



REVENUE DIGEST

FEBRUARY 2024, FY 2023-24

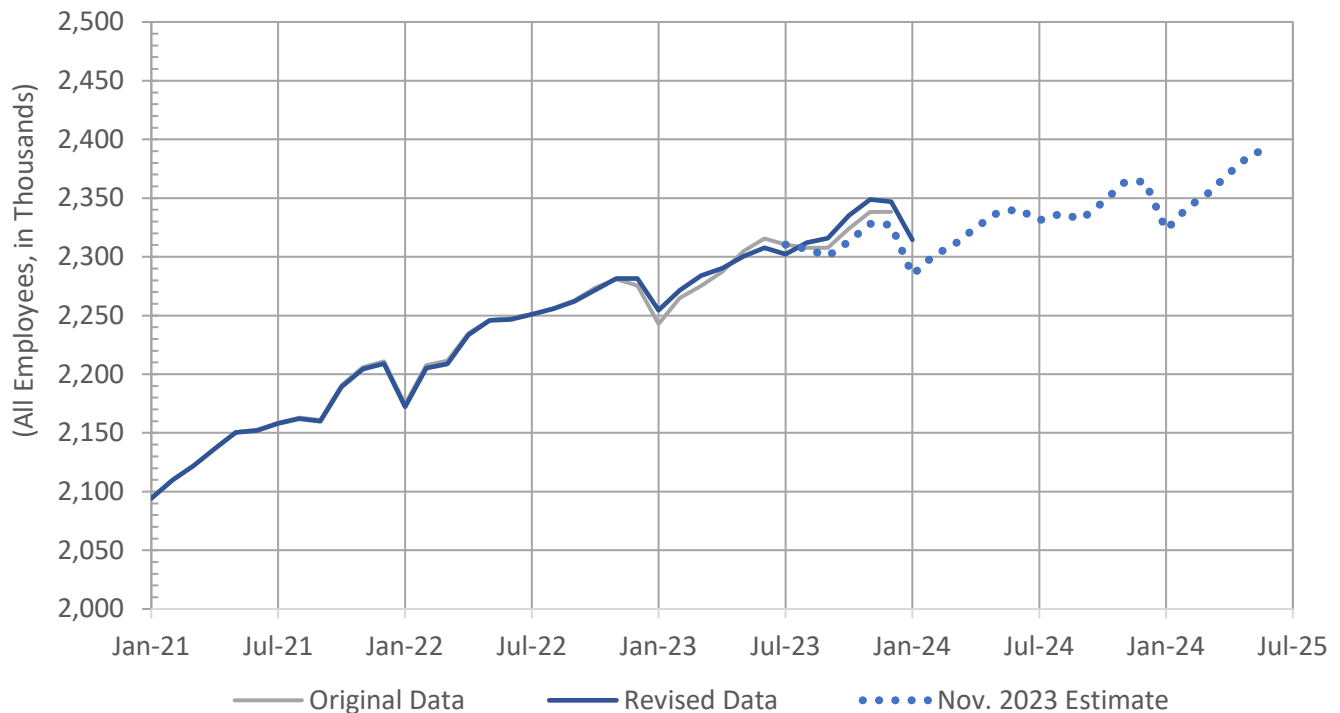
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South Carolina Economy

South Carolina’s employment declined by 32,400 jobs between December 2023 and January 2024, a pattern that is consistent with typical seasonal hiring practices. Despite the decrease, total employment grew 2.7 percent above last January, and remains above the estimate used to develop the revenue forecast. Additionally, the Bureau of Labor Statistics revised employment data back to April 2021, increasing job growth from the previous estimates. With these upward revisions, employment remains above expectations (Figure 1). Despite the overall positive trends, employment growth varied by sector. The Information sector is down 5.6 percent from a year ago, but other sectors increased including Education & Health (5.9 percent), Construction (5.7 percent), and Leisure & Hospitality (4.6 percent).

