

FISCAL RESEARCH DIVISION

A Staff Agency of the North Carolina General Assembly

North Carolina General Fund Revenue and Outlook

Nick Clerkin

Legislative Economist

Fiscal Research Division

Overview

- North Carolina's consensus forecasting process and tax base overview
- FY 2023-24 revenue comparison
- FY 2024-25 revenue projections
- Tax schedules policy outlook and variables to watch
 - Individual income tax
 - Sales tax
 - Corporate income tax



What is the consensus revenue forecast?

Agreement by forecasters in both the legislative and executive branches (Fiscal Research Division (FRD) and Office of State Budget and Management (OSBM))

Used to develop the State's budget by both the Governor and the General Assembly. Spending must be balanced with the availability of State funds. (North Carolina Constitution, Article III, Sec. 5.(3))

Consensus revenue forecast process is not set in statute



Consensus revenue forecast process

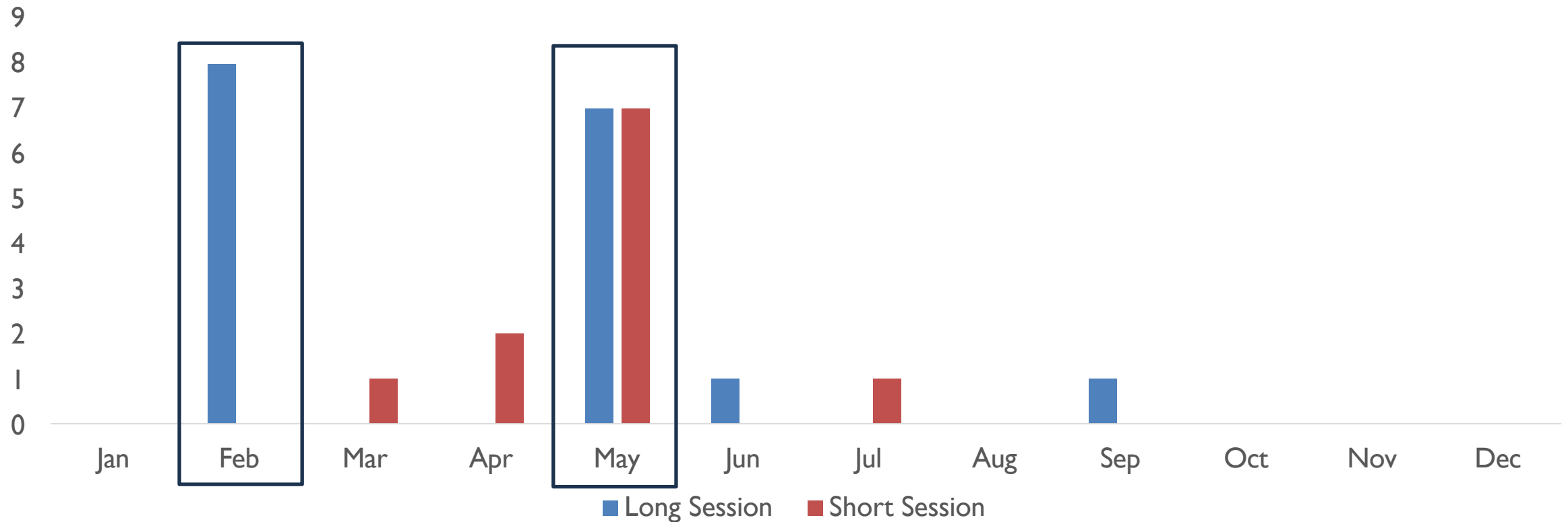
- FRD (legislative) and OSBM (executive) develop independent revenue forecasts
- Compare forecasts and negotiate to reach consensus
- Budgets proposed and enacted by the General Assembly use the most recent Consensus Revenue Forecast, as adjusted by any policy changes in the budget or other new laws
- OSBM certifies revenue as part of the Certified Budget
- FRD and OSBM agree to consensus monthly revenue targets



Consensus forecast timeline

Either the **General Assembly** or the **Governor** can request a revised consensus forecast.

