

SOUTH CAROLINA UPDATES

PRESENTED TO

**SOUTH CAROLINA ASSOCIATION OF AUDITORS, TREASURERS
AND TAX COLLECTORS**

February 9, 2018



By

Frank A. Rainwater
Executive Director



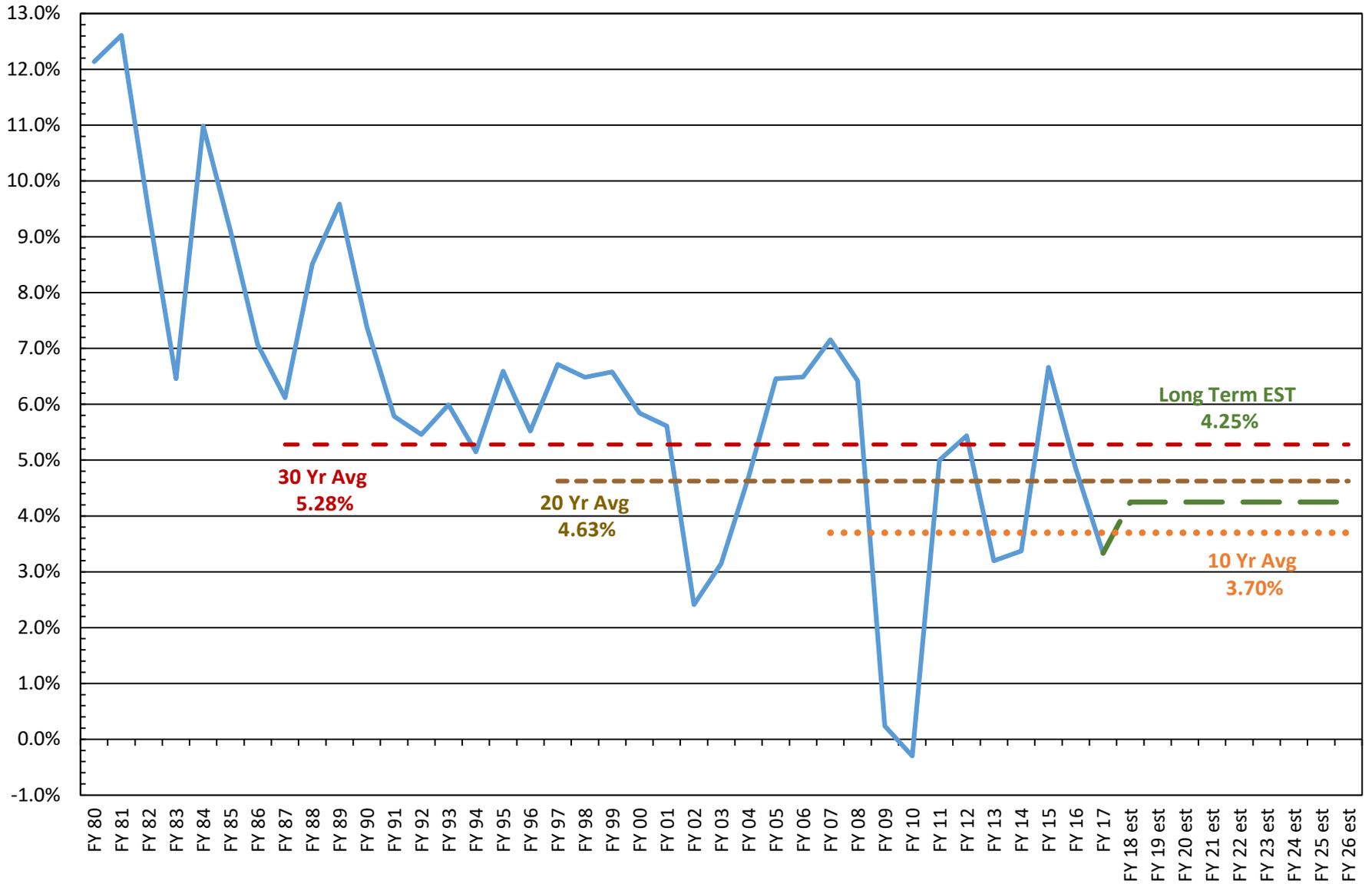
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SOUTH CAROLINA



SC PERSONAL INCOME FY GROWTH RATES

Actuals, Estimates, and Averages



ECONOMIC OUTLOOK

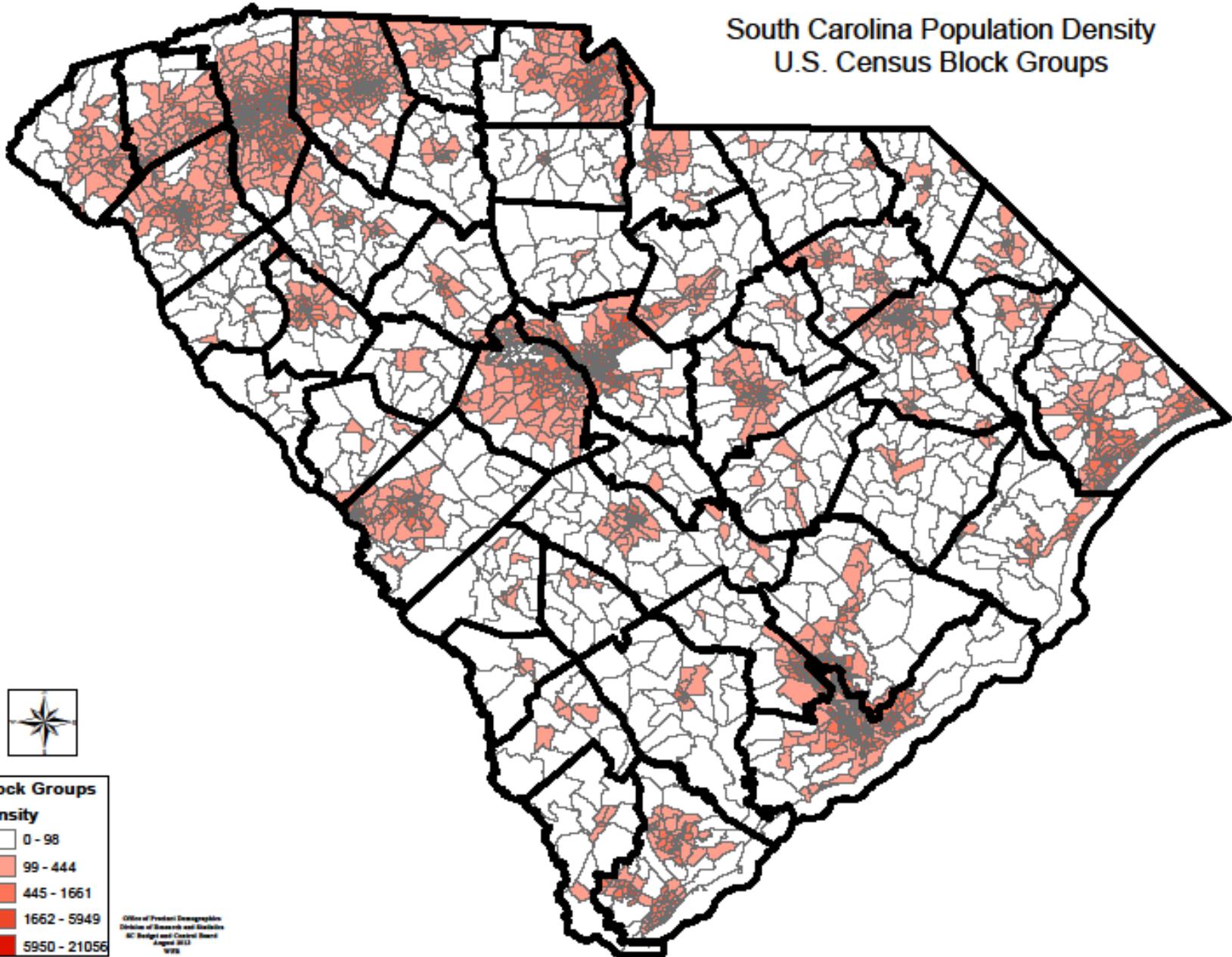
- Continued growth
- Lower value of the dollar and consumer spending are key drivers
- Recession would likely require a “shock” such as bad fiscal or monetary policy or world crisis

SOUTH CAROLINA

population



South Carolina Population Density U.S. Census Block Groups



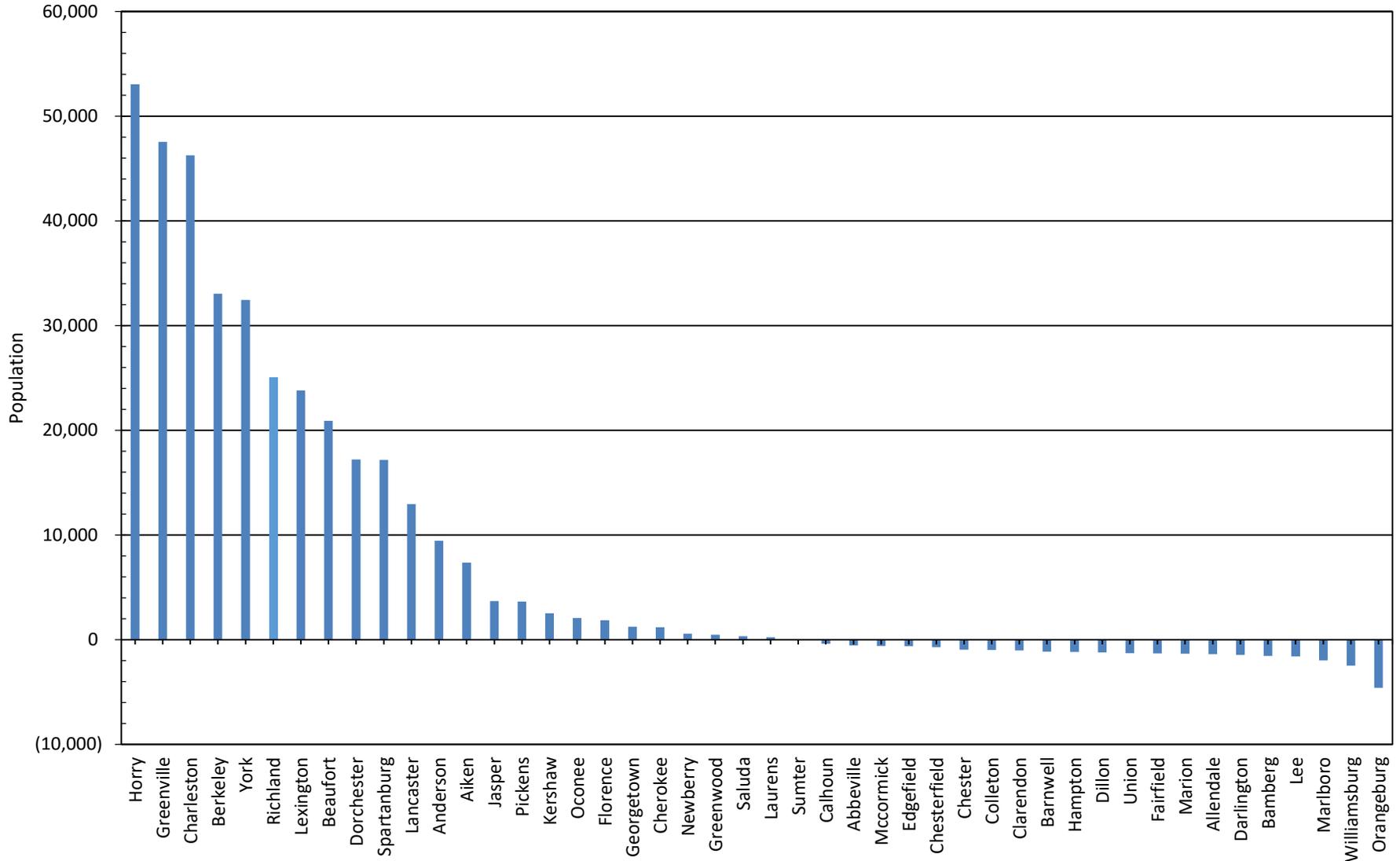
**Block Groups
Density**

0 - 98
99 - 444
445 - 1661
1662 - 5949
5950 - 21056

Office of Product Demographics
Division of Research and Statistics
SC Budget and Control Board
August 2011
W28

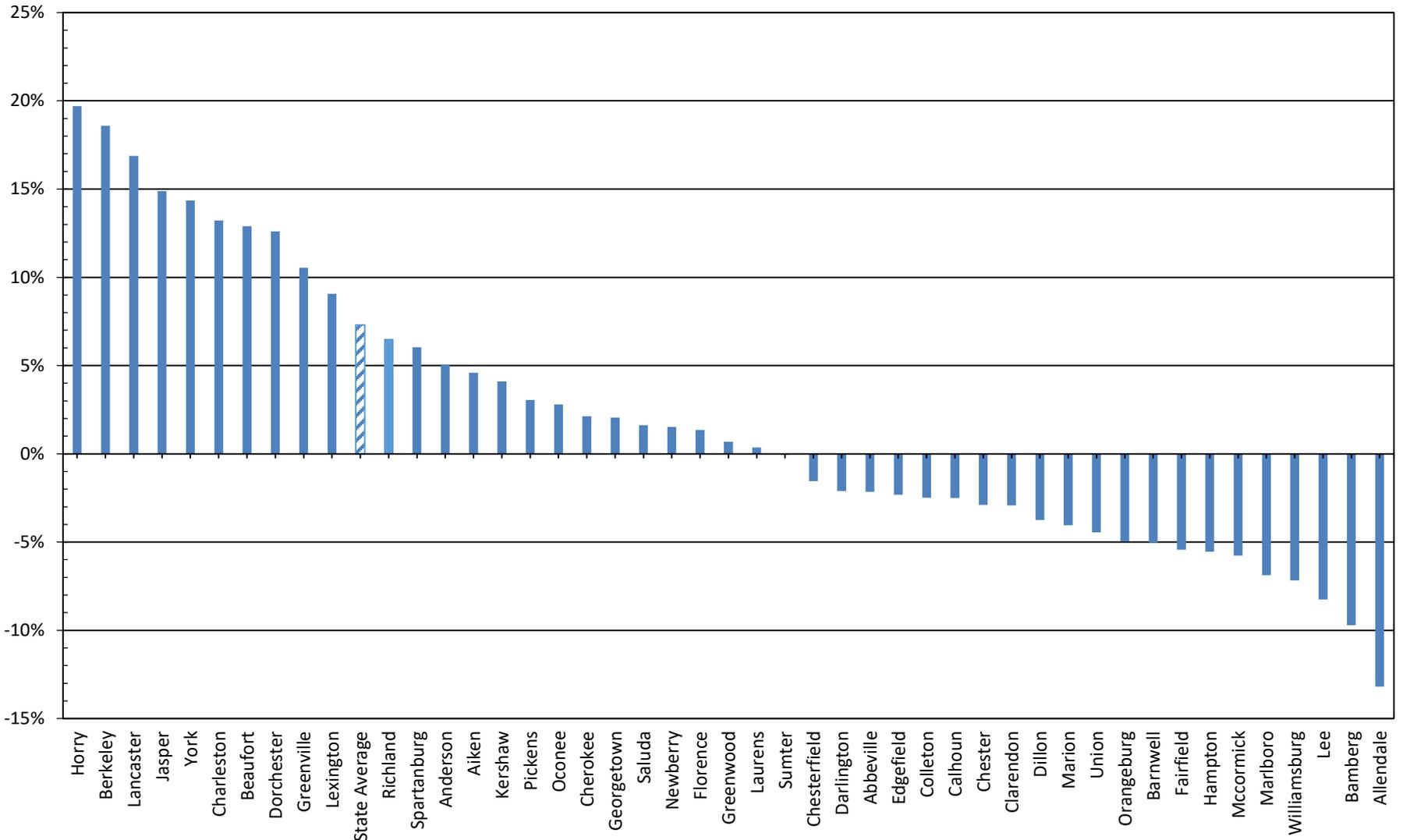
Source: U.S. Census Bureau PL94-171 Database

ESTIMATED CHANGE IN COUNTY POPULATION 2010 Census vs 2016 Estimates



Note: Population figures are based on 2010 U.S. Census Bureau data and 2016 U.S. Census population estimates.

