

SOUTH CAROLINA GENERAL FUND REVENUE

FY 2024-25 Revenue Update and FY 2024-25 and FY 2025-26 Forecast Review

April 10, 2025



General Fund FY 2024-25 Third Quarter Results - §11-9-1140

- General Fund revenue is \$510.9 million ahead of expectations through March
- In the two months since adopting the revised estimates in February, the revenue excess has more than doubled, increasing by \$283 million
- The total excess is seen primarily in Individual and Corporate Income taxes
- Individual Income tax collections are ahead \$317.7 million
 - Withholdings have experienced two consecutive months of double-digit growth, adding \$92.6 million, and account for \$115.4 million of the excess
 - Refunds are behind by \$236.4 million, \$146 million of which occurred in the past two months
- Corporate Income tax is ahead of expectations by \$75.1 million, representing 14.7% of the excess
- Economic indicators are close to, but slightly behind, expectations

Figures are as of April 7, 2025, and are subject to change with final month-end adjustments.

General Fund Revenue – March 2025

Figures are as of April 7, 2025, and are subject to change with final month-end adjustments.



(\$ in Millions)

REVENUES V. BEA MONTHLY ESTIMATES

MARCH

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Expected Growth ^{/1}	Actual Growth ^{/2}		Expected Revenues	Actual Revenues	Over/ (Under) Expected	Expected Growth ^{/1}	Actual Growth ^{/2}
Total General Fund Revenue	\$816.9	\$1,021.4	\$204.5	(16.3%)	4.7%	Other Revenue Items, Sub-Total	\$89.9	\$118.7	\$ 28.8	21.1%	60.0%
Sales Tax	359.1	375.9	16.9	(0.5%)	4.1%	Admissions Tax	3.2	2.7	(0.4)	(18.6%)	(30.1%)
Individual Income Tax	119.8	253.4	133.6	(52.4%)	0.6%	Alcoholic Liquors Tax	7.6	8.2	0.7	3.0%	12.1%
Withholdings	631.5	684.1	52.6	3.5%	12.1%	Bank Tax	7.2	8.4	1.1	44.7%	67.5%
Non-withholdings	90.8	84.5	(6.4)	12.3%	4.4%	Beer and Wine Tax	7.9	7.1	(0.7)	(1.1%)	(10.2%)
Refunds	602.5	515.2	(87.3)	37.1%	17.3%	Corporate License Tax	8.7	11.6	2.9	57.5%	110.4%
Corporate Income Tax	150.3	187.5	37.2	(20.0%)	(0.3%)	Deed Rec. (Doc. Tax)	8.9	10.6	1.7	4.1%	23.7%
Insurance Tax	97.8	85.9	(12.0)	(2.7%)	(14.6%)	Earned on Investments	31.8	47.6	15.8	66.4%	149.3%
Other Revenue Items, Sub-Total	89.9	118.7	28.8	21.1%	60.0%	Residual Revenue	14.7	22.4	7.8	(12.8%)	33.2%

Based on BEA Forecast as of February 13, 2025

/1 Expected growth reflects expected growth in collections for the month over same month prior fiscal based on anticipated monthly collection patterns.

/2 Actual growth reflects actual growth in collections for the month over same month prior fiscal year collections.



General Fund Revenue – Fiscal Year-to-date

Figures are as of April 7, 2025, and are subject to change with final month-end adjustments.



(\$ in Millions)

REVENUES V. BEA MONTHLY ESTIMATES

JULY - MARCH

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD ^{/1}	Actual YTD ^{/2}	Estimate Full FY ^{/3}		Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD ^{/1}	Actual YTD ^{/2}	Estimate Full FY ^{/3}
Total General Fund Revenue	\$9,580.7	\$10,091.6	\$510.9	4.1%	9.7%	0.5%	Other Revenue Items, Sub-Total	\$926.4	\$985.8	\$59.4	12.7%	19.9%	9.9%
Sales Tax	3,196.6	3,259.5	62.9	2.4%	4.4%	2.1%	Admissions Tax	17.8	17.0	(0.7)	(19.2%)	(22.5%)	(16.6%)
Individual Income Tax	4,480.7	4,798.4	317.7	3.2%	10.5%	(0.4%)	Alcoholic Liquors Tax	78.3	77.2	(1.1)	1.8%	0.4%	2.0%
Withholdings	5,363.6	5,479.0	115.4	5.3%	7.5%	5.1%	Bank Tax	34.8	45.2	10.4	5.8%	37.4%	(2.6%)
Non-withholdings	793.4	759.4	(34.0)	10.6%	5.9%	0.5%	Beer and Wine Tax	73.9	72.6	(1.3)	0.4%	(1.3%)	0.6%
Refunds	1,676.3	1,440.0	(236.4)	14.0%	(2.1%)	16.4%	Corporate License Tax	175.6	177.4	1.7	0.2%	1.2%	(0.0%)
Corporate Income Tax	671.8	746.8	75.1	2.2%	13.6%	(12.7%)	Deed Rec. (Doc. Tax)	78.1	82.7	4.6	5.6%	11.8%	4.3%
Insurance Tax	305.3	301.1	(4.2)	18.5%	16.9%	12.0%	Earned on Investments	324.2	361.5	37.3	46.0%	62.8%	39.4%
Other Revenue Items, Sub-Total	926.4	985.8	59.4	12.7%	19.9%	9.9%	Residual Revenue	143.5	152.0	8.5	(1.3%)	4.6%	(5.0%)

Based on BEA Forecast as of February 13, 2025

/1 Estimate year-to-date reflects expected growth in collections fiscal year-to-date over prior fiscal year-to-date based on anticipated monthly collection patterns.

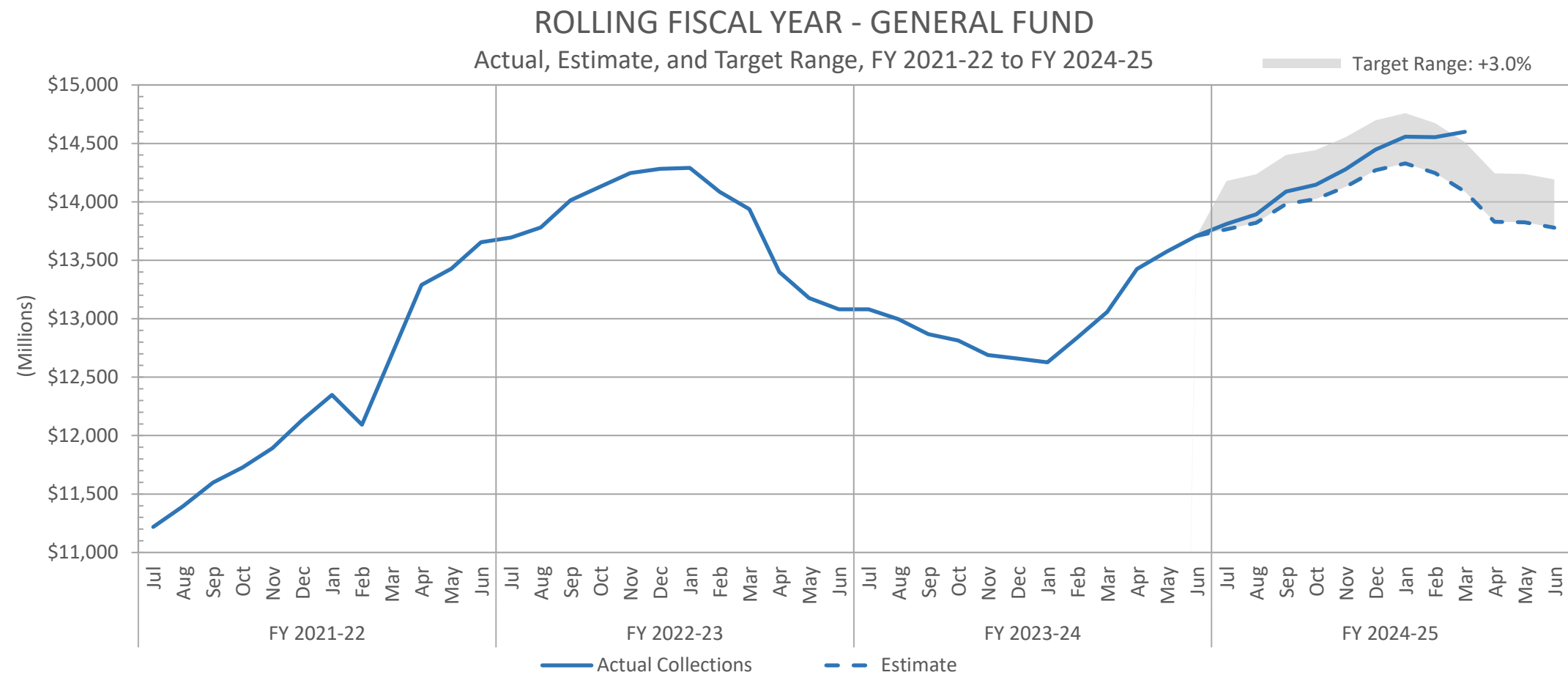
/2 Actual year-to-date reflects actual fiscal year-to-date growth in collections over prior fiscal year-to-date collections.

