

SOUTH CAROLINA GENERAL FUND REVENUE UPDATE

FY 2025-26 Revenues Through February and Statutory Review of FY 2025-26 & FY 2026-27 Forecasts

March 26, 2026



Summary – Revenues through February 2026

- Total General Fund revenue and excess for February 2026 are greatly distorted due to processing and timing differences in Individual Income tax returns
- The excess in estimated monthly revenues through February, excluding Individual Non-withholdings and Refunds, is \$42.6 million
 - Withholdings tax is \$17.6 million above expectation
 - Sales tax is \$2.1 million below expectations
 - Corporate Income tax is \$28.6 million below expectations
 - Earned on Investments is \$30.1 million above expectations
- Economic indicators are close to expectations, but some key data reports are delayed
- Final results for the fiscal year will largely depend on tax filing season

General Fund Revenue – February 2026



REVENUES V. BEA MONTHLY ESTIMATES

FEBRUARY

(\$ in Millions)

| | 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 | \$469.6 | \$933.7 | \$464.1 | (8.1%) | 82.8% | Other Revenue Items, Sub-Total | \$93.0 | \$107.8 | \$14.7 | 8.8% | 26.0% |
| Sales Tax | 371.6 | 378.4 | 6.8 | 3.3% | 5.2% | Admissions Tax | 1.9 | 3.0 | 1.1 | 2.6% | 60.6% |
| Individual Income Tax | (15.5) | 449.7 | 465.2 | (127.2%) | 690.6% | Alcoholic Liquors Tax | 8.0 | 8.3 | 0.3 | 0.4% | 4.4% |
| Withholdings | 618.7 | 641.5 | 22.7 | 1.0% | 4.7% | Bank Tax | 1.3 | (0.3) | (1.6) | N/A | N/A |
| Non-withholdings | 29.2 | 25.6 | (3.7) | (7.8%) | (19.3%) | Beer and Wine Tax | 7.7 | 7.8 | 0.1 | 1.1% | 2.2% |
| Refunds | 663.4 | 217.3 | (446.1) | 13.0% | (63.0%) | Corporate License Tax | 6.8 | 8.8 | 1.9 | 8.5% | 38.8% |
| Corporate Income Tax | 17.5 | (4.4) | (22.0) | N/A | N/A | Deed Rec. (Doc. Tax) | 8.5 | 8.5 | 0.1 | 1.0% | 1.6% |
| Insurance Tax | 2.8 | 2.2 | (0.6) | 11.6% | (13.1%) | Earned on Investments | 46.6 | 59.5 | 12.9 | 12.2% | 43.3% |
| Other Revenue Items, Sub-Total | 93.0 | 107.8 | 14.7 | 8.8% | 26.0% | Residual Revenue | 12.2 | 12.2 | (0.0) | 27.2% | 26.7% |

Forecast as of November 18, 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 – FY 2025-26 Fiscal Year-to-date



REVENUES V. BEA MONTHLY ESTIMATES

JULY - FEBRUARY

(\$ in Millions)

| | 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 | \$9,222.6 | \$9,776.7 | \$554.1 | 1.7% | 7.8% | (1.2%) | Other Revenue Items, Sub-Total | \$924.2 | \$983.9 | \$59.7 | 6.6% | 13.5% | 0.1% |
| Sales Tax | 3,022.2 | 3,020.1 | (2.1) | 4.8% | 4.7% | 4.0% | Admissions Tax | 14.2 | 15.9 | 1.8 | (1.0%) | 11.5% | 1.1% |
| Individual Income Tax | 4,622.5 | 5,151.6 | 529.2 | 1.7% | 13.3% | (3.6%) | Alcoholic Liquors Tax | 69.6 | 71.4 | 1.8 | 0.9% | 3.5% | 0.7% |
| Withholdings | 4,918.3 | 4,935.9 | 17.6 | 2.6% | 2.9% | 2.5% | Bank Tax | 29.5 | 30.4 | 0.9 | (20.0%) | (17.5%) | (24.3%) |
| Non-withholdings | 713.1 | 763.7 | 50.6 | 17.8% | 26.2% | 2.6% | Beer and Wine Tax | 64.2 | 63.6 | (0.7) | (1.9%) | (3.0%) | (1.0%) |
| Refunds | 1,008.9 | 548.0 | (460.9) | 18.0% | (35.9%) | 21.4% | Corporate License Tax | 178.9 | 182.3 | 3.4 | 7.9% | 10.0% | 3.7% |
| Corporate Income Tax | 450.4 | 421.8 | (28.6) | (19.5%) | (24.6%) | (8.9%) | Deed Rec. (Doc. Tax) | 75.2 | 78.2 | 3.1 | 4.2% | 8.4% | 3.3% |
| Insurance Tax | 203.4 | 199.3 | (4.1) | (5.5%) | (7.4%) | (5.7%) | Earned on Investments | 361.1 | 391.3 | 30.1 | 15.0% | 24.6% | 2.6% |
| Other Revenue Items, Sub-Total | 924.2 | 983.9 | 59.7 | 6.6% | 13.5% | 0.1% | Residual Revenue | 131.5 | 150.8 | 19.3 | 1.5% | 16.4% | (0.2%) |

Forecast as of November 18, 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.

