# SC tax coffers swell in 2011

## Nearly 9% revenue rise points to rebound

**By Raju Chebium**
Washington bureau

WASHINGTON — South Carolina collected more tax revenue last year than in 2010, a sign the state's economy is rebounding from the recession.

That was largely because of a spike in income tax revenue, the Census Bureau said in a recent report.

Individual income taxes generated about $2.9 billion in 2011, up 8.8 percent from about $2.67 billion the previous year, census figures show.

Growth by manufacturing heavyweights such as BMW and Michelin in Upstate and the new Boeing plant in North Charleston has sparked a broader economic recovery, said Mark Vitner, an economist for Wells Fargo in Charlotte.

And more people working means more tax revenue collected.

"South Carolina probably has the most uniform expansion in the country, and what we're seeing is strong gains across most industries," Vitner said.

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>
> **MARK VITNER,** Wells Fargo economist

Tax revenues in all 50 states rose by a combined 3.6 percent in the fourth quarter of 2011 compared with the same period a year earlier, according to a report released by the Rockefeller Institute of Government in Albany, N.Y.

"States are on the right track in terms of their revenue trajectories," said Sujit CanagaRetna, a fiscal analyst for the Council of State Governments in Atlanta. "We're coming out a very large hole, which is the Great Recession."

But he also sounded a note of caution: "Sure, revenues have improved (over) the last couple of years, but it's still very much be-

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low the pre-recession numbers."

South Carolina and Virginia were the only two states to see slight declines in sales and gross receipts tax revenues in 2011 compared with the previous year, according to the Census Bureau.

South Carolina's share of property taxes also likely fell last year.

The Palmetto State's sales and gross receipts tax collections declined 1.4 percent, from $2.83 billion in 2011 to $2.79 billion.

Vitner said that's probably because high gas prices forced South Carolinians to cut back on purchases of other items.

Figures from the South Carolina Board of Economic Advisors shows sales tax revenues are up this year. In February, for instance, those revenues were up 8.7 percent over February 2011.

Lucy Dadayan, an analyst at the Rockefeller Institute, said the Census Bureau numbers show another troubling trend — state tax revenues are increasing, but local governments have yet to catch up.

Property tax collections have yet to recover in much of the country, she said. It isn't clear if South Carolina is among states where this is the case because the Census Bureau reported only national numbers.

Despite recent signs of a pickup in housing, economists say foreclosures and years of housing-value declines have slashed property taxes that local governments rely on to pay for schools and local services.

Housing problems are largely blamed for the sluggish economic recovery.

States are also cutting aid to local governments, making it harder on municipalities to pay for necessary services, Dadayan said.

And states face higher health care spending in the coming years, she said, partly because the 2010 health care reform law expands Medicaid eligibility.

Another closely watched economic indicator — statewide unemployment — is improving in South Carolina, though the state hasn't returned to pre-recession levels.

The state's jobless rate, which hit a high of 12 percent in November-December 2009, dropped to 8.9 percent in March, according to the federal Bureau of Labor Statistics.

The rate was 5.6 percent in November 2007, a month before the recession began.

Unemployment tends to run higher in areas where manufacturing isn't the economic mainstay, said Ted Abernathy, executive director of the Southern Regional Growth Policies Board, a nonpartisan think tank in Raleigh, N.C.

For instance, Myrtle Beach is bound to have more people out of work than Spartanburg, home to BMW, because tourism hasn't rebounded quite as well as manufacturing, he said.

And South Carolina isn't creating jobs as quickly as some areas in West Virginia, Louisiana and Oklahoma, where the energy industry dominates, he said.