/3 Estimate full fiscal year reflects projected growth for the full fiscal year over the prior fiscal year.



General Fund Revenue – Actual vs. Estimate

March revenue exceeded expectations by \$204.5 million, bringing total excess revenue to \$510.9 million

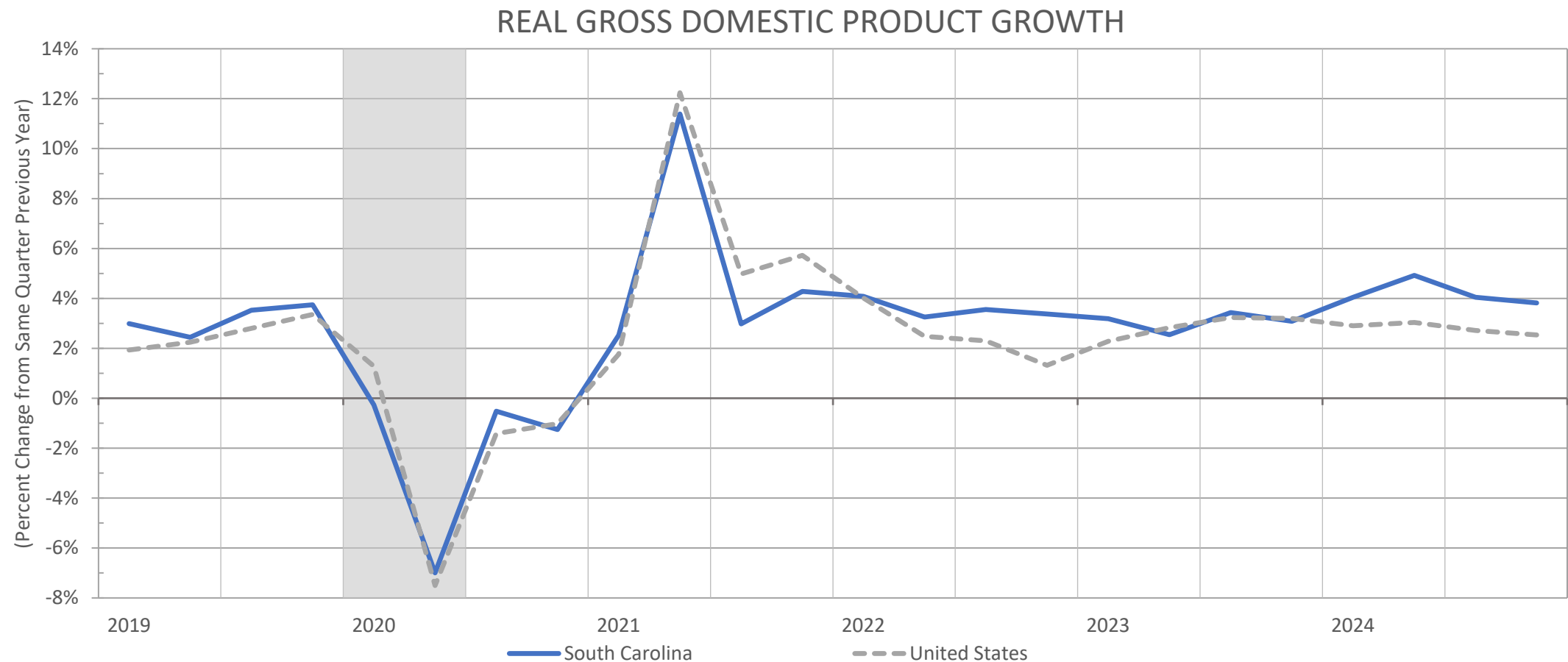


Economic Updates



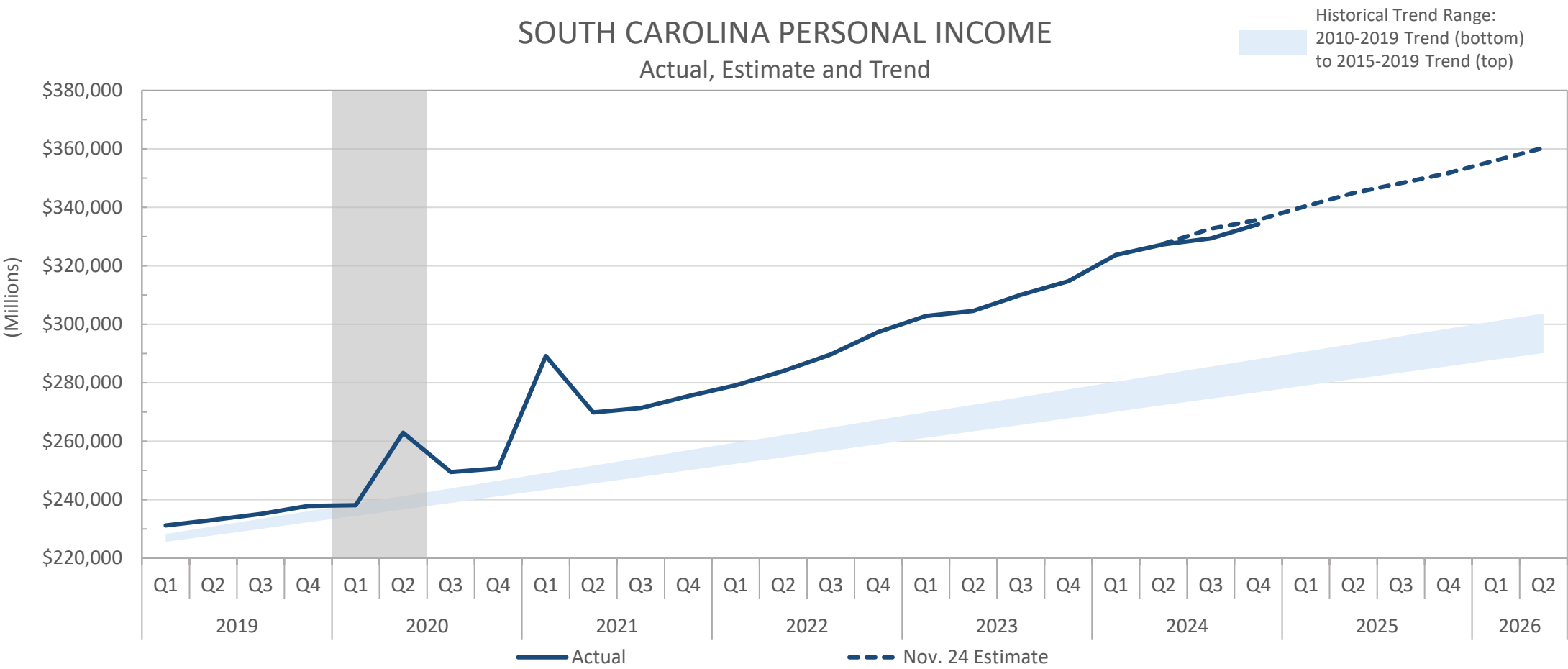
Real GDP Growth

South Carolina's economy continues to grow faster than the nation and faster than the historical average; latest year-over-year growth as of Q4 2024 is 3.8% versus average annual growth of 2.6% from 2010 to 2019



Personal Income – Level

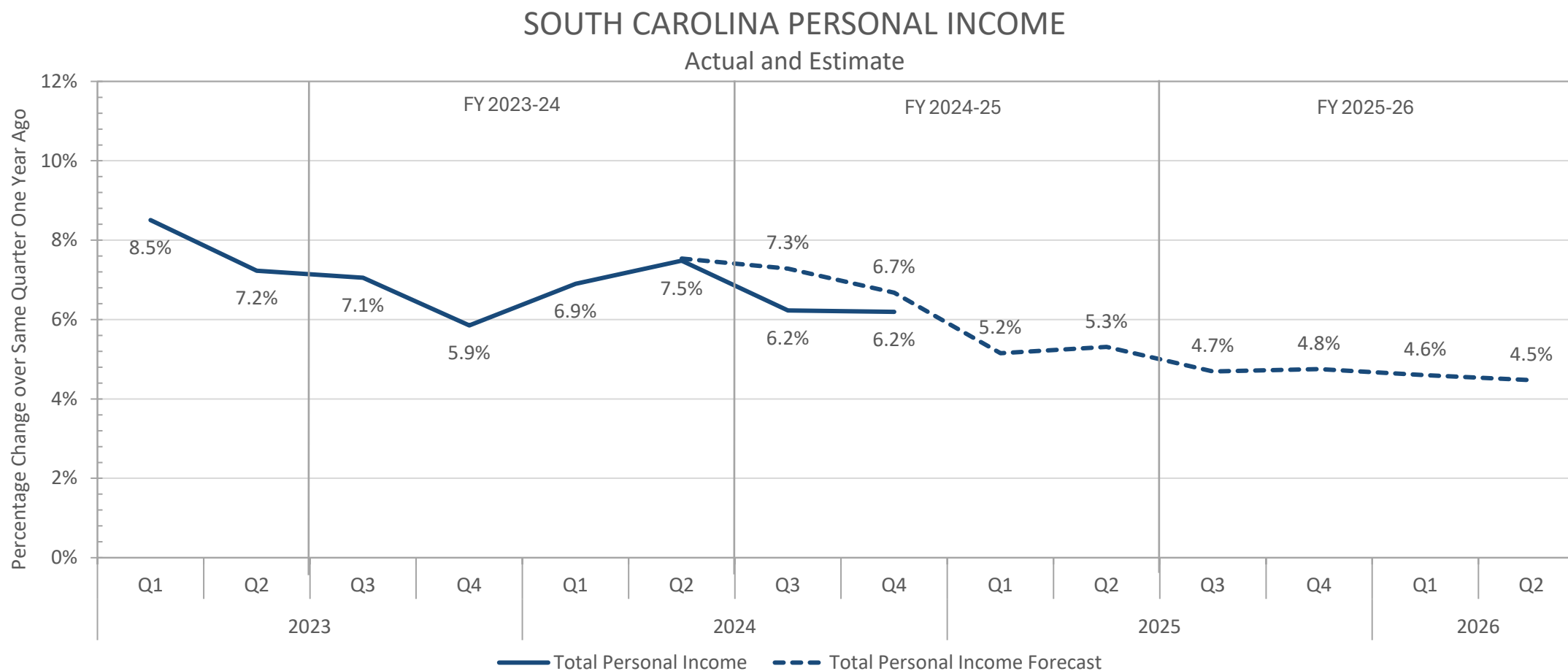
South Carolina personal income is slightly below the November estimate, in part due to wages & salaries growth slowing faster than expected



Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors - RFA/kv/4/1/2025

Personal Income – Quarterly Growth

Personal income growth for Q4 2024 is 6.2% above the same quarter last year and is expected to slow further the rest of the fiscal year

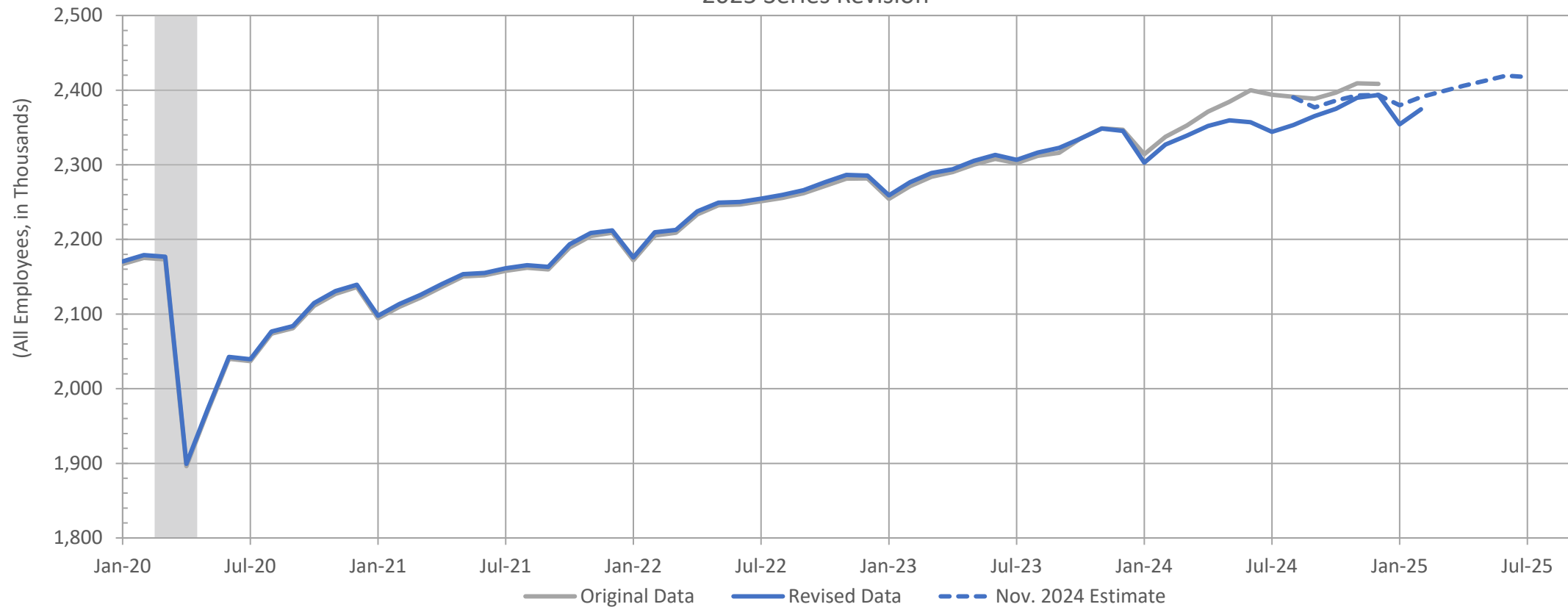


Source: U.S. Department of Commerce, Bureau of Economic Analysis; S.C. Board of Economic Advisors - RFA/kv/4/1/2025

SC Employment

The annual employment data revision reduced the level by 14,900 jobs in December 2024; fiscal year-to-date employment growth is now 1.9% versus 2.2% anticipated over the full year

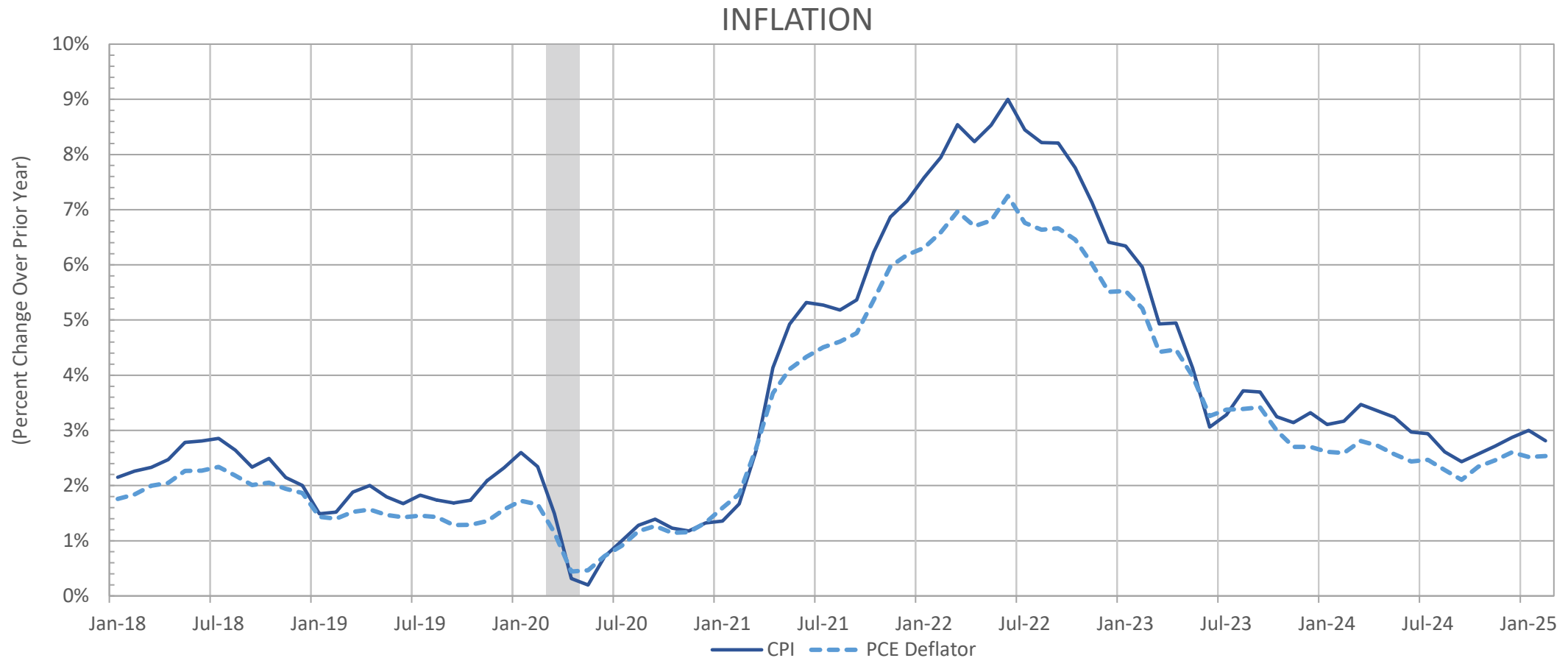
TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA
2025 Series Revision



Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/kv/4/1/2025

Inflation

CPI inflation as of February 2025 is now just below 3% on a year-over-year basis; PCE inflation is 2.5% year-over-year; housing cost growth is still slow to recede and has kept inflation above the 2% target



Source: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis - 216 RFA/kv/4/1/2025

United States Trade Policy and South Carolina

- On Wednesday, April 2, President Trump announced international tariffs with a baseline of 10%, with nation-specific duties based on the size of the trade deficit between the United States and each country
- South Carolina is more exposed than most states to international trade risks
- In 2024, South Carolina imported \$58.1 billion and exported \$38.0 billion
 - Exports were equivalent to 10.9% of South Carolina's 2024 gross state product
- South Carolina's four largest international trading partners are Germany, China, Mexico, and Canada
 - Germany faces the 20% European Union tariff rate
 - China faces a 54% tariff rate
 - Mexico and Canada are subject to a 25% tariff rate

