



**Board of Economic Advisors  
Working Group Meeting  
September 24, 2014**



*South Carolina Revenue and Fiscal Affairs Office*

## OVERVIEW: JULY – AUGUST 2014

- For the first two months of the fiscal year, revenues were slightly above the fiscal year-to-date estimate
- In reviewing recent trends, the expectation at this time is that FY 2015 revenues will exceed estimate
- Expect continued steady, slow growth

## GENERAL FUND REVENUE JULY – AUGUST FY 2014-15

- General Fund Revenues increased 2.4% over the same period in FY 2014
- Due to timing differences from FY 2014, the estimated FYTD growth was 2.2% as compared to the full FY estimated growth of 2.4%
- Consequently, revenue was \$1.4 million above the estimate

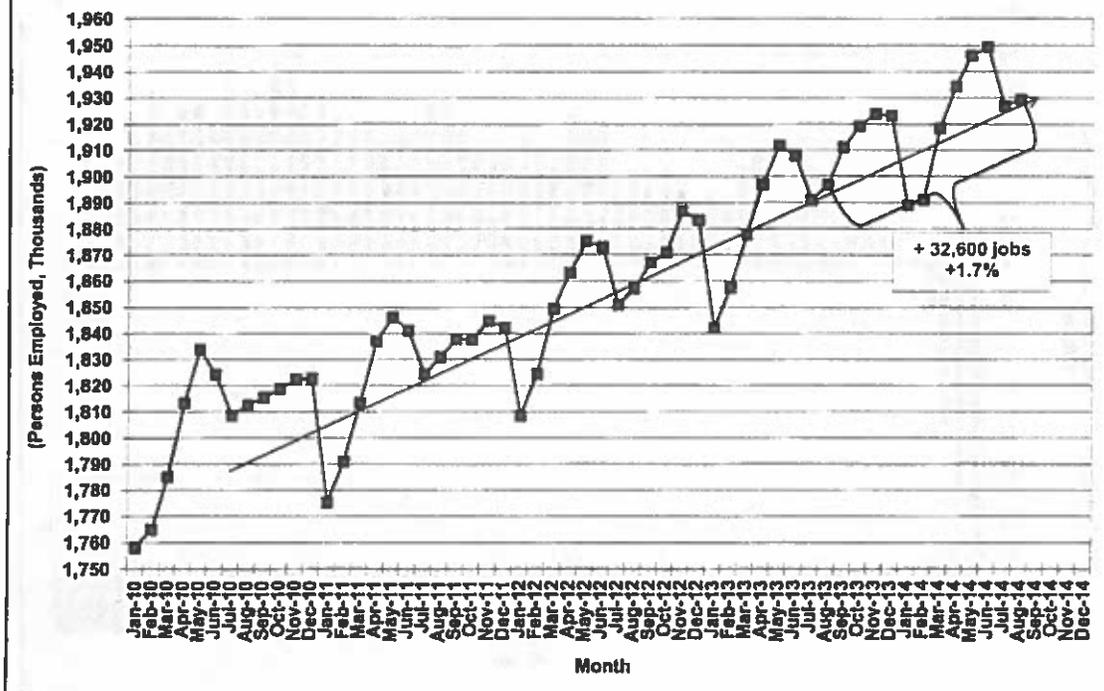
## CORPORATE INCOME AND LICENSE

- **Corporate Income Tax was \$13.7 million below estimate**
- **Corporate License Tax was \$2.4 million above estimate**

## OTHER REVENUE

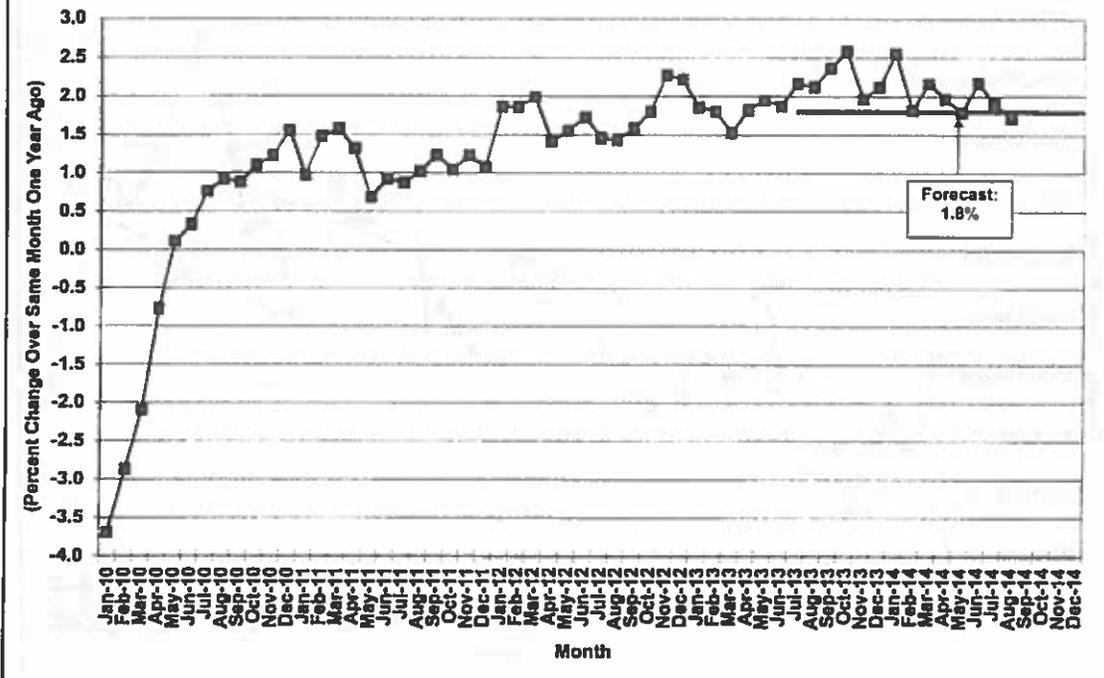
- **Insurance and Workers Compensation were behind FYTD estimates by \$3.5 million**
- **Other consumption taxes were \$3.4 million above estimate**