Figure 1. South Carolina Employment, Not Seasonally Adjusted

TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA 2024 Series Revision



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/kav/03/11/2024

General Fund Revenue

Revenue collections for February 2024 were up 69.6 percent compared to the same month the previous year, largely due to Individual Income tax changes. The Withholdings tables for last



REVENUE DIGEST

FEBRUARY 2024, FY 2023-24

year were adjusted to lower Withholdings in response to income tax rate cuts, and as a result, Refunds for this February are much lower than last February. Overall, fiscal year-to-date collections are 2.9 percent lower than last year but remain \$383.3 million ahead of the November 2023 estimate. Corporate Income taxes continue to exceed expectations, comprising almost 55 percent of the excess.

Table 1. General Fund Revenue Growth Summary

Revenue Category	Growth Rates		
	Monthly	Fiscal Year to Date	FY 2023-24 Annual Forecast
Sales Tax	1.8%	2.4%	1.1%
Individual Income Tax	N/A	(7.6%)	4.7%
Corporation Income Tax	359.8%	(7.0%)	(38.0%)
Other Revenue Items	13.7%	7.3%	(3.5%)
Total General Fund Revenue	69.6%	(2.9%)	(1.6%)

Revenue Categories

Sales Tax

- Sales tax revenue grew 1.8 percent in February 2024 compared to February 2023, exceeding expectations by \$4.8 million.
- Fiscal year-to-date growth for FY 2023-24 is currently 2.4 percent over last fiscal year, and total collections are \$31.8 million above expectations.
- Despite collections exceeding expectations, sales tax revenue growth remains below historical trends. Prior to the pandemic, growth averaged about 4.1 percent over the last decade, but is expected to remain under historical growth levels this fiscal year and next, slowing to 0.8 percent cumulatively for the remainder of FY 2023-24.
- In January 2024, U.S. consumers increased their share of spending on services and decreased their share of spending on goods as anticipated, moving closer towards historical trends.¹ However, consumers are also continuing to spend, instead of saving, more of their disposable income than historically seen. Prior to the pandemic, consumers spent an average of 91 percent of their real disposable income, which fell to 84 percent on average in 2020 and 2021. In 2022, this percentage increased to 94 percent coinciding with significant increases in Sales tax revenue. Spending has since fallen back to 92 percent.² If consumers continue this recent trend of saving increasingly more

¹ Data Sources: U.S. Bureau of Economic Analysis, Personal Consumption Expenditures [PCE], Personal Consumption Expenditures: Goods [DGDSRC1], and Personal Consumption Expenditures: Services [PCES].

² Data Sources: U.S. Bureau of Economic Analysis, Real Personal Consumption Expenditures [PCEC96], and Real Disposable Personal Income [DSPIC96].





REVENUE DIGEST

FEBRUARY 2024, FY 2023-24

of their disposable income, Sales tax growth may continue to slow closer to expectations.

Individual Income Tax

- Fiscal year-to-date total Individual Income tax revenue declined 7.6 percent compared with the estimated decline of 8.1 percent, resulting in collections of \$25.1 million above expectations. *(The monthly growth is not calculable since February 2023 total collections were negative as Refunds exceeded collections.)*
- The driving force of Individual Income tax revenue continues to be strong Withholdings collections, which grew by 4.4 percent in February 2024 compared with an expected decline of 0.6 percent for the month. February was the second month of positive growth in Withholdings as the changes to tax tables have been fully implemented since the end of December 2023. Fiscal year-to-date Withholdings are \$179.6 million ahead of expectations largely due to higher-than-expected growth in wages and salaries.
- Although the U.S. Department of Commerce, Bureau of Economic Analysis has revised downward S.C. wage growth figures slightly, revised annual growth remains significantly higher, at approximately 6.5 percent in the third quarter of 2023, than the historical average of closer to 5 percent. Individual Income tax revenue estimates are based on a below-normal personal income growth rate of 4.3 percent, which explains the considerably higher-than-expected collections.
- Non-withholdings have been trailing expectations throughout the fiscal year, declining on average approximately 22 percent cumulatively. Given the strong financial market performance and the Federal Reserve's contractionary monetary policy that resulted in rapidly increasing interest rates throughout 2023, we expect a reversal in the Non-withholdings trend with stronger collections during tax filing season. Notably, February's collections were \$25.7 million above expectations and 70.6 percent higher than the same month in 2023.
- Refunds have mostly tracked expectations through January but posted a surprisingly large amount of approximately \$121 million more than expected in February. This may be due to either earlier processing or the October 2023 filing deadline extension allowed by the Internal Revenue Service, which extended final 2022 filing to February 2024. However, the overall trend in Refunds tracks closely with our expectations for an overall decrease of approximately 28 percent for FY 2023-24 compared with FY 2022-23.