ESTIMATED PERCENT CHANGE IN COUNTY POPULATION 2010 Census vs 2016 Estimates



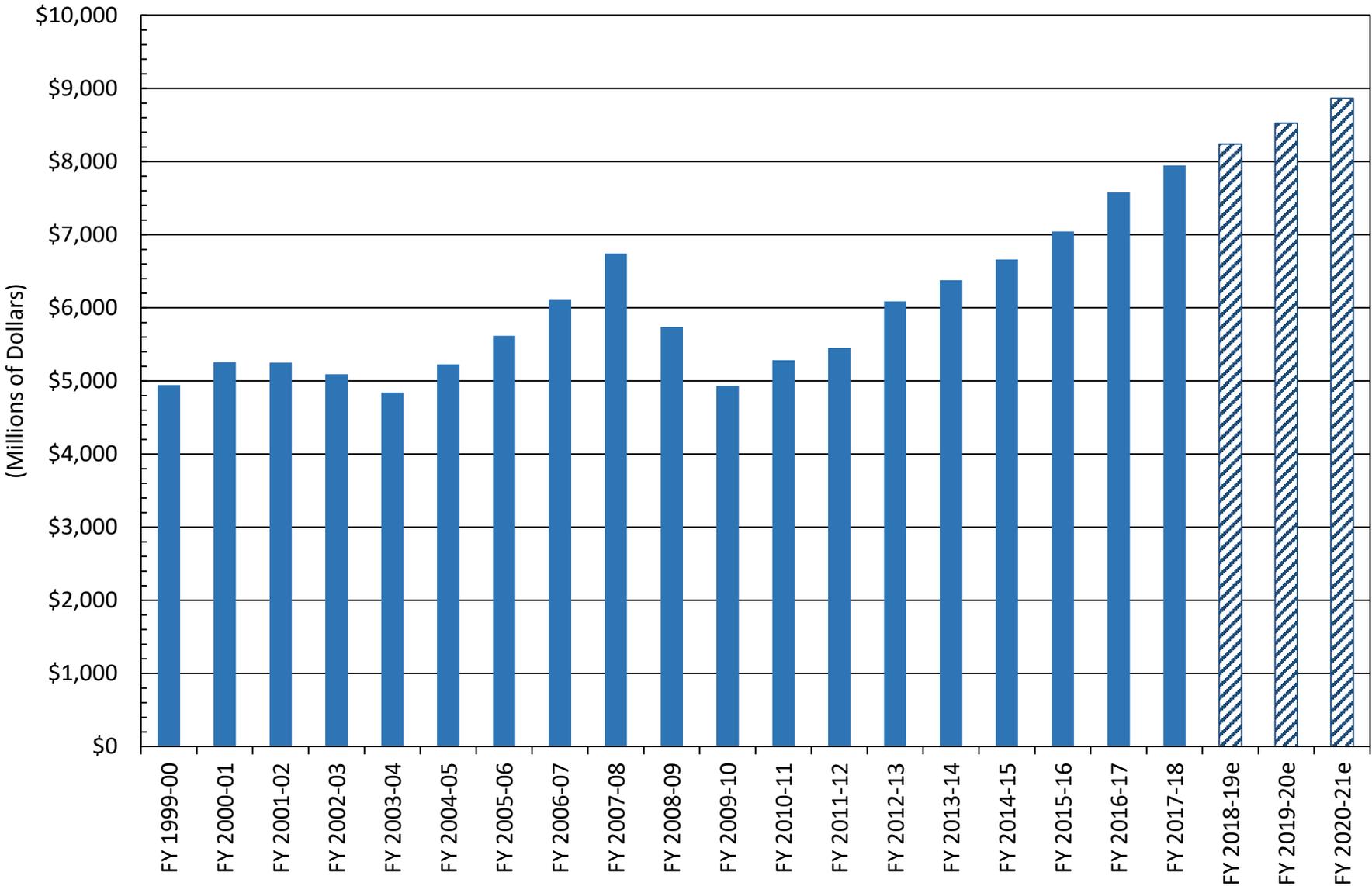
Note: Population figures are based on 2010 U.S. Census Bureau data and 2016 U.S. Census population estimates.

GENERAL FUND



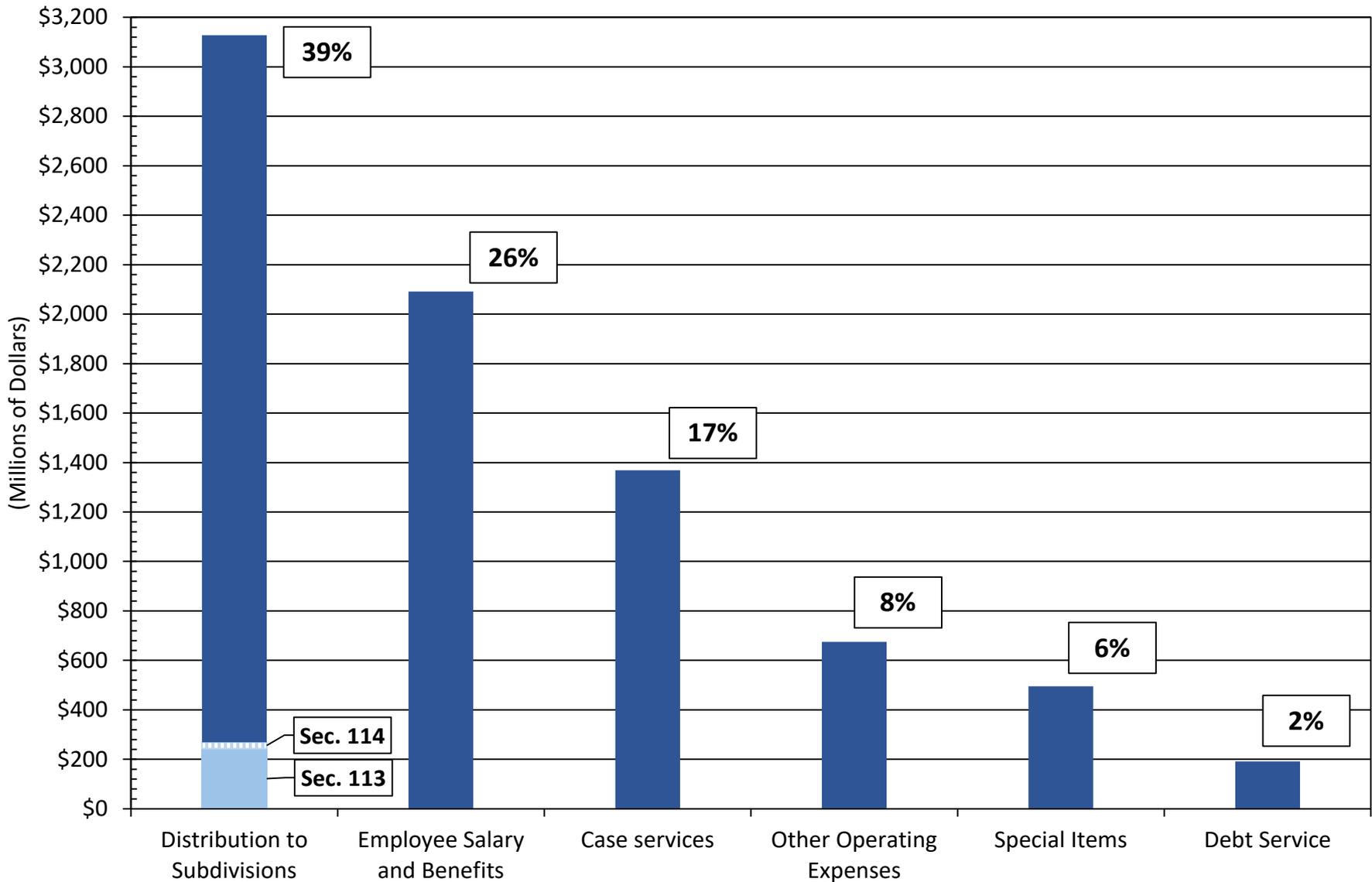
GENERAL FUND

Appropriation Act Revenue and Estimates

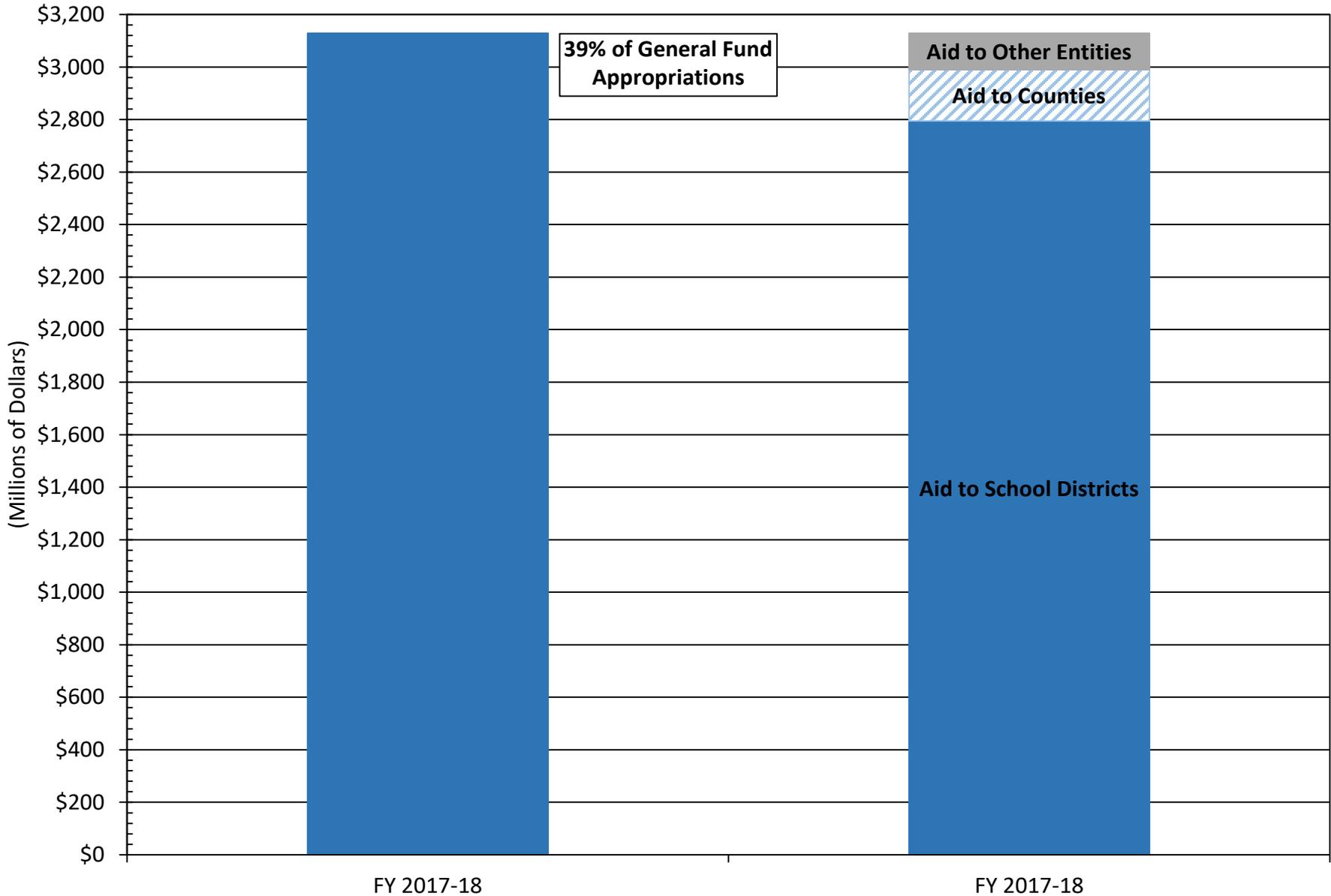


*Adjusted appropriations account for allocations and mid-year budget cuts. Source: RFA, JCS, 1/8/2018