### Total Nonfarm Employment in South Carolina



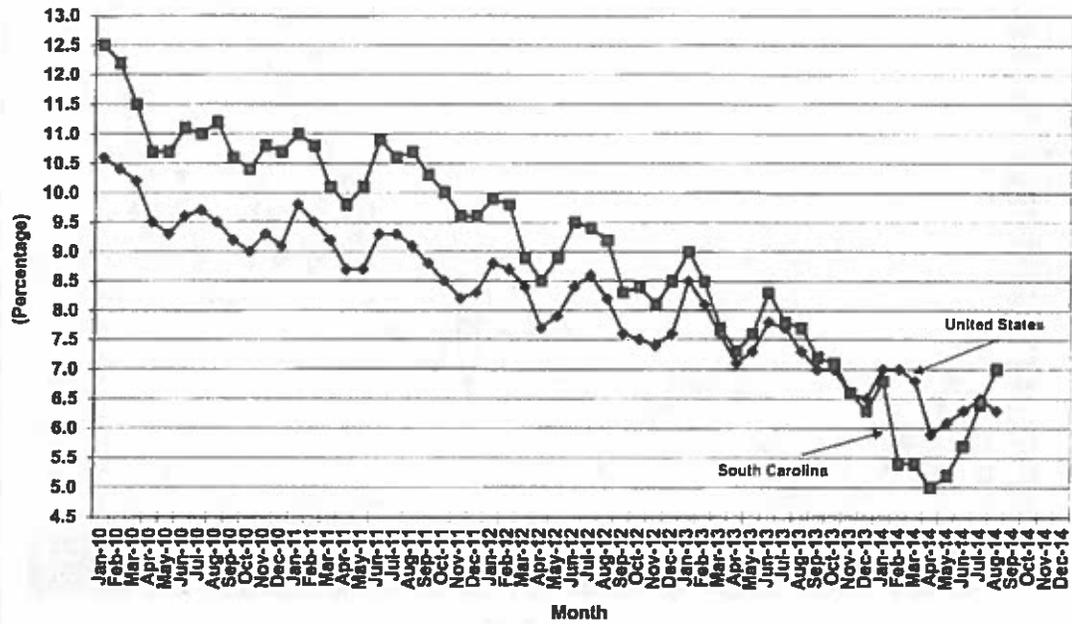
Source: South Carolina Department of Employment and Workforce  
SCBEA/RWM/09/24/14

### Total Nonfarm Employment Growth in South Carolina



Source: South Carolina Department of Employment and Workforce  
SCBEA/RWM/09/24/14

## Unemployment Rate in South Carolina (Unadjusted)



Source: U.S. Department of Labor, Bureau of Labor Statistics  
SCBEA/RWM/09/24/14

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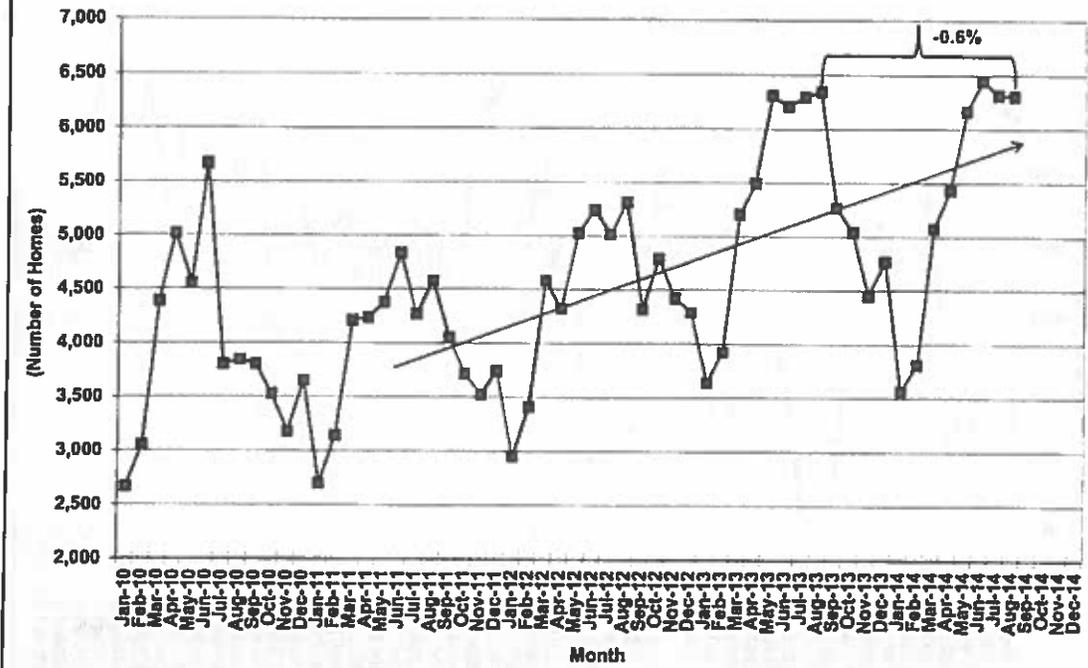
## HOUSING & CONSTRUCTION

