



MEMORANDUM FOR THE RECORD

Date: August 28, 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* – Lisa Jolliff, Morgan Daigle, Dr. Marian Manic, and Karl Vesely; **Attendees:** *RFA* – Paul Athey, Chris Finney, Kathryn Kelley, and Emily Prosser; *Forty-four 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 9:00 a.m.
- II. Chairman Grimball presented the June 26, 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](#))

Chairman Grimball noted that today's meeting will focus on the final FY 2024-25 (FY 25) revenues, while the September meeting will begin the FY 2025-26 (FY 26) results.

- III. Final FY 2024-25 General Fund Revenues and Economic Updates ([See materials](#))

Mr. Rainwater began the presentation by stating that this meeting marks the first of three meetings in preparing for the November revenue estimates, and that process begins with a review of the final revenue results for FY 25. September's meeting will continue the process with an update on revenue performance for the first two months of FY 26. He also noted that July and August Sales tax collections are split between two fiscal years: July revenue is in fiscal month 13 for FY 25, and August revenue will be in fiscal month 1 for FY 26. Additionally, he thanked the Comptroller General's Office for its assistance in providing revenue details in advance of the official year-end release to accommodate this meeting.

Mr. Rainwater presented the final FY 25 revenues. His key points were:

- Final General Fund revenues for FY 25 grew 8.4 percent as compared to the estimate of 5.4 percent, and exceeded the May estimate by \$410.7 million.
- Despite being more than ten months through the fiscal year when the May estimate was adopted, staff remained cautious about a few categories when updating the FY 25 estimate as tax filing had not been completed and the final result remained a potential risk.
- At that time, the updated forecast anticipated an additional year-end surplus of \$204.7 million, but revenues accelerated in the final weeks to produce an

additional \$206 million surplus, of which \$133 million can be attributed to final tax filing activity.

- Individual Income tax items relating to tax season accounted for \$259.5 million of the \$410.7 million surplus.
- The Comptroller General's recently released year-end report noted other types of surplus amounts:
 - One surplus was the net budget surplus of \$725.9 million, which was deposited in the Contingency Reserve Fund and is available for appropriation. The \$725.9 million includes the revenue surplus of \$410.7 million, \$225.4 million of unappropriated surplus identified in the May estimate, and some additional accounting items.
 - Another surplus was \$1.7 billion as the accounting records focus on the Appropriation Act revenue estimate as of May 2024 and not the final May 2025 revenue estimate.

Mr. Vesely reviewed updates to economic data for South Carolina. His key points included:

Trade Policy:

- Current national tariff rates are below what was initially announced in April, but August tariff rates have been the highest rates on average since 1933.
- Negotiations with South Carolina's largest trading partners, Germany, Canada, and China, are ongoing. South Carolina businesses that rely on foreign trade from these nations may be impacted by new agreements or by failure to come to agreements, and these impacts may be reflected as changes in prices or in employment.

Employment:

- South Carolina employment growth averaged 2.2 percent over FY 25, as anticipated in the November forecast.

Personal Income:

- South Carolina Personal Income growth for the first calendar quarter of 2025 is up 5.9 percent on a year-over-year basis compared to 5.2 percent expected. The November forecast anticipates Personal Income growth to slow to 4.5 percent by the end of FY 26.
- Higher-than-expected growth in the Transfer Payments and Dividends, Interest, & Rent components are driving the increase in total Personal Income growth above expectations.

Dr. Manic continued the economic updates with a review of inflation expectations. His key points included:

Inflation:

- The Producer Price Index (PPI) is another important inflation gauge monitored by economists because it usually changes faster and can anticipate movements in the CPI.

- PPI inflation reached the lowest level of 2025 in April, declining to 0.5 percent as the new tariff policy was announced, but has increased considerably since then to 2 percent in July. This acceleration in PPI may indicate that growth in the CPI will soon follow.

Dr. Manic next discussed Individual Income tax categories. His key points included:
Withholdings:

- Total Withholdings for FY 25 amounted to approximately \$7.23 billion, which is about \$44 million ahead of our May estimate.
- Withholdings ended FY 25 approximately 6.9 percent higher than in FY 24, which was slightly better than the forecasted growth of 6.2 percent.