When was consensus reached? 2009-2024



Source: Fiscal Research Division records and analysis

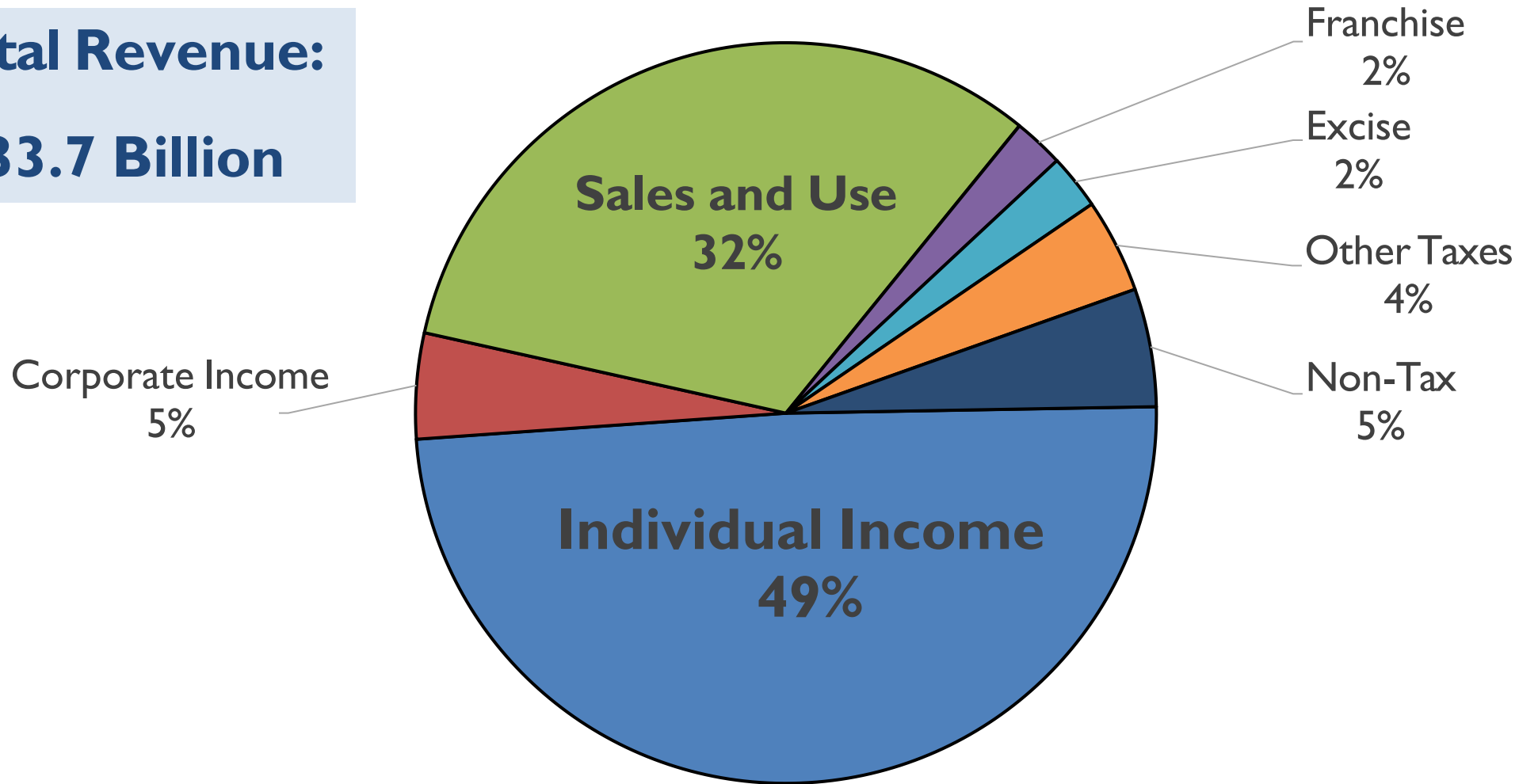


FISCAL RESEARCH DIVISION

A Non-Partisan Staff Agency of the North Carolina General Assembly

General Fund Revenue – All Sources – FY 2023-24

Total Revenue:
\$33.7 Billion



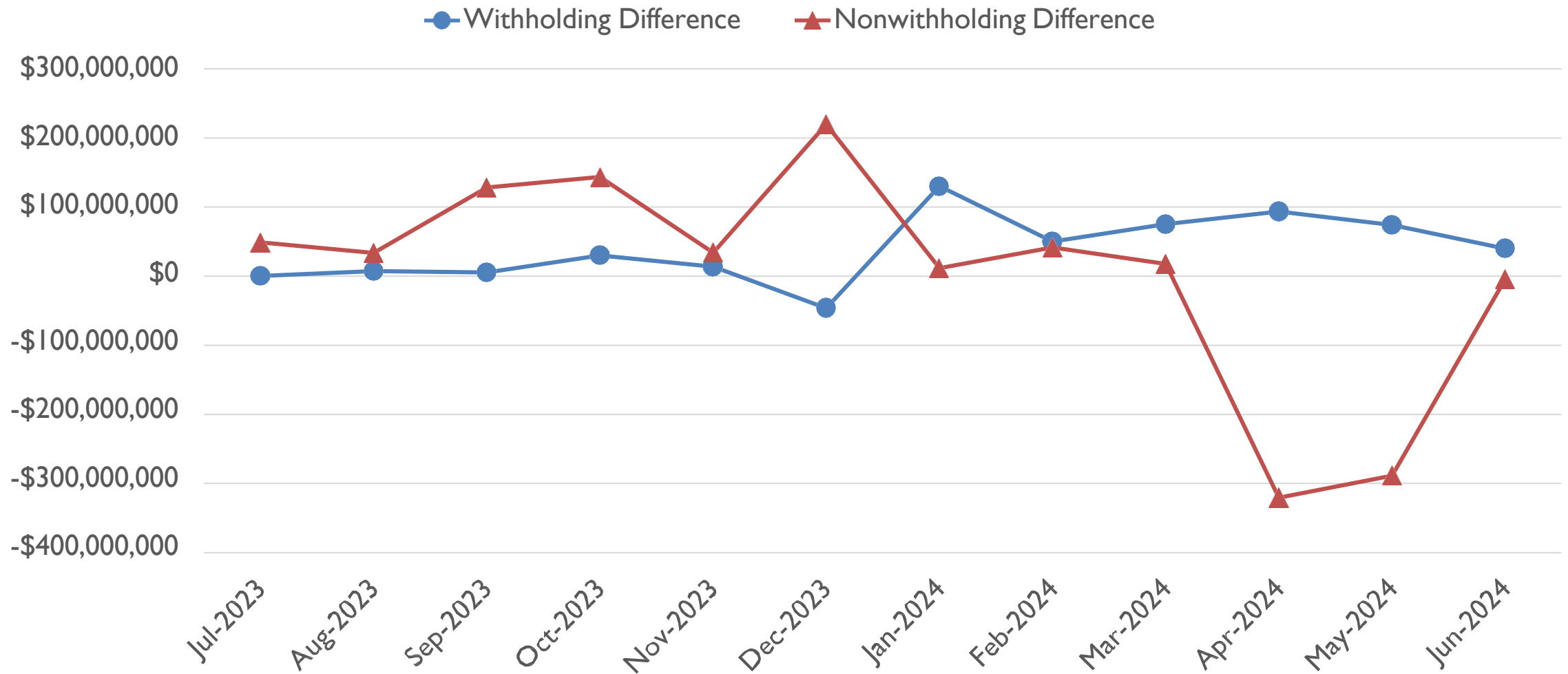
FY 2023-24 Revenue Projections

\$ in millions

Revenue Source	May 2024 Consensus Forecast	FY 2023-24 Actuals	Difference (\$)	Difference (%)
General Fund Total	\$33,914	\$33,694	(\$220)	-1%
Individual Income	\$16,797	\$16,563	(\$234)	-1%
Sales and Use	\$10,929	\$10,906	(\$23)	0%
Corporate	\$1,523	\$1,552	+\$29	2%
Other Tax	\$3,029	\$2,938	(\$91)	-3%
Nontax	\$1,636	\$1,735	+\$99	6%



