

# **SOUTH CAROLINA GENERAL FUND REVENUE**

## **FY 2025-26 Update through August and Outlook**

September 25, 2025



# FY 2025-26 General Fund Revenue



## FY 2025-26 Growth Rates with Legislative Adjustments

- In the last meeting, we noted that final General Fund revenue collections for FY 25 exceeded estimates by \$410.7 million; this higher revenue base lowered the growth rate needed to meet the FY 26 estimate
- Specifically, the General Fund growth rate in the May 2025 estimate for FY 26 was 0.3%, but the FY 25 surplus reduced that rate to negative 2.5%
- Additionally, the FY 26 estimate has been updated to include legislative adjustments such as the income tax rate reduction and others; the growth rate needed to meet the estimate with the updated FY 26 figures as reflected in today's analysis is now negative 4.5%; most of this decline, however, is expected to occur during tax filing season
- Despite FY 25 finishing with higher-than-expected growth, revenue collections for FY 26 through August are close to expectations

# FY 2025-26 July General Fund Revenue



## REVENUES V. BEA MONTHLY ESTIMATES

**FY 26 estimate includes legislative adjustments**

**JULY**

(\$ in Millions)

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Expected Growth <sup>/1</sup>	Actual Growth <sup>/2</sup>
<b>Total General Fund Revenue</b>	<b>\$662.3</b>	<b>\$666.1</b>	<b>\$3.8</b>	<b>(7.0%)</b>	<b>(6.5%)</b>
Sales Tax	0.0	0.0	(0.0)	N/A	N/A
Individual Income Tax	572.0	572.2	0.2	(3.5%)	(3.5%)
Withholdings	590.6	567.0	(23.6)	0.3%	(3.7%)
Non-withholdings	54.0	91.3	37.4	(11.0%)	50.6%
Refunds	72.5	86.2	13.6	28.3%	52.4%
Corporate Income Tax	37.1	36.5	(0.6)	(49.5%)	(50.3%)
Insurance Tax	3.9	4.5	0.6	201.2%	248.0%
Other Revenue Items, Sub-Total	49.4	53.0	3.6	9.9%	17.8%

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Expected Growth <sup>/1</sup>	Actual Growth <sup>/2</sup>
<b>Other Revenue Items, Sub-Total</b>	<b>\$49.4</b>	<b>\$53.0</b>	<b>\$3.6</b>	<b>9.9%</b>	<b>17.8%</b>
Admissions Tax	(0.0)	0.0	0.0	N/A	N/A
Alcoholic Liquors Tax	0.0	0.3	0.3	(98.8%)	(57.5%)
Bank Tax	0.8	1.1	0.3	N/A	N/A
Beer and Wine Tax	0.7	0.6	(0.1)	(31.2%)	(40.9%)
Corporate License Tax	6.0	7.0	1.0	12.9%	31.5%
Deed Rec. (Doc. Tax)	0.0	0.0	0.0	N/A	N/A
Earned on Investments	40.2	42.6	2.4	10.5%	17.0%
Residual Revenue	1.6	1.4	(0.2)	2.9%	(11.7%)

Based on BEA Forecast as of May 20, 2025, with legislative adjustments

/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.



# FY 2025-26 August General Fund Revenue



## REVENUES V. BEA MONTHLY ESTIMATES

### AUGUST

FY 26 estimate includes legislative adjustments

(\$ in Millions)

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Expected Growth <sup>/1</sup>	Actual Growth <sup>/2</sup>
<b>Total General Fund Revenue</b>	<b>\$1,138.3</b>	<b>\$1,141.9</b>	<b>\$3.5</b>	<b>3.9%</b>	<b>4.2%</b>
Sales Tax	431.5	456.4	24.9	1.3%	7.2%
Individual Income Tax	588.3	568.1	(20.2)	5.3%	1.7%
Withholdings	578.4	560.7	(17.7)	6.1%	2.9%
Non-withholdings	57.6	57.6	0.0	8.5%	8.6%
Refunds	47.7	50.2	2.5	20.3%	26.7%
Corporate Income Tax	19.2	26.0	6.7	21.1%	63.6%
Insurance Tax	4.0	3.0	(1.0)	115.5%	60.2%
Other Revenue Items, Sub-Total	95.3	88.4	(6.9)	1.7%	(5.7%)

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Expected Growth <sup>/1</sup>	Actual Growth <sup>/2</sup>
Other Revenue Items, Sub-Total	\$95.3	\$88.4	(\$6.9)	1.7%	(5.7%)
Admissions Tax	(6.7)	(5.7)	1.0	N/A	N/A
Alcoholic Liquors Tax	11.2	11.4	0.1	0.6%	1.9%
Bank Tax	(0.3)	1.3	1.6	(135.0%)	68.7%
Beer and Wine Tax	10.1	10.1	(0.1)	(0.6%)	(1.1%)
Corporate License Tax	5.6	4.5	(1.0)	37.6%	12.1%
Deed Rec. (Doc. Tax)	11.9	12.3	0.4	1.1%	4.4%
Earned on Investments	42.2	43.0	0.8	10.2%	12.2%
Residual Revenue	21.2	11.6	(9.7)	(12.0%)	(52.0%)

Forecast as of May 20, 2025, with legislative adjustments

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

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



# FY 2025-26 General Fund Revenue through August



## REVENUES V. BEA MONTHLY ESTIMATES

JULY - AUGUST

FY 26 estimate includes legislative adjustments

(\$ in Millions)

	Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD <sup>/1</sup>	Actual YTD <sup>/2</sup>	Estimate Full FY <sup>/3</sup>		Expected Revenues	Actual Revenues	Over/ (Under) Expected	Estimate YTD <sup>/1</sup>	Actual YTD <sup>/2</sup>	Estimate Full FY <sup>/3</sup>
<b>Total General Fund Revenue</b>	<b>\$1,800.7</b>	<b>\$1,808.0</b>	<b>\$7.4</b>	<b>(0.4%)</b>	<b>(0.0%)</b>	<b>(4.5%)</b>	<b>Other Revenue Items, Sub-Total</b>	<b>\$144.6</b>	<b>\$141.4</b>	<b>(\$3.3)</b>	<b>4.3%</b>	<b>2.0%</b>	<b>(4.9%)</b>
Sales Tax	431.5	456.4	24.9	1.3%	7.2%	1.2%	Admissions Tax	(6.7)	(5.7)	1.0	N/A	N/A	5.5%
Individual Income Tax	1,160.3	1,140.3	(20.0)	0.8%	(1.0%)	(7.2%)	Alcoholic Liquors Tax	11.2	11.7	0.4	(4.9%)	(1.4%)	1.1%
Withholdings	1,169.0	1,127.7	(41.3)	3.1%	(0.5%)	3.1%	Bank Tax	0.6	2.4	1.8	(28.0%)	210.0%	(39.6%)
Non-withholdings	111.6	149.0	37.4	(1.9%)	31.0%	(10.1%)	Beer and Wine Tax	10.8	10.6	(0.1)	(3.3%)	(4.6%)	1.9%
Refunds	120.2	136.4	16.2	25.0%	41.8%	23.5%	Corporate License Tax	11.6	11.6	(0.0)	23.5%	23.1%	(1.4%)
Corporate Income Tax	56.3	62.4	6.2	(37.0%)	(30.1%)	(8.9%)	Deed Rec. (Doc. Tax)	11.9	12.3	0.4	1.1%	4.4%	(0.8%)
Insurance Tax	8.0	7.5	(0.4)	150.5%	136.9%	(12.3%)	Earned on Investments	82.4	85.6	3.2	10.3%	14.6%	(5.8%)
Other Revenue Items, Sub-Total	144.6	141.4	(3.3)	4.3%	2.0%	(4.9%)	Residual Revenue	22.8	12.9	(9.9)	(11.1%)	(49.6%)	(2.8%)

Based on BEA Forecast as of May 20, 2025, with legislative adjustments

/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.