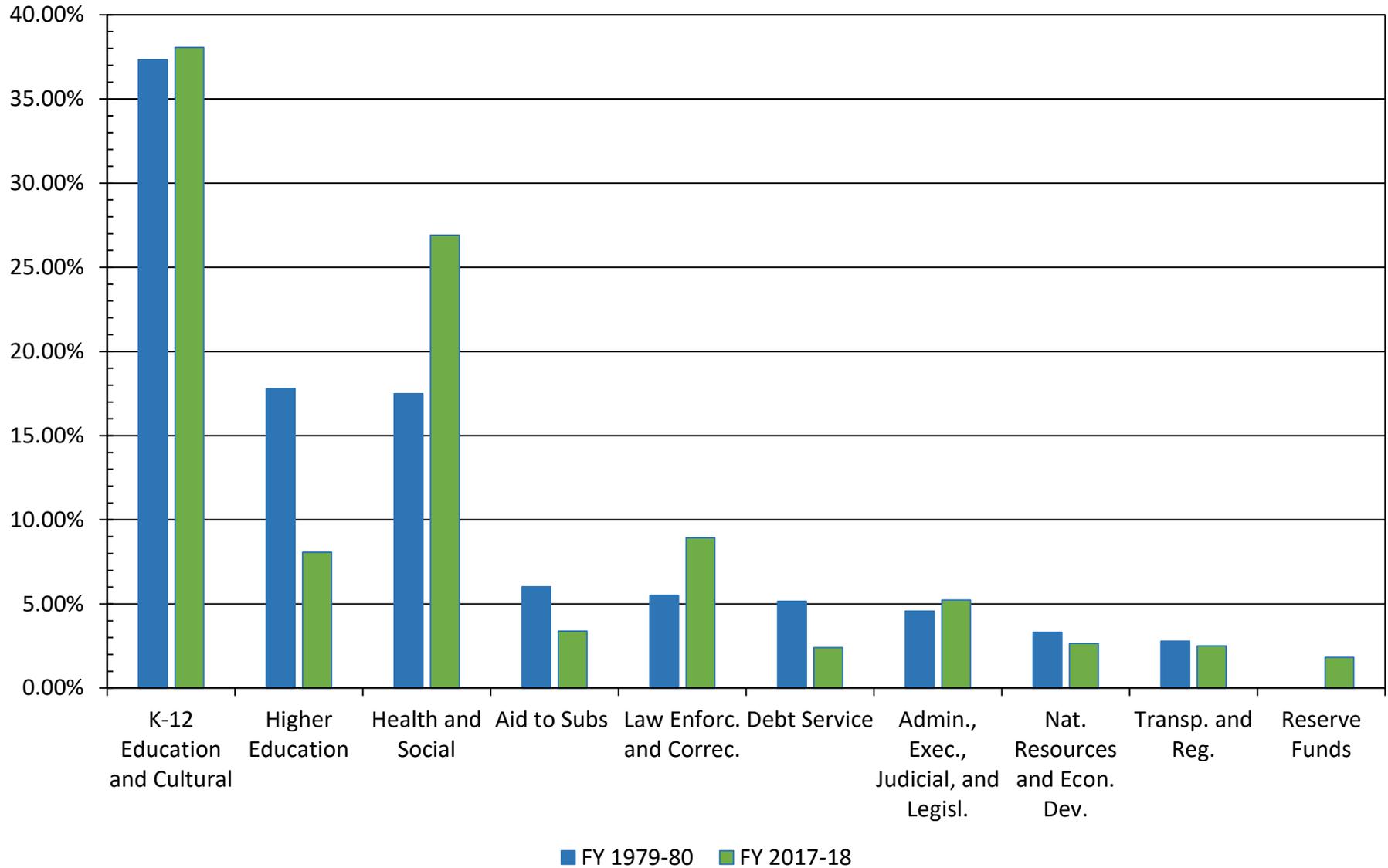
GENERAL FUND APPROPRIATIONS BY MAJOR BUDGET CATEGORY FY 2017-18



FY 2017-18 GENERAL FUND DISTRIBUTION TO SUBDIVISIONS



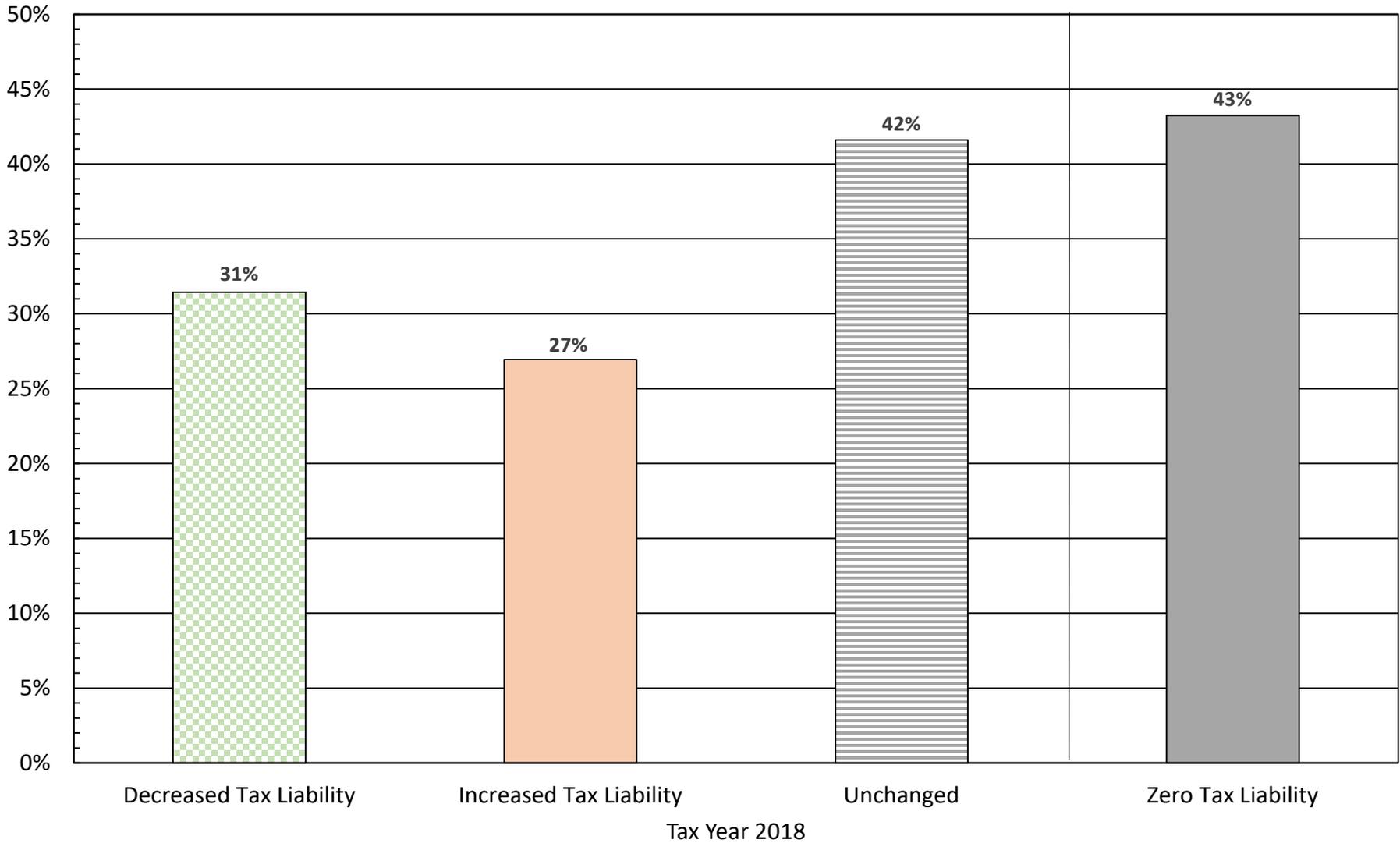
FUNCTIONAL GROUPS PERCENT OF GENERAL FUND APPROPRIATIONS FY 1979-80 AND FY 2017-18



TAX REFORM

Summary of Federal Tax Law Changes Impacting South Carolina Income Tax Revenue		
FY 2018-19 (Millions of Dollars)		
	Individual Income Tax	Corporate Income Tax
Individual Income Tax Only		
1. Standard Deduction	\$ (241)	
2. Itemized Deductions	\$ 77	
3. Personal Exemption	\$ 364	
4. SC Dependents Under 6 Exemption [a]	\$ 49	
5. 529 Plan Changes [a]	\$ (5)	
6. Inflation Change [b]	\$ 2	
Other (net) [c]	\$ 0	
Individual Excluding Pass-Through Only	\$ 246	
7. Pass-Through Deduction [d]	\$ (93)	
8. Pass-Through Loss Limitation	\$ 16	
Pass-Through Business Only	\$ (77)	
Individual Income Only Total	\$ 170	
Business (Individual and Corporate Income Tax)		
9. Section 179 Expensing	\$ (6)	\$ (6)
10. Simplified Small Business Accounting	\$ (7)	\$ (7)
11. Limit on Interest Expense Deduction	\$ 12	\$ 12
12. Modified Net Operating Loss Deduction	\$ 6	\$ 6
Other (net) [c]	\$ 5	\$ 5
Business (Individual and Corporate Income Tax) Total	\$ 10	\$ 10
Corporate Income Tax Only		
13. Deduction for Foreign-source Dividends		\$ (6)
14. Treatment of Deferred Foreign Income		\$ 17
Other (net) [c]		\$ 4
Corporate Income Tax Only Total		\$ 15
TOTAL	\$ 180	\$ 25
Notes:		
Details may not add to totals due to rounding.		
Estimates are based upon a combination of estimates by the Joint Committee on Taxation and estimates by RFA staff based upon additional information from the S.C. Department of Revenue, analysis of S.C. individual income tax returns, and input from subject matter experts.		
Each estimate includes interactions from other changes.		
[a]- Impact specific to SC; Estimate by RFA		
[b]- Increases above revenue threshold of $\pm 0.1\%$ of revenue in year 2		
[c] - Net impact of items impacting less than $\pm 0.1\%$ of state income tax revenue		
[d] - Estimate assumes the deduction will impact S.C. active trade or business income		

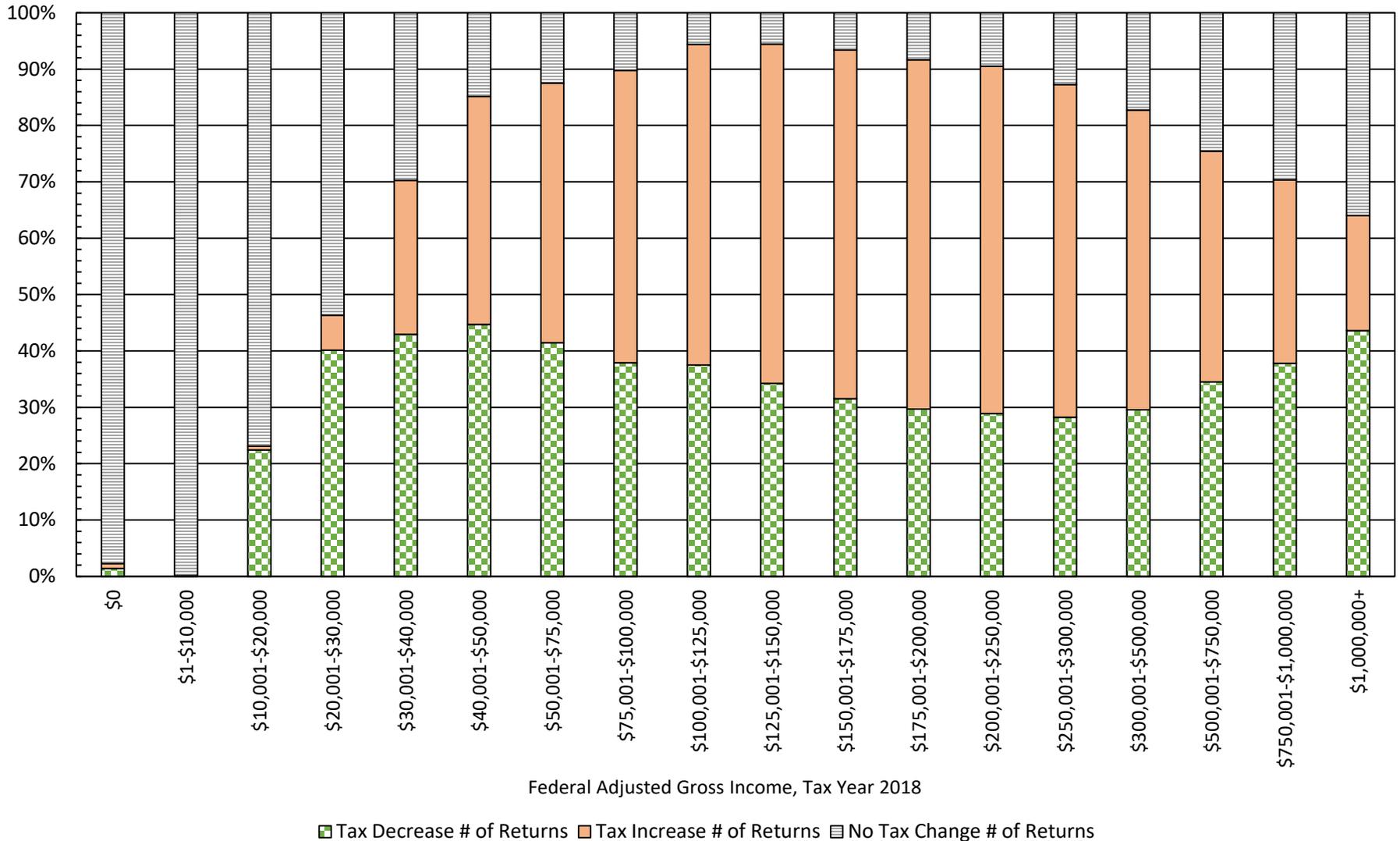
SOUTH CAROLINA STATE INDIVIDUAL INCOME TAX LIABILITY IMPACT
Tax Year 2018 - Projected Impact of Federal Tax Changes
Percentage of Returns



SOUTH CAROLINA STATE INDIVIDUAL INCOME TAX LIABILITY IMPACT

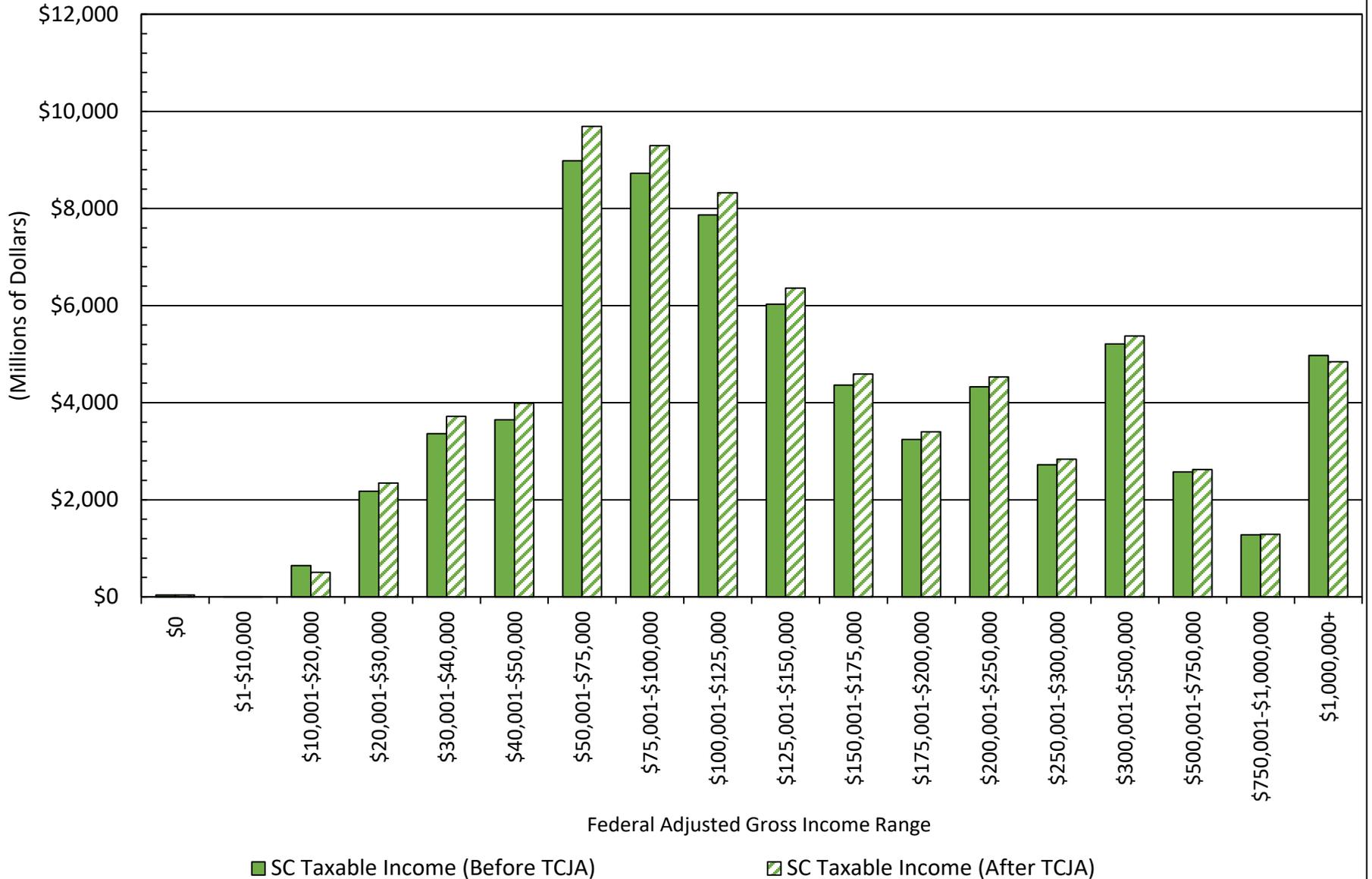
Tax Year 2018 - Projected Impact of Federal Tax Changes