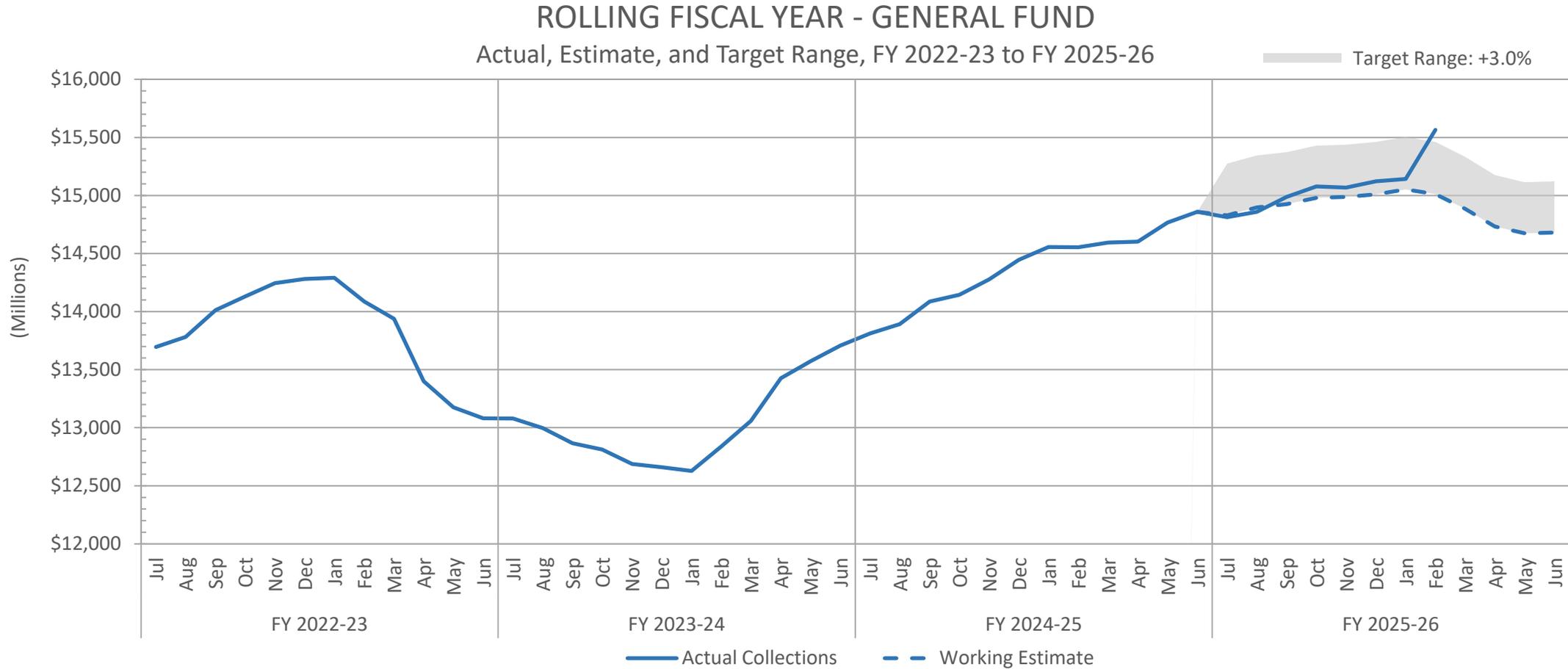
/2 Actual year-to-date reflects actual fiscal year-to-date growth in collections over prior fiscal year-to-date collections.

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



General Fund Revenue – Actual versus Estimate

Timing differences in Individual Income tax February processing significantly distorted revenue results and trends



General Fund Revenue – February Excess

Excluding Individual Income tax filing related categories for FY 26, actual revenue collections remain very close to expectations