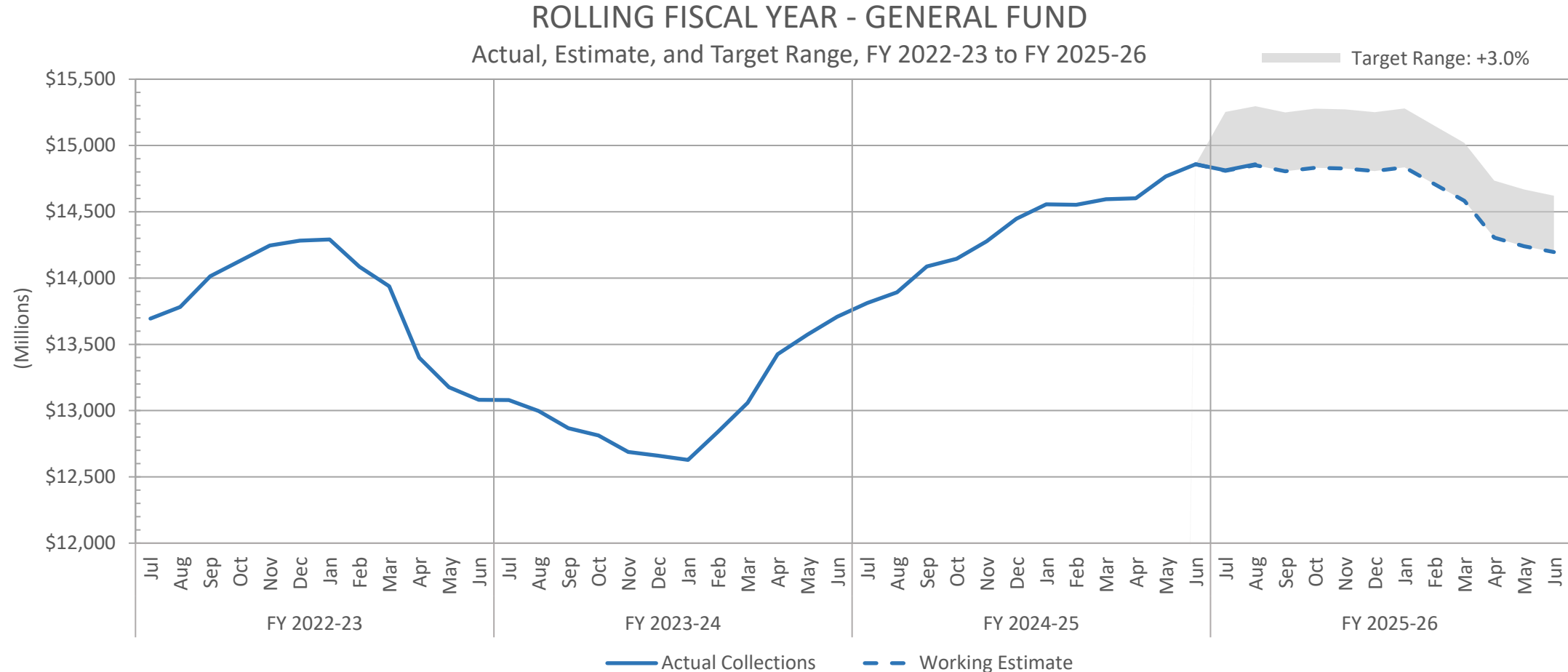
/3 Estimate full fiscal year reflects projected growth for the full fiscal year over the prior fiscal year.



# Total General Fund – Rolling Fiscal Year

Revenue collections are \$7.4 million above expectations through August; the FY 26 estimate is a decline of 4.5% due to tax cuts and last year's final surplus