FY 2023-24 Actuals to Target – Individual Income



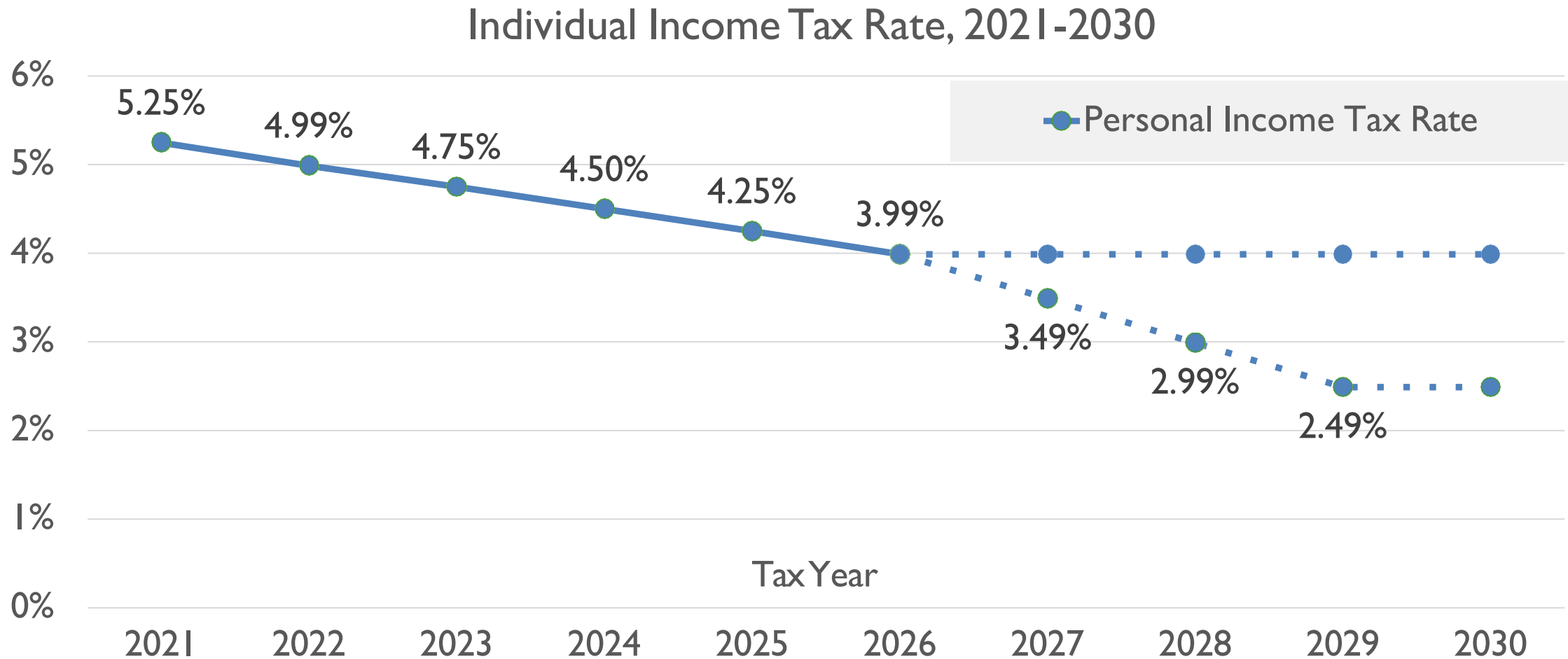
FY 2024-25 Revenue Projections

\$ in millions

Revenue Source	FY 2023-24 Actuals	May 2024 Consensus Forecast	Difference (\$)	Difference (%)
General Fund Total	\$33,694	\$34,164	\$470	1.4%
Individual Income	\$16,563	\$16,779	\$216	1.3%
Sales and Use	\$10,906	\$11,036	\$130	1.2%
Corporate	\$1,552	\$1,578	\$26	1.7%
Other Tax	\$2,938	\$3,180	\$242	8.2%
Nontax	\$1,735	\$1,590	(\$145)	-8.4%



