST

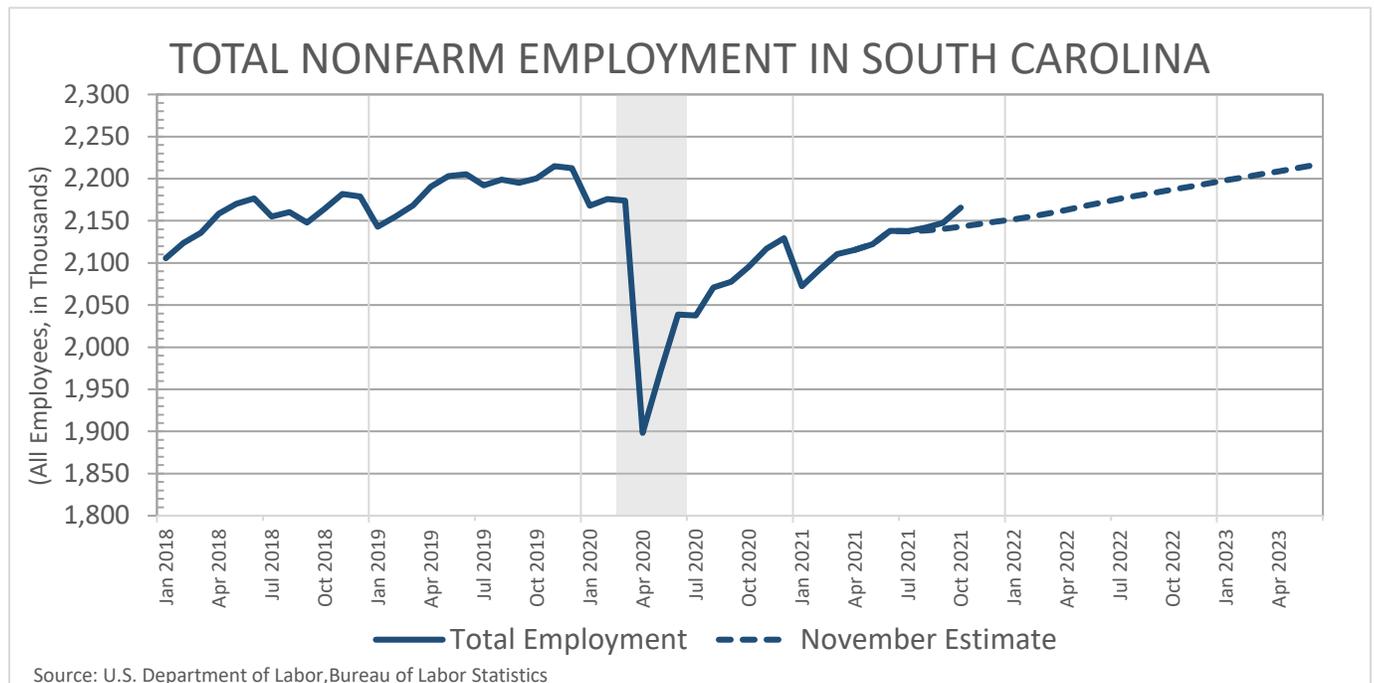
NOVEMBER 2021, FY 2021-22

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South Carolina Economy

South Carolina saw an increase of 17,900 jobs in October, reversing the prior three-month trend of a slowing employment recovery (see Figure 1). Strong growth in industries such as Manufacturing, Professional and Business Services, Government, and Trade, Transportation, and Utilities contributed to the total gain, while Construction and Leisure and Hospitality saw declines in total jobs. Much of these shifts are due to seasonal effects, but spikes in so many industries may indicate a new phase of employment growth after stagnating levels in recent months.

Figure 1. South Carolina Employment



Further, initial and continued unemployment claims in South Carolina have fallen below the levels seen prior to the pandemic. Initial claims dropped to 775 for the fourth week of November, and continued claims have fallen to 11,281. For comparison, initial and continued claims in February 2020 before the pandemic averaged 2,008 and 16,115, respectively.

General Fund Revenue

Strong fiscal year-to-date collections continued into November, reflecting the State’s significant revenue growth over last fiscal year. Revenues grew 19.6 percent in November compared to the prior year, resulting in a year-to-date General Fund revenue increase of 19.8 percent for FY 2021-22. Total collections are currently \$802.7 million higher than last fiscal year and \$373.5 million



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ahead of expectations. Strong wage growth, sustained spending on taxable goods, and high corporate profits are driving this year’s robust collections. Growth in the spring, however, is anticipated to be negative as consumers return to more historical spending patterns following a period of highly elevated economic activity during the previous year.