- Building permits surged 59% in July boosted by increased apartment building
- Mortgage rates have retreated in recent months fueling a rise in mortgage applications
- Homeownership rates are falling (78% to 72%)

### Concerns

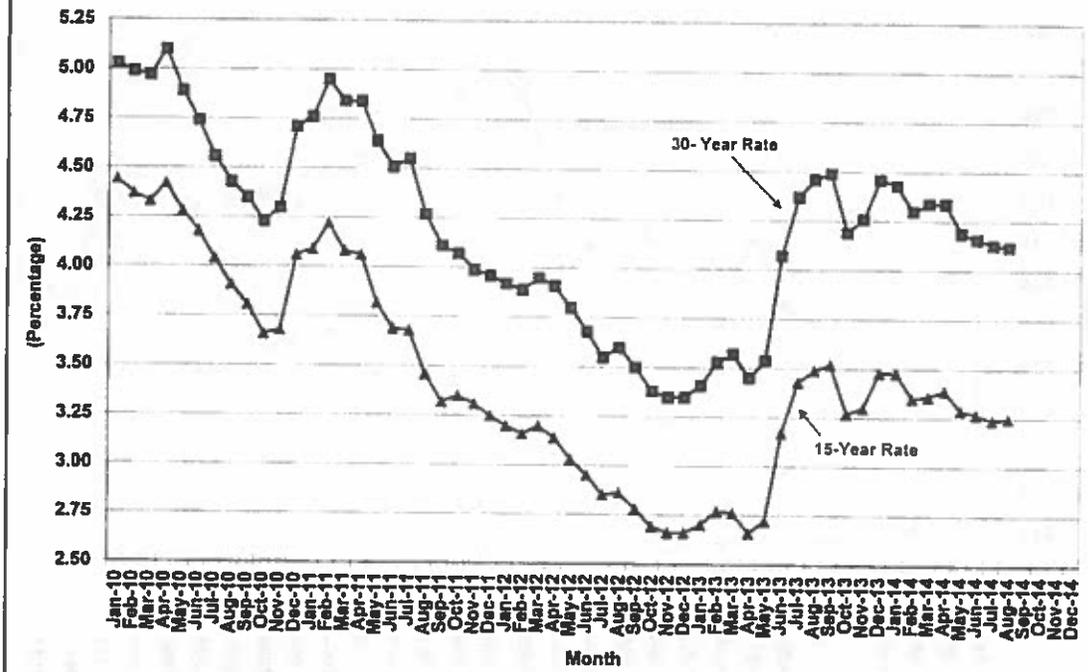
- Number of homes sold has flattened out
- Homeownership rates have plummeted for first-time homebuyers

### Number of Homes Sold in South Carolina



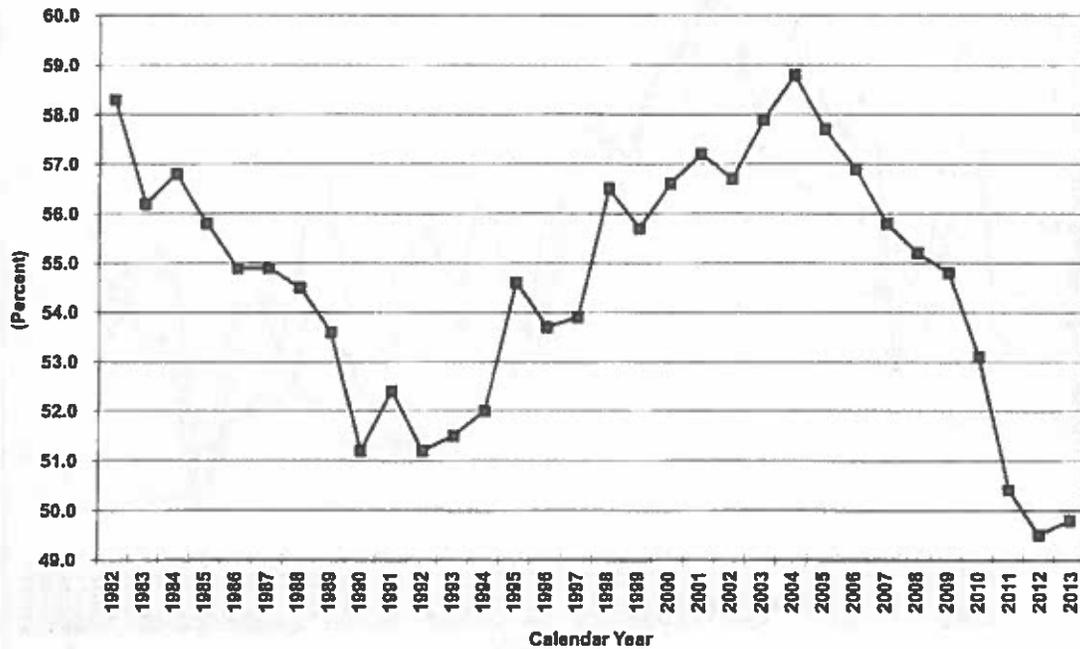
Source: South Carolina Association of Realtors  
SCBEA/RWM/09/24/14