Individual Income – Policy Outlook



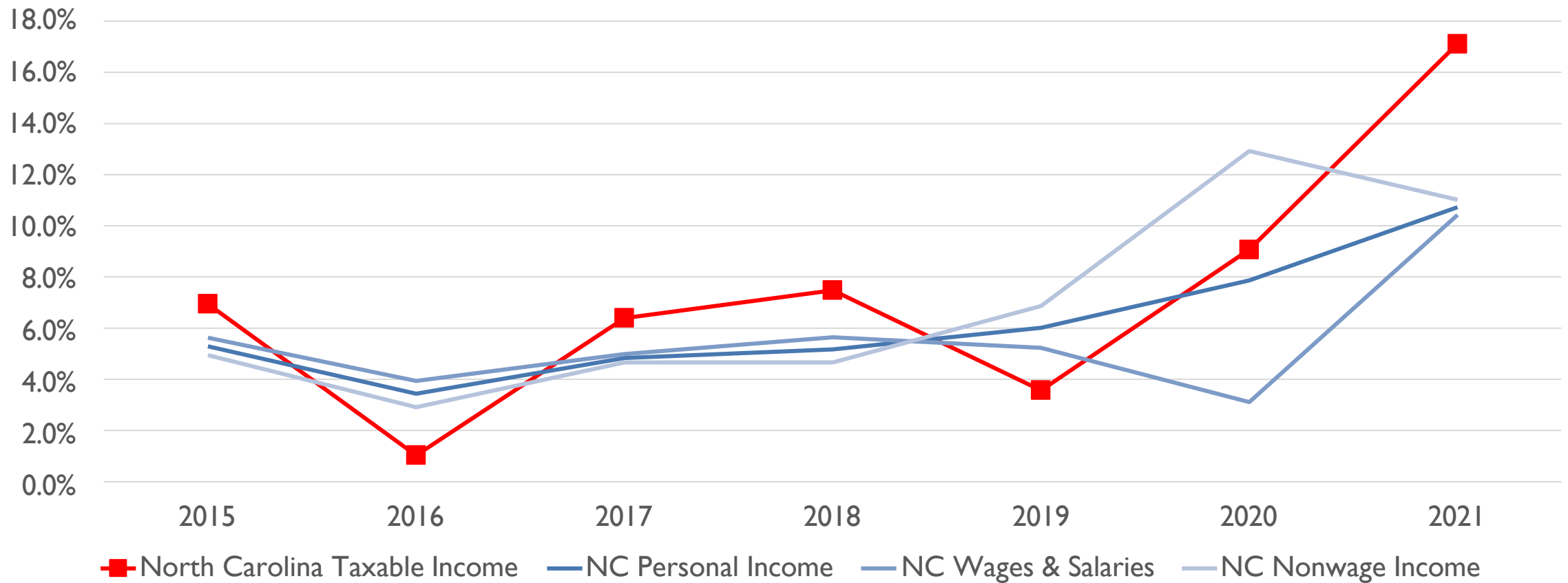
Individual Income - Triggers

Fiscal Year	Trigger Amount (millions)	Tax Year	Tax Rate (S.L. 2023-134)
-	-	2024	4.50%
-	-	2025	4.25%
-	-	2026	3.99%
FY 2025-26	\$33,042	2027	3.99%* *Up to 3 rate reductions of 0.5% each, contingent on triggers: 1 st Reduction: 3.99% to 3.49% 2 nd Reduction: 3.49% to 2.99% 3 rd Reduction: 2.99% to 2.49% (minimum rate = 2.49%)
FY 2026-27	\$34,100	2028	
FY 2027-28	\$34,760	2029	
FY 2028-29	\$35,750	2030	
FY 2029-30	\$36,510	2031	
FY 2030-31	\$38,000	2032	
FY 2031-32	\$38,500	2033	
FY 2032-33	\$39,000	2034	