FY 26 estimate includes legislative adjustments



# Economic Indicators

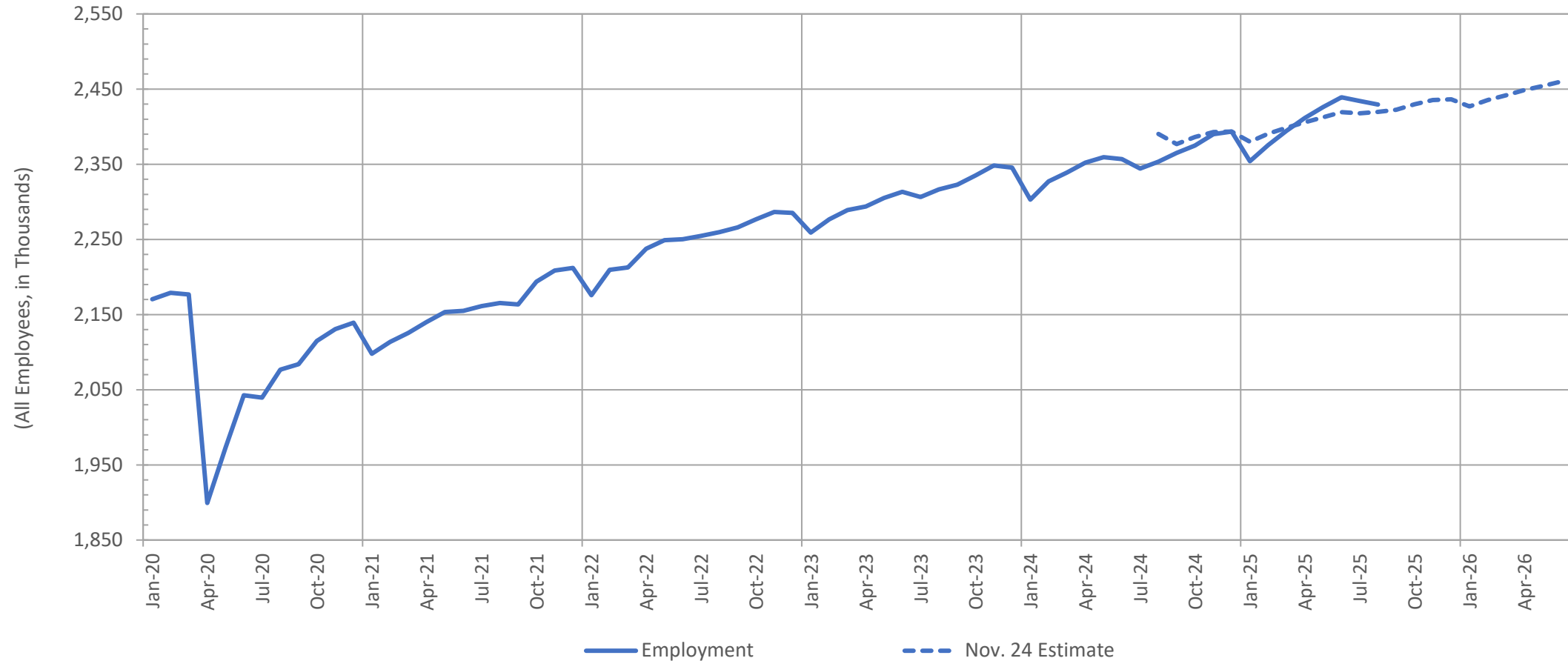




# SC Employment

August 2025 employment is up 3.2% from last August

TOTAL NONFARM EMPLOYMENT IN SOUTH CAROLINA

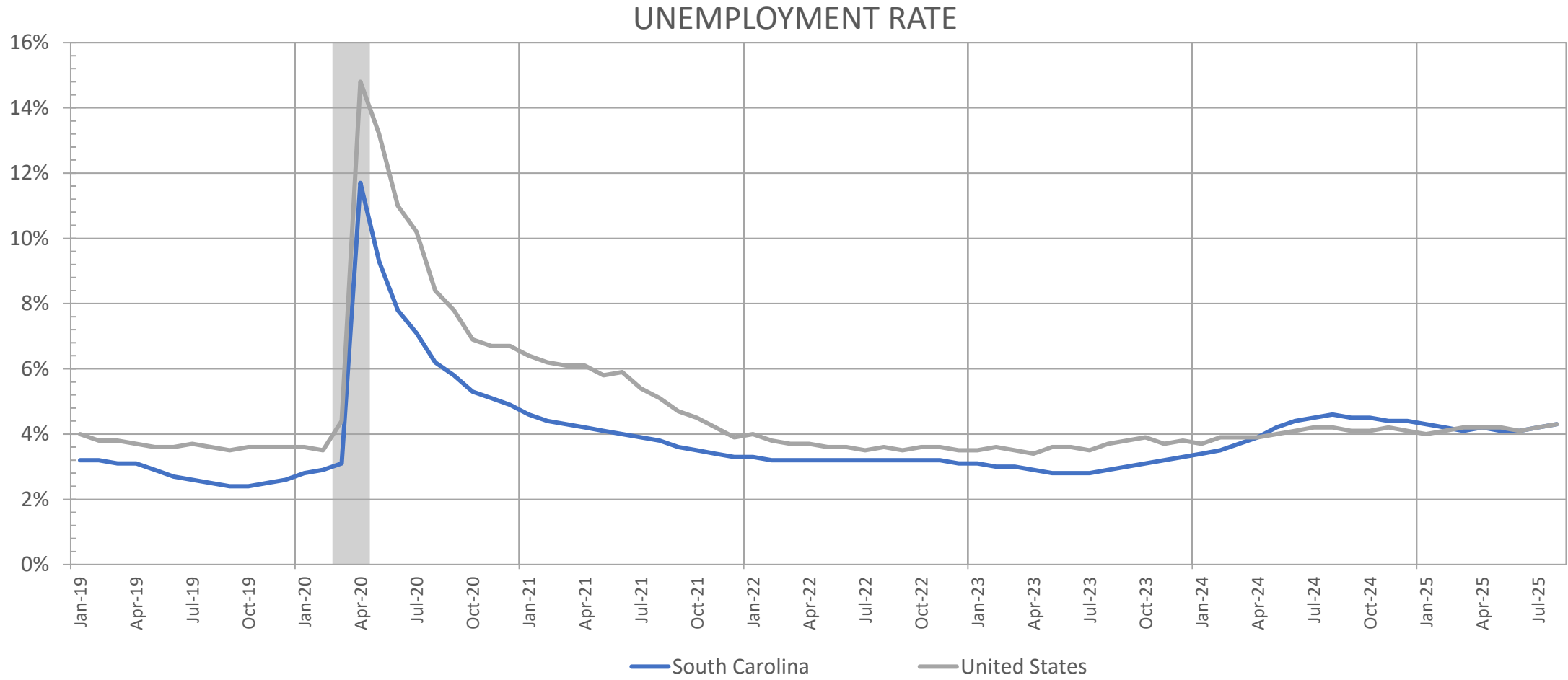


Source: U.S. Department of Labor, Bureau of Labor Statistics 60-RFA/kav/9/19/2025



# Unemployment Rates – US and SC

In August 2025, the US and South Carolina's unemployment rates were 4.3%



Source: U.S. Department of Labor, Bureau of Labor Statistics 129-RFA/kav/9/19/2025



# Unemployed People and Job Openings

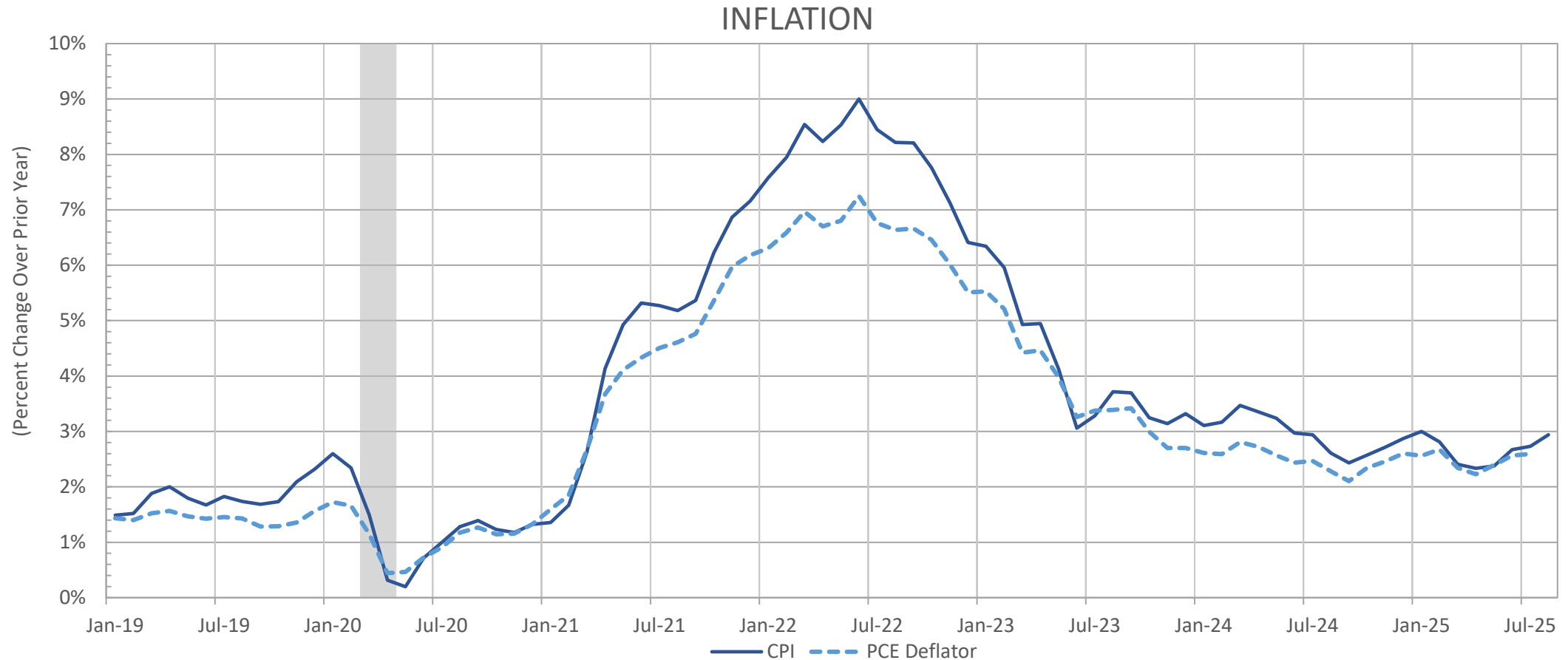
Nationally there are more unemployed people than job openings for the first time since 2020