### Mortgage Rates



Source: The Board of Governors of the Federal Reserve System  
SCBEA/RWM/09/24/14

### Homeownership Rates in the South First Time Homeowners Age 30 to 34 Years



Source: U.S. Department of Commerce, Bureau of the Census, Washington, D.C.

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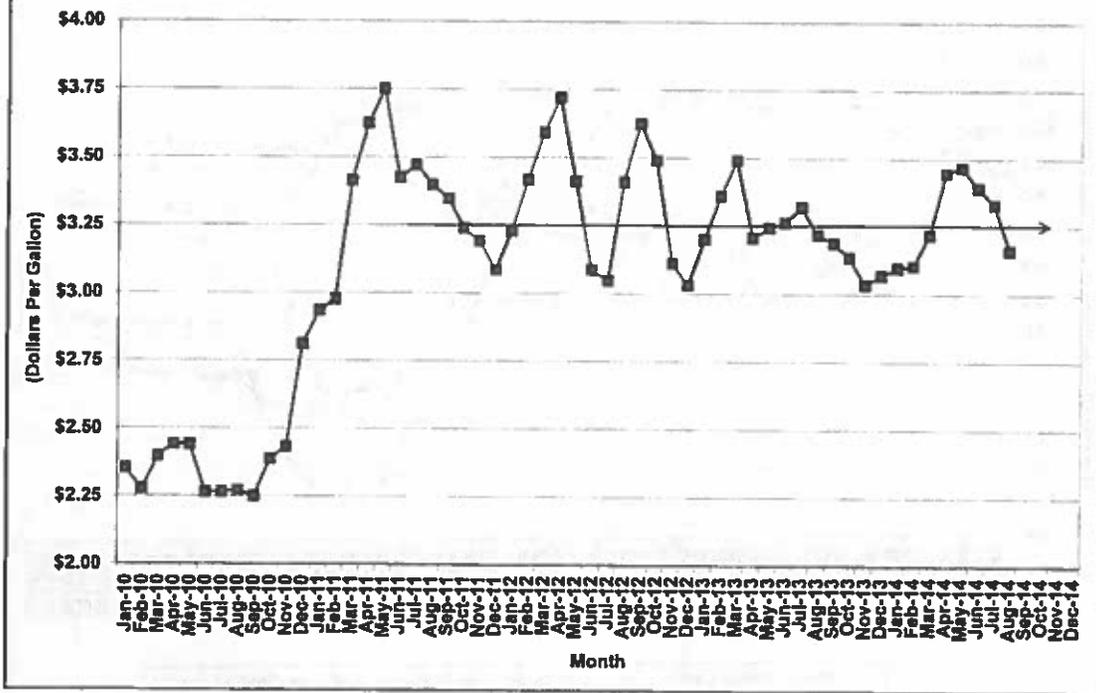
### CONSUMER CONSUMPTION

- Retail sales, excluding autos, increased 4.0% in August
- Auto sales increasing, but the rate is slowing
- Falling gas prices helping to bring tourists to the state
- Accommodations Tax is showing strong vacation sales
- Household debt is rapidly increasing led by auto loans while credit card usage is at the highest pace in six (6) years