Non-withholdings:

- Non-withholdings came in above the May estimate and ended the fiscal year at approximately \$1.76 billion, which is \$149 million ahead of projections and was mostly due to very strong growth in May and June payments and declarations. Both months' surplus accounts for 71 percent of the total excess for the fiscal year.
- Given the increased volatility and uncertainty of the financial markets after the announcement of the new tariff policies, a slight reduction of 1.3 percent was expected in non-withholdings, however total collections grew by 7.8 percent instead.

Refunds:

- Although June Refunds came in at almost \$12 million above expectations, total refunds for FY 25 amounted to approximately \$2.27 billion, which was \$110.5 million below the estimate and approximately \$15 million below last year.
- Consequently, total Refunds declined by 0.7 percent relative to FY 24, compared to expected growth of 4.2 percent. The expected increase in Refunds was due to the decrease in the top marginal income tax rate. However, given the difference in actual Refunds and expectations, staff will be reviewing these tax filing dynamics further in preparation for the November forecast.

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

Sales Tax:

- Month 13 Sales tax revenue grew by 7.5 percent and added \$14.9 million to the FY 25 excess revenue.
- Cumulatively, Sales tax revenue ended FY 25 \$53.0 million above the May estimate and grew by 5.0 percent over last fiscal year compared to the 3.9 percent growth estimated.
- Sales tax revenue grew by 6.2 percent in the last three months of collections, surpassing national retail sales growth and contributing about \$37.9 million, or 71.4 percent, of the total excess revenue.
- Overall, Sales tax revenue collections were within 1.1 percent of the May estimate.

- Sales tax and other consumption taxes for the fiscal year are finalized with July collections (Month 13), as these taxes are accounted for on an accrual basis (August to July).

Ms. Jolliff discussed Corporate Income tax. Her main points were:

Corporate Income tax:

- June Corporate Income tax collections were lower than expected, and ended \$15.9 million below the estimate for FY 25, growing 2.2 percent compared to the May 2025 estimate of 3.4 percent.
- FY 25 collections included audit payments of \$25 million, without which revenue growth over FY 24 collections would be essentially flat.

Mr. Rainwater then summarized the FY 25 results noting:

- The largest two items, Sales tax and Withholdings, grew close to estimates while other taxes had a wider variation.
- The May estimate anticipated growth of 0.3 percent for FY 26, but the \$410 million surplus for FY 25 now means the FY 26 estimate can decline 2.5 percent, and the estimate can still be met.
- The next meeting (September) is when FY 26 growth trends and expectations will be analyzed for the rest of the fiscal year.

Ms. Jolliff concluded the presentation by discussing the issues affecting FY 26 and FY 2026-27 (FY 27). Her key points included:

- The scheduled statutory reduction in the Individual Income tax top marginal tax rate was accelerated in the FY 26 budget, and the rate is reduced to 6.0 percent beginning in tax year 2025. The rate has now been reduced to the goal set by statute, and this rate change will impact Non-withholdings and Refunds for both FY 26 (tax year 2025) and FY 27 (tax year 2026) and will be accounted for in the upcoming forecasts.
- Sales tax revenue will be adjusted to account for the durable medical equipment sales tax exemption enacted in the 2025 legislative session (-\$12.6 million in General Fund Sales tax; -\$3.2 million for both EIA and HEX Sales tax funds).
- The amount collected from certain Insurance taxes that must be distributed to counties for fire service has increased annually and is more than the current appropriation for Aid to Fire Districts in the budget. The Aid to Fire Districts open-ended appropriation reduced the year-end surplus by \$14.6 million in FY 25 and is expected to grow to approximately \$20 million in FY 26. The General Assembly asked Revenue and Fiscal Affairs and the Executive Budget Office to make recommendations to resolve the open-ended status, and that analysis is ongoing at this time. In addition, given that the year-end shortfall is continuing to grow and has become significant, we will be discussing the issue leading up to the next budget cycle and the impact on budgetary surplus revenue.

Members asked questions throughout the presentation, which generated further discussions between Members and staff.

Chairman Grimball commended staff on the excellent presentation and the detailed information given.

- IV. Reports from Working Group Members
No Working Group members offered comments.
- V. Other Items for Discussion
- VI. The next scheduled meeting is September 25, 2025.
- VII. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 10:00 a.m.

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

These minutes were approved on 9/25/2025

Emily Prosser *Emily Prosser*