Increased Economic Uncertainty

- Though it is still early in the process, the tariff changes have added much more uncertainty to the economic outlook
- The tariffs could impact the major revenue items differently
- The financial markets have seen a significant decline
- JP Morgan announced that the probability of a global recession rose to 60% from 40%, assuming tariffs remain in place
- Goldman Sachs revised its probability of a US recession in the next 12 months to 45% from 20% over the past two weeks
- Expectations of the Federal Reserve now show at least four interest rate cuts over 2025 instead of two to three expected in March 2025

Review of FY 2024-25 Revenue Details



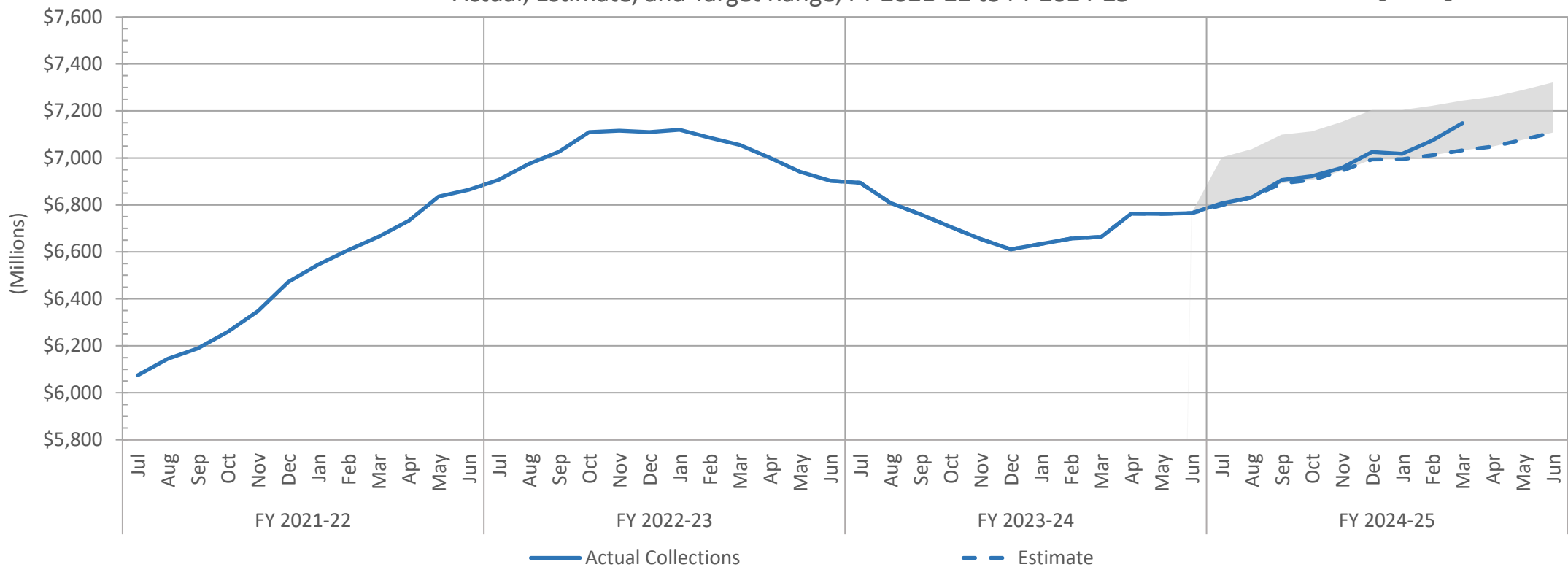
Withholdings - Actual vs. Estimate

Withholdings are \$115.4 million ahead of expectations, largely due to stronger-than-anticipated collections in February and March that were approximately 10% (\$57.4 million) and 12% (\$73.8 million) higher than in the same month of the previous year, respectively; aggregate year-to-date growth in Withholdings is 7.5%

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

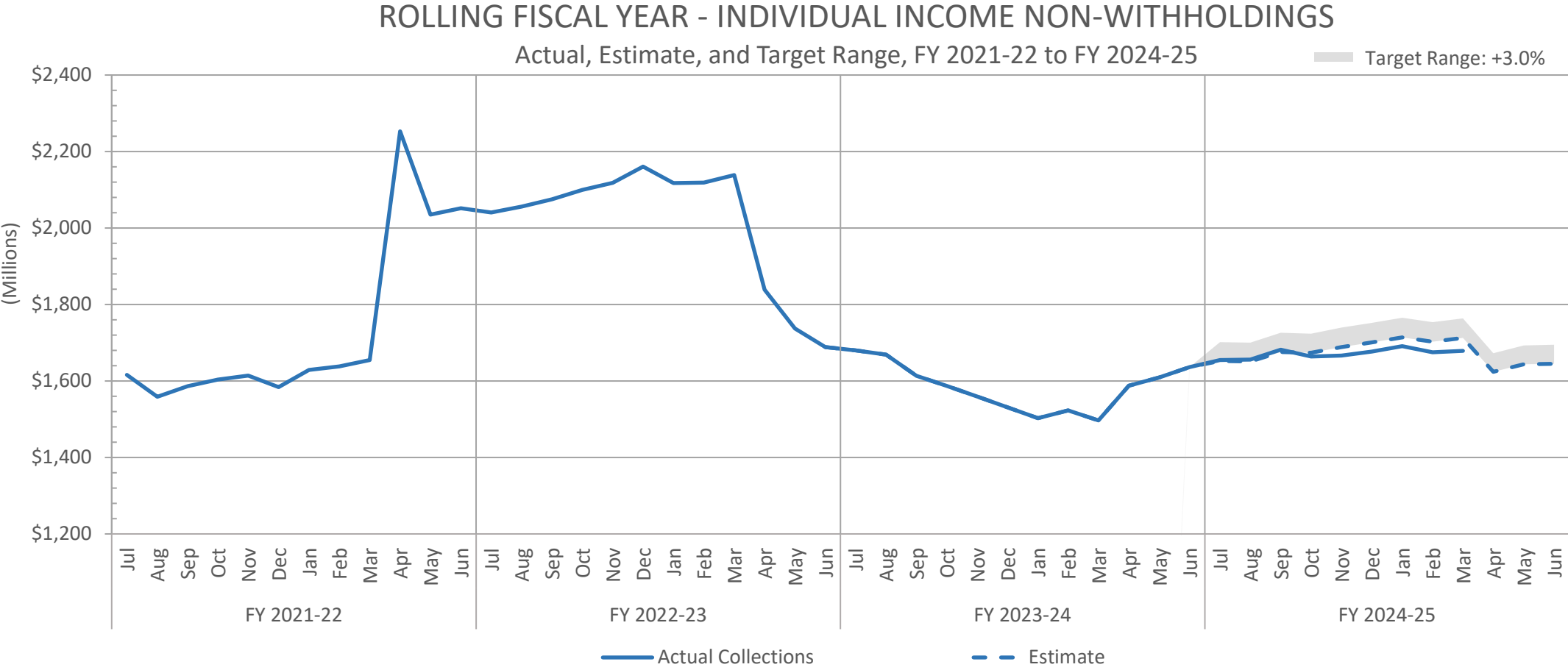
Actual, Estimate, and Target Range, FY 2021-22 to FY 2024-25