Percent of Returns with Decrease, Increase, or No Change



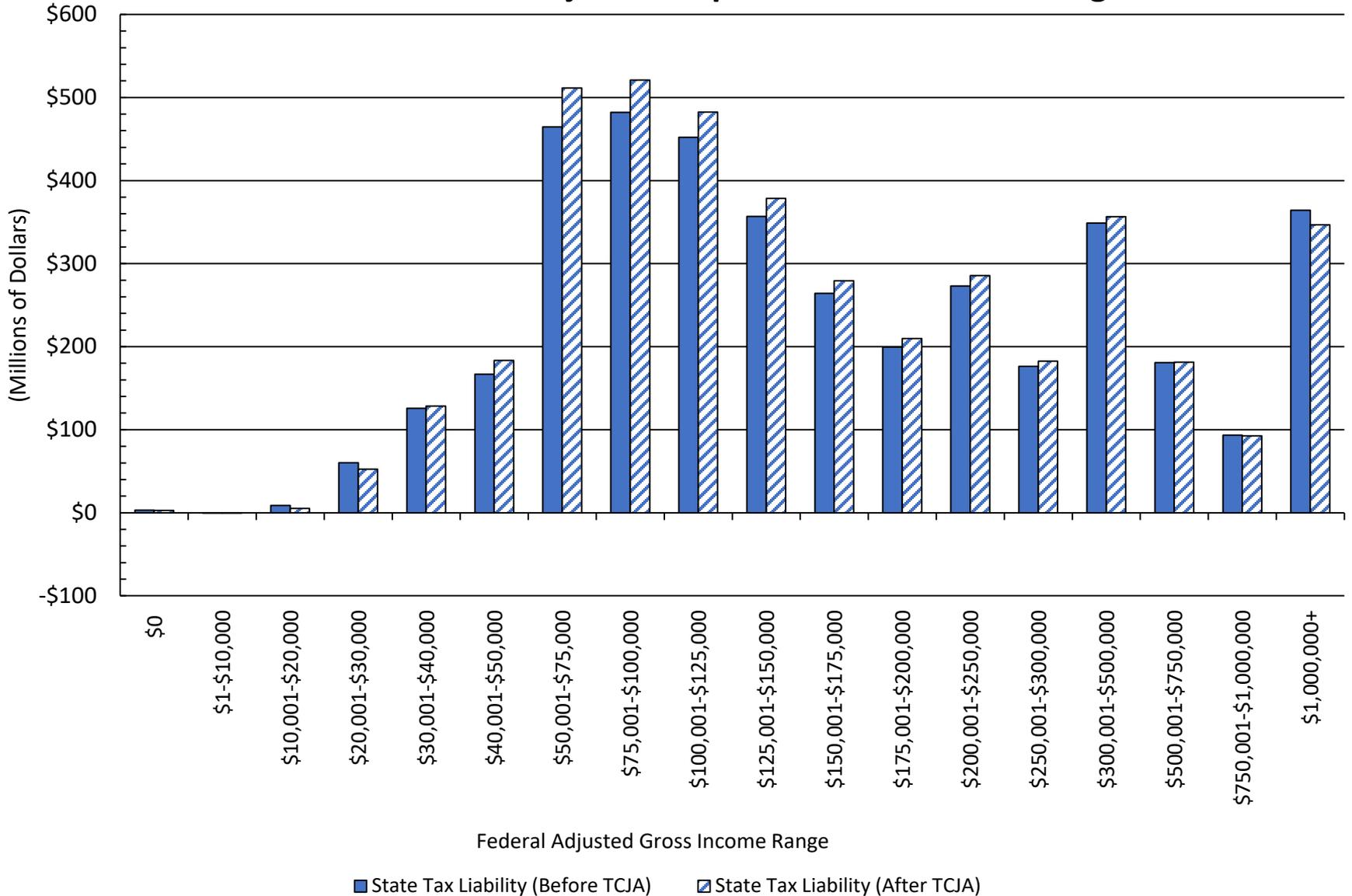
STATE TAXABLE INCOME

Tax Year 2018 - Projected Impact of Federal Tax Changes



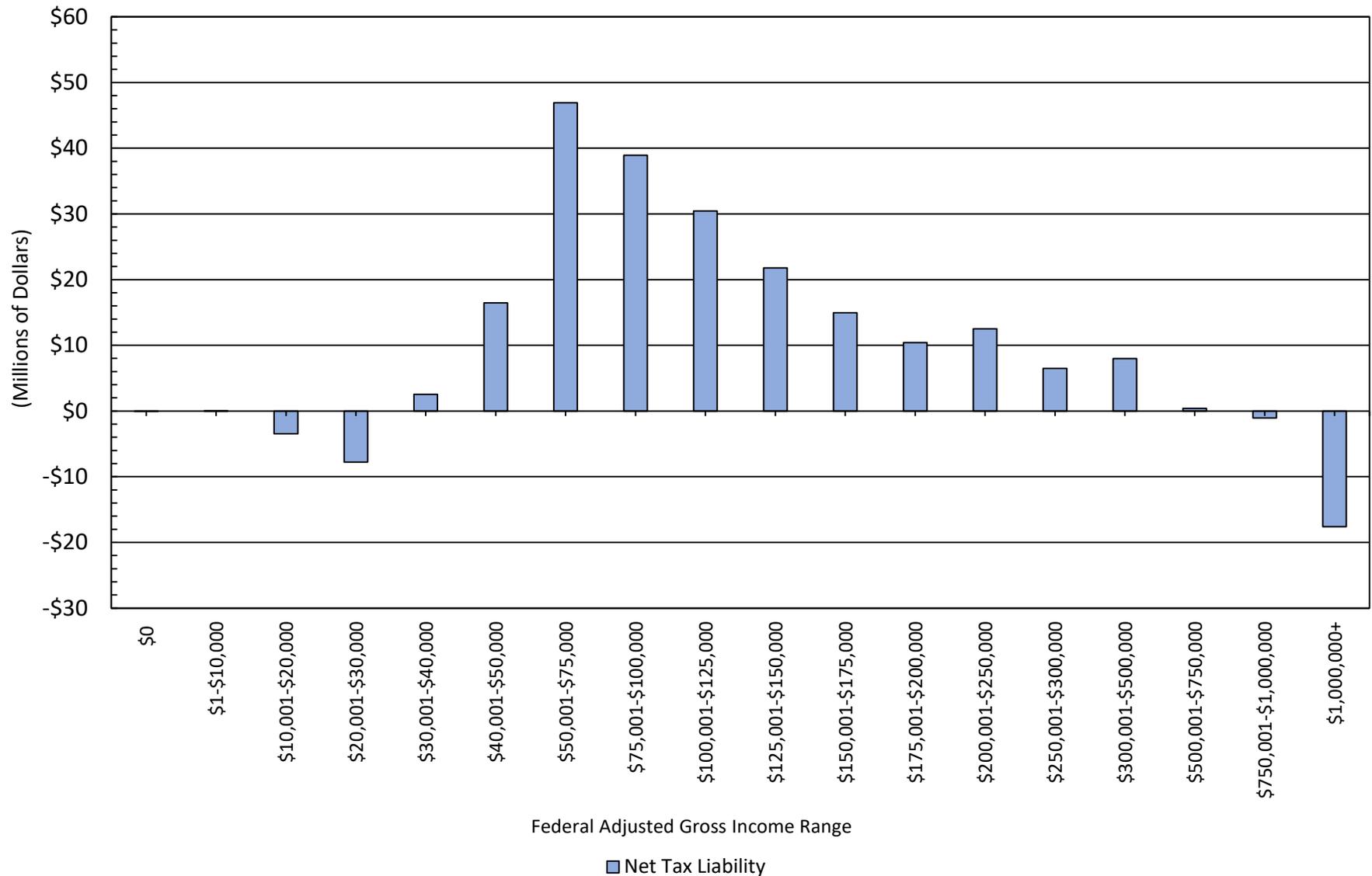
TOTAL STATE INDIVIDUAL INCOME TAX LIABILITY

Tax Year 2018 - Projected Impact of Federal Tax Changes



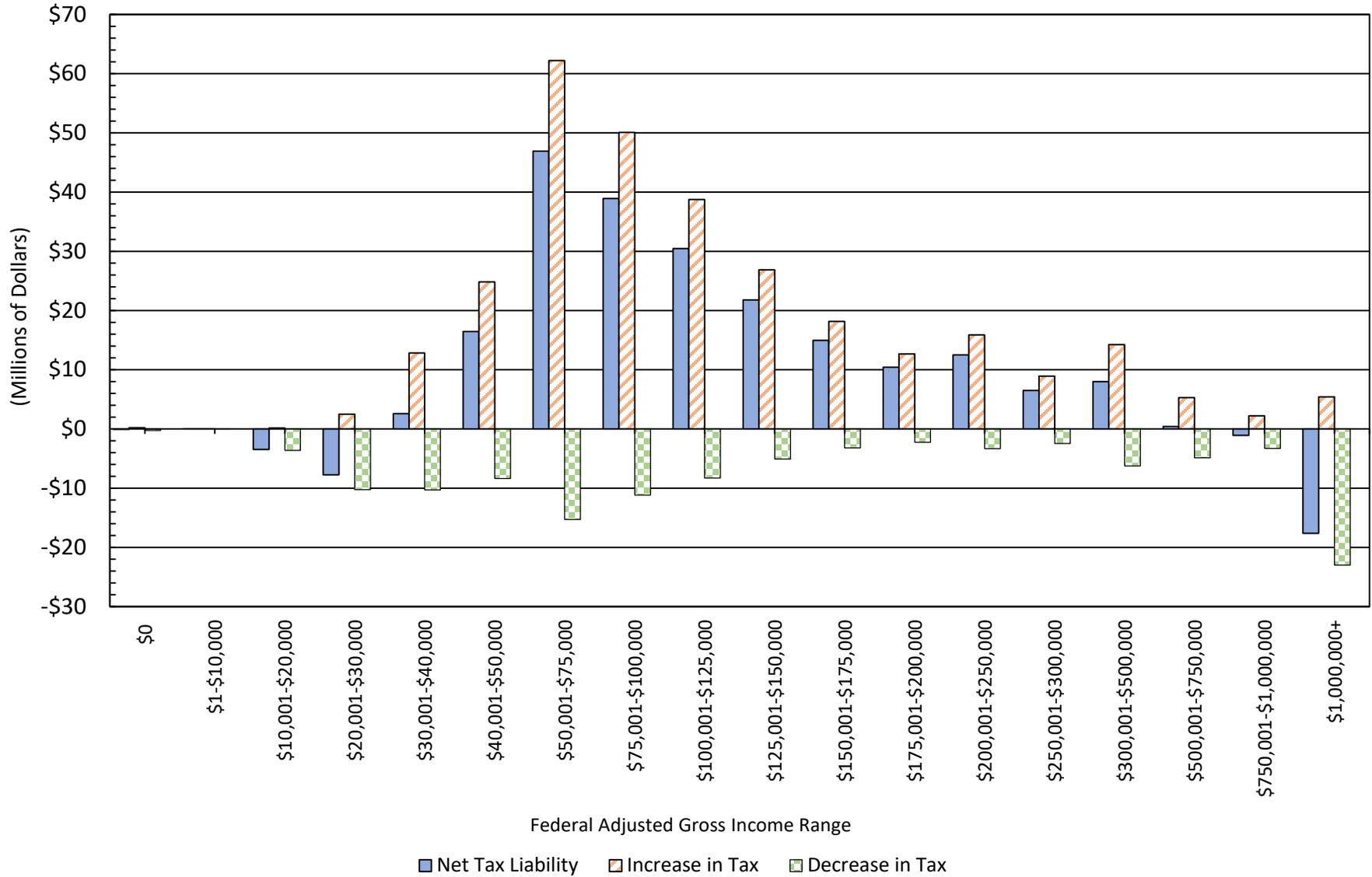
STATE INDIVIDUAL INCOME TAX LIABILITY CHANGE

