



**MEMORANDUM FOR THE RECORD**

**Date:** April 10, 2025, 9:00 a.m.

**Location:** Revenue and Fiscal Affairs Office, Conference Room 417/Web Conference

**Subject:** Minutes of Board of Economic Advisors Meeting

**Participants:** *Board Members* – Edward Grimball- Chairman, Curtis Hutto, Dr. Michael Mikota, and Hartley Powell (*via web conference*). Frank Rainwater – Executive Director, *Staff* – Morgan Daigle, Lisa Jolliff, Dr. Marian Manic, and Karl Vesely; **Attendees:** RFA – Kathryn Kelley, and Emily Prosser. *Fifty-one additional participants via web conference.*

Note: Guests were invited to attend in-person or virtually. An email invitation was sent to the Distribution list and Working Group list members, and the meeting notification was posted on the RFA website and in the Rembert Dennis Building. Meeting information and log-in instructions were posted online. Meeting materials were posted online 15 minutes prior to the start of the meeting, and the documents were also shared via web conference.

- I. Chairman Grimball welcomed everyone to the meeting at 9:02 a.m.
- II. Chairman Grimball presented the February 13, 2025, meeting minutes, which previously had been shared with the Members, and asked if any Member had edits or questions. Hearing no amendments or objections, Chairman Grimball declared the minutes approved as written. ([See minutes](#))
- III. FY 2024-25 Revenue Update and FY 2024-25 and FY 2025-26 Forecast Review ([See materials](#))

*Mr. Rainwater began the presentation by noting the two main purposes of the meeting: 1) to provide an update on recent economic and revenue activity since the last meeting, and 2) to consider any potential adjustments to the February estimate. He also stated that based upon the analysis to be presented by staff, the recommendation is for no change to the estimates at this time. That analyses however, will be updated again before the May meeting, which will include significantly more information about tax season and other considerations of possible revenue adjustments.*

Mr. Rainwater summarized the FY 2024-25 (FY 25) third quarter results by noting an inconsistency between some economic indicators and revenue performance.

- Although revenues are ahead of expectations by \$510.9 million, personal income and employment are close but slightly behind expectations.

Economic Updates:

Mr. Vesely discussed economic conditions in South Carolina and the potential implications of tariffs. His key points included:

Real Gross Domestic Product (GDP) Growth:

- Real GDP for South Carolina grew 3.8 percent year-over-year in the fourth quarter of calendar year 2024. This growth rate is above both national GDP growth and the 2010-2019 year-over-year average of 2.6 percent. Growth by industry was broad but was led by the finance, manufacturing, and government sectors.

Personal Income:

- Personal income for South Carolina grew 6.2 percent year-over-year for the fourth quarter of 2024. While still growing above historic levels, this pace is slower than the 6.7 percent anticipated in the November estimate. Wages and salaries are growing at a slower pace than anticipated as well at 5.9 percent actual versus 6.8 percent expected.

Employment:

- South Carolina's employment data was subject to the annual March revisions by the US Bureau of Labor Statistics, which brought employment levels down noticeably from above the estimate to below the estimate. Fiscal year-to-date growth through December was reduced from 3.0 percent to 1.8 percent.

Inflation and Trade:

- Inflation as measured by both the consumer price index (CPI) and personal consumption expenditures (PCE) is below 3.0 percent on a year-over-year basis. However, tariffs may increase the upside risk of price growth.
- The United States plans to implement a 10 percent baseline tariff on many nations, and other tariffs may be implemented after a 90 day pause. Tariffs on imports and counter-tariffs on American exports may impact our economy. South Carolina may be more impacted by disruptions in international trade than other states due to the state's extensive manufacturing and logistics sectors.

Dr. Manic discussed economic uncertainty and Individual Income tax components. His key points included:

Economic Uncertainty:

- Recent tariff policy changes have resulted in additional uncertainty and volatility. Tariffs could impact major tax revenue items, and the effect may not be uniform across the various revenue categories. However, it is still too early to make any conclusive determination about the potential impact given the evidence and changing policy announcements.
- The financial markets have experienced a significant decline since the start of the year, and many economists, including local economists at the University of South Carolina, and business leaders are now openly discussing an increased risk of recession if current trends persist.

Withholdings:

- Fiscal year-to-date Withholdings are \$115.4 million ahead of expectations.
- Almost \$93 million of the \$115.4 million surplus came from very strong collections in both February and March when collections were 10.3 percent and 12.1 percent larger than the same months in the previous year.
- This increase is considerably higher than expected, particularly compared to the most recent wage growth numbers released by the U.S. Bureau of Economic Analysis for both the third and fourth quarters of 2024.