Table 1. General Fund Revenue Growth Summary

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2021-22 Annual Forecast
Sales Tax	12.5%	19.4%	(1.8%)
Individual Income Tax	19.4%	19.0%	(0.4%)
Corporation Income Tax	N/A	133.3%	(1.8%)
Other Revenue Items	3.3%	4.3%	(7.2%)
Total General Fund Revenue	19.6%	19.8%	(1.7%)

Revenue Categories

Sales Tax

- Sales tax revenue grew 12.5 percent in November 2021 compared to November 2020.
- Year-to-date growth for FY 2021-22 reached 19.4 percent over last fiscal year, surpassing the forecasted growth rate of 12.5 percent and extending the surplus to \$82.4 million over the forecast.
- Economic stimulus payments allowed individuals to increase their personal saving rate and decrease their debt service payments as a share of disposable income, which has increased consumers’ overall capacity to spend. This additional buying capacity is driving elevated spending above pre-pandemic levels.
- However, as of October 2021, the personal saving rate has fallen back toward historical levels, and while the State continues to observe significant growth, it has moderated. After hovering close to 20 percent since July 2021, year-over-year growth slowed to 12.5 percent in November. This change may indicate the beginning of moderated growth rates as consumers slowly return to more historical levels of spending.

Individual Income Tax

- Individual Income tax revenue grew 19.4 percent in November over the previous year, resulting in year-to-date growth of 19.0 percent growth.
- Current Individual Income tax collections are exceeding the estimate by \$194.1 million. This excess is almost entirely driven by Withholdings collections, which are above the estimate by \$168.0 million. A majority of this surplus came in November, which saw a





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robust 17.4 percent increase over the same month of the prior year. After the strong month, year-to-date growth for Withholdings has increased from 11.7 to 12.9 percent.

- Although Withholdings collections typically see a spike during the holiday season due to seasonal employment, sustained wage growth spurred by a tight labor market was likely a major contributor to growth for the month.
- Non-Withholdings revenue is up 4.5 percent year-to-date, and collections are currently \$34.9 million above the estimate.
- Refunds are currently in line with the estimate, but with nearly 88 percent of expected Refunds remaining, it is too early to draw any major conclusions from the current growth rates.

Corporate Income and License Tax

- Corporate Income tax revenue is up 133.3 percent year-to-date and is currently \$69.4 million ahead of the estimate year-to-date. Meanwhile, Corporate License tax came in at \$27.1 million and is currently \$14.8 million below the estimate. Retail sales are a significant indicator of Corporate Income tax collections, which continue to be well above their historical trend since June 2020. The retail industry's performance is likely contributing to the high, sustained Corporate Income tax growth during this time.
- Corporate Income tax revenue is projected to decrease by 1.8 percent over the full fiscal year, and Corporate License tax is projected to increase by 6.8 percent as business practices and revenue streams settle back to more historical trends.

Conclusion

Revenues for the first five months of this fiscal year exceeded monthly estimates in all major categories, extending the positive trend from FY 2020-21. Stimulus payments from earlier this year continue to allow for increased consumer spending, driving up Sales tax growth. However, while this growth continues to be exceptional, it is moderating and is expected to be negative during the spring. The spring of 2021 (Q4 of FY 2020-21) saw revenue growth of 23.8 percent due to federal stimulus programs and other factors that are unlikely to be repeated.

Consequently, revenues are expected to be lower in the fourth quarter this year when compared to last fiscal year. Meanwhile, persistent wage growth and a surge in holiday hiring has resulted in stronger than anticipated growth in Withholdings. The emergence of new COVID-19 variants and their potential impact on current economic trends will continue to be monitored carefully.

Next month's revenue report will provide additional analysis based upon the end of the second quarter of FY 2021-22. Additionally, new employment and personal income data for South Carolina are released in late December. The quarter-end revenues and updates on the state's economy will be discussed further in the upcoming January BEA meeting

Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be January 20, 2022.