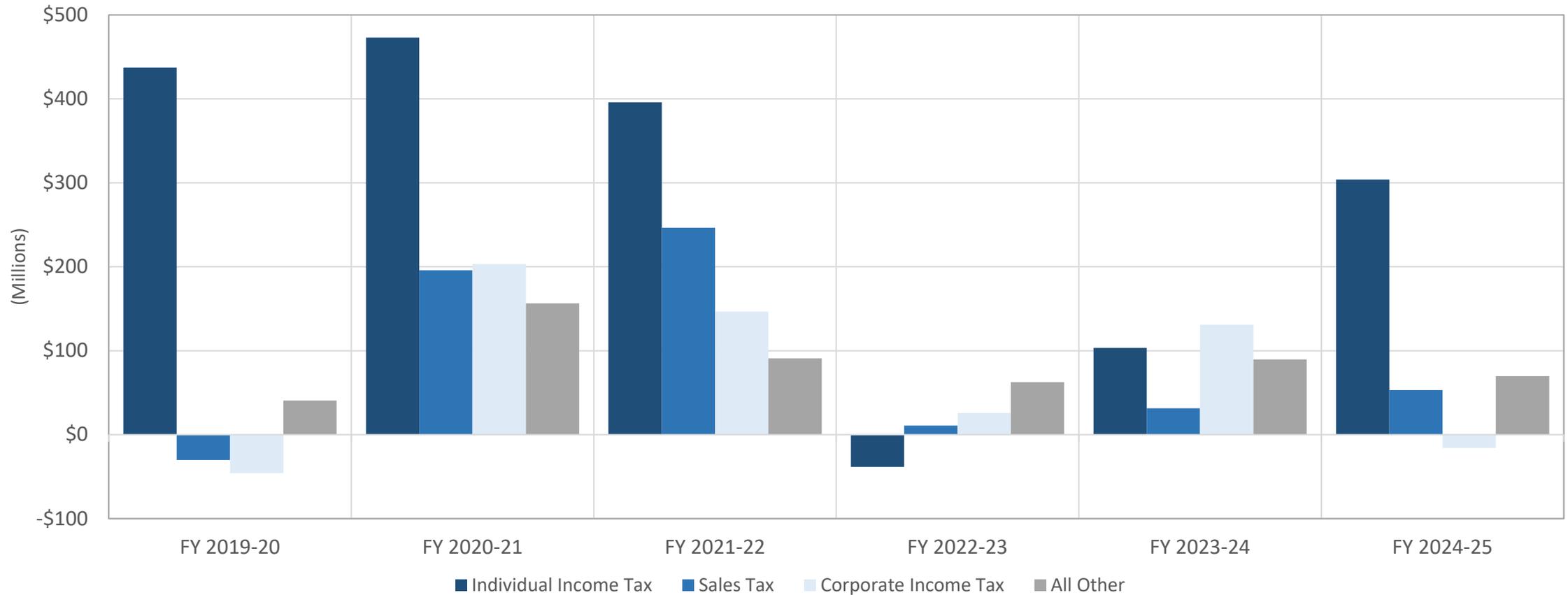
FEBRUARY EXCESS ABOVE THE ESTIMATE



General Fund Revenue – Year-end Surplus/Shortfall by Category

Over the past six fiscal years, net year-end revenues have exceeded the final May estimate by a range of \$61.3 million to \$1.03 billion but vary by category

FISCAL YEAR-END REVENUE SURPLUS/SHORTFALL COMPARED TO FINAL MAY ESTIMATE



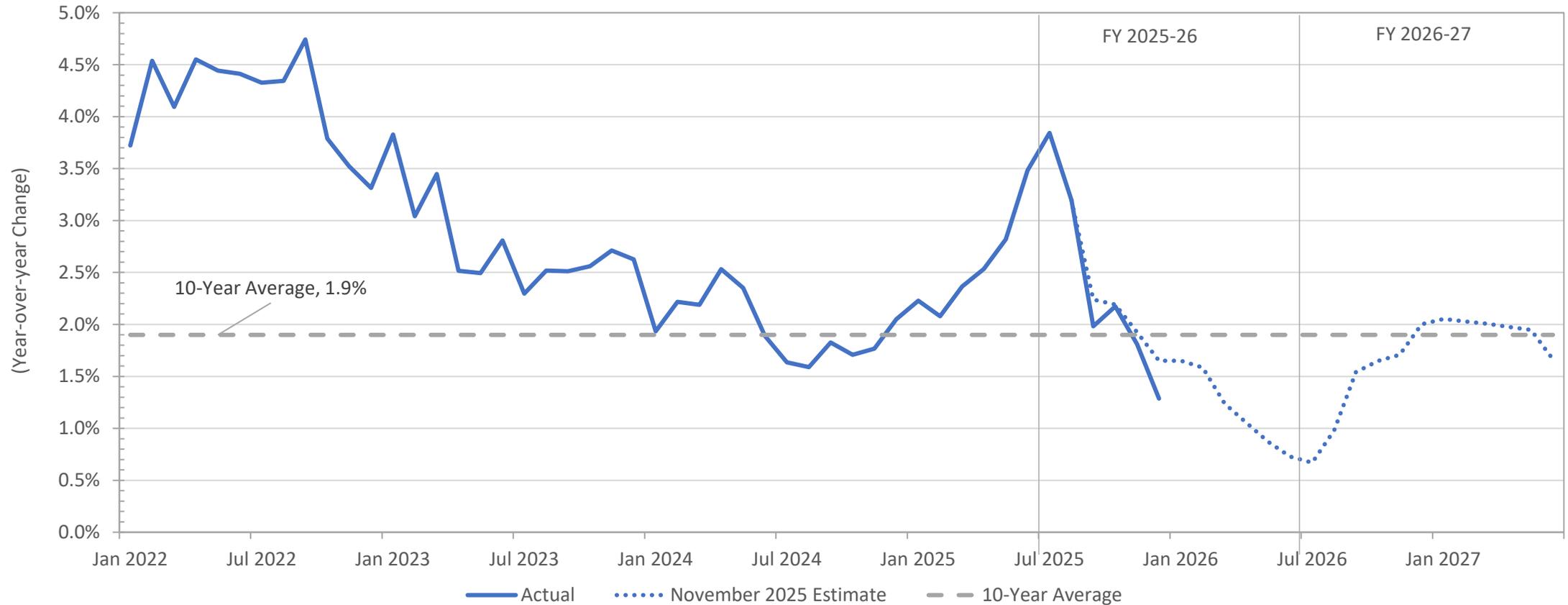
Economic Updates



SC Employment – Percent Change

South Carolina employment growth fell to 1.3% in December; the annual employment data revision will be released in April