Non-withholdings:

- Non-withholdings are cumulatively \$34 million behind expectations.
- Although year-to-date Non-withholdings are 5.9 percent higher than the same period of last year, collections are lower than expected likely due to the Hurricane Helene filing deadline extension as well as potentially a stronger effect of the marginal tax rate cut.

US Stock Market Update:

- Investment income and the overall performance of the stock market are major drivers of Non-withholdings.
- The strong performance of financial markets as benchmarked by the S&P 500 in calendar year 2024, was largely eliminated following the recent tariff policy announcement, which may have a negative impact on payments during tax filing.
- Given the increased uncertainty about tariff policy and future expectations, there may be further declines in the market that could potentially negatively impact payments coming in FY 2025-26 (FY 26).

Refunds:

- Year-to-date refunds are approximately \$236.4 million lower than expected.
- Almost 62 percent of that amount resulted from refunds processed in February and March, which were \$58.6 million and \$87.3 million lower than expected, respectively.
- Lower-than-expected refunds are partially due to the Hurricane Helene filing deadline extension and are expected to increase through the remainder of tax filing.

Return and Refund Processing:

- Although total refunds have not increased as much as expected, return processing and total refunds are aligning with the expectation of an increase in the number of returns relative to 2024 and an increase in total refunds, just by a lesser amount than expected.

Ms. Daigle discussed Consumption taxes. Her key points included:

Sales Tax:

- March Sales tax collections grew 4.1 percent over last year; cumulative growth for FY 25 is now at 4.4 percent, and collections are \$62.9 million ahead of expectations.
- Sales tax revenue collections will likely end above expectations for this fiscal year, but there is a lot of uncertainty surrounding how consumers may react to higher prices from tariffs in the upcoming months.
- Growth in wages and salaries is slowing as expected, and consumers will not have the same income growth to rely on to afford increasingly higher prices as they did following the pandemic. As a result, a pullback in consumer spending may be seen on taxable goods in the coming months, depending on the final tariff rates and how consumers choose to respond.

Retail Sales:

- Wells Fargo's most recent forecast for the national economy expects much slower retail sales growth than previously anticipated. The updated outlook now anticipates growth of 1.5 percent in 2025 and 0.4 percent in 2026, compared to the January expectations of 3.4 percent growth in 2025 and 3.5 percent growth in 2026.
- Spending is expected to stay relatively consistent for the remainder of this fiscal year, but expectations for FY26 may change over the next few months due to uncertainty surrounding tariffs.

Mr. Vesely discussed Corporate Income, Insurance, and Bank tax revenues. His key points included:

Corporate Income Tax:

- Through March, Corporate Income tax revenues are \$75.1 million ahead of the estimate. However, historically half or more of total collections are received in the final quarter of the fiscal year, which could have a significant impact on final performance for FY 25.

Insurance Tax:

- Insurance tax collections are currently \$4.2 million behind the estimate due to significantly lower than expected collections from premiums taxes in March. However, based on discussions with the Department of Insurance, part of the difference may be due to a change in the timing of deposits, which may resolve in June with final premiums tax payments.

Bank Tax:

- Bank tax revenue is \$10.4 million ahead of the estimate in March. However, this excess is due largely to \$10.0 million received in bank tax audit revenue this fiscal year.

Ms. Jolliff then reviewed the presentations by staff regarding the FY 25 and FY 26 forecasts. Her main comments were:

- Recent employment and personal income revisions show these economic measures are performing close to, but below expectations.
- Revenues are performing better than expected; however, the actual degree of over performance will depend largely upon final tax filing.
- No change to the forecast is recommended at this time for FY 25 or FY 26.
- Final results from tax filing remain a deciding factor for FY 25.
- FY 26 will require additional review of recent economic trends and the increased concerns about slower economic growth or potential recession.
- Staff will review the latest economic trends, preliminary tax filing results, and focus on trends and factors unique to each revenue category to determine any potential adjustments to be made to the FY 25 and FY 26 forecasts in the May meeting.

Mr. Rainwater concluded the staff analysis by recommending the Board take no action on the forecast at today's meeting but wait and reconsider the estimate at the May meeting.

*Members asked questions throughout the presentation, which generated further discussions between Members and staff. No action was taken by the Board.*

*Chairman Grimball commended staff on the valuable information presented.*

- IV. Reports from Working Group Members  
*No Working Group members offered comments.*
- V. Other Items for Discussion
- VI. The next scheduled meeting is May 20, 2025.
- VII. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 10:01 a.m.

Public notice of this meeting was posted at <http://rfa.sc.gov> and the Rembert Dennis Building.

These minutes were approved on 5/20/2025

Emily Prosser *Emily Prosser*