Source: U.S. Bureau of Labor Statistics, CPS and JOLTS; 259A - RFA/kav/9/17/2024

# Inflation

In August, the CPI was up 2.9% from a year ago, while the July PCE index was up 2.6%



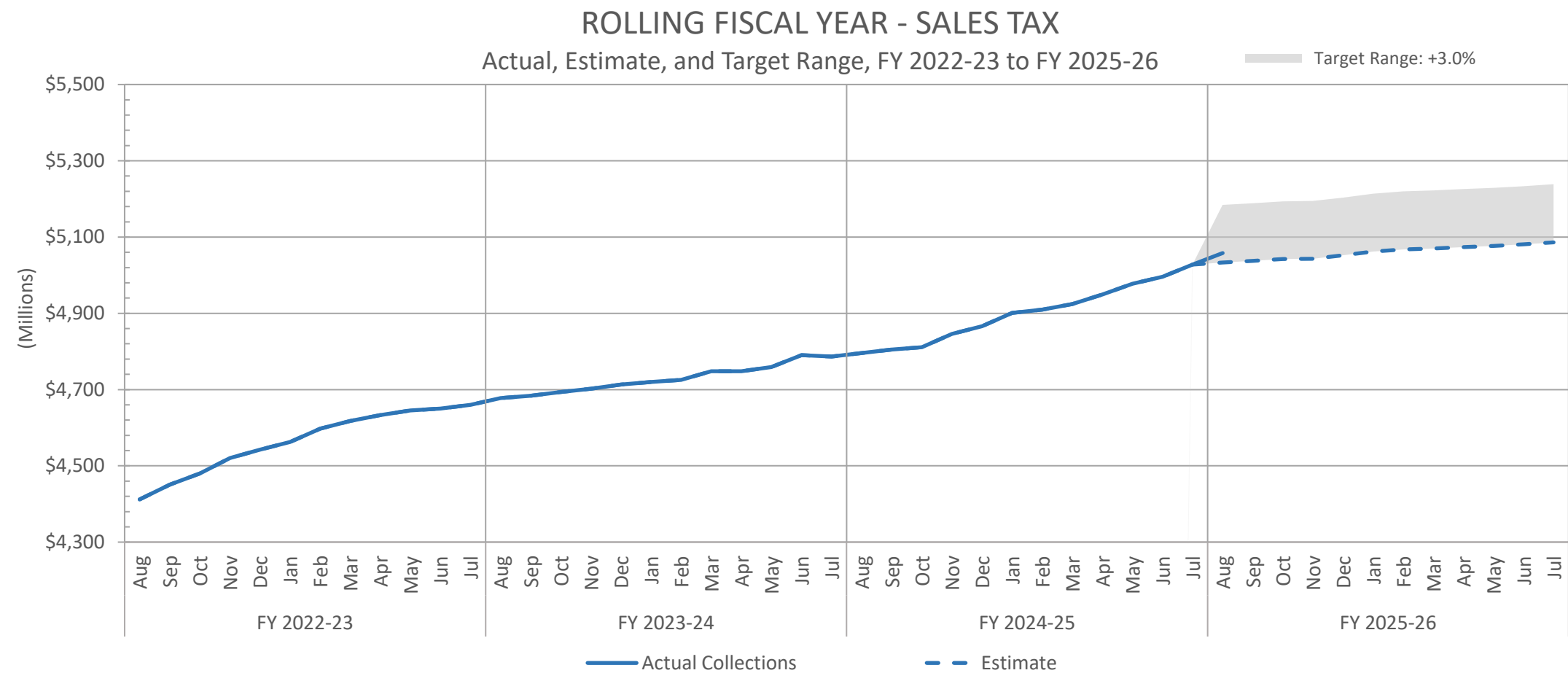
Source: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis - 216 RFA/kv/9/12/2025

# General Fund Revenue Consumption Taxes



# Sales Tax - FY 26

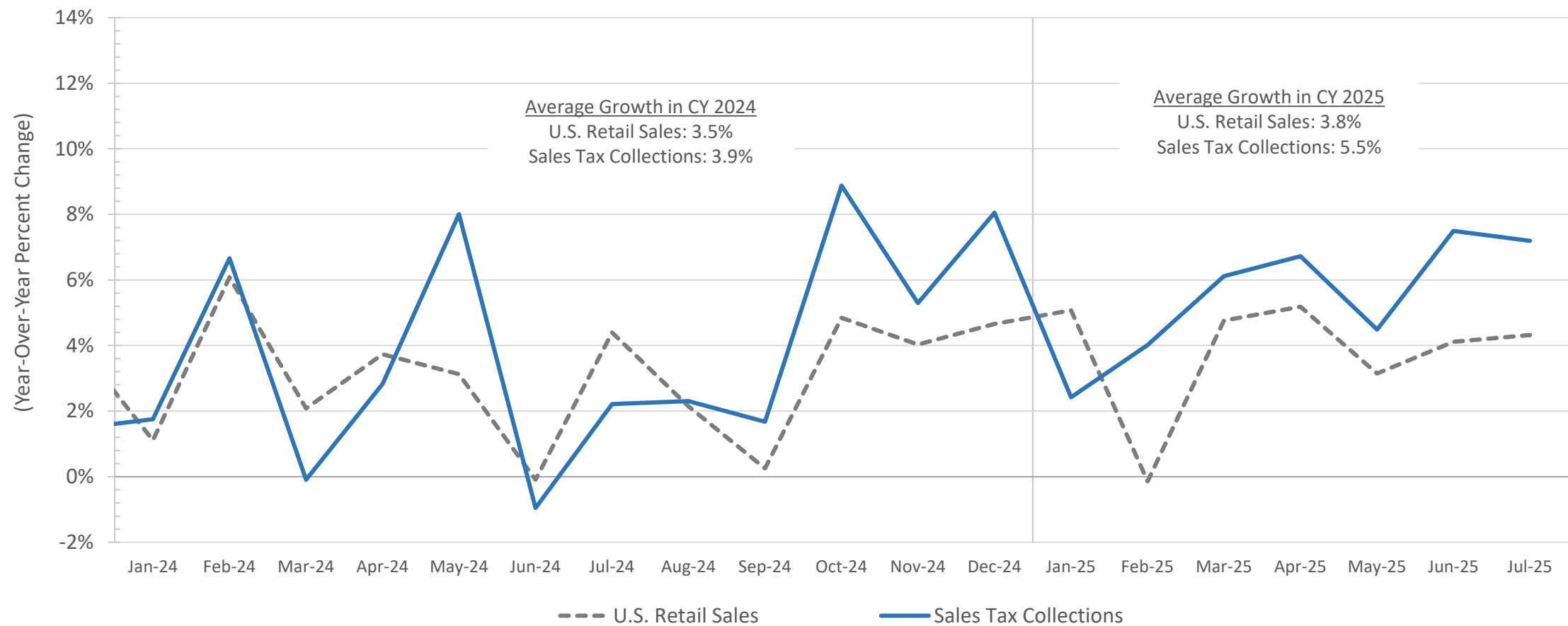
August collections grew by 7.2% over last year and were \$24.9 million above expectations