#### Concern

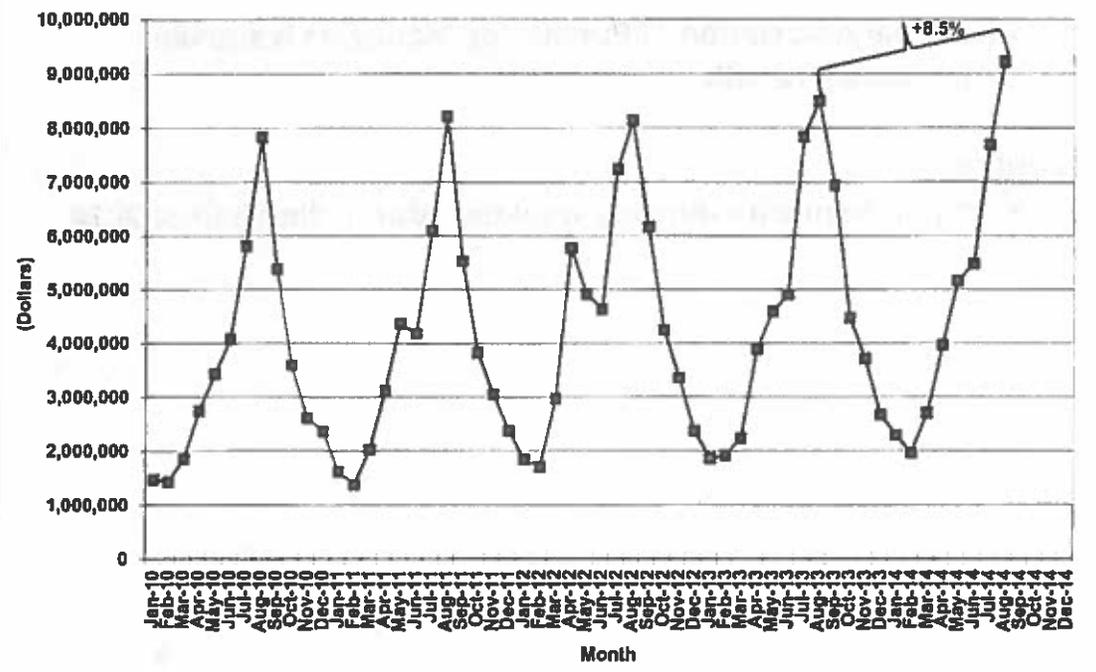
- Future Fed tightening of interest rates may slow spending and investing

### Gasoline Prices in South Carolina



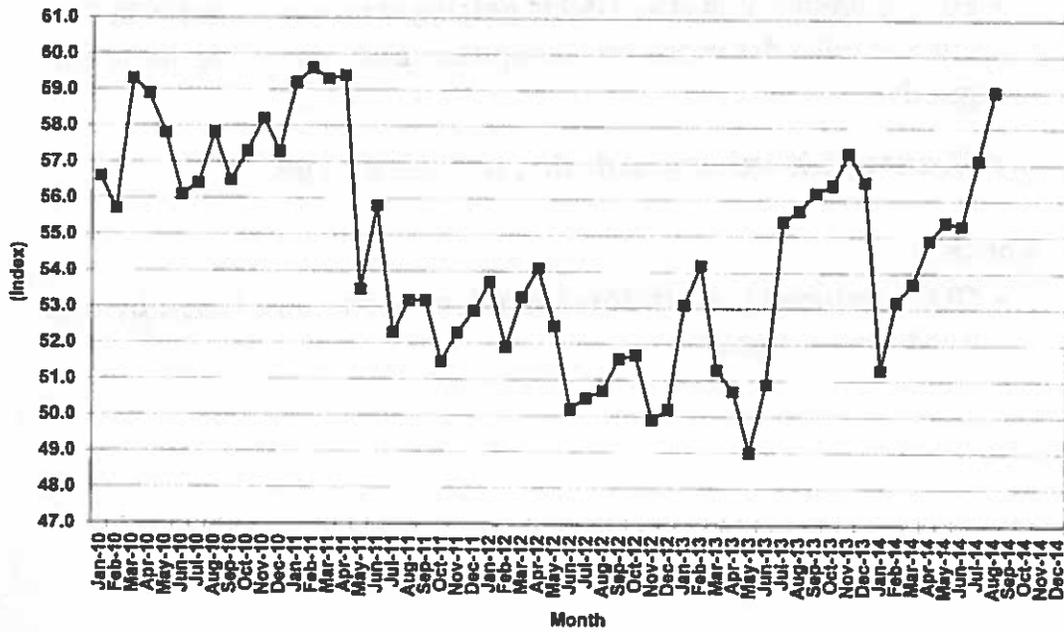
Source: AAA of the Carolina's  
SCBEA/RWM/09/24/14