SOUTH CAROLINA TOTAL NONFARM EMPLOYMENT

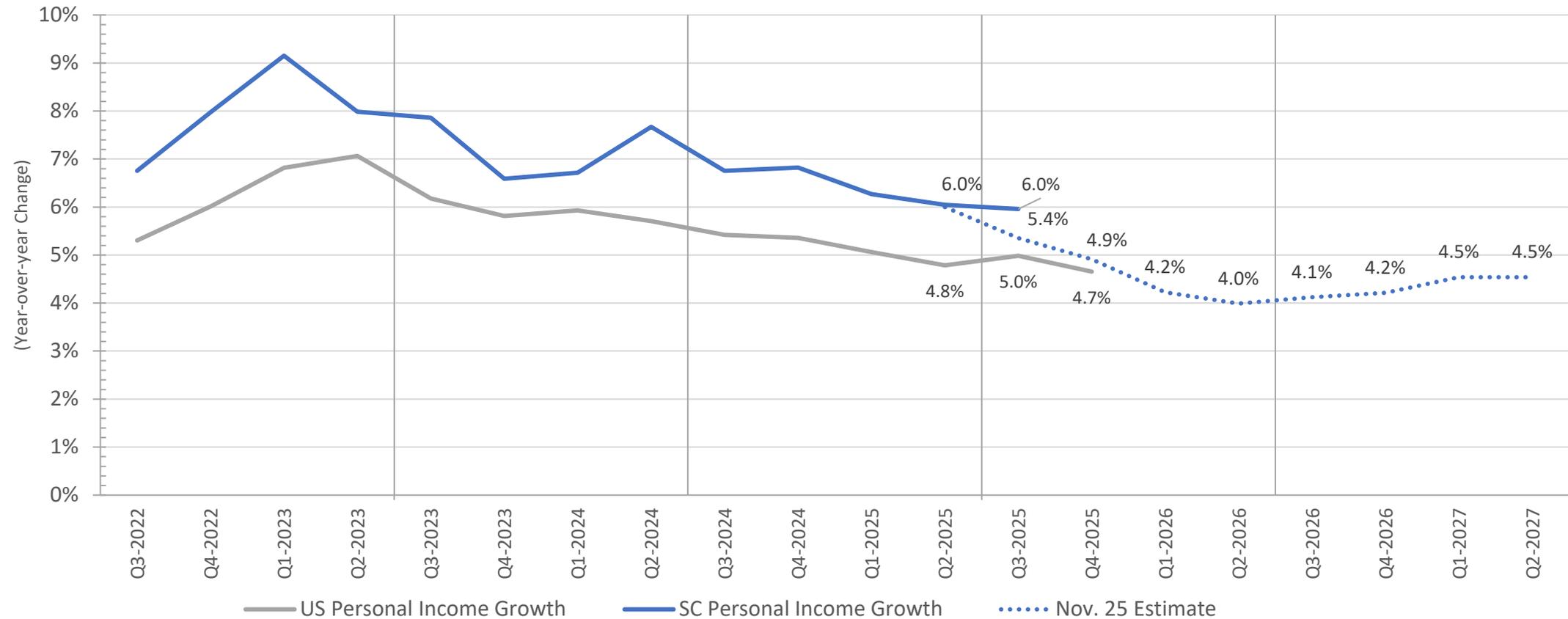


Source: Bureau of Labor Statistics, U.S. Department of Labor RFA/kv/3/5/2026

Personal Income Growth – US & SC

US personal income growth declined from 5.0% to 4.7% in Q4 2025; SC personal income for Q4 2025 will be released April 9

PERSONAL INCOME GROWTH - US VERSUS SC



Source: U.S. Bureau of Economic Analysis (retrieved from FRED) 348 - RFA/lhj/3/17/2026

Inflation

CPI inflation remains about 2.4% year-over-year in February 2026



Source: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis - 216 RFA/kv/3/11/2026

Oil Prices - 2026

The price of crude oil has approached \$100 a barrel, an increase of 39% since Feb; motor fuel oils and gasoline represent approximately 3% of the inflation basket but impact components in nearly every supply chain

2026 WEST TEXAS INTERMEDIATE CRUDE OIL SPOT PRICE

Price Per Barrel



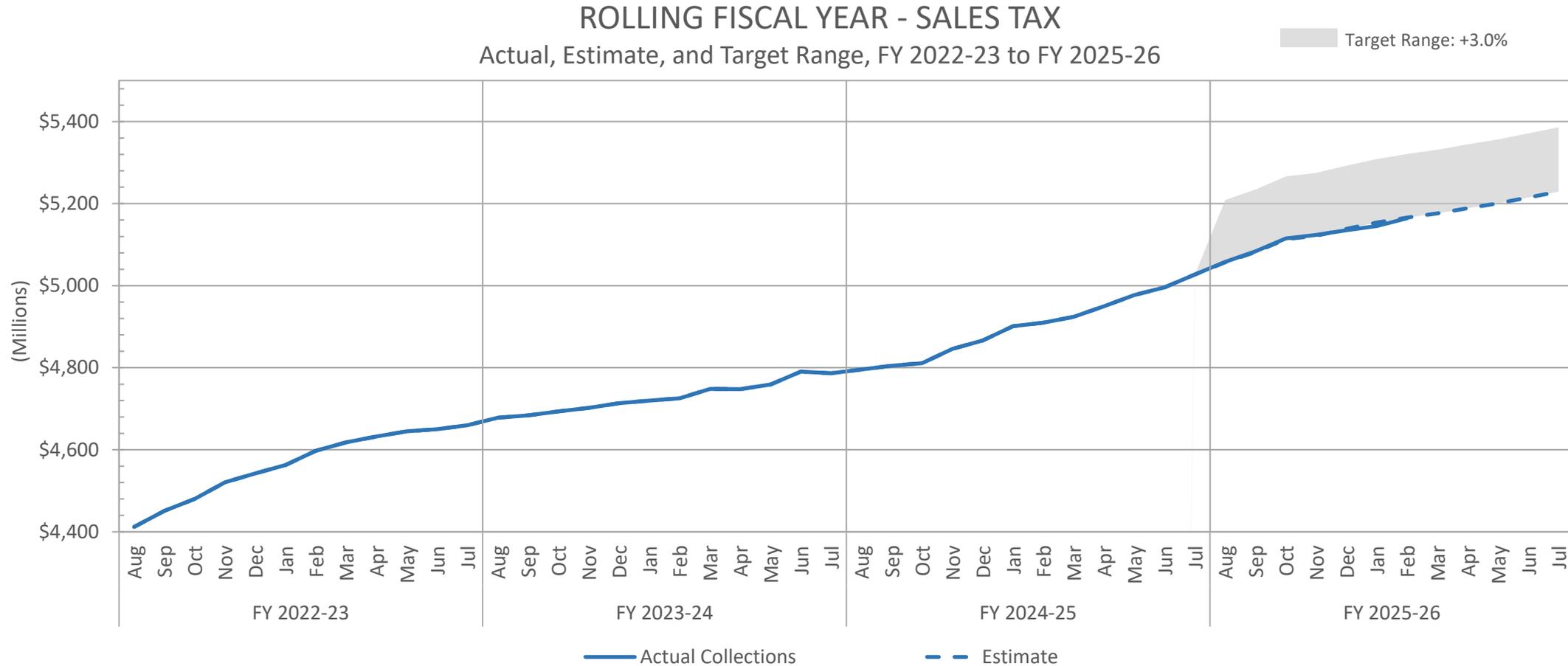
Source: Energy Information Administration RFA/kv/3/18/2026