# Retail Sales Versus Sales Tax Growth

## Sales tax growth has consistently outpaced US retail sales growth to date in 2025

GROWTH IN US RETAIL SALES VERSUS SALES TAX COLLECTIONS



Source: U.S. Census Bureau, Advance Retail Sales: Retail Trade and Food Services [RSAFS] RFA-mad/9/15/25

# **General Fund Revenue**

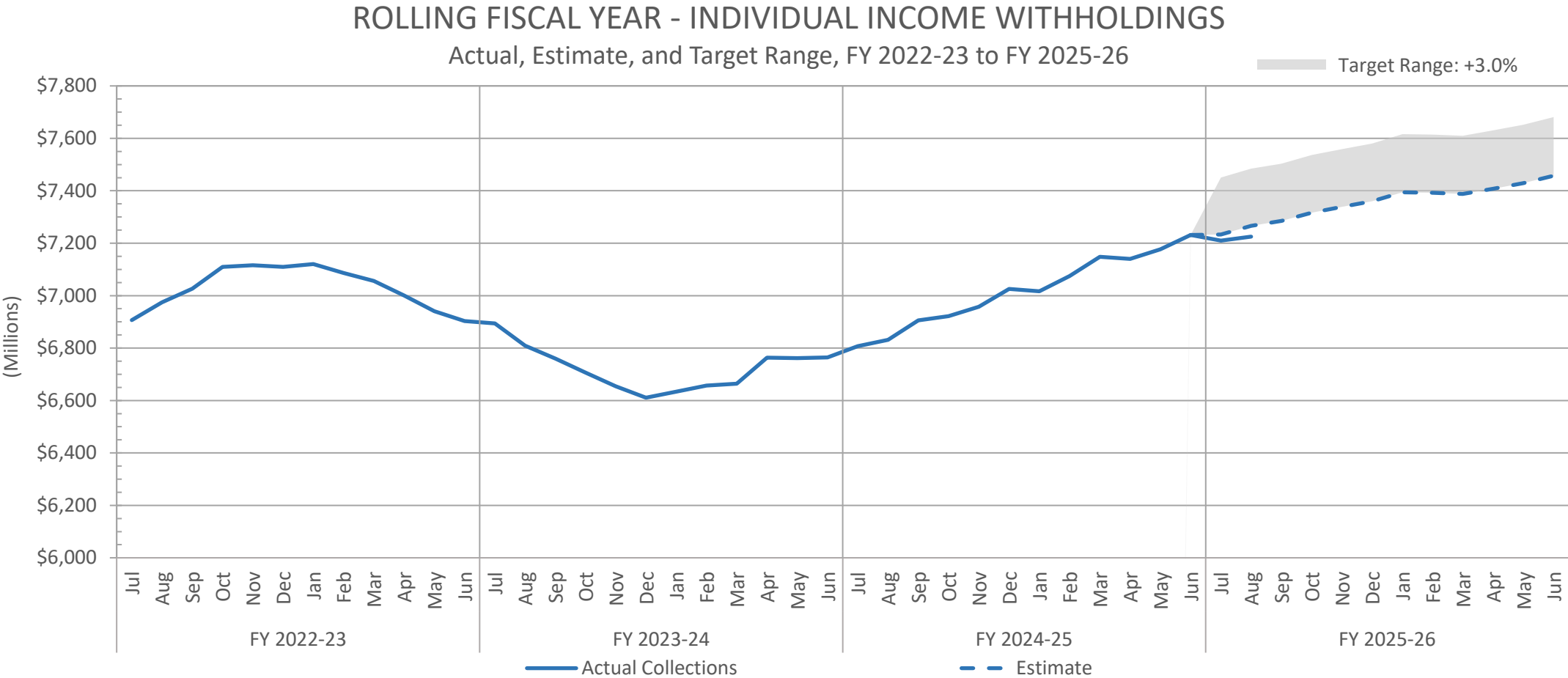
## **Individual Income Tax Components**





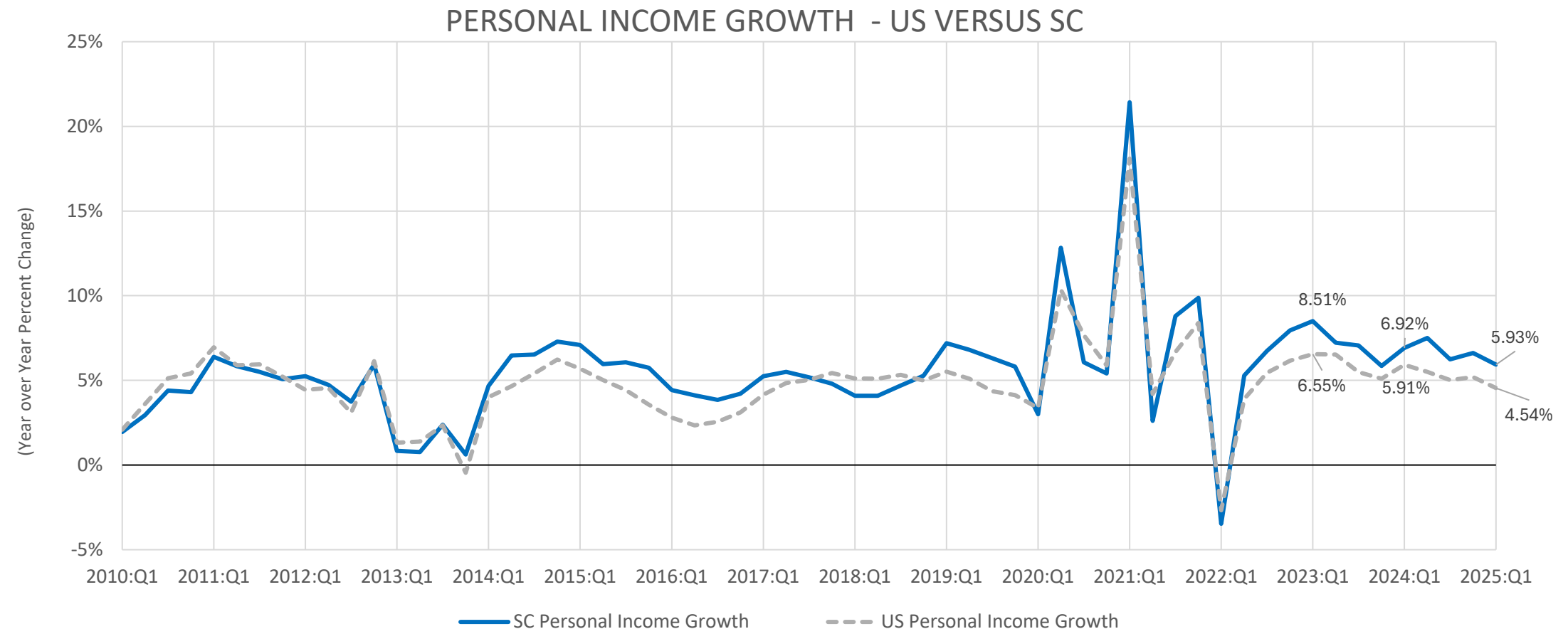
# Withholdings – FY 26

Year-to-date collections are \$41.3 million behind expectations after a decrease of 3.7% in July and growth of only 2.9% in August; FY 26 year-to-date collections have declined 0.5% versus the estimated growth of 3.1% for the full year