November

Table 1

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$302,863,752	\$340,868,020	\$38,004,268	12.5%
Individual Income Tax	\$495,028,856	\$591,198,800	\$96,169,944	19.4%
Corporation Income Tax	(\$47,269,308)	(\$21,170,539)	\$26,098,769	---
Insurance Taxes	\$1,928,720	\$2,112,481	\$183,761	9.5%
Admissions Tax	\$2,709,818	\$4,447,827	\$1,738,009	64.1%
Aircraft Tax	\$2,121,741	\$300,135	(\$1,821,606)	(85.9%)
Alcoholic Liquor Tax	\$8,402,143	\$9,495,505	\$1,093,362	13.0%
Bank Tax	(\$5,539,893)	(\$1,991,604)	\$3,548,289	---
Beer and Wine Tax	\$10,093,837	\$9,877,902	(\$215,935)	(2.1%)
Bingo Tax	(\$99,933)	\$63,660	\$163,593	---
Business Filing Fees	\$830,581	\$988,921	\$158,340	19.1%
Circuit/Family Court Fines	\$388,186	\$467,971	\$79,785	20.6%
Corporation License Tax	\$39,955,916	\$27,140,894	(\$12,815,022)	(32.1%)
Documentary Tax	\$9,618,443	\$13,651,744	\$4,033,301	41.9%
Earned on Investments	\$4,097,860	\$4,532,435	\$434,575	10.6%
Indirect Cost Recoveries	\$529,909	\$1,825,091	\$1,295,182	244.4%
Motor Vehicle Licenses	\$903,214	\$1,918,292	\$1,015,078	112.4%
Nursing Home Fees	\$0	\$0	\$0	---
Parole and Probation Fees	\$282,734	\$282,734	\$0	0.0%
Private Car Lines Tax	\$1,375,303	\$743,847	(\$631,456)	(45.9%)
Public Service Authority	\$0	\$0	\$0	---
Purchasing Card Rebates	\$0	\$0	\$0	---
Record Search Fees	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	(\$184,340)	\$19,854	\$204,194	---
Security Dealer Fees	\$725,831	\$919,719	\$193,888	26.7%
Surcharge on Vehicle Rentals	(\$10,592)	(\$73)	\$10,519	---
Tobacco Tax	\$2,219,571	\$2,458,828	\$239,257	10.8%
Uncashed Checks	(\$42,723)	(\$378,859)	(\$336,136)	---
Unclaimed Property Fund	\$0	\$3,750,000	\$3,750,000	---
Workers' Comp. Insurance Tax	(\$399,950)	(\$800,000)	(\$400,050)	---
Other Source Revenues	\$347,612	\$1,073,580	\$725,968	208.8%
Gross General Fund Revenue	\$830,877,290	\$993,797,165	\$162,919,875	19.6%

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 - November

Table 2

General Fund Revenue	FY 2020-21	FY 2021-22	\$ Change	% Change
Sales and Use Tax	\$1,196,902,946	\$1,428,850,033	\$231,947,087	19.4%
Individual Income Tax	\$2,400,567,383	\$2,856,866,188	\$456,298,805	19.0%
Corporation Income Tax	\$73,273,501	\$170,954,122	\$97,680,621	133.3%
Insurance Taxes	\$100,161,361	\$76,331,179	(\$23,830,182)	(23.8%)
Admissions Tax	\$4,749,471	\$10,182,514	\$5,433,043	114.4%
Aircraft Tax	\$2,268,864	\$600,813	(\$1,668,051)	(73.5%)
Alcoholic Liquor Tax	\$32,338,941	\$37,400,790	\$5,061,849	15.7%
Bank Tax	\$2,526,516	\$13,862,638	\$11,336,122	448.7%
Beer and Wine Tax	\$40,861,047	\$41,106,036	\$244,989	0.6%
Bingo Tax	\$63,597	\$158,962	\$95,365	150.0%
Business Filing Fees	\$4,269,076	\$4,414,598	\$145,522	3.4%
Circuit/Family Court Fines	\$2,014,404	\$2,512,447	\$498,043	24.7%
Corporation License Tax	\$97,715,420	\$89,513,915	(\$8,201,505)	(8.4%)
Documentary Tax	\$36,502,759	\$51,725,931	\$15,223,172	41.7%
Earned on Investments	\$26,556,878	\$32,271,952	\$5,715,074	21.5%
Indirect Cost Recoveries	\$4,495,364	\$7,513,943	\$3,018,579	67.1%
Motor Vehicle Licenses	\$3,679,395	\$3,699,780	\$20,385	0.6%
Nursing Home Fees	\$857,557	\$819,868	(\$37,689)	(4.4%)
Parole and Probation Fees	\$1,413,670	\$1,413,670	\$0	0.0%
Private Car Lines Tax	\$2,121,030	\$1,041,599	(\$1,079,431)	(50.9%)
Public Service Authority	\$0	\$0	\$0	---
Purchasing Card Rebates	\$3,088,613	\$0	(\$3,088,613)	---
Record Search Fees	\$0	\$0	\$0	---
Savings and Loan Assoc. Tax	\$451,096	\$466,288	\$15,192	3.4%
Security Dealer Fees	\$2,213,014	\$2,723,511	\$510,497	23.1%
Surcharge on Vehicle Rentals	\$4,426	(\$36)	(\$4,462)	---
Tobacco Tax	\$9,376,782	\$10,153,484	\$776,702	8.3%
Uncashed Checks	\$4,711,997	\$8,282,694	\$3,570,697	75.8%
Unclaimed Property Fund	\$7,500,000	\$7,500,000	\$0	0.0%
Workers' Comp. Insurance Tax	(\$330,403)	(\$109,570)	\$220,833	---
Other Source Revenues	\$2,878,143	\$5,630,531	\$2,752,388	95.6%
Gross General Fund Revenue	\$4,063,232,843	\$4,865,887,880	\$802,655,037	19.8%

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.