Individual Income – Variables to Watch

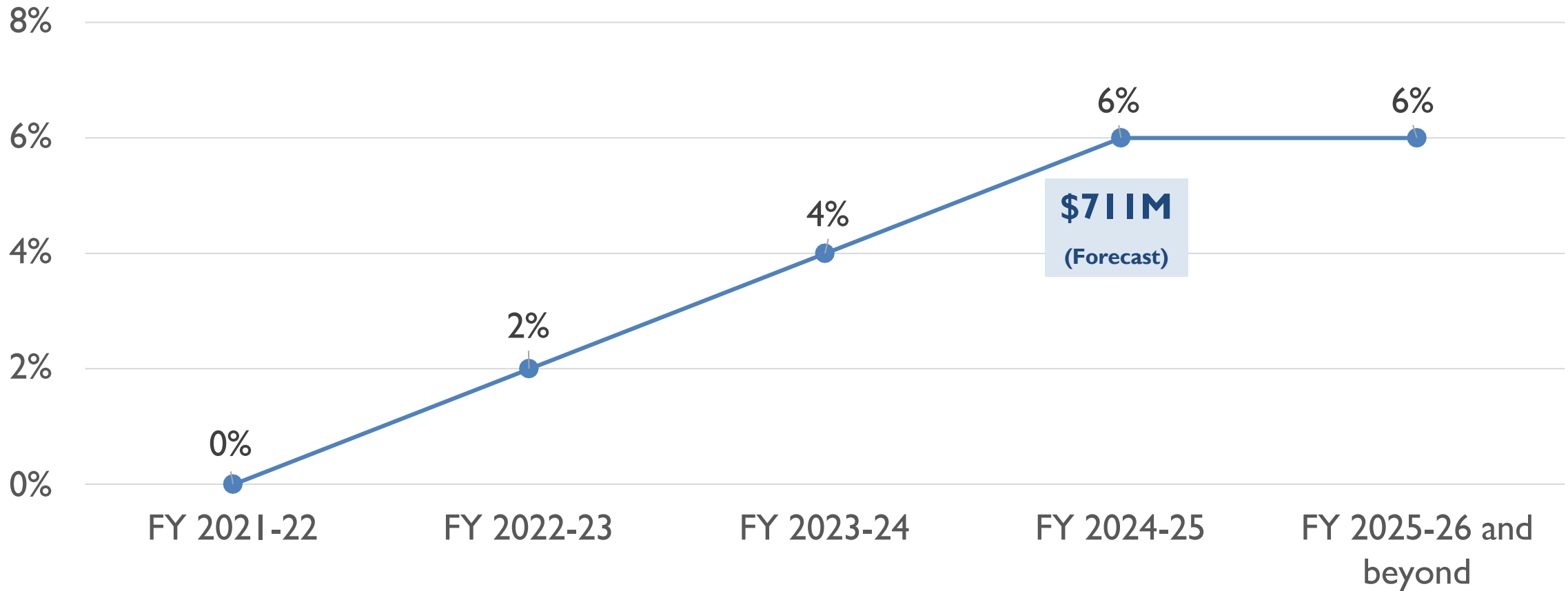
Individual Income Tax Base
vs Selected BEA Income Statistics (YOY % change)



