



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

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The BEA Increases FY 2024-25 and FY 2025-26 Revenue Forecasts *Tax Season Collections Higher Than Expected But Trade Policy Uncertainty Clouds FY 26*

COLUMBIA – A stronger than expected April tax filing season in the last months of FY 2024-25 (FY 25) mixed with a cautious and uncertain outlook to start FY 2025-26 (FY 26) prompted the South Carolina Board of Economic Advisors (BEA) to increase its revenue forecast for the current fiscal year, FY 25, and next fiscal year, FY 26 by different amounts.

General Fund revenues through April 2025 exceeded expectations by \$772.0 million, primarily for three reasons: individual income tax refunds remained below last year's level despite the income tax rate reduction adopted for tax year 2024, corporate income tax collections did not decline as estimated but continued to grow, and growth in sales tax continued to accelerate. With this growth in the final few weeks of the fiscal year, the BEA increased its estimate for FY 25 by \$669.0 million, from \$13,778.7 million to \$14,447.7 million. This figure represents additional one-time (or non-recurring) funds that the budget conference committee will have available in preparing a budget recommendation for the General Assembly to consider.

Although FY 25 is now expected to finish stronger than previously expected, the recent uncertainty regarding final actions on tariffs has led some businesses to take a more measured approach to activity leading into next fiscal year, which is expected to lower revenue growth below previous expectations. In general, these negotiations are expected to result in delayed activity as businesses await additional information and final policy announcements before making major decisions. Consequently, in balancing a higher base from FY 25 but slower growth in FY 26, the BEA increased its FY 26 estimate by \$377.2 million from \$14,114.7 million to \$14,491.9 million. Overall, modest growth is forecasted in many revenue categories for next year, including sales and individual income taxes. But declines are estimated in other categories based on timing for biennial revenues, non-recurring audit activity that boosted FY 25 revenues, and other factors. This increase of \$377.2 million to the FY 26 forecast provides additional funds for the recurring budget.

In summary, growth in population, employment, and income is still expected to continue in South Carolina. Additional explanation of the key factors affecting the major tax categories can be found in the BEA's meeting materials of May 20, 2025, which are posted on the agency's website (www.rfa.sc.gov).

With today's actions, lawmakers will have an additional \$377.2 million in new recurring revenue for the FY 26 budget process and an additional \$669.0 million of non-recurring revenue from forecasted surpluses to appropriate.

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