Tax Year 2018 - Projected Impact of Federal Tax Changes



COMPONENTS OF STATE INDIVIDUAL INCOME TAX LIABILITY CHANGE

Tax Year 2018 - Projected Impact of Federal Tax Changes





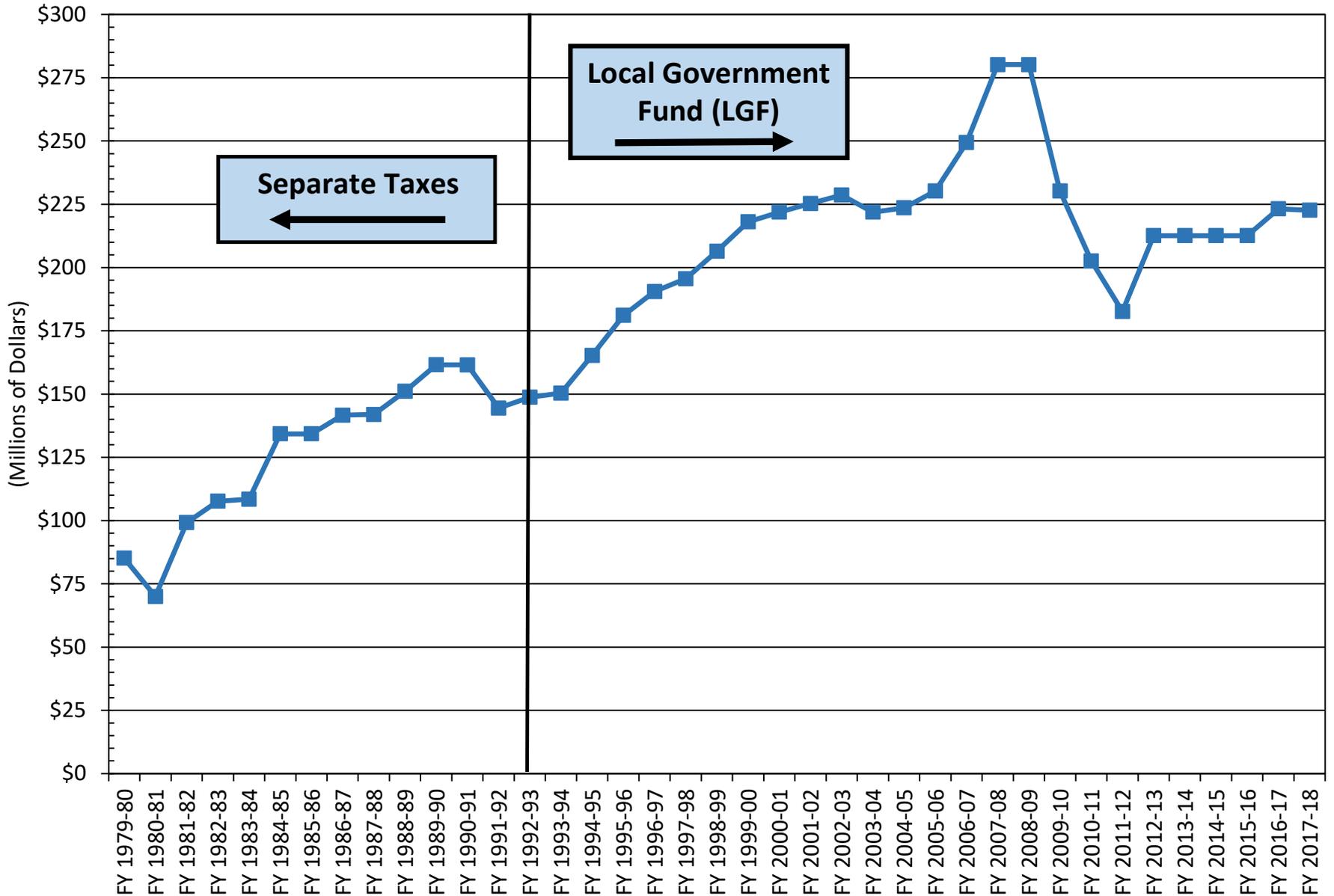
“Aid-to-Subs”
and
Other Reimbursements

LOCAL GOVERNMENT FUND



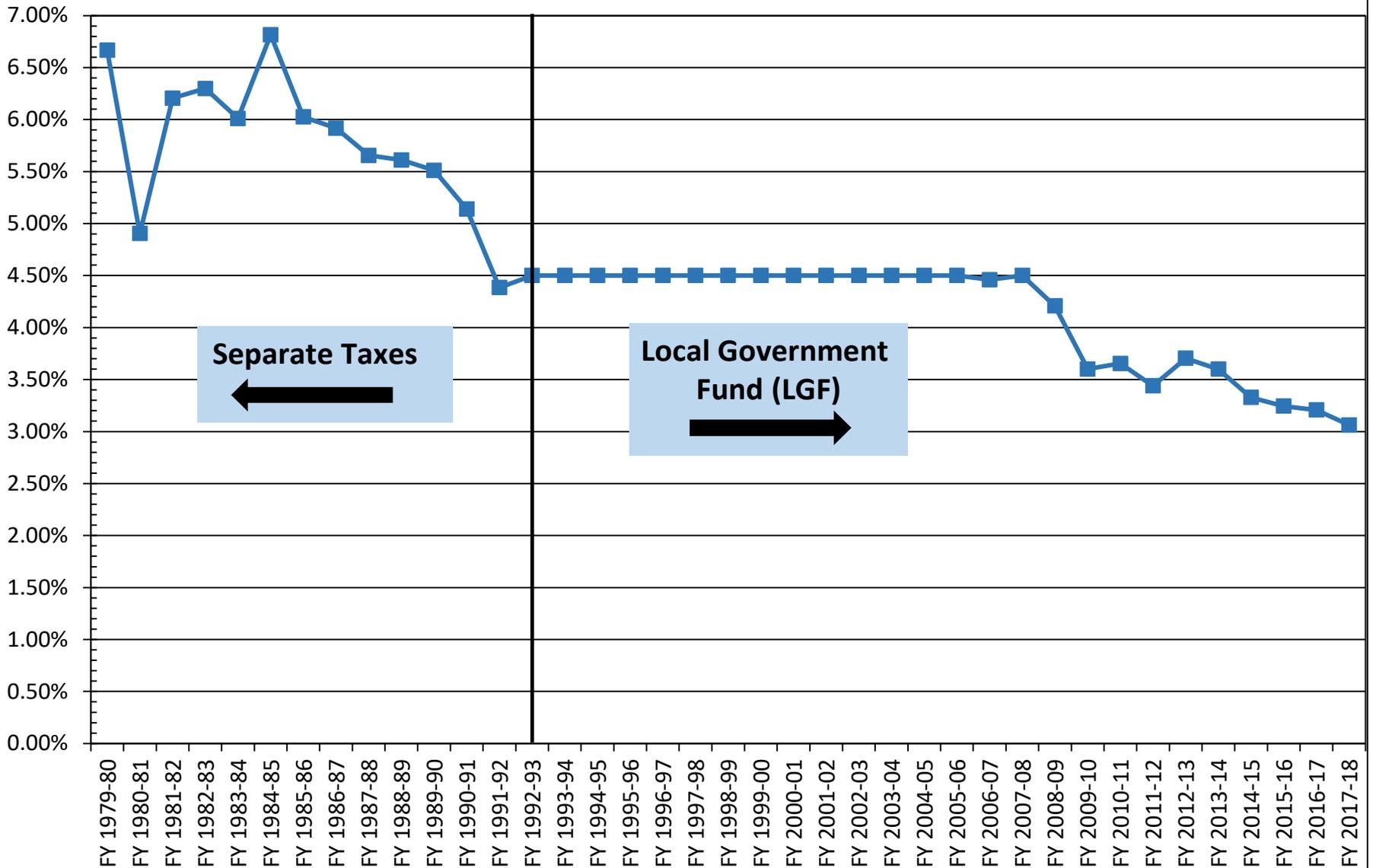
Actual vs Formula

AID TO SUBDIVISIONS APPROPRIATIONS - **FORMULA FUNDING**



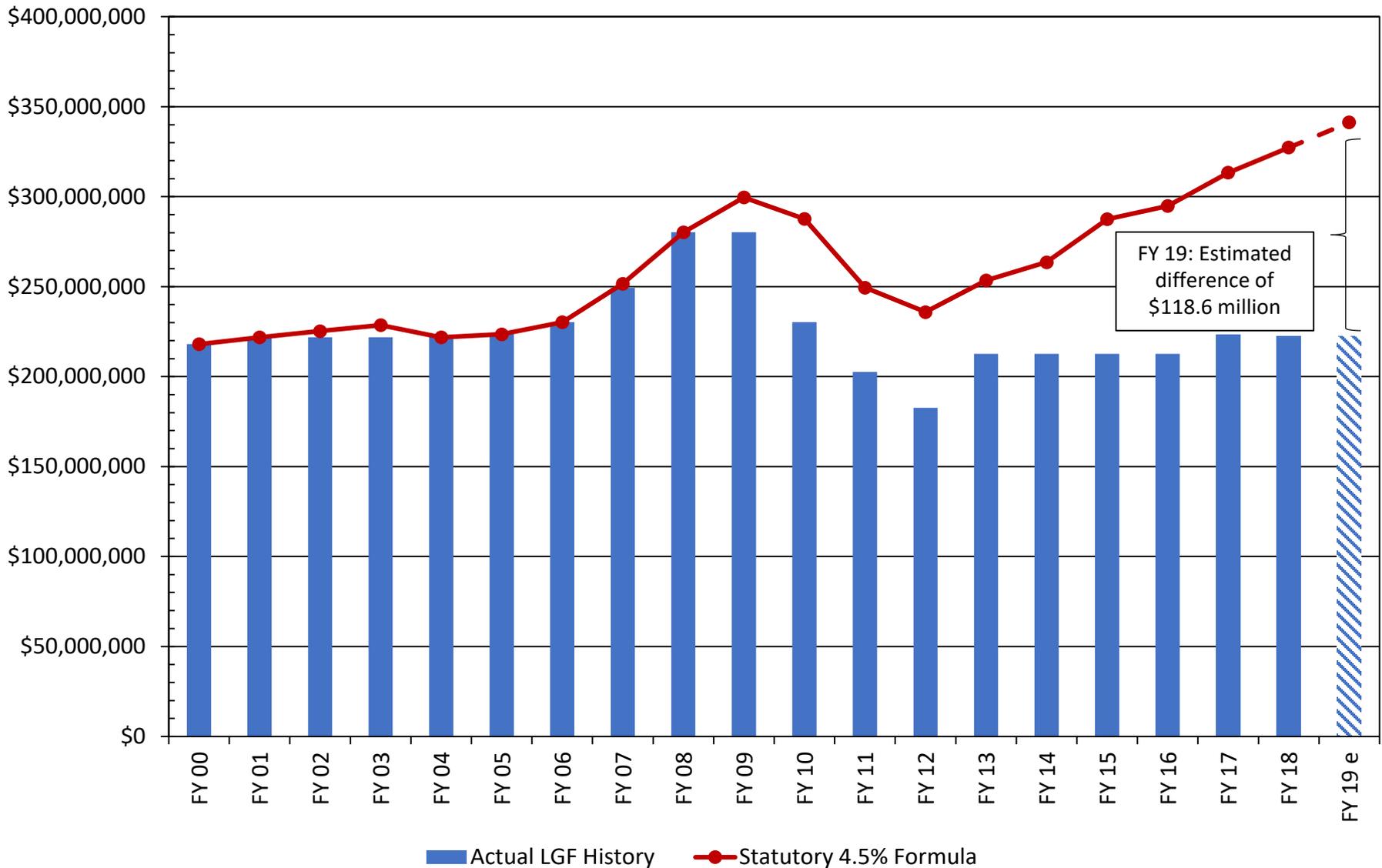
AID TO SUBDIVISIONS APPROPRIATIONS - FORMULA FUNDING

Percent of Previous Fiscal Year's Actual General Fund Revenue



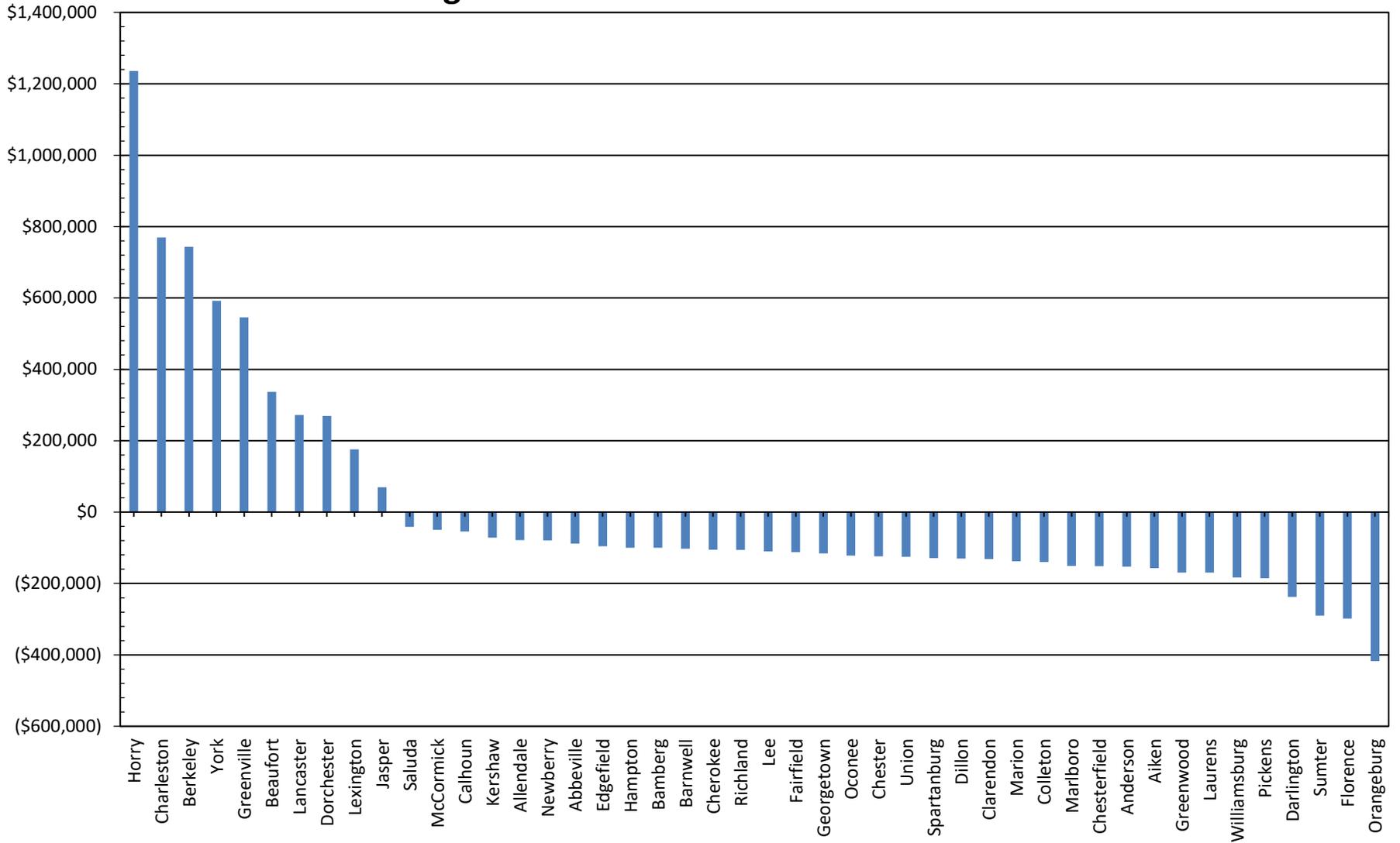
LOCAL GOVERNMENT FUND

Comparison of Actual Funding to Statutory Formula



ESTIMATED IMPACT ON LOCAL GOVERNMENT FUND FOR COUNTIES

Change from 2010 Census vs 2016 Estimates



Note: Local Government Fund estimates are based upon recurring funds of \$222,619,411 as ratified by the General Assembly on June 6, 2017. The population figures are based on 2010 U.S. Census Bureau data and 2016 U.S. Census population estimates.