### State (2%) Accommodations Tax in South Carolina



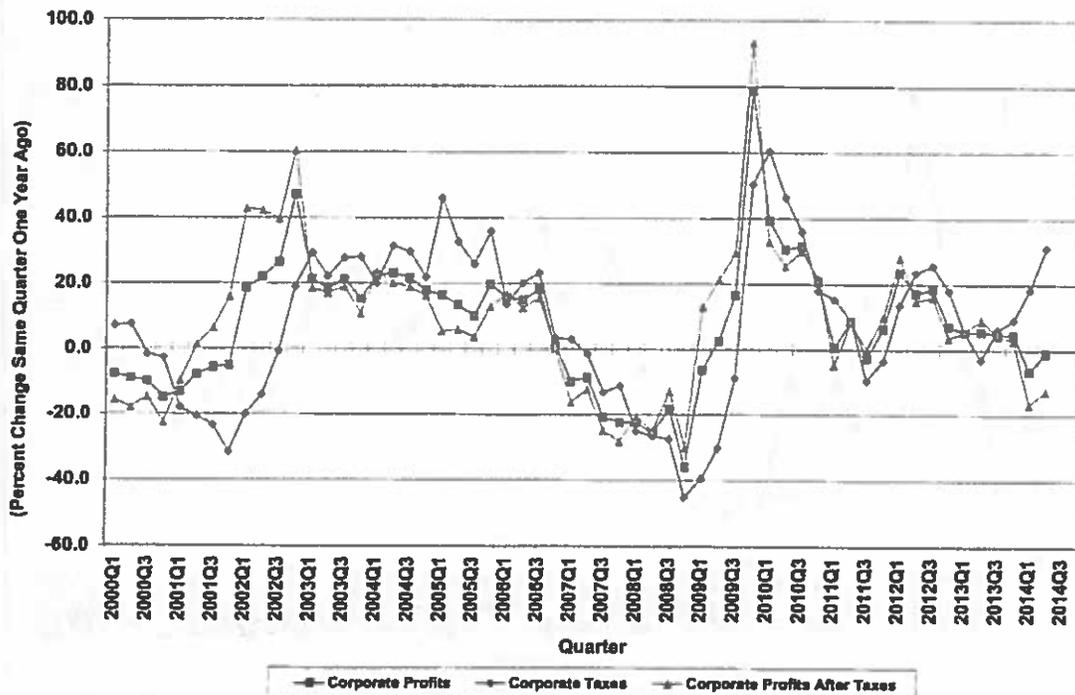
Source: South Carolina Department of Revenue  
SCBEA/RWM/09/24/14

### Index of Manufacturing Purchasing Managers Index (NAPM)



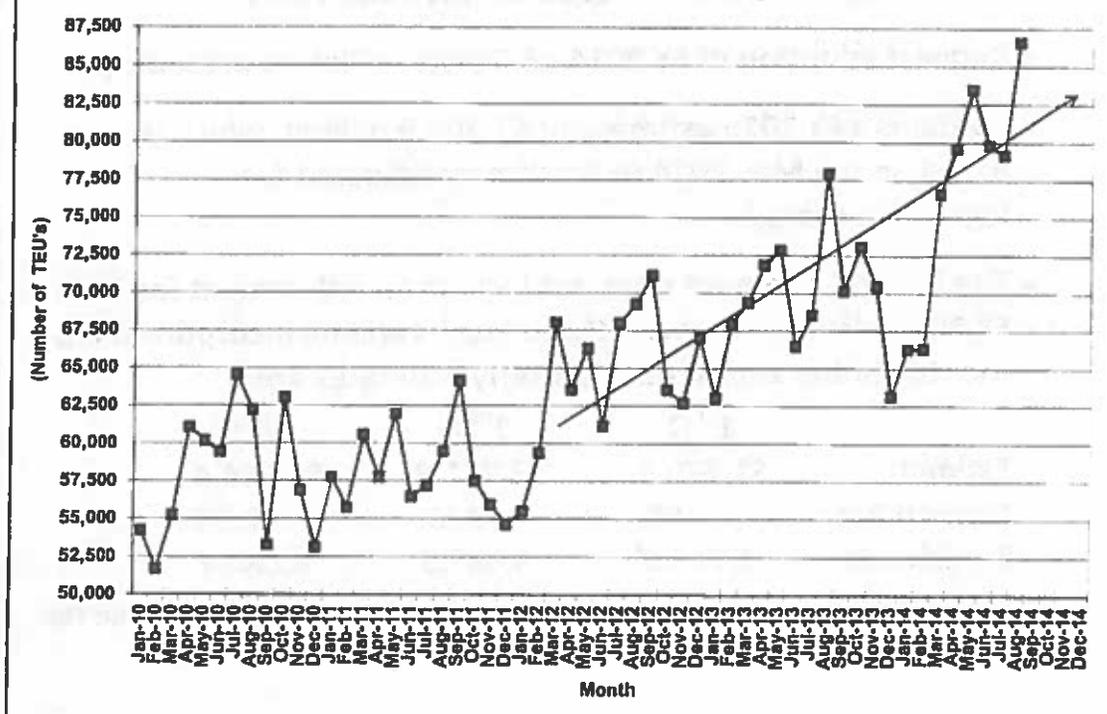
Source: The Institute for Supply Management  
SCBEARWM09/24/14

### Corporate Profits of Domestic Industries in the U.S.



Source: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

## Exports from South Carolina



Source: South Carolina State Ports Authority

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### OUTSIDE RISKS TO THE FORECAST

- **Natural disaster - hurricane**
- **Global economic malaise and international strife**
- **Economy in Europe – recession (BOE cut rates), high debt**
- **Severe interruptions in exports and/or higher energy prices**
  - **Russia’s territorial dispute with Ukraine – disrupt energy supply to Europe**
  - **Middle East tensions**