Review of February Revenues



Sales Tax - Actual versus Estimate

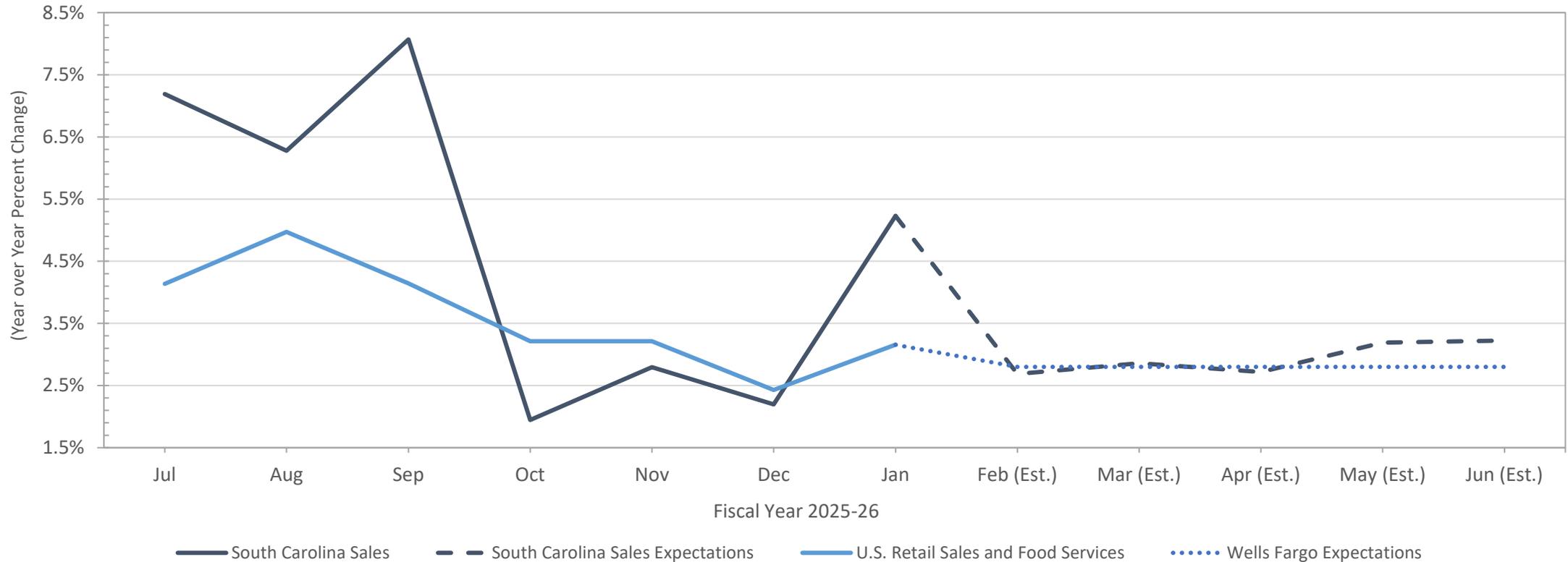
February collections grew by 5.2% over the same month last year and exceeded expectations by \$6.8 million; fiscal year-to-date collections continue to track closely with expectations, growing 4.7% compared to 4.8% expected overall and are \$2.1 million below the estimate



Growth in US Retail Sales versus SC Taxable Sales

The latest year-over-year growth expectations for retail sales and food services are slightly below sales tax expectations for the remainder of the fiscal year (2.8% versus 2.9%)