TAX RELIEF



Tier I Tier II Tier III

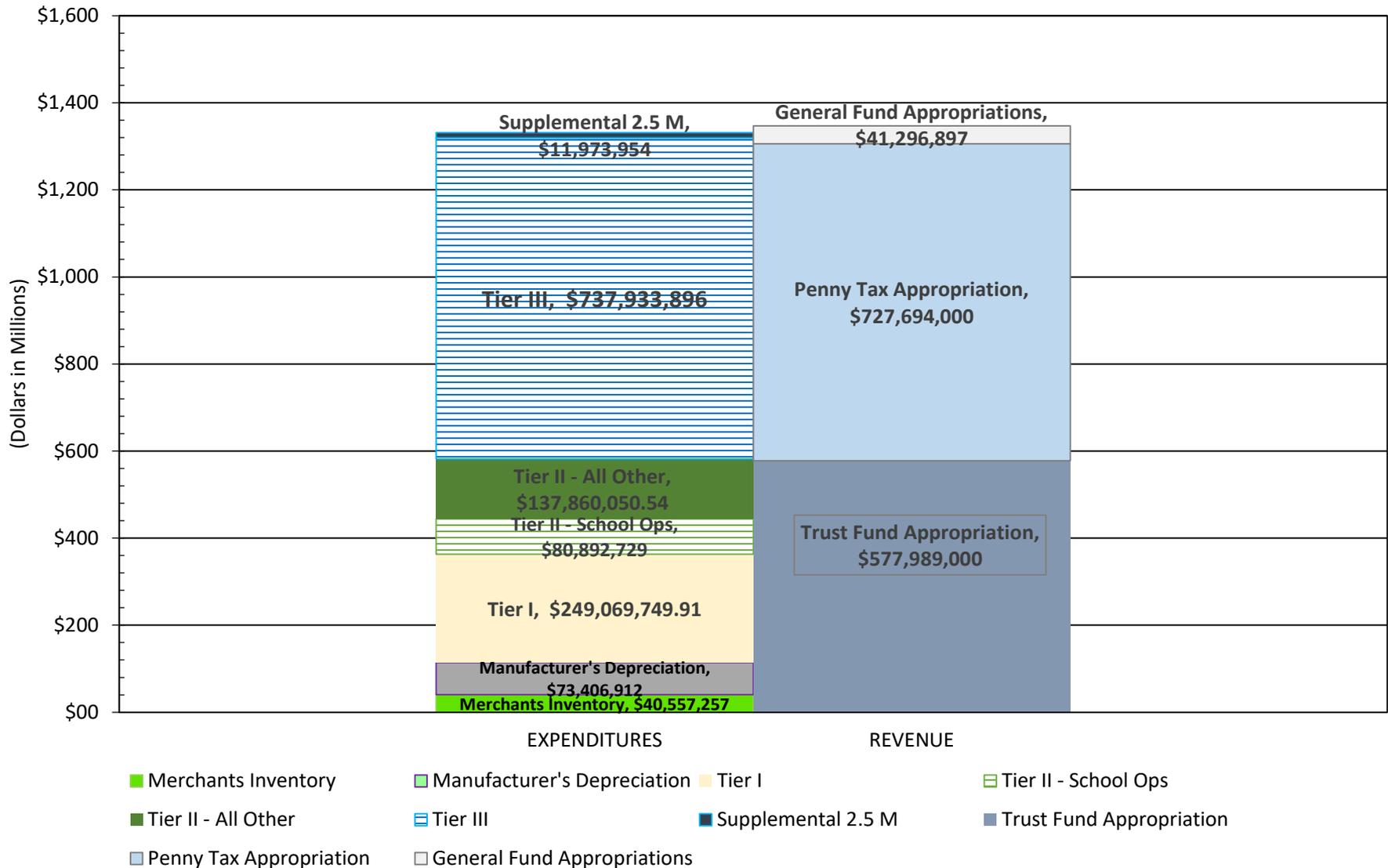
➤ Property Tax Relief Fund

- Tier I (\$100,000 school operating)
- Tier II (65+ : School and County/City)
- Manufacturer's Depreciation
- Manufacturer's Exemption
- Merchant's Inventory

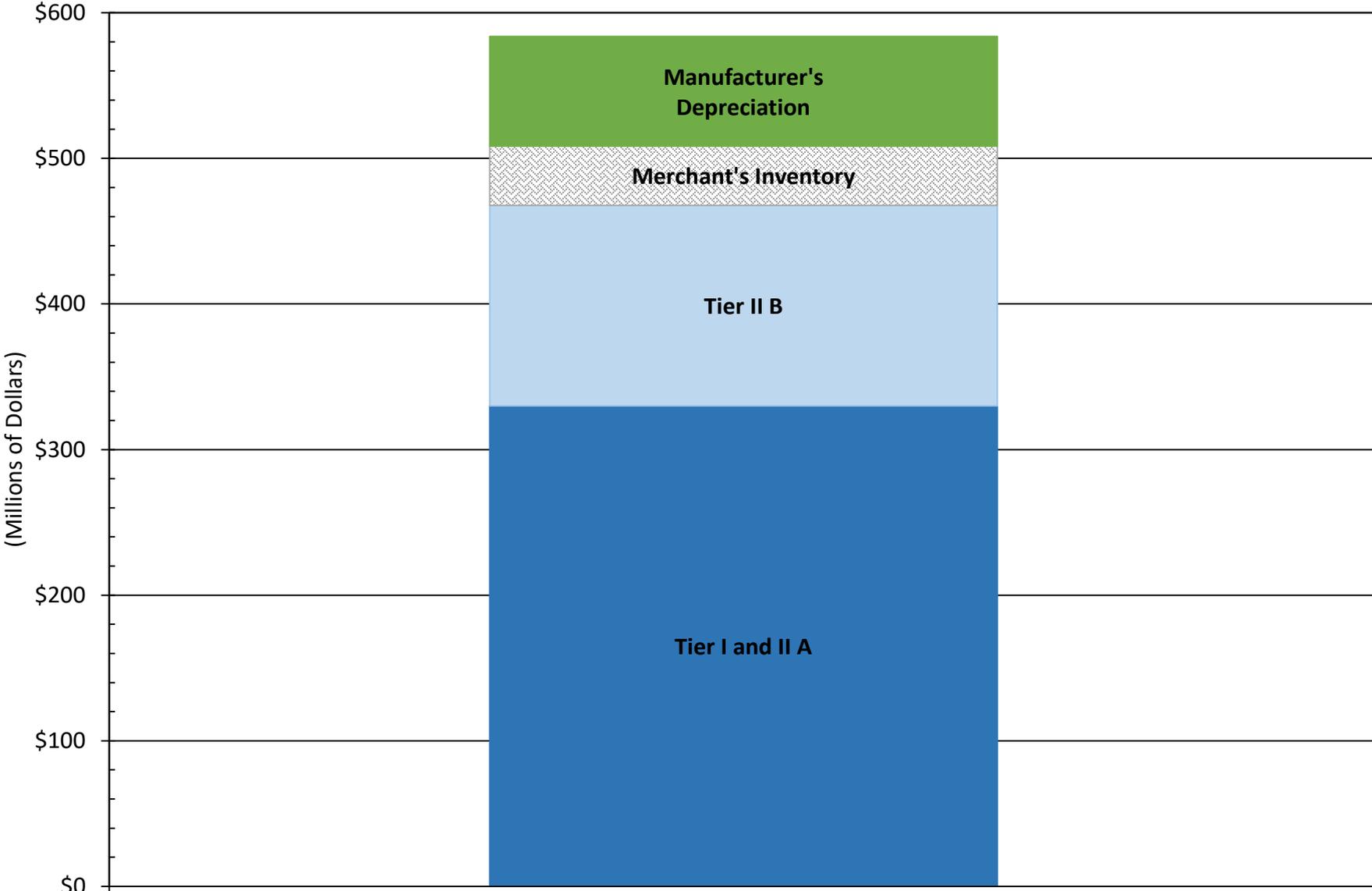
➤ Tier III – Hex Penny/Homeowner Exemption