# Personal Income Growth – US vs SC

Income growth is moderating towards the pre-pandemic average level of 5%; SC continues to outpace the US by more than a percentage point



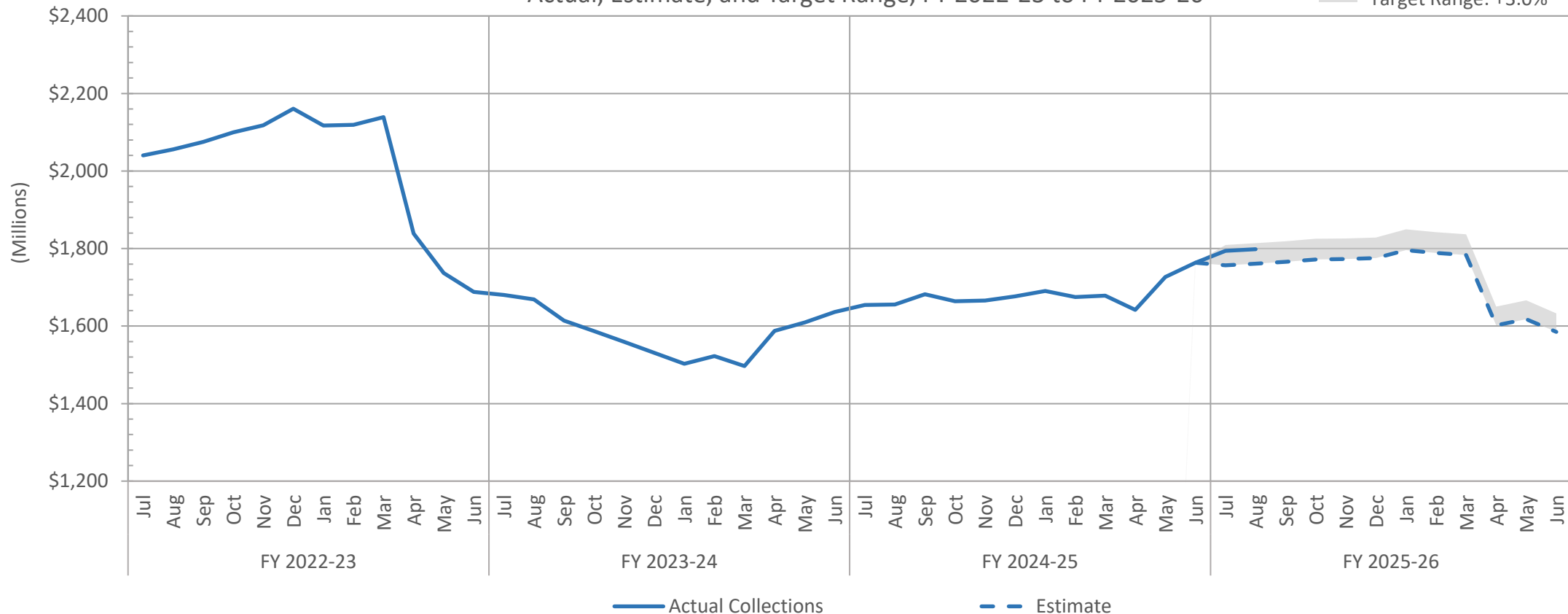
Source: U.S. Bureau of Economic Analysis 352 - RFA/mam/9/16/2025

# Non-Withholdings - FY 26

Collections are \$37.4 million above expectations due to strong growth of 50.6% in July and 8.6% in August; with the decrease in the marginal tax rate, collections are expected to decrease by 10.1% in FY 26

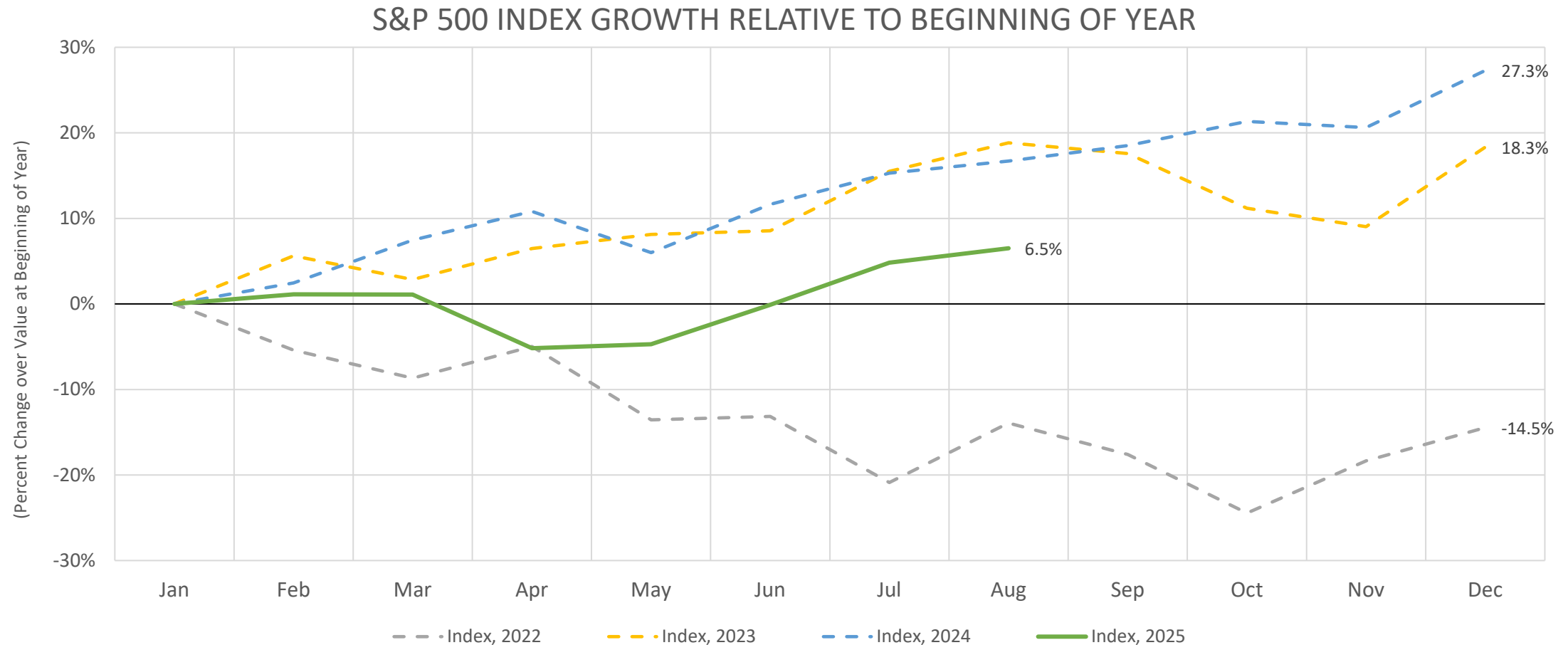
## ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