SOUTH CAROLINA SALES VERSUS NATIONAL RETAIL SALES AND FOOD SERVICES

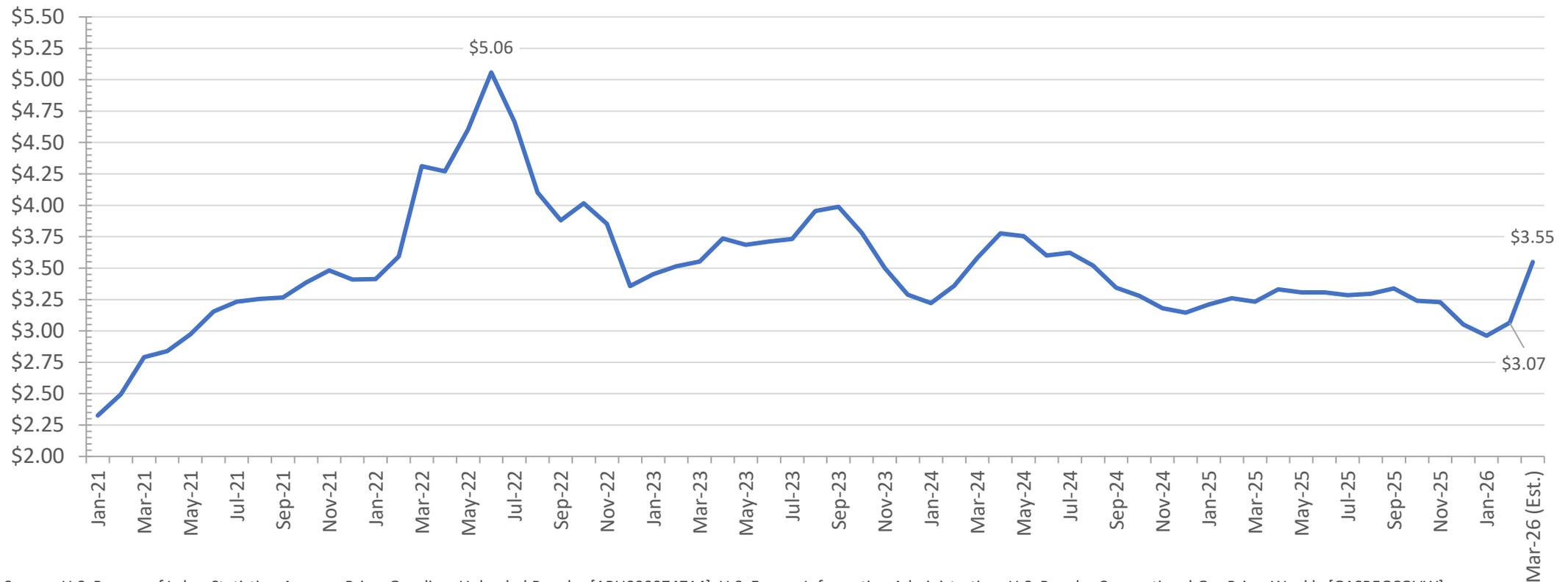


Source: SC Sales based on retail month of sales tax revenue; U.S. Census Bureau, Advance Retail Sales: Retail Trade and Food Services [RSAFS], retrieved from FRED, Federal Reserve Bank of St. Louis; Wells Fargo US Economic Outlook, March 11, 2026 RFA/mad/03/11/2026

Gasoline Prices

Average gas prices have risen sharply from the February 2026 average by an estimated 15.8%; prices have risen from a monthly average of \$3.07 in February to an estimated average of \$3.55 in March, but are still significantly lower than the June 2022 peak

AVERAGE PRICE OF GASOLINE PER GALLON, ALL TYPES

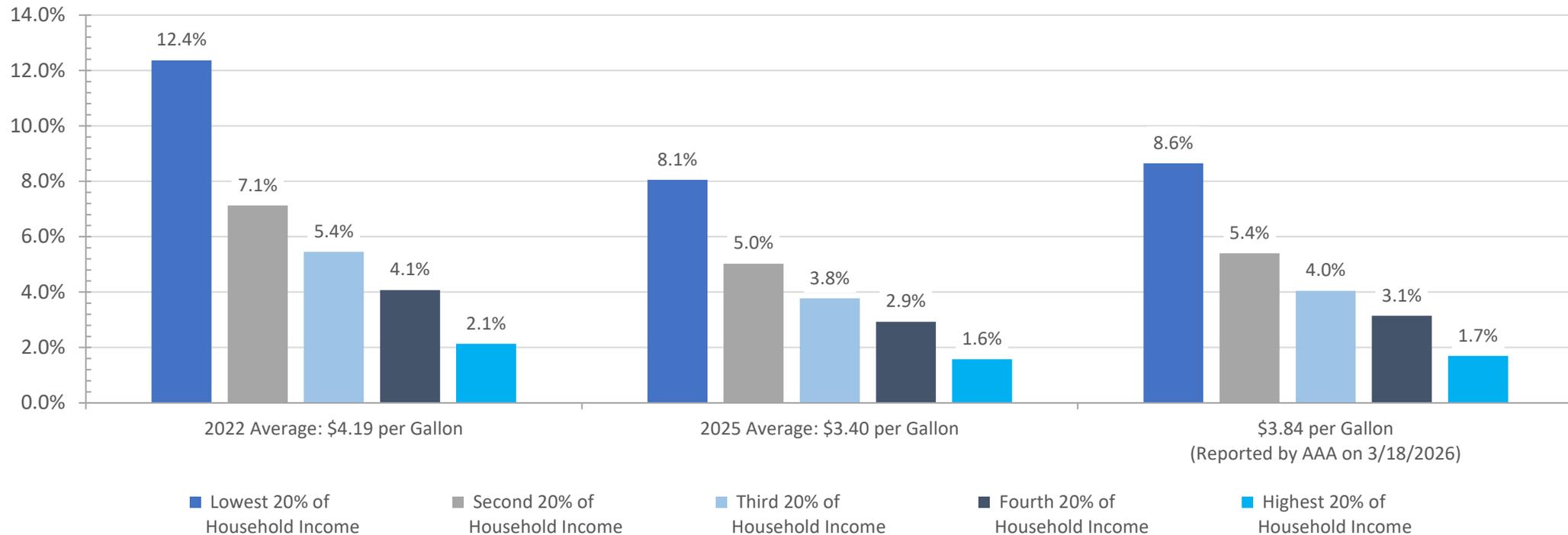


Source: U.S. Bureau of Labor Statistics, Average Price: Gasoline, Unleaded Regular [APU000074714]; U.S. Energy Information Administration, U.S. Regular Conventional Gas Price, Weekly [GASREGCOVW]; AAA Daily Fuel Prices, March 16-18, 2026 - RFA/mad/03-17-2026

Household Spending on Gasoline as a Percentage of Income

Prices would need to reach an annual average of **\$5.11** per gallon to have the same effect on household income as in **2022**; lower income households are most vulnerable to price increases

ESTIMATED PERCENTAGE OF HOUSEHOLD INCOME SPENT ON GASOLINE AND MOTOR OIL
By Household Income Level