Sales and Use – Policy Outlook

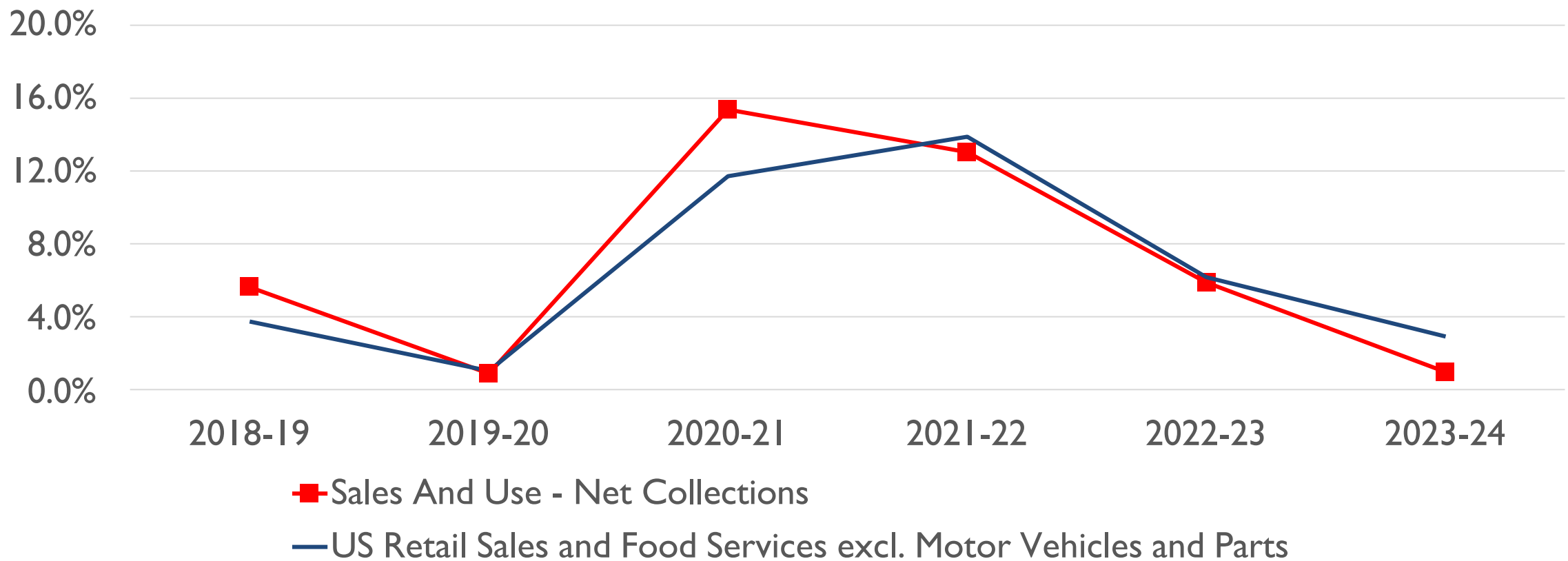
Sales Tax Transfer %

Transfer from General Fund to Transportation funds



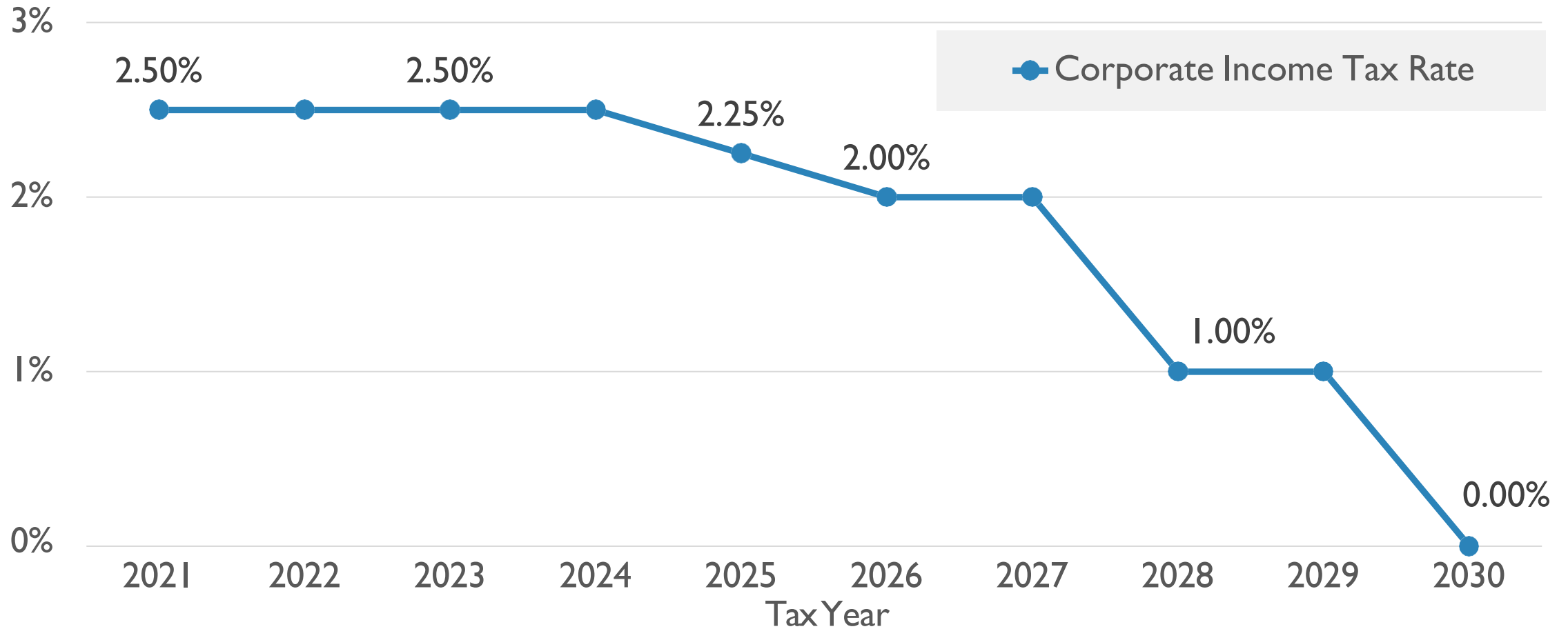
Sales and Use – Variables to Watch

NC Sales and Use Tax Collections
vs US Retail Sales (YOY % Change)