Target Range: +3.0%



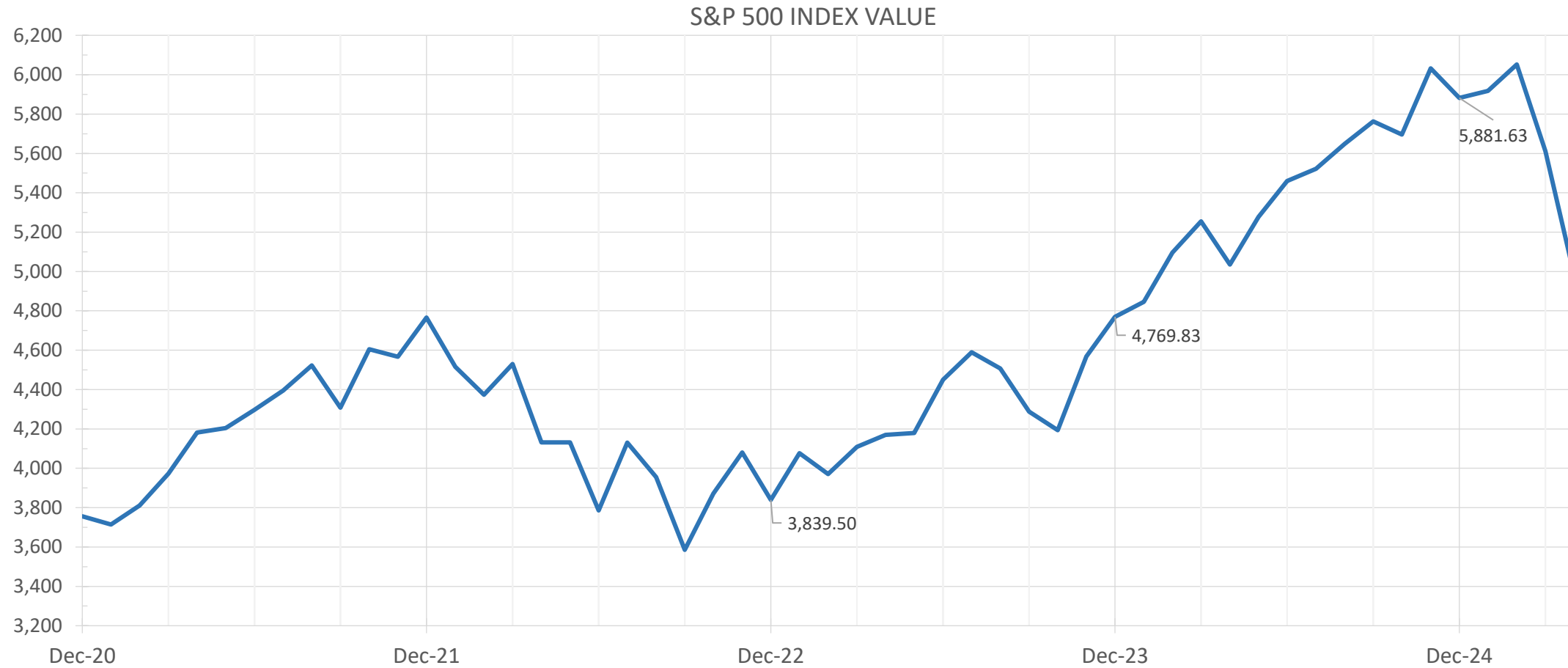
Non-Withholdings - Actual vs. Estimate

Revenues are \$34.0 million below expectations likely due to the Hurricane Helene filing deadline extension and the marginal tax rate cut, but more than half of expected collections remain; collections are expected to come closer to the estimate during tax filing



US Stock Market – S&P 500 Index

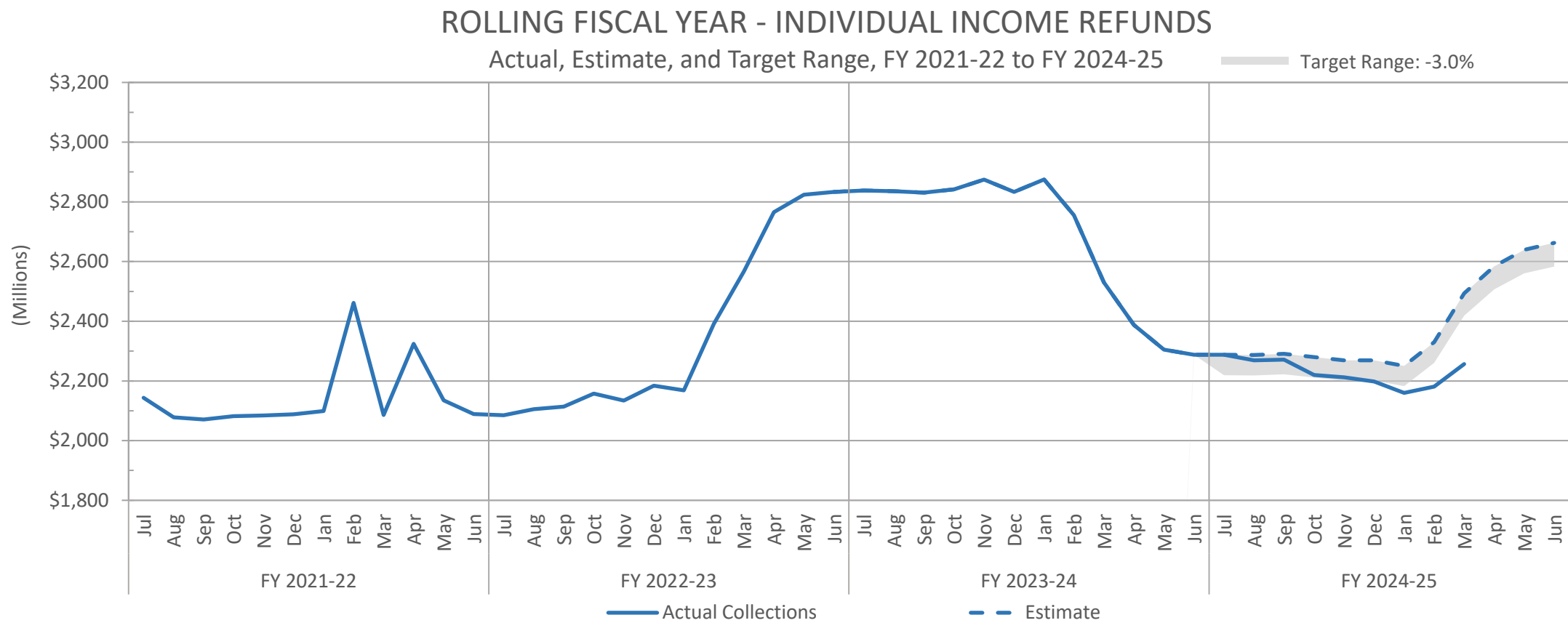
The US stock market exhibited a strong performance in calendar 2024 (23.3% growth in December 2024); calendar 2025 has been affected significantly by the new tariff policy and the market's expectations about its impact on the economy



Yahoo Finance S&P 500 Index 337A - RFA/mam/4/7/2025

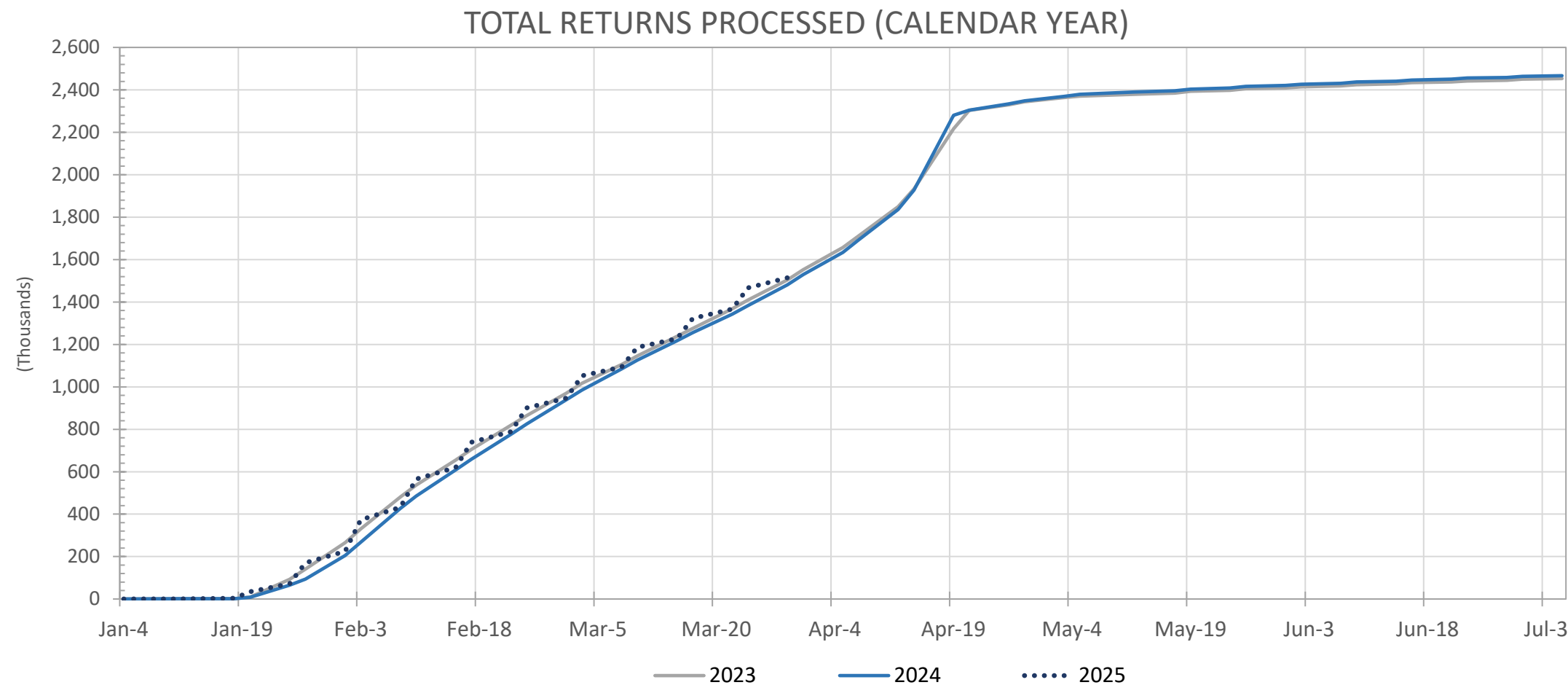
Refunds - Actual vs. Estimate

March refunds were \$87.3 million behind the monthly estimate; year-to-date Refunds are running \$236.4 million behind expectations potentially due to Hurricane Helene filing deadline extension and are expected to come closer to the estimate during tax filing