Corporate Income Tax and License Fees

- Corporate Income tax collections for the month of February totaled \$40.9 million, well above expectations of \$2.4 million. However, approximately \$21 million of this amount was due to audit activity. Revenue fiscal year-to-date is \$209.9 million above year-to-date estimates, continuing to exceed expectations.





REVENUE DIGEST

FEBRUARY 2024, FY 2023-24

- Corporate License fees have grown 15.2 percent this fiscal year through February and are currently \$18.1 million ahead of expectations.

Conclusion

While Individual Income tax revenue was expected to decline due to the income tax cuts, the decrease has not been as much as estimated due to better-than-forecasted economic activity. Beginning in January 2024, the changes to Withholdings tables have been fully implemented, and the negative growth experienced in 2023 has reversed. Since the start of the calendar year, Withholdings have continued to grow better than expected, averaging 4.1 percent growth. However, the unexpected excess Refunds for February significantly reduced the excess revenue in Individual Income tax. Income tax filings through the remainder of the year are expected to have a significant impact on final results as over half of expected Refunds and Non-withholdings and almost 67 percent of expected Corporate Income tax payments still remain. While the overall economy continues to perform as anticipated, tax filing season will be pivotal to final revenue results.

Future Meetings

- The next scheduled meeting of the Board of Economic Advisors will be on April 10, 2024.





February

Table 1

General Fund Revenue	FY 2022-23	FY 2023-24	\$ Change	% Change
Sales and Use Tax	\$345,076,072	\$351,121,578	\$6,045,506	1.8%
Individual Income Tax	(\$126,123,876)	\$36,596,936	\$162,720,812	---
Corporation Income Tax	\$8,904,448	\$40,938,215	\$32,033,767	359.8%
Insurance Taxes	\$2,506,157	\$3,760,362	\$1,254,205	50.0%
Admissions Tax	\$3,117,038	\$2,905,508	(\$211,530)	(6.8%)
Aircraft Tax	\$0	\$0	\$0	---
Alcoholic Liquor Tax	\$7,546,762	\$8,546,796	\$1,000,034	13.3%
Bank Tax	\$8,277,260	\$539,459	(\$7,737,801)	(93.5%)
Beer and Wine Tax	\$7,735,734	\$8,121,943	\$386,209	5.0%
Business Filing Fees	\$1,227,655	\$1,120,630	(\$107,025)	(8.7%)
Circuit/Family Court Fines	\$492,398	\$562,059	\$69,661	14.1%
Corporation License Tax	\$5,351,763	\$6,803,246	\$1,451,483	27.1%
Deed Recording Fees	\$9,147,552	\$7,454,726	(\$1,692,826)	(18.5%)
Earned on Investments	\$15,174,030	\$37,485,202	\$22,311,172	147.0%
Indirect Cost Recoveries	\$1,384,645	\$798,069	(\$586,576)	(42.4%)
Motor Vehicle Licenses	\$1,533,979	\$1,003,495	(\$530,484)	(34.6%)
Nursing Home Fees	\$0	\$0	\$0	---
Parole and Probation Fees	\$282,734	\$282,734	\$0	0.0%
Private Car Lines Tax	\$118,261	\$4,049	(\$114,212)	(96.6%)
Public Service Authority	\$0	\$0	\$0	---
Purchasing Card Rebates	\$0	\$0	\$0	---
Record Search Fees	\$4,461,000	\$0	(\$4,461,000)	---
Savings and Loan Assoc. Tax	\$40,000	\$39,780	(\$220)	(0.5%)
Security Dealer Fees	\$1,216,758	\$879,848	(\$336,910)	(27.7%)
Tobacco Tax	\$1,755,619	\$2,098,074	\$342,455	19.5%
Unclaimed Property Fund	\$3,750,000	\$3,750,000	\$0	0.0%
Workers' Comp. Insurance Tax	(\$799,850)	(\$994,075)	(\$194,225)	---
Other Source Revenues	\$1,129,069	\$635,718	(\$493,351)	(43.7%)
Gross General Fund Revenue	\$303,305,208	\$514,454,352	\$211,149,144	69.6%