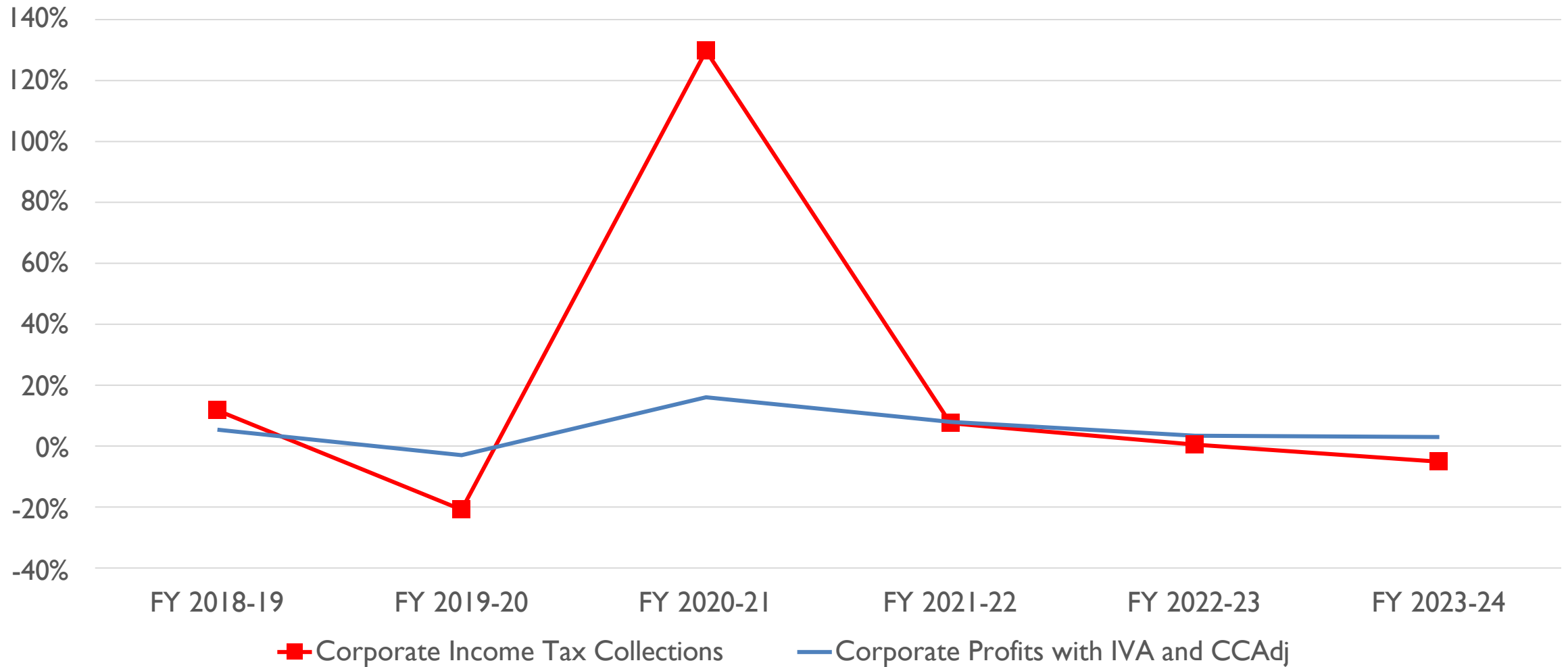


Corporate Income Tax – Policy Outlook

Corporate Income Tax Rates, 2021-2030



Corporate Income Tax – Variables to Watch



Summary

- Overall collections were slightly lower than anticipated in FY 2023-24
 - Nonwithholding payments were less than expected
- Slow growth in tax revenues for FY 2024-25
- Statutory changes are major drivers of future collections
 - Individual income tax rate reductions and triggers
 - Sales tax transfer
 - Corporate income tax phaseout



Contact

Nick Clerkin

Legislative Economist

Fiscal Research Division

North Carolina General Assembly

Nick.clerkin@ncleg.gov