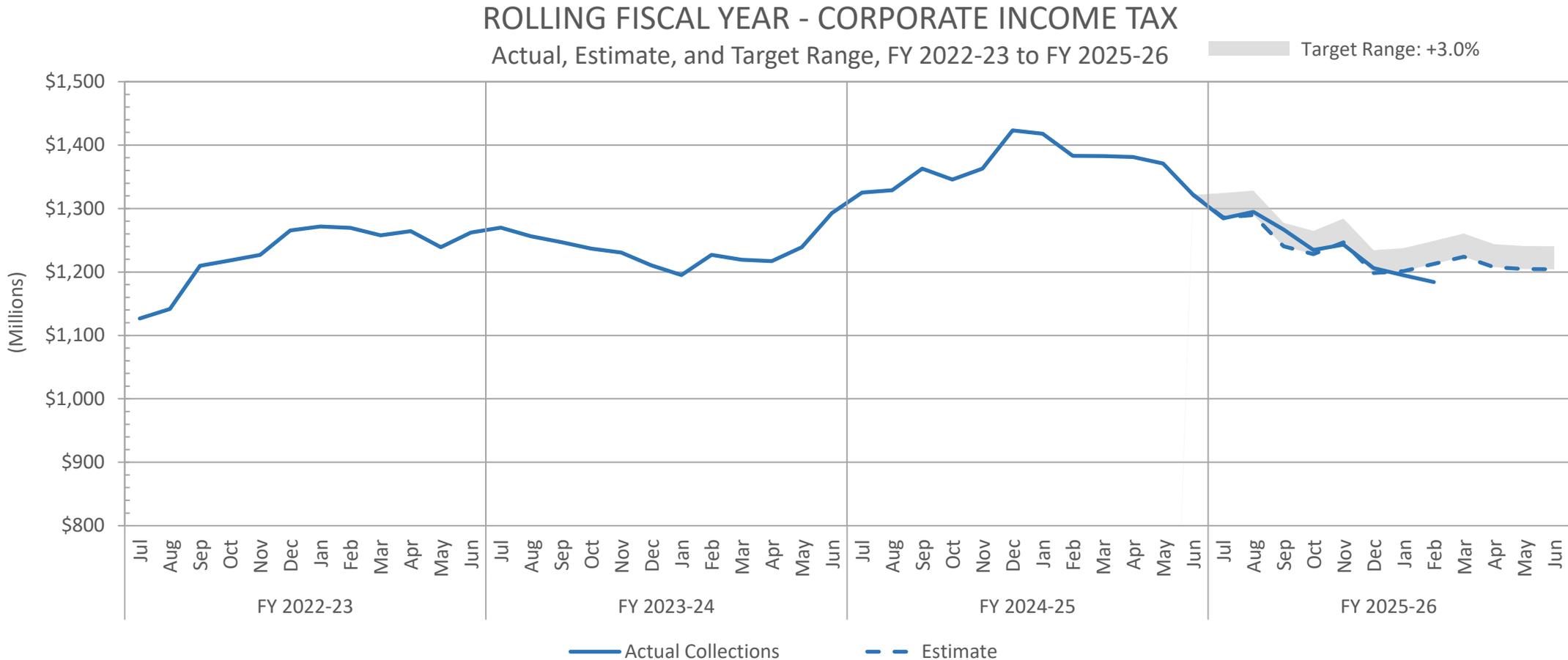


Note: Estimates for 2025 and 2026 are based on the 2024 Consumer Expenditure Survey and actual and expected growth in Personal Income for South Carolina.

Source: Bureau of Labor Statistics (BLS), Consumer Expenditure Survey 2022 & 2024; BLS, Average Price: Gasoline, Unleaded Regular [APU000074714], AAA Fuel Prices 3-18-2026; U.S. Bureau of Economic Analysis, Total Personal Income in South Carolina [SCTOT]; SC Board of Economic Advisors, Personal Income Assumptions November 2025 – RFA/mad/3/17/2026

Corporate Income Tax - Actual versus Estimate

Corporate Income tax continues to trend below expectations and is now \$28.6 million below the fiscal year-to-date estimate; historically, over 60% of collections occur in the final 4 months