FY 2017-18 PROJECTED STATE PROPERTY TAX REIMBURSEMENTS FOR HOMESTEAD EXEMPTIONS

Tier I, Tier II, and Tier III

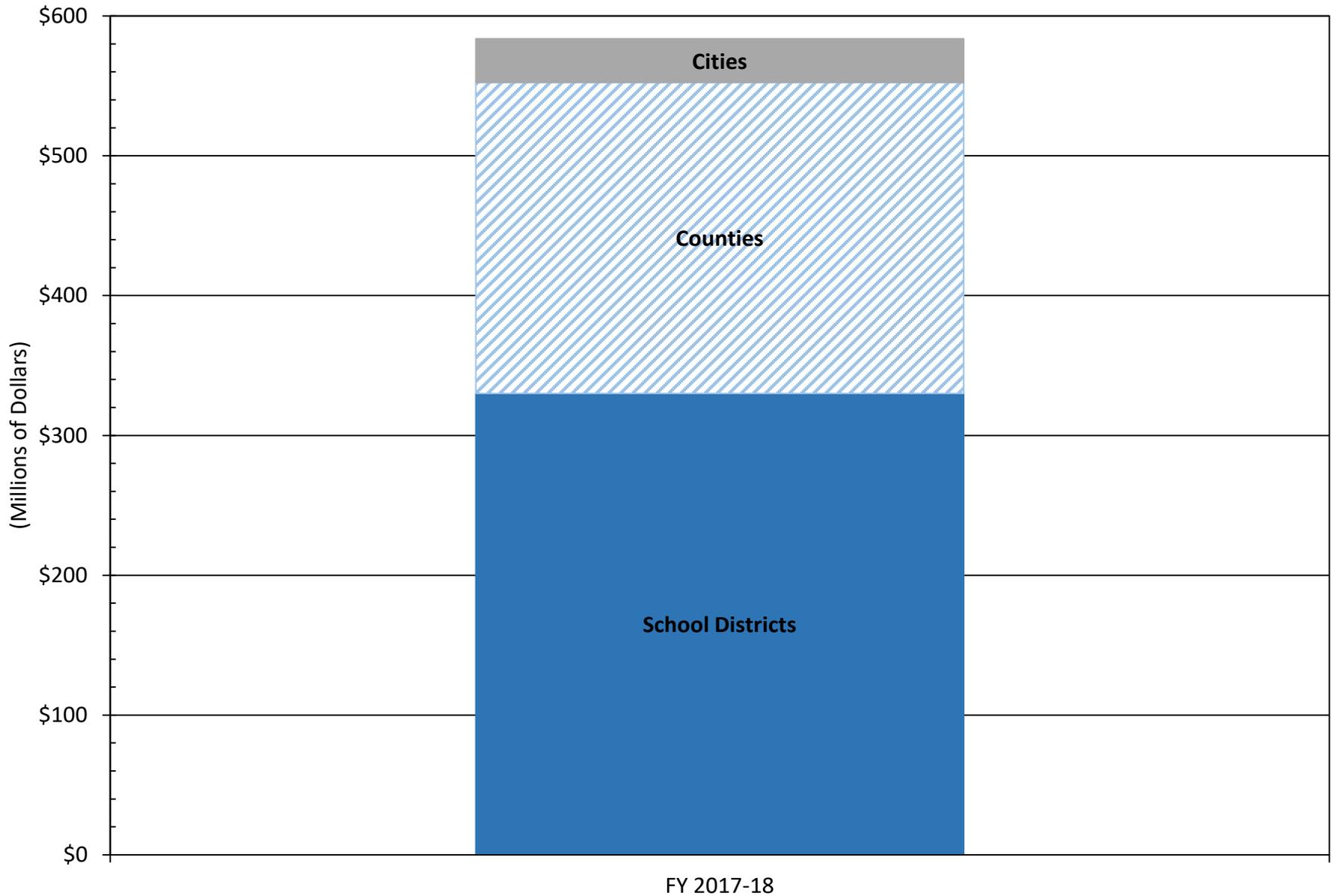


FY 2017-18 TAX RELIEF TRUST FUND



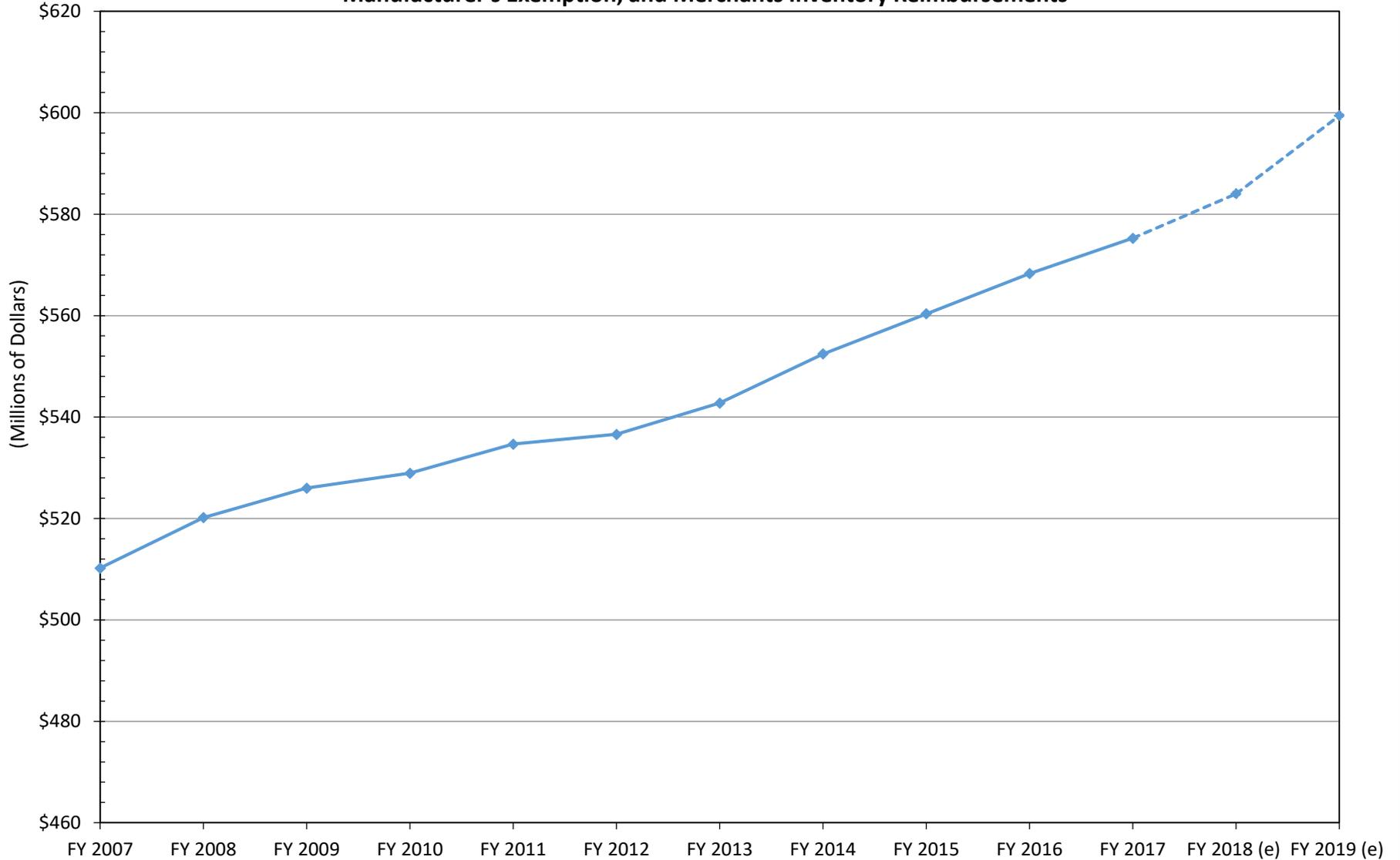
FY 2017-18

FY 2017-18 TAX RELIEF TRUST FUND DISTRIBUTION



Trust Fund For Property Tax Relief

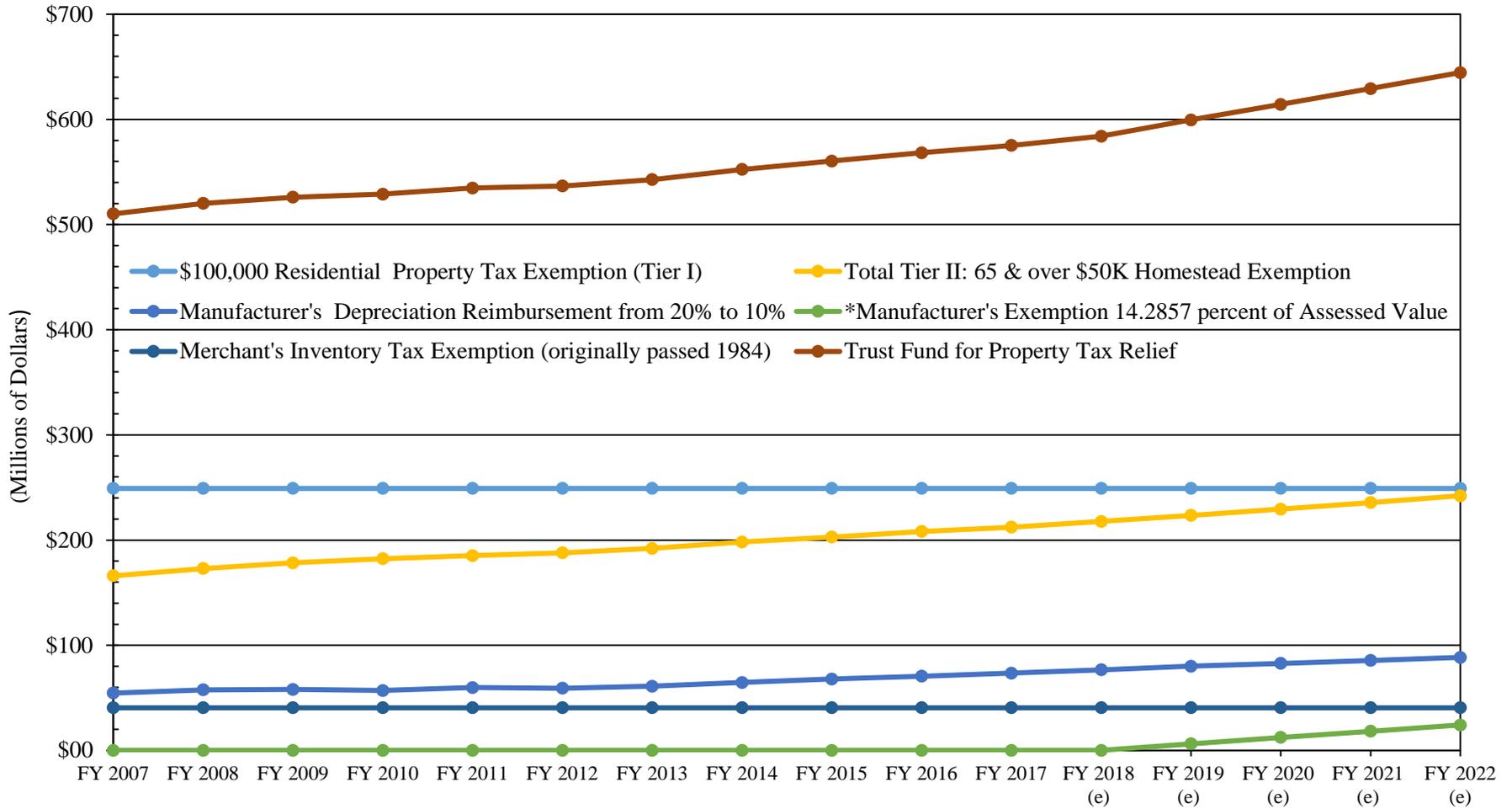
Residential Exemption (Tier I), Homestead Exemption (Tier II), Manufacturer's Depreciation,
*Manufacturer's Exemption, and Merchants Inventory Reimbursements



*The Manufacturer's Exemption of 14.285 percent of assessed value is phased-in in six equal and cumulative percentage installments, applicable for property tax years beginning after 2017.

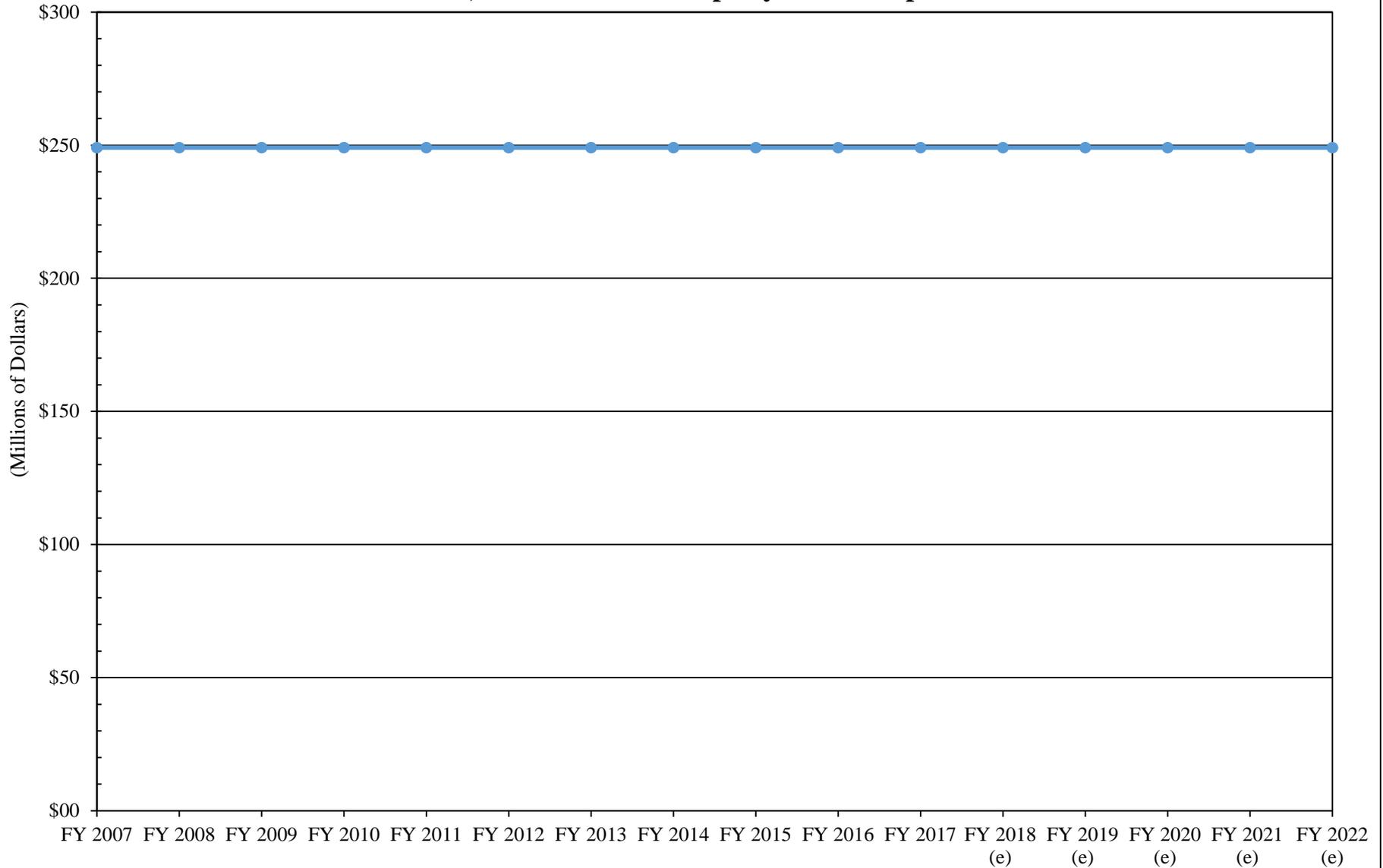
TRUST FUND FOR PROPERTY TAX RELIEF

Residential Exemption (Tier I), Homestead Exemption (Tier II), Manufacturer's Depreciation, *Manufacturer's Exemption, and Merchants Inventory Reimbursements



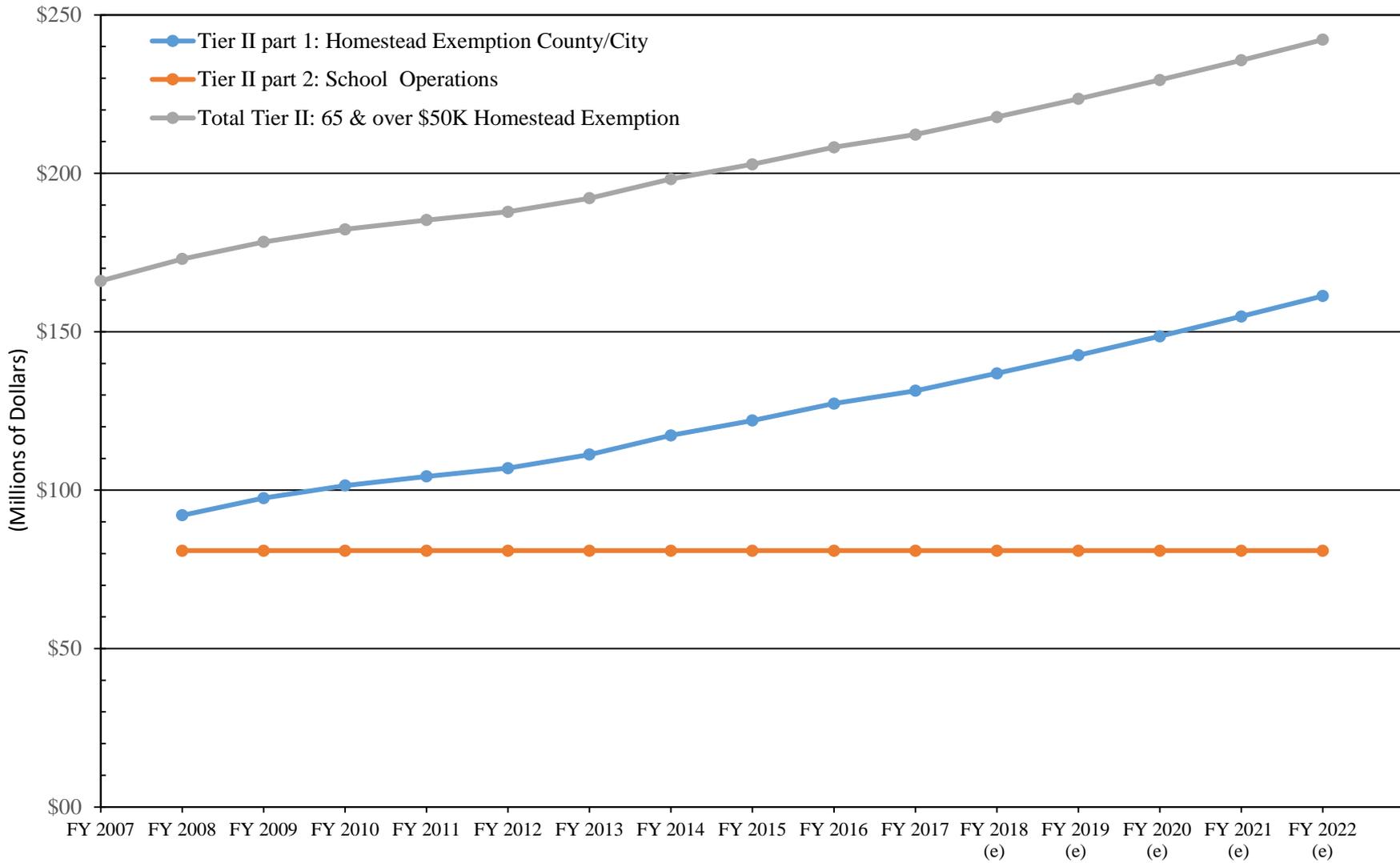
*The Manufacturer's Exemption of 14.285 percent of assessed value is phased-in in six equal and cumulative percentage installments, applicable for property tax years beginning after 2017.