Return Processing

Total number of returns processed is slightly above 2024

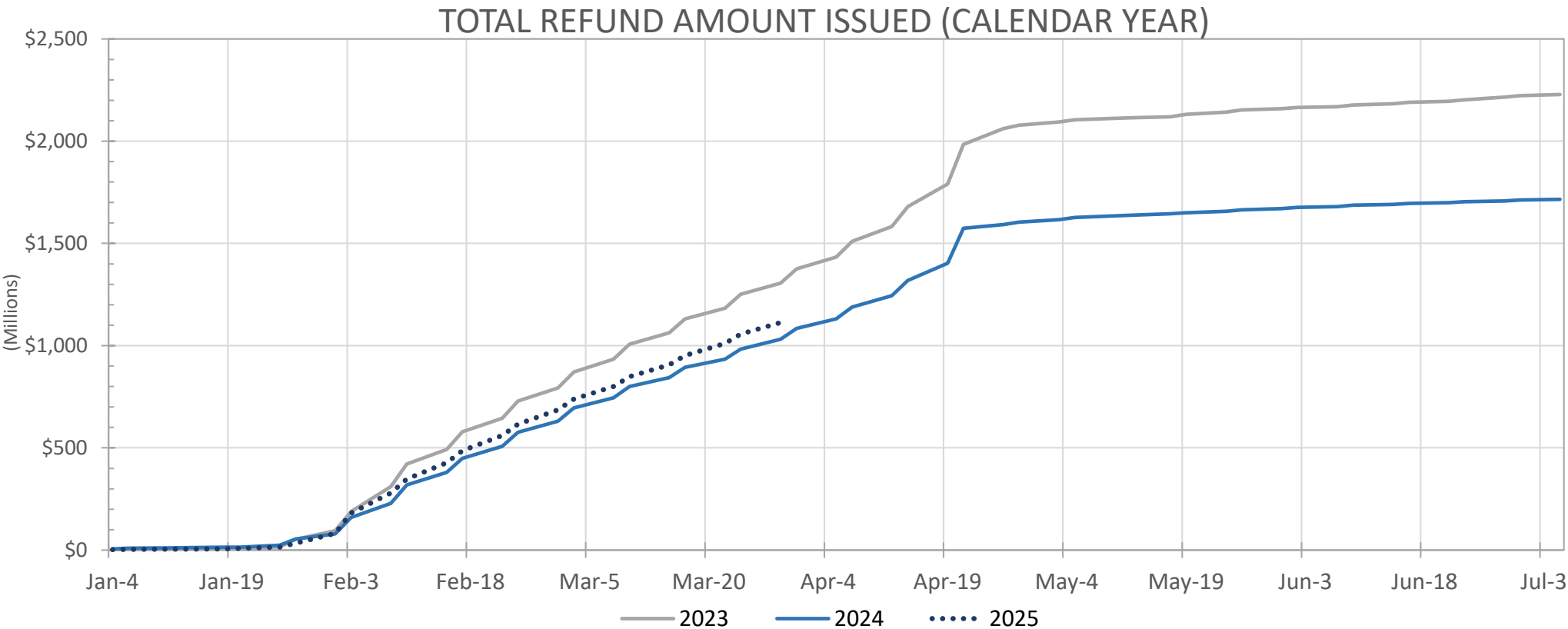


Data Source: S.C. Department of Revenue, 3/28/2025



Refund Processing – Amount

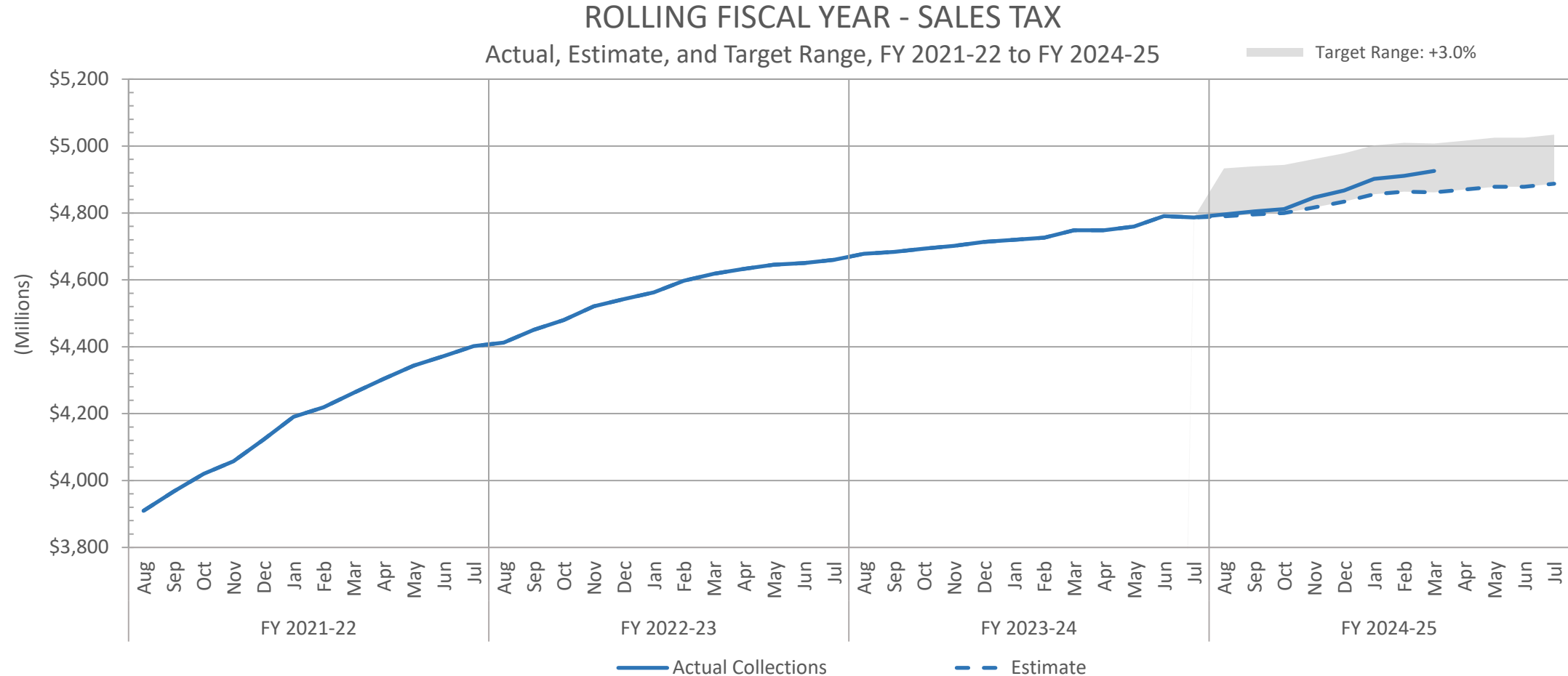
Refunds are generally in line with expectations; Refunds are expected to finish higher than in FY 24 due to the combination of stronger withholdings collections in 2024 and the marginal tax rate cut



Data Source: S.C. Department of Revenue, 3/28/2025

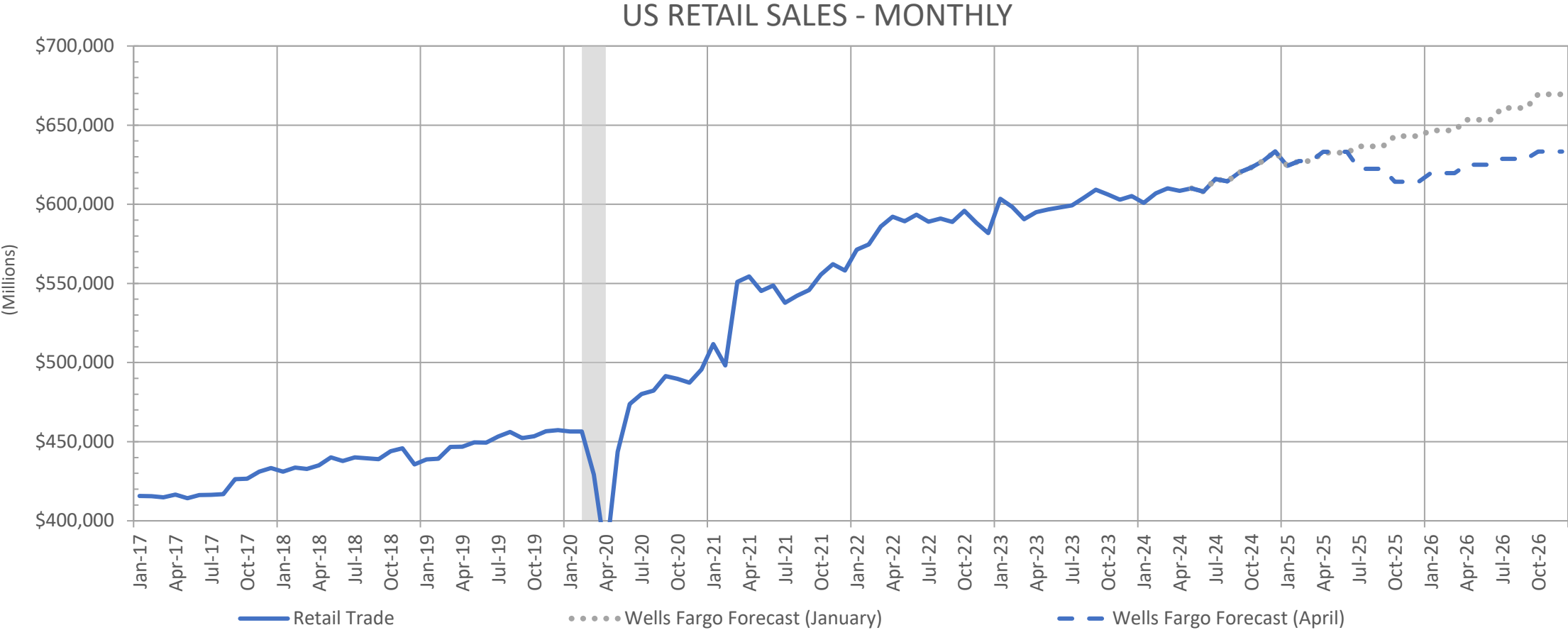
Sales Tax - Actual vs. Estimate

March sales tax grew 4.1% over last year; cumulative growth for FY 25 is now at 4.4%, and collections are \$62.9 million ahead of expectations