Actual, Estimate, and Target Range, FY 2022-23 to FY 2025-26



# S&P 500 - 2025 Year-to-Date Growth

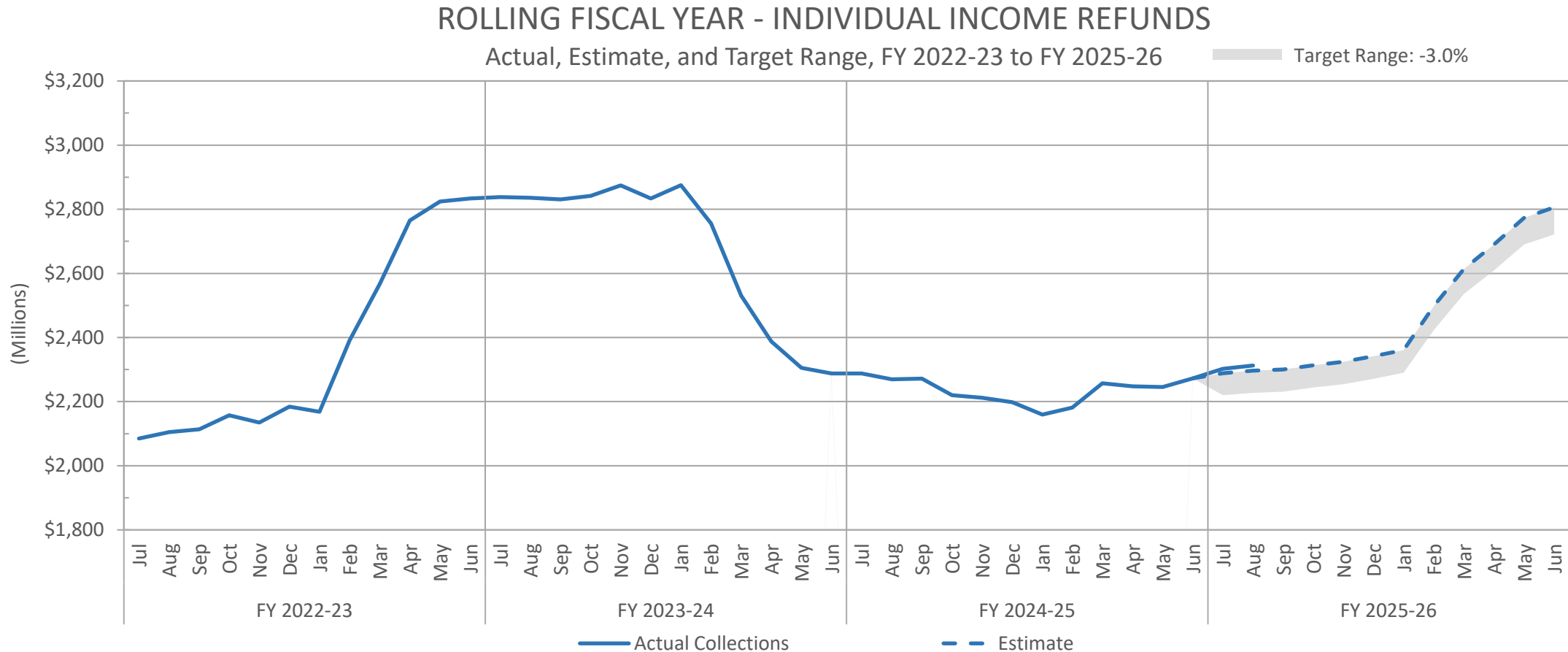
The stock market has been more volatile in 2025; the S&P 500 Index has grown by 6.5% year-to-date, which is almost three times lower than the growth for the same period in the past two years



Source: Yahoo Finance, S&P 500 Index - 337C RFA/mam/9/16/2025

# Refunds - FY 26

Refunds are \$16.2 million ahead of expectations due to strong growth in July and August; Refunds are expected to grow by 23.5% in FY 26 largely due to stronger-than-expected Withholdings in FY 25 as well as the marginal income tax rate reduction



# General Fund Revenue

## Business Taxes



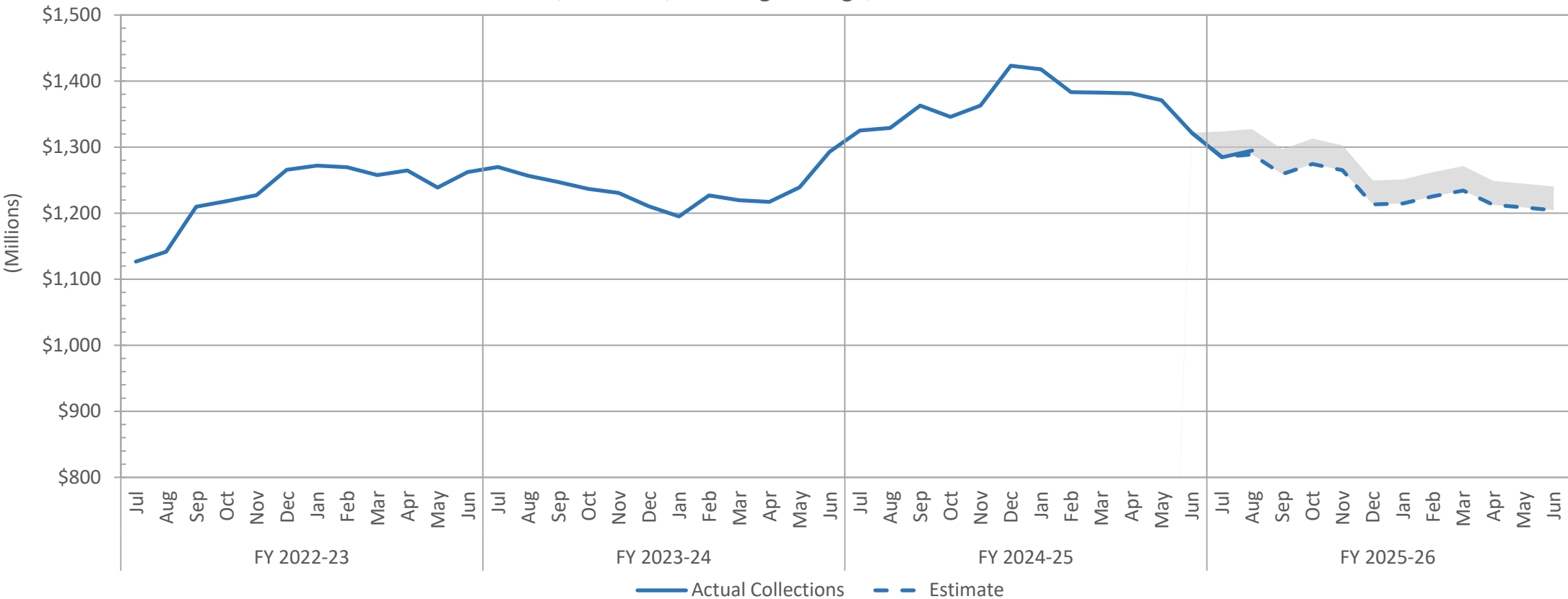
# Corporate Income Tax - FY 26

Corporate Income tax collections totaled \$62.4 million through August and are \$6.2 million ahead of expectations; next month's quarterly payments will be the first significant measure of performance for FY 26 following a slowdown in the last quarter of FY 25