## REGIONAL ADVISORS MEETING – OCTOBER

- BEA Monthly Meeting 10:45
- Luncheon 11:45
- Presentation 12:45

### Staff Presentation

- Review of FY 2014 Assumptions and Results
- Review of FY 2015 Assumptions

### Panel Presentation

- Economic Outlook

### Range of Key Economic Assumptions

- SC Personal Income Growth
- SC Employment Growth
- Risks

## REGIONAL ADVISORS

Michael Brown  
Rick Kaglic  
Russ Sobel  
Joey Von Nessen  
Mark Witte

Wells Fargo  
Federal Reserve Bank of Richmond  
The Citadel  
University of South Carolina  
College of Charleston

# Appendix



**September 24, 2014**

**State of South Carolina  
Revenue and Fiscal Affairs Office  
Board of Economic Advisors  
Suite 402, Rembert C. Dennis Building  
1000 Assembly Street  
Columbia, SC 29201  
(803) 734-2265  
[www.rfa.sc.gov](http://www.rfa.sc.gov)**

**SOUTH CAROLINA  
GENERAL FUND REVENUE**

**JULY  
--- AND ---  
AUGUST  
FISCAL YEAR  
2014-15**

SEPTEMBER 24, 2014



*South Carolina Revenue and Fiscal Affairs Office*

**'BIG 3' TAXES BY COMPONENTS: JULY OF FY 2014-15, AND FINAL FY 2013-14**

*Note: General Fund Revenue collections, only.*

**TABLE 1 A**

<b>SALES, USE &amp; EXCISE TAX COMPONENTS 1/</b>	<b>July of FY2013-14</b>	<b>July of FY2014-15</b>	<b>% CHANGE Month / Month</b>	<b>FINAL FY2012-13</b>	<b>FINAL FY2013-14</b>	<b>% CHANGE FY'13 - FY'14</b>
GENERAL RETAIL	(13.5) +	(14.5)	(7.6) %	2,297.5	2,360.1	2.7 %
USE TAX	13.5	14.4	6.1	131.5	144.8	10.1
RETAIL SALES / USE TAXES	0.1 +	(0.1)	(242.9)	2,429.0	2,504.9	3.1
CASUAL SALES - EXCISE	0.0	0.0	---	19.4	12.2	(37.2)
<b>TOTAL SALES TAXES</b>	<b>0.1 +</b>	<b>(0.1)</b>	<b>(242.9) %</b>	<b>2,448.3</b>	<b>2,517.1</b>	<b>2.8 %</b>

**TABLE 1 B**

<b>INDIVIDUAL INCOME TAX COMPONENTS 2/</b>	<b>July of FY2013-14</b>	<b>July of FY2014-15</b>	<b>% CHANGE Month / Month</b>	<b>FINAL FY2012-13</b>	<b>FINAL FY2013-14</b>	<b>% CHANGE FY'13 - FY'14</b>
TOTAL WITHHOLDINGS	348.1 +	346.6	(0.4) %	3,970.3	4,173.7	5.1 %
TOTAL DECLARATIONS	6.2	6.5	5.7	368.9	361.0	(2.2)
TOTAL PAID W/RETURNS	18.1 +	17.3	(4.7)	483.9	439.6	(9.2)
GROSS INDIVIDUAL INCOME	372.5 +	370.4	(0.5)	4,823.1	4,974.2	3.1
REFUNDS	(27.5)	(24.6)	(10.7)	(1,465.6)	(1,551.6)	5.9
<b>NET INDIVIDUAL INCOME</b>	<b>344.9 +</b>	<b>345.8</b>	<b>0.3 %</b>	<b>3,357.5</b>	<b>3,422.6</b>	<b>1.9 %</b>

**TABLE 1 C**

<b>CORPORATION INCOME TAX COMPONENTS 2/</b>	<b>July of FY2013-14</b>	<b>July of FY2014-15</b>	<b>% CHANGE Month / Month</b>	<b>FINAL FY2012-13</b>	<b>FINAL FY2013-14</b>	<b>% CHANGE FY'13 - FY'14</b>
TOTAL WITHHOLDINGS	0.2	0.5	168.9 %	33.7	37.4	11.1 %
TOTAL DECLARATIONS	8.5	5.9	(30.3)	238.5	231.6	(2.9)
TOTAL PAID W/RETURNS	1.8	1.7	(8.1)	159.8	96.4	(39.7)
GROSS CORPORATE INCOME	10.5	8.1	(23.2)	431.9	365.3	(15.4)
REFUNDS	(2.9)	(4.3)	50.9	(45.3)	(34.2)	(24.5)
<b>NET CORPORATE INCOME</b>	<b>7.6</b>	<b>3.7</b>	<b>(51.1) %</b>	<b>386.7</b>	<b>331.1</b>	<b>(14.4) %</b>

Note: Detail may not add to total due to rounding. \*: Less than 0.5. \*\*: Sign Change. R: Revised. NA: Not Applicable.

1/: Excludes Education Improvement Act (1%), Accommodations (2%), Homestead Exemption Fund (1%), and any Local Option taxes.

2/: Includes gross revenue allocated to Property Tax Relief funds.

+: As restated.