US Retail Sales

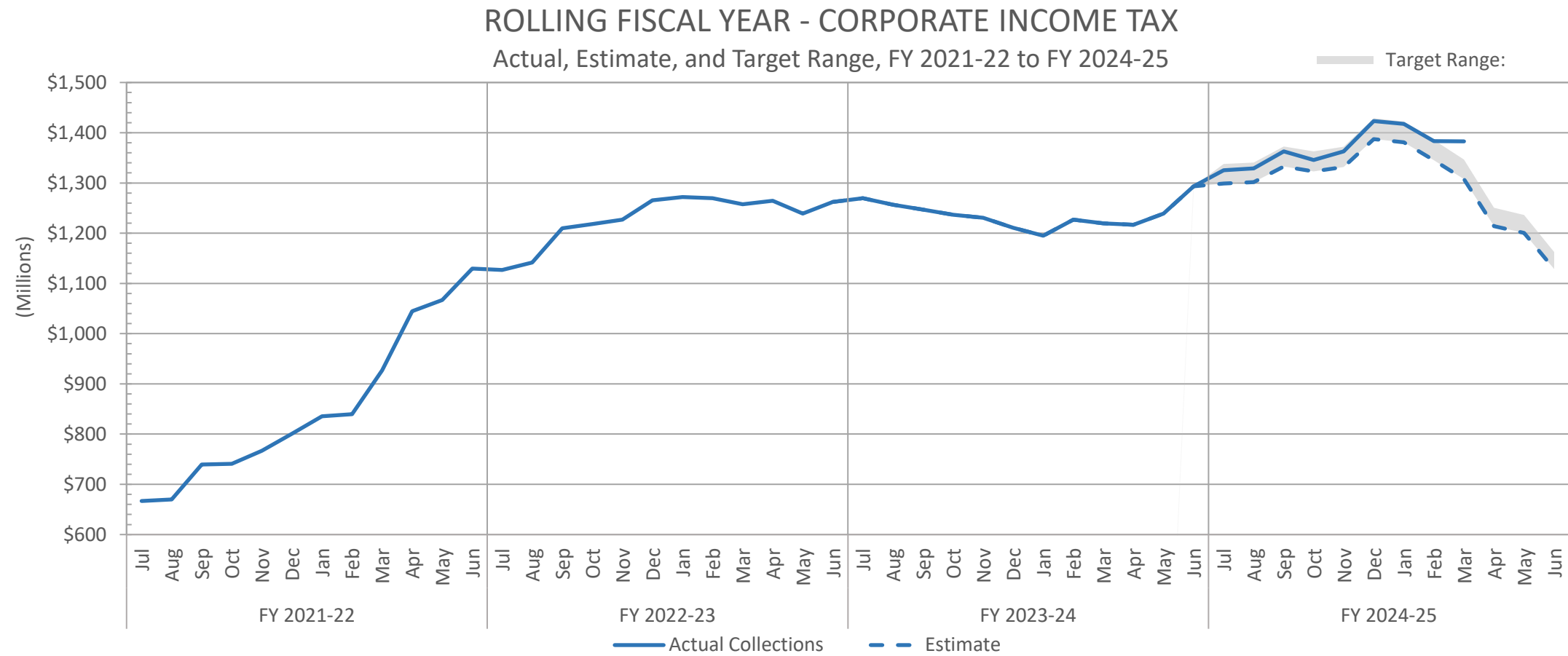
Growth expectations for the remainder of the FY were only slightly changed from January; beginning in Q3 of 2025, April expectations diverge from January expectations; Wells Fargo is now expecting growth of 1.5% in 2025 and 0.4% in 2026 (compared to 3.4% and 3.5%)



Source: U.S. Census Bureau, Advance Retail Sales: Retail Trade [RSXFS], retrieved from FRED, Federal Reserve Bank of St. Louis; Wells Fargo US Economic Outlook, January 16, 2025 & April 8, 2025; 323-RFA/mad/04/08/2025

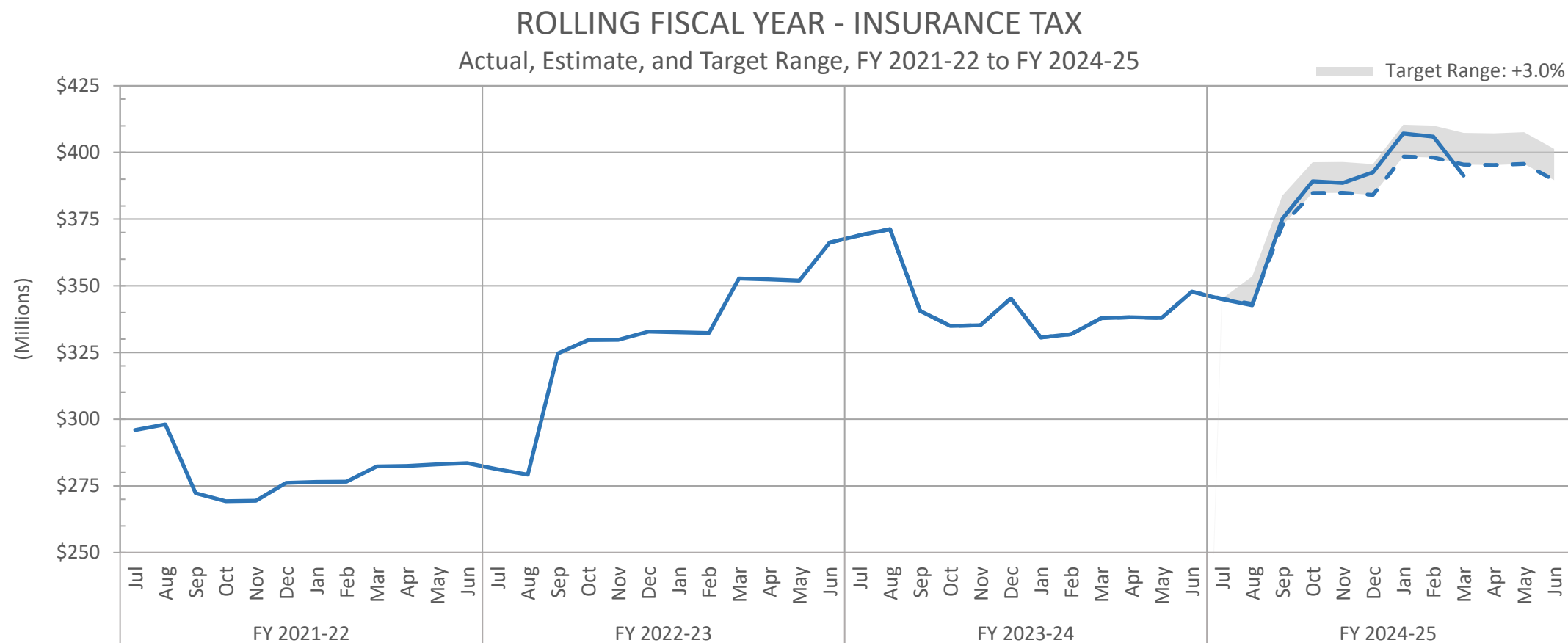
Corporate Income Tax - Actual vs. Estimate

March collections exceeded expectations by \$37.2 million; in total Corporate Income tax revenue is running \$75.1 million ahead of expectations with tax filing season remaining as a potential unknown