ROLLING FISCAL YEAR - CORPORATE INCOME TAX

Actual, Estimate, and Target Range, FY 2022-23 to FY 2025-26

Target Range: +3.0%



# **Key Issues and Questions for FY 2025-26 and FY 2026-27**



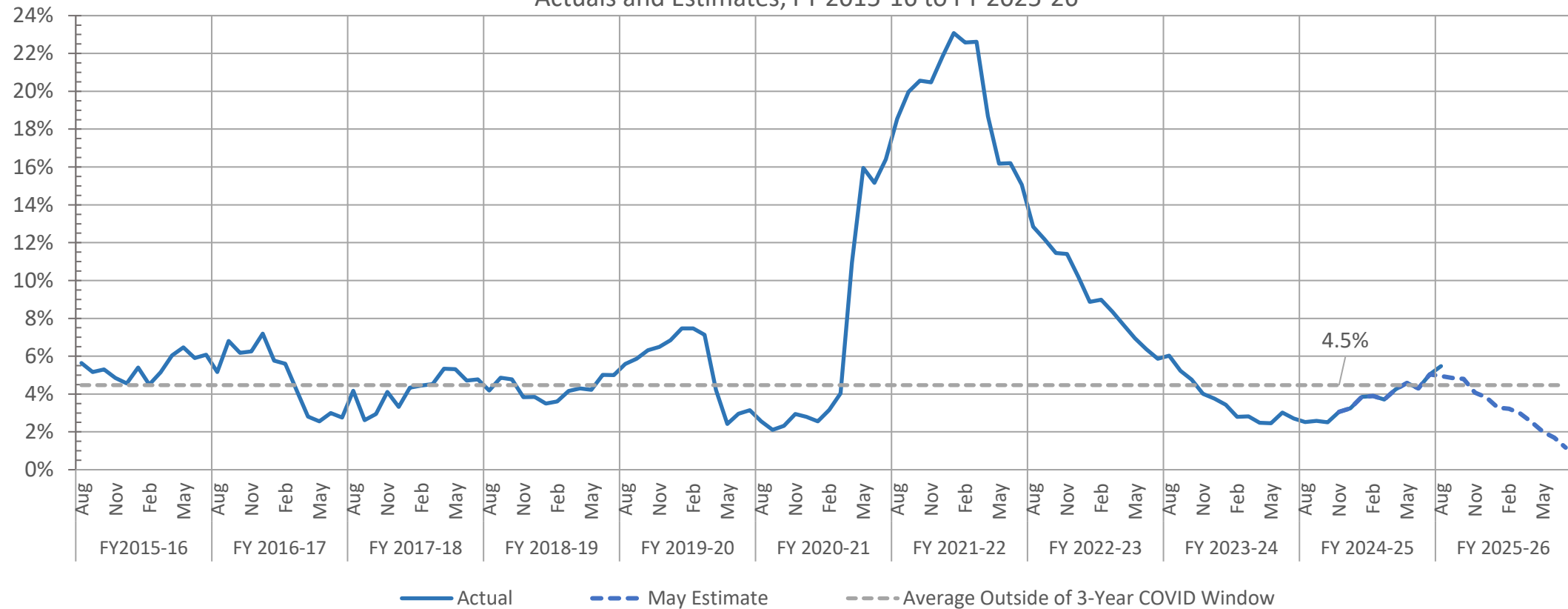


# Sales Tax Percent Change

The current estimate expects the growth in Sales tax to fall from above the historic average closer to zero by the end of the fiscal year, largely due to the prior year surplus

## ROLLING FISCAL YEAR 12 MONTH PERCENT CHANGE - SALES TAX

Actuals and Estimates, FY 2015-16 to FY 2025-26

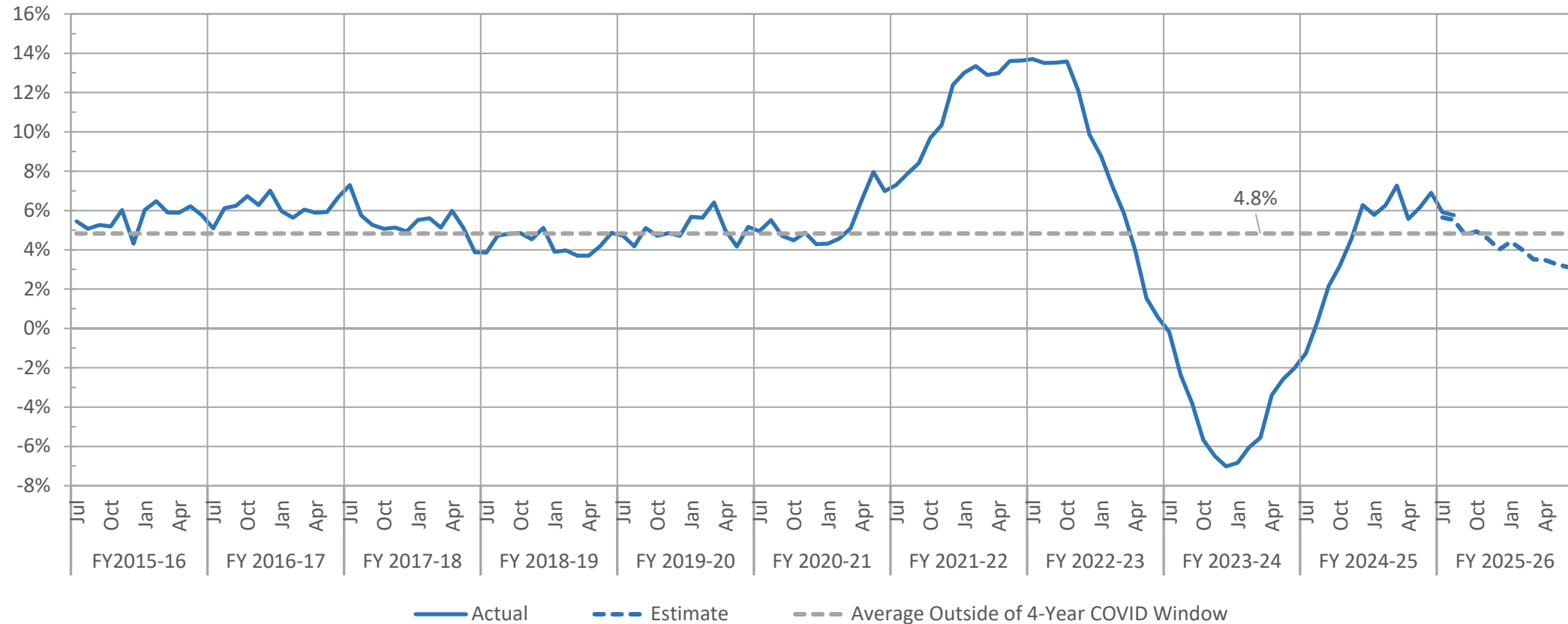


# Individual Income Tax Withholdings Percent Change

## Withholdings growth is projected to fall below the historical average in FY 26

### ROLLING FISCAL YEAR PERCENT CHANGE - INDIVIDUAL INCOME WITHHOLDINGS

Actuals and Estimates, FY 2015-16 to FY 2025-26



# Key Questions for FY 2025-26 and FY 2026-27

- Personal Income and Spending
  - Will the US enter a recession or a significant slowdown, and what level of impact will we see?
  - What will monetary and tariff policies look like over the next two years?
  - How will global economic issues affect SC's economy?
  - How will income and wage growth change?
- Employment
  - How will the labor market change?
  - How is South Carolina going to change as compared to the US as a whole?
- How will the next 12 and 24 months compare to the last year?

**Presentation  
by Nick Clerkin, Legislative Economist  
North Carolina General Assembly**



# Reports from Working Group Members



# Other Items for Discussion

