

From: Chad Walldorf <chad@eightysixllc.com>
To: Soura, ChristianChristianSoura@gov.sc.gov
Date: 5/7/2013 6:13:41 PM
Subject: FW: Preliminary April Review
Attachments: 20130507163929623.pdf

-----Original Message-----

From: Rainwater, Frank [mailto:Frank.Rainwater@ors.sc.gov]
Sent: Tuesday, May 07, 2013 5:27 PM
To: Chad Walldorf; Don Herriott; Howell Clyborne; bill.blume@sctax.org
Cc: Martin, Robert; DiBiase, Greg; Shuford, Gordon; Glenn, Debbie; Rainwater, Frank
Subject: Preliminary April Review

Hi Chad, Don, Howell, and Bill,

Attached are the Summary Page from the monitor and the two tables from Greg regarding monthly and FYTD collections. We are still waiting on the details for Individual Income which may affect the following analysis. But following is what we know and think for now (the numbers reference the lines marked on the attached summary page)

1 - Total Revenue is \$90.0 million above estimate, but sorting between timing and growth is tricky not having all the details. Of the \$90.0 million, \$16.4 is due to a court settlement noted in item 6 (Dept Rev)

2 - Sales Tax declined 0.8% and for the past four months has only grown 1.6%. Sales is \$10 million behind estimate. If the 1.6% growth continues the next three months (accrual), Sales will be short of the estimate by \$23.3 million. Note - if we don't change the estimates, we might should note that EIA may fall short and inform the Dept of Ed.

3 - Ind Income Tax is running ahead by \$72.9 million. One note of caution is that withholdings (we estimate) grew 3.3% which is below the 3.8% needed over the last two months to meet the estimate; it is \$27.8 behind the estimate. So, Sales and Withholding are the two largest sources and they are running behind estimate. Having Ind Income \$72.9 million ahead of estimate and withholding \$27.8 million behind, means that Declarations, Paid-with-returns, and Refunds have to be running \$100 million ahead (Declarations appear to be right on estimate) We are waiting on the details, but we tend to believe this is more of a timing issue rather than a low estimate. Some of the "\$100" million could be higher than expected paid with returns (capital gains) but we won't know much more until we get the details. In all, we expected the timing issues to work its way out and the \$72.9 million excess to shrink; we will have to see if Paid with returns and Refunds can offset the loss in withholdings.

4. Corporate Income is running ahead by \$43.8 million and is the strongest bright spot. We think this trend will continue and the surplus could be a total of \$60 million above estimate.

5. On the economist's other hand is Corporate Licenses which is running \$29.9 million behind estimate. We think the pattern/timing may be different than anticipated and we would recapture \$10

million of this shortfall by year end. This means we'd still be short of the estimate by \$20 million.

6. Department Revenue is up \$16.1 due to a \$14.6 deposit from a court settlement. This amount is the net due to the General Fund. Aside from this amount, the balance of Department Revenue and all other times is \$0.

In summary, FY 2012-13

Although GFR is \$90 million ahead through April, our thoughts for the full fiscal year are

Revenue exceeding estimates (\$75 million)

Corp Income - revenue will exceed the estimate by \$60 million

Court Settlement - Dept Revenue will exceed estimate by \$15 million

Revenue fall short of estimates (\$40 million)

Sales - short of estimate by about \$20 million

Corp License - short of estimate by \$20 million

Subtotal - \$35 million pending Individual Income

Individual Income - will update tomorrow, but this is the big question.

A) If our estimates on Paid with Returns, Declarations, and Refunds are correct, the surplus disappears and we are short on withholdings by \$30 million plus (at current rate) for net surplus of \$5 million

B) If Paid with Returns and Refunds come in better than expected, then that would offset any shortfall in Withholdings and put the surplus between \$5 and \$35 million.

For FY 14, we think the overall estimate is still good; the one-time impact of the court settlement and paid with returns (capital gains) won't carryover. Corp Income may have enough strength to offset some of the slowdown in Sales and Withholdings.

The individual estimates can be tweaked to adjust for current status and trends, but whether or not that affects the total estimate needs more discussion. Please let us know if you have any questions or comments. We plan to provide you with more details Wednesday pending our receipt of the all the revenue numbers.

Thanks,
Frank

-----Original Message-----

From: Frank Rainwater [mailto:frank.rainwater@ors.sc.gov]

Sent: Tuesday, May 07, 2013 4:39 PM

To: Rainwater, Frank

Subject:

This E-mail was sent from "RicMPC4500" (Aficio MP C4500).

Scan Date: 05.07.2013 16:39:29 (-0400)

Queries to: richo@drss.state.sc.us