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 - February

Table 2

General Fund Revenue	FY 2022-23	FY 2023-24	\$ Change	% Change
Sales and Use Tax	\$2,694,583,581	\$2,760,252,112	\$65,668,531	2.4%
Individual Income Tax	\$4,424,036,559	\$4,089,945,647	(\$334,090,912)	(7.6%)
Corporation Income Tax	\$504,511,881	\$469,285,118	(\$35,226,763)	(7.0%)
Insurance Taxes	\$191,463,342	\$157,124,952	(\$34,338,390)	(17.9%)
Admissions Tax	\$17,990,123	\$18,077,550	\$87,427	0.5%
Aircraft Tax	\$0	\$0	\$0	---
Alcoholic Liquor Tax	\$66,480,750	\$69,587,535	\$3,106,785	4.7%
Bank Tax	\$39,036,355	\$27,933,387	(\$11,102,968)	(28.4%)
Beer and Wine Tax	\$65,598,835	\$65,683,200	\$84,365	0.1%
Business Filing Fees	\$7,614,447	\$7,485,753	(\$128,694)	(1.7%)
Circuit/Family Court Fines	\$3,921,962	\$4,212,471	\$290,509	7.4%
Corporation License Tax	\$147,313,810	\$169,764,253	\$22,450,443	15.2%
Deed Recording Fees	\$73,390,053	\$65,418,127	(\$7,971,926)	(10.9%)
Earned on Investments	\$108,420,696	\$203,037,128	\$94,616,432	87.3%
Indirect Cost Recoveries	\$10,241,569	\$8,703,272	(\$1,538,297)	(15.0%)
Motor Vehicle Licenses	\$6,454,165	\$6,606,180	\$152,015	2.4%
Nursing Home Fees	\$1,594,728	\$1,546,822	(\$47,906)	(3.0%)
Parole and Probation Fees	\$2,261,872	\$2,261,872	\$0	0.0%
Private Car Lines Tax	\$6,590,648	\$6,422,126	(\$168,522)	(2.6%)
Public Service Authority	\$9,445,000	\$10,005,000	\$560,000	5.9%
Purchasing Card Rebates	\$3,845,627	\$4,169,474	\$323,847	8.4%
Record Search Fees	\$4,461,000	\$0	(\$4,461,000)	---
Savings and Loan Assoc. Tax	(\$587,818)	\$1,398,277	\$1,986,095	---
Security Dealer Fees	\$30,396,496	\$31,098,988	\$702,492	2.3%
Tobacco Tax	\$16,035,026	\$16,281,686	\$246,660	1.5%
Unclaimed Property Fund	\$11,250,000	\$11,250,000	\$0	0.0%
Workers' Comp. Insurance Tax	\$840,079	\$780,912	(\$59,167)	(7.0%)
Other Source Revenues	\$19,416,234	\$16,323,334	(\$3,092,900)	(15.9%)
Gross General Fund Revenue	\$8,466,607,020	\$8,224,655,176	(\$241,951,844)	(2.9%)

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.