Source: S. C. Board of Economic Advisors (BEA) 09/24/14/mgd

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**'BIG 3' TAXES BY COMPONENTS: MONTHLY AND CUMULATIVE RESULTS, AUGUST 2014** (\$ in Millions)

*Note: General Fund Revenue collections, only.*

<b>TABLE 3A</b>						
<b>SALES, USE &amp; EXCISE TAX COMPONENTS 1/</b>	<b>August of FY2013-14</b>	<b>August of FY2014-15</b>	<b>% CHANGE Month / Month</b>	<b>JULY - AUG. FY2013-14</b>	<b>JULY - AUG. FY2014-15</b>	<b>% CHANGE FY'14 - FY'15</b>
GENERAL RETAIL USE TAX	205.9	214.2	4.0 %	192.4	199.7	3.8 %
	10.2	11.5	13.5	23.7	25.9	9.2
RETAIL SALES / USE TAXES	216.1	225.7	4.5	216.1	225.6	4.4
CASUAL SALES - EXCISE	1.8	1.3	(31.8)	1.8	1.3	(31.8)
<b>TOTAL SALES TAXES</b>	<b>217.9</b>	<b>226.9</b>	<b>4.2 %</b>	<b>218.0</b>	<b>226.8</b>	<b>4.1 %</b>

<b>TABLE 3B</b>						
<b>INDIVIDUAL INCOME TAX COMPONENTS 2/</b>	<b>August of FY2013-14</b>	<b>August of FY2014-15</b>	<b>% CHANGE Month / Month</b>	<b>JULY - AUG. FY2013-14</b>	<b>JULY - AUG. FY2014-15</b>	<b>% CHANGE FY'14 - FY'15</b>
TOTAL WITHHOLDINGS	319.7	344.2	7.7 %	667.8	690.8	3.4 %
TOTAL DECLARATIONS	5.9	11.0	87.1	12.1	17.5	45.4
TOTAL PAID W/RETURNS	21.0	16.1	(23.6)	39.2	33.4	(14.9)
GROSS INDIVIDUAL INCOME	346.6	371.3	7.1	719.0	741.7	3.2
REFUNDS	(24.2)	(22.5)	(6.9)	(51.7)	(47.1)	(8.9)
<b>NET INDIVIDUAL INCOME</b>	<b>322.4</b>	<b>348.7</b>	<b>8.2 %</b>	<b>667.3</b>	<b>694.6</b>	<b>4.1 %</b>

<b>TABLE 3C</b>						
<b>CORPORATION INCOME TAX COMPONENTS 2/</b>	<b>August of FY2013-14</b>	<b>August of FY2014-15</b>	<b>% CHANGE Month / Month</b>	<b>JULY - AUG. FY2013-14</b>	<b>JULY - AUG. FY2014-15</b>	<b>% CHANGE FY'14 - FY'15</b>
TOTAL WITHHOLDINGS	0.4	0.6	34.7 %	0.6	1.1	73.5 %
TOTAL DECLARATIONS	2.7	2.5	(7.0)	11.2	8.4	(24.7)
TOTAL PAID W/RETURNS	1.5	(1.2)	(177.8)	3.3	0.5	(86.2)
GROSS CORPORATE INCOME	4.6	1.9	(59.3)	15.1	9.9	(34.3)
REFUNDS	(1.0)	(2.6)	167.0	(3.8)	(6.9)	80.2
<b>NET CORPORATE INCOME</b>	<b>3.7</b>	<b>(0.7)</b>	<b>(118.9) %</b>	<b>11.3</b>	<b>3.0</b>	<b>(73.2) %</b>

Note: Detail may not add to total due to rounding. \*: Less than 0.5. \*\*: Sign Change. R: Revised. NA: Not Applicable.

1/: Excludes Education Improvement Act (1%), Accommodations (2%), Homestead Exemption Fund (1%), and any Local Option taxes.

2/: Includes gross revenue allocated to Property Tax Relief funds.

Source: S. C. Board of Economic Advisors (BEA) 09/24/14/mgd

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## Summary of General Fund Revenue Collections: July - August of FY 2014-15

Revenue Category	Year-to-Date Change		\$ Excess / (Shortfall)
	\$ Amount	(%) Percent	
<b>Total General Fund</b>	<b>22.1</b>	<b>2.4</b>	<b>1.4</b>
<b>Sales / Use / Excise - Total</b>	<b>8.8</b>	<b>4.1</b>	<b>7.7</b>
<b>Individual Income</b>	<b>27.3</b>	<b>4.1</b>	<b>6.1</b>
<b>Corporation Income</b>	<b>(8.3)</b>	<b>(73.2)</b>	<b>(13.7)</b>
<b>Departmental Revenue</b>	<b>(2.5)</b>	<b>(71.2)</b>	<b>(1.3)</b>
<b>Insurance / Workers Comp.</b>	<b>(3.6)</b>	<b>(92.6)</b>	<b>(3.5)</b>
<b>Parole &amp; Probation Fees</b>	<b>(2.8)</b>	<b>(83.3)</b>	<b>(0.3)</b>
<b>Residual Revenue</b>	<b>3.2</b>	<b>10.1</b>	<b>6.5</b>

Source: S.C. Board of Economic Advisors (BEA) /MGD/09/24/14