TIER I \$100,000 Residential Property Tax Exemption



Note: Tier I capped at \$249.069.750

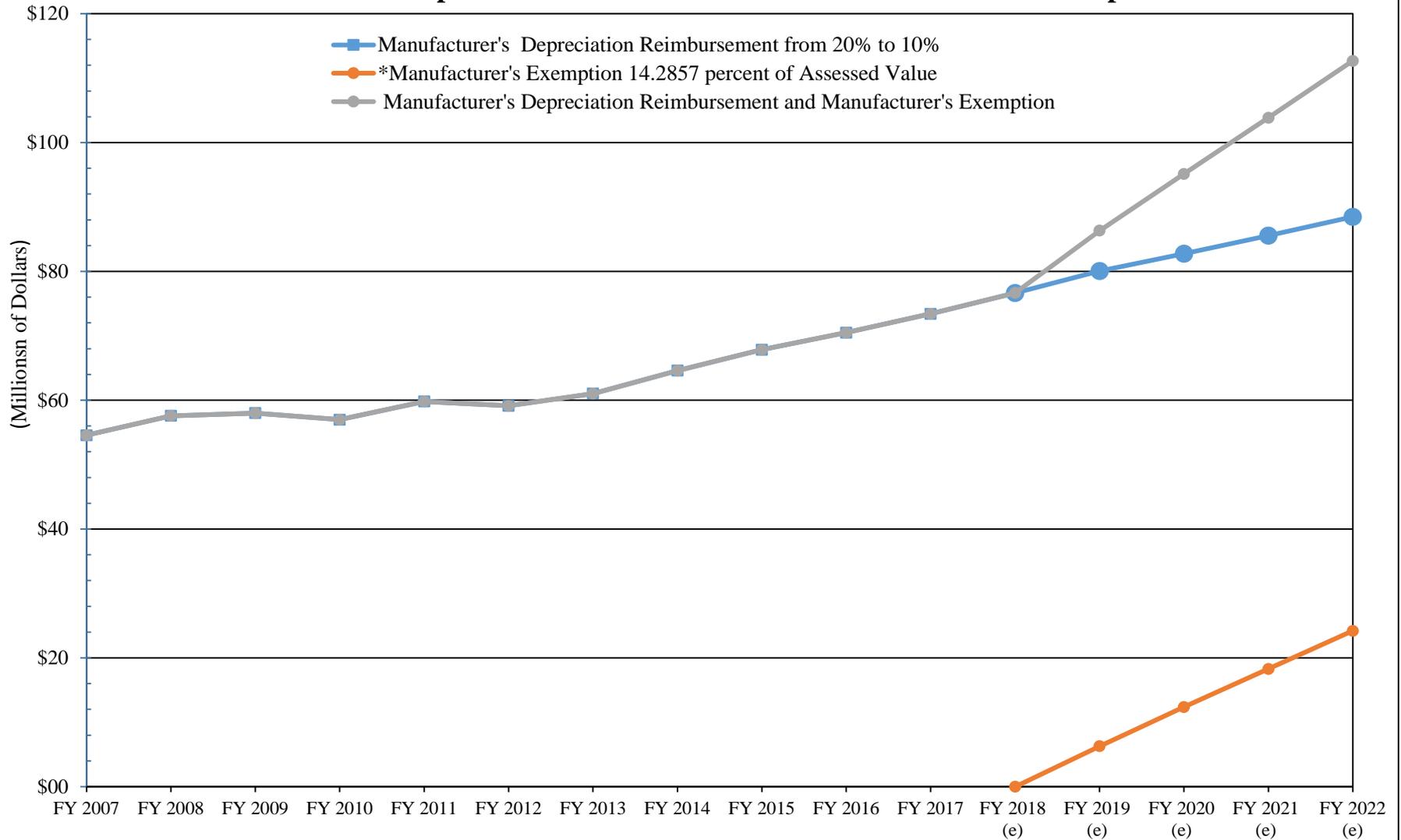
Tier II 65 and Over \$50,000 Homestead Exemption Reimbursement



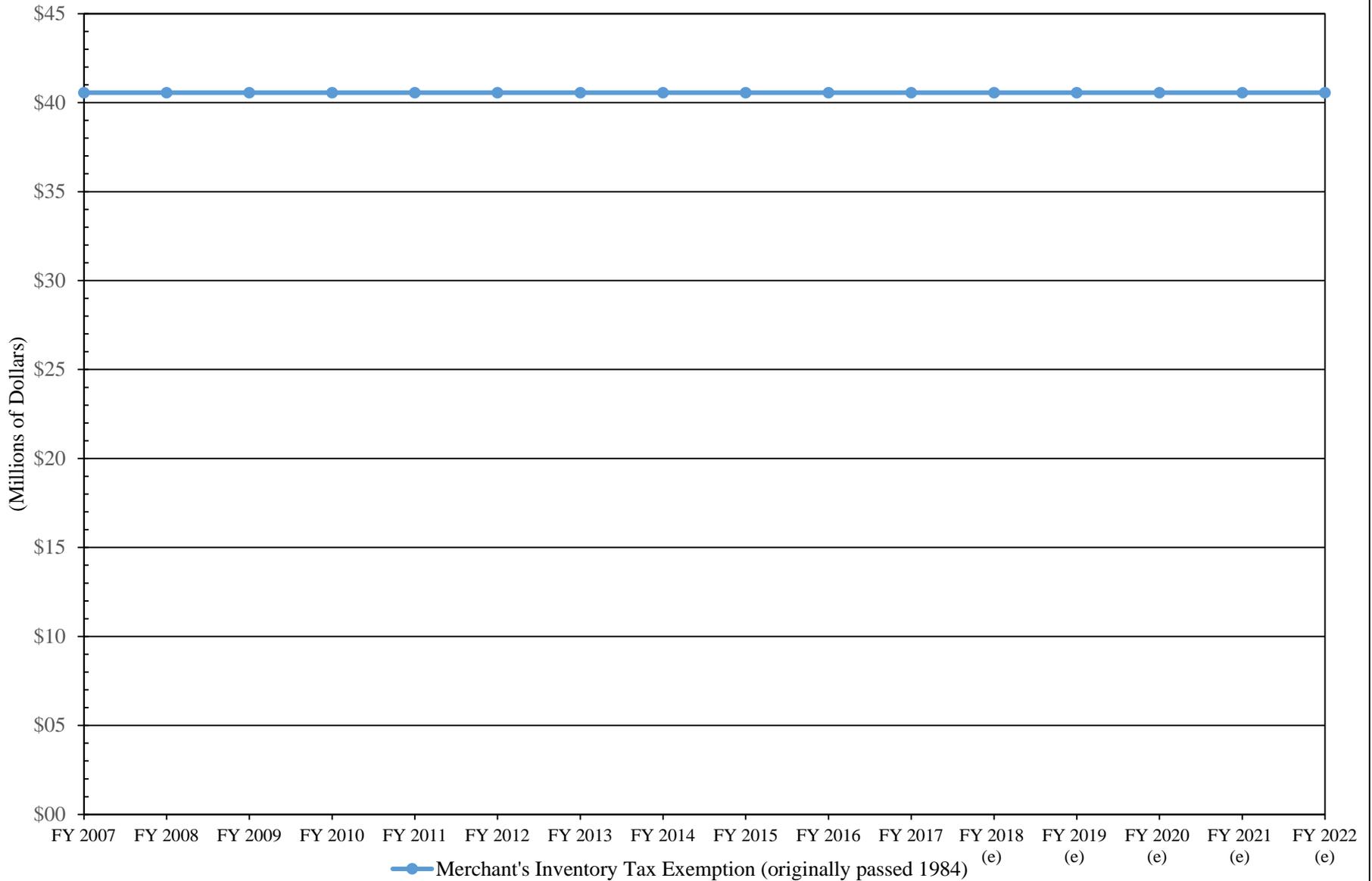
Note: School Operations is capped at \$80,892,728.71

MANUFACTURERS' REIMBURSEMENTS

Manufacturers' Depreciation Reimbursement and Manufacturers' Exemption



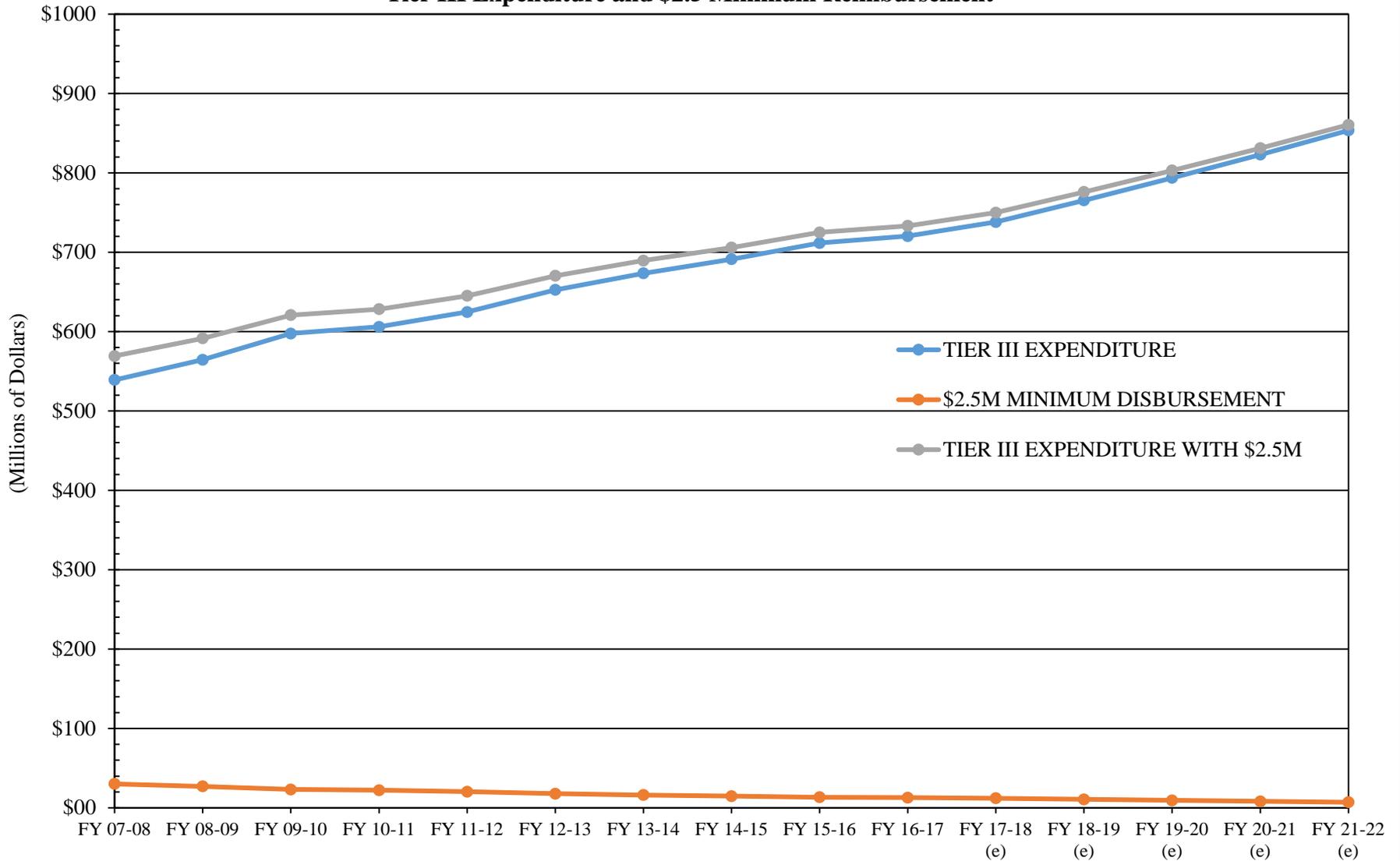
MERCHANTS INVENTORY TAX EXEMPTION



Note: Merchant's Inventory Tax Exemption was capped at \$40,557,257

TIER III EXPENDITURE

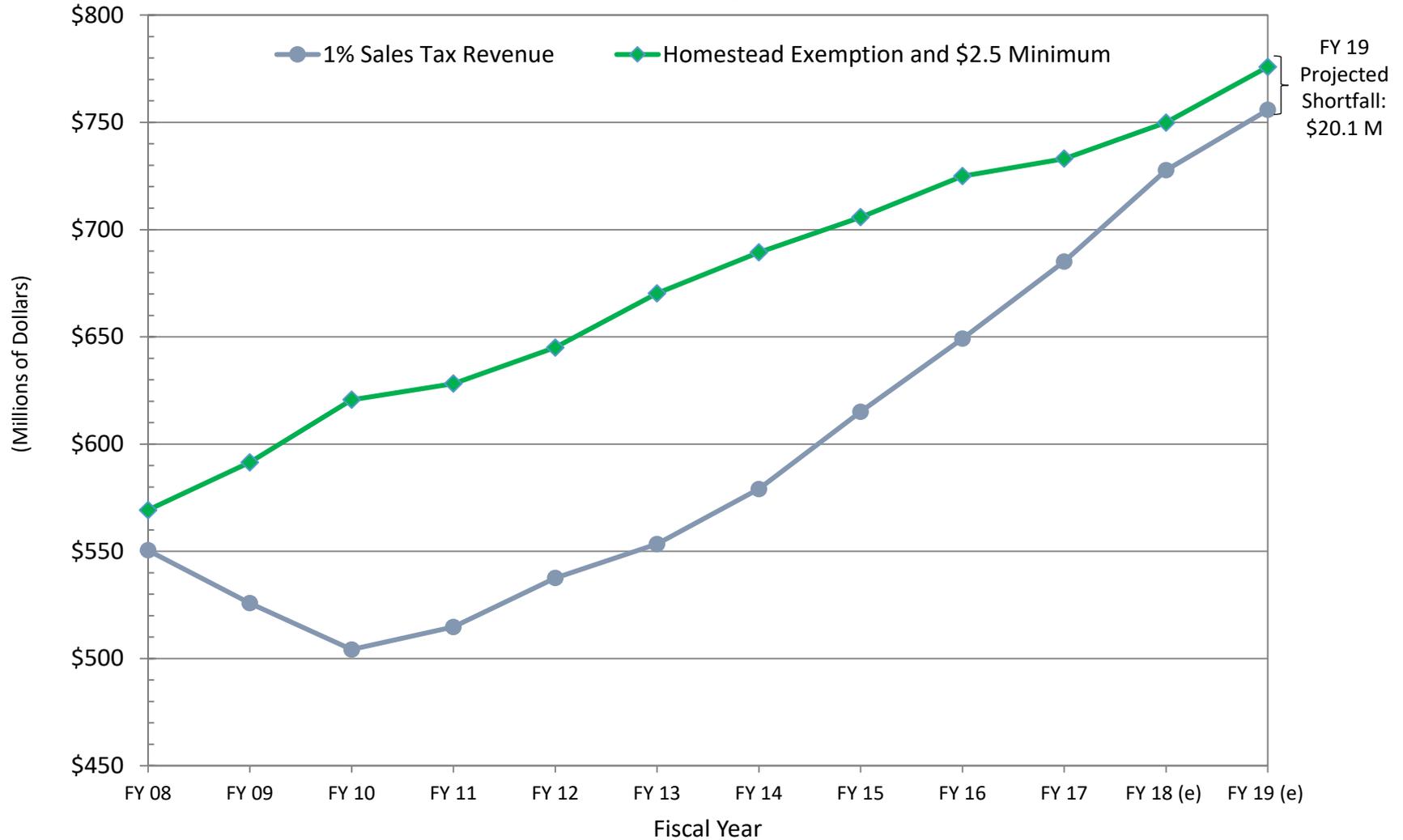
Tier III Expenditure and \$2.5 Minimum Reimbursement



Note: Tier III Expenditure includes lease purchase lawsuit revisions.

HOMESTEAD EXEMPTION FUND (TIER III)

Revenues and Expenditures



Note: Tier III Expenditure includes \$2.5M minimum disbursements and lease purchase lawsuit revisions. Revenue projection based upon 11/09/2017 BEA forecast.