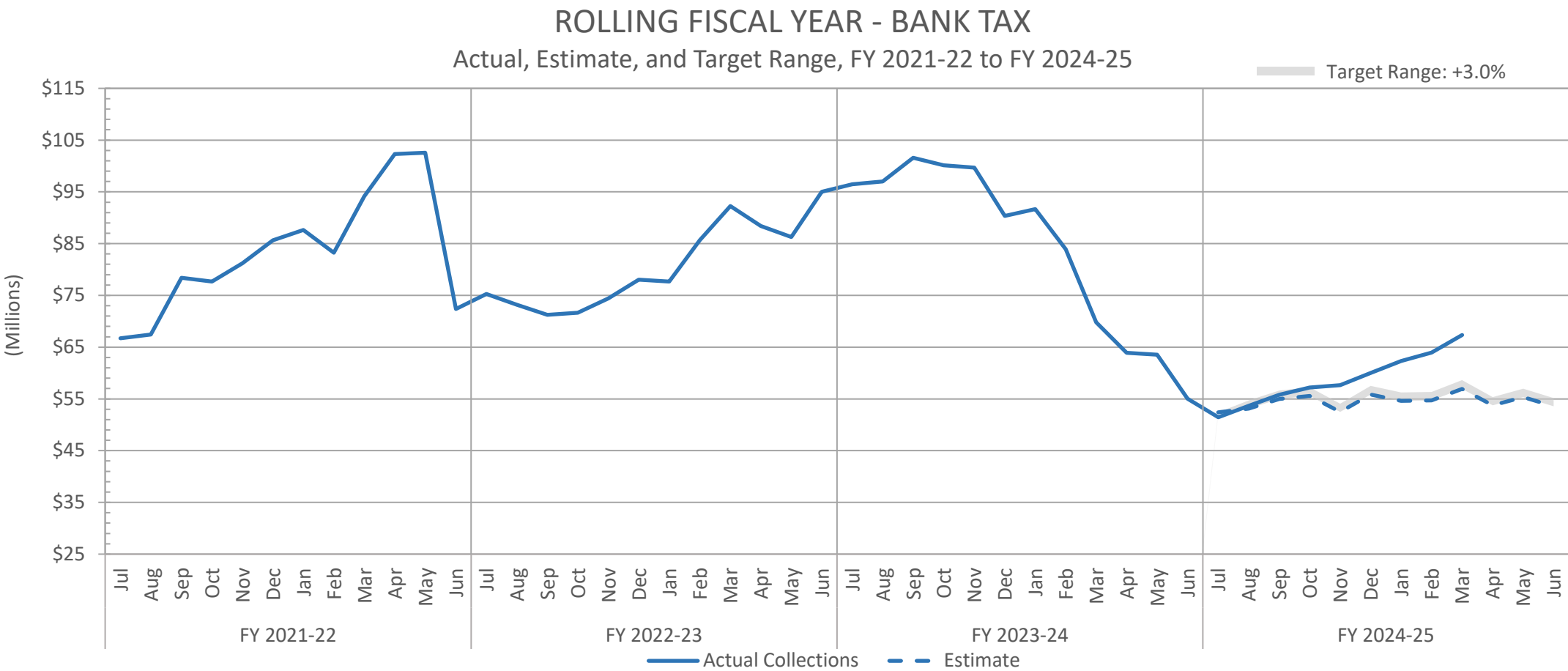
Insurance Tax - Actual vs. Estimate

Collections are currently \$4.2 million below expectations as the March premiums tax collections came in \$12.5 million lower than expected



Bank Tax - Actual vs. Estimate

Bank tax is now \$10.4 million above expectations due to \$10.0 million in audit payments this fiscal year

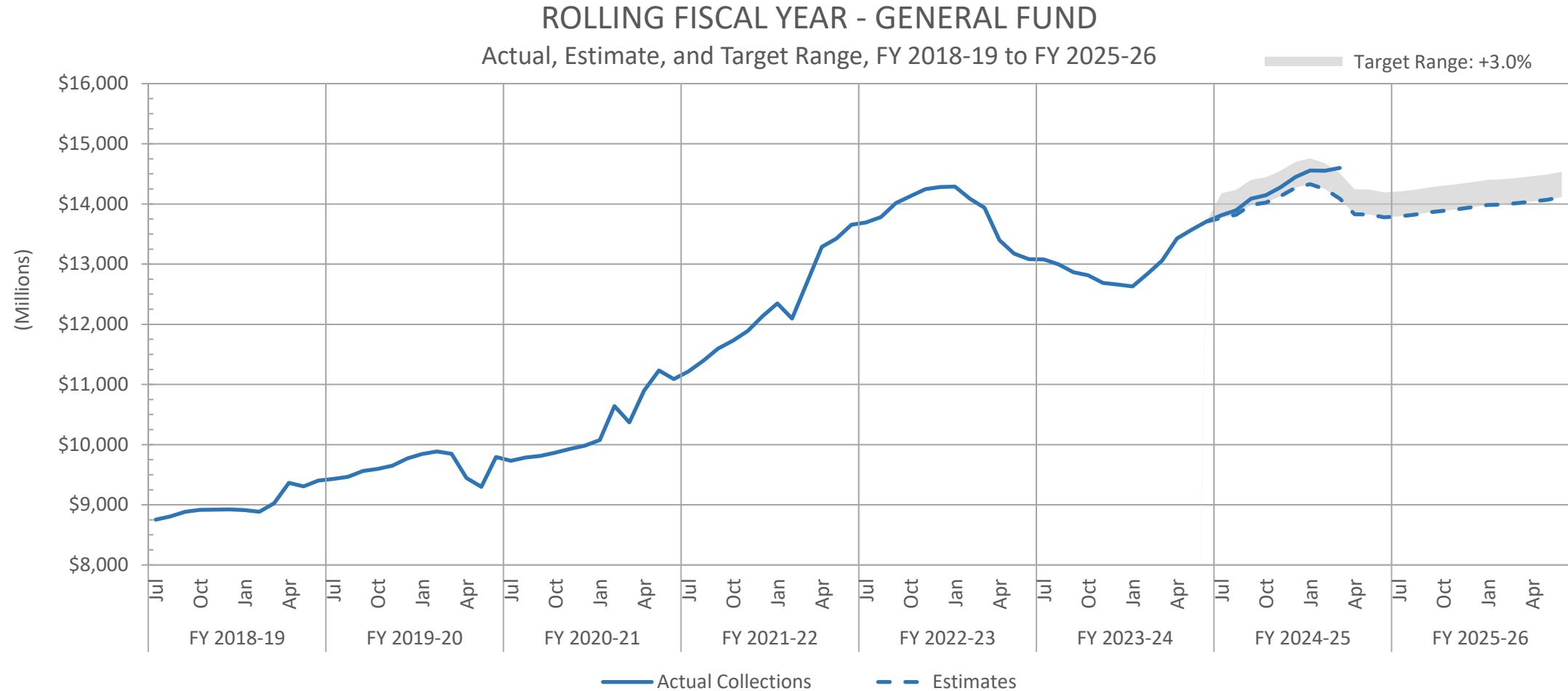


Review of FY 2024-25 and FY 2025-26 Forecasts



General Fund – February 2025 Forecast

FY 2024-25 and FY 2025-26



Consideration of the FY 2024-25 and FY 2025-26 Forecasts

Pursuant to §11-9-1130 (April 10)

- Recent updates to the employment and personal income data show these economic measures are performing close to but below expectations
- Despite lower-than-expected economic growth, revenues are performing better than expected; however, the actual degree of over-performance will depend largely upon final tax filing
- For FY 25, no change to the forecast is recommended at this time
 - Final results from tax filing remain a deciding factor
 - Withholdings has shown an erratic growth pattern
- For FY 26, no change to the forecast is recommended at this time
 - Too early to determine impact of tariff changes on businesses and individuals
 - Increased concerns about slower economic growth or a potential recession
 - Dependent upon FY 25 performance

Economic Considerations for May Meeting – FY 2024-25 Forecast

- Anticipate having additional information on the tariffs and federal spending cuts
- Although April revenues will be available, the final results of tax filing season will not be fully known as 2023 returns with extensions and 2024 filing is extended to May 1
- Adjustments will again focus on factors and trends unique to each revenue category rather than general underlying economic activity
- Though the current excess increases the likelihood of a higher surplus in FY 25, the outlook for FY 26 is much more uncertain

Reports from Working Group Members



Other Business



Appendix



Quarterly Review and April 10th Forecast Requirements

- SC Code of Laws §11-9-1130 requires a review of revenue collections relative to the estimates, with a final forecast for the next fiscal year to be made by April 10th
- If any quarter shows a shortfall over 1.5 percent of projected collections a synopsis must be prepared indicating the factors contributing to the shortfall and is similarly required for a shortfall of 1.5 percent in sales, individual income tax, corporate income tax, insurance tax, and earnings on investments
- SC Code of Laws §11-9-1140 requires a quarterly review of estimated and actual revenues
- If, at the end of the first (Jul – Sep), second (Oct – Dec), or third (Jan – Mar) quarter, the BEA reduces the estimate by
 - 3.0 percent or less, the Director of the Executive Budget Office must reduce appropriations
 - More than 3.0 percent, the General Assembly may take action; otherwise, the Director of the Executive Budget Office must reduce appropriations

Quarterly Review of the Insurance Tax

- SC Code of Laws §11-9-1130 requires a review of revenue collections relative to the estimates
 - If any quarter shows a shortfall over 1.5 percent of projected collections a synopsis must be prepared indicating the factors contributing to the shortfall and is similarly required for a shortfall of 1.5 percent in sales, individual income tax, corporate income tax, insurance tax, and earnings on investments
- Total insurance tax collections for third quarter of fiscal year 2024-25 were \$89.7 million versus \$102.3 million expected as of April 7, 2025
 - Premiums revenue was \$82.4 million versus \$96.0 million expected
 - License revenue was \$4.2 million versus \$4.4 million expected
 - Other revenue was \$3.0 million versus \$1.9 million expected
- March is the first period based on actual 2024 premiums taxes, and the shortfall for the third quarter is largely due to a decline in premiums tax revenue compared to the same period last year