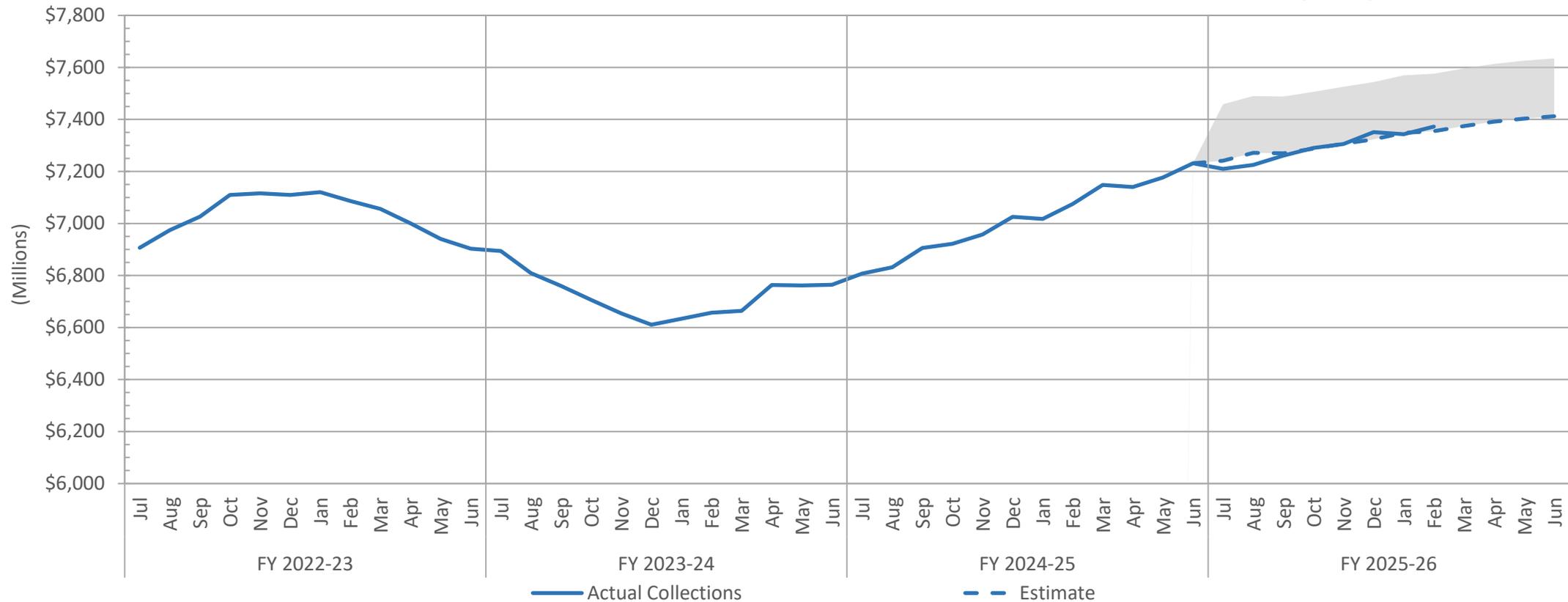
Withholdings - Actual versus Estimate

Withholdings grew 4.7% in February, bringing growth up to 2.9% for this fiscal year; collections are now \$17.6 million above expectations and only need to grow 1.6% for the remainder of the year to meet the estimate

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

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

Target Range: +3.0%



2026 Tax Filing Season – Refund Processing and Federal Tax Conformity

- Refund processing is occurring a few weeks later than in previous years and impacting the comparison with monthly estimates
- Federal income tax conformity – numerous changes in the federal One Big Beautiful Bill signed into law July 2025 impact state income tax filings for tax year 2025 (returns due April 2026)
- These changes were adopted after the General Assembly adjourned and have not yet been addressed and therefore are not included in the current estimates
- If the General Assembly takes action this month, it will affect this year's estimated surplus

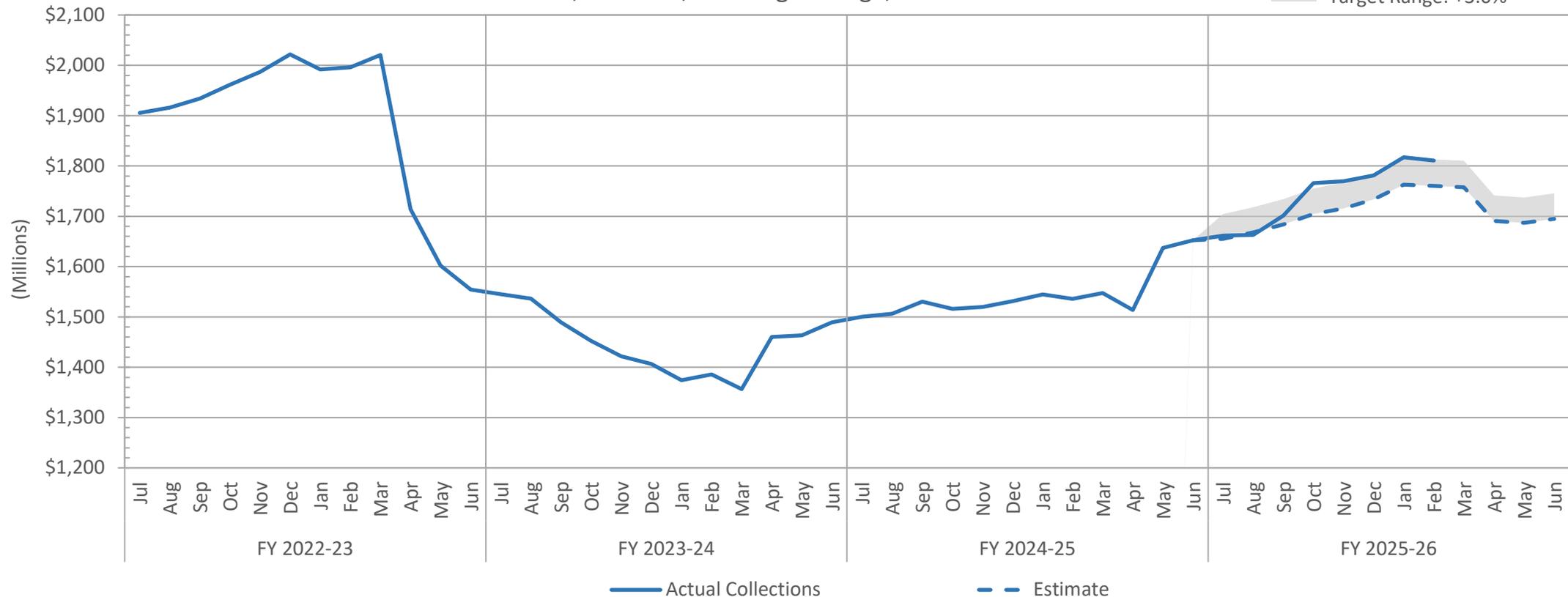
Non-Withholdings - Actual versus Estimate

Collections have been largely on target except for October payments for previous tax year filings; however, almost half of Non-withholdings are remitted in April and May typically, but timing may be impacted this year

ROLLING FISCAL YEAR - INDIVIDUAL INCOME NON-WITHHOLDINGS

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

Target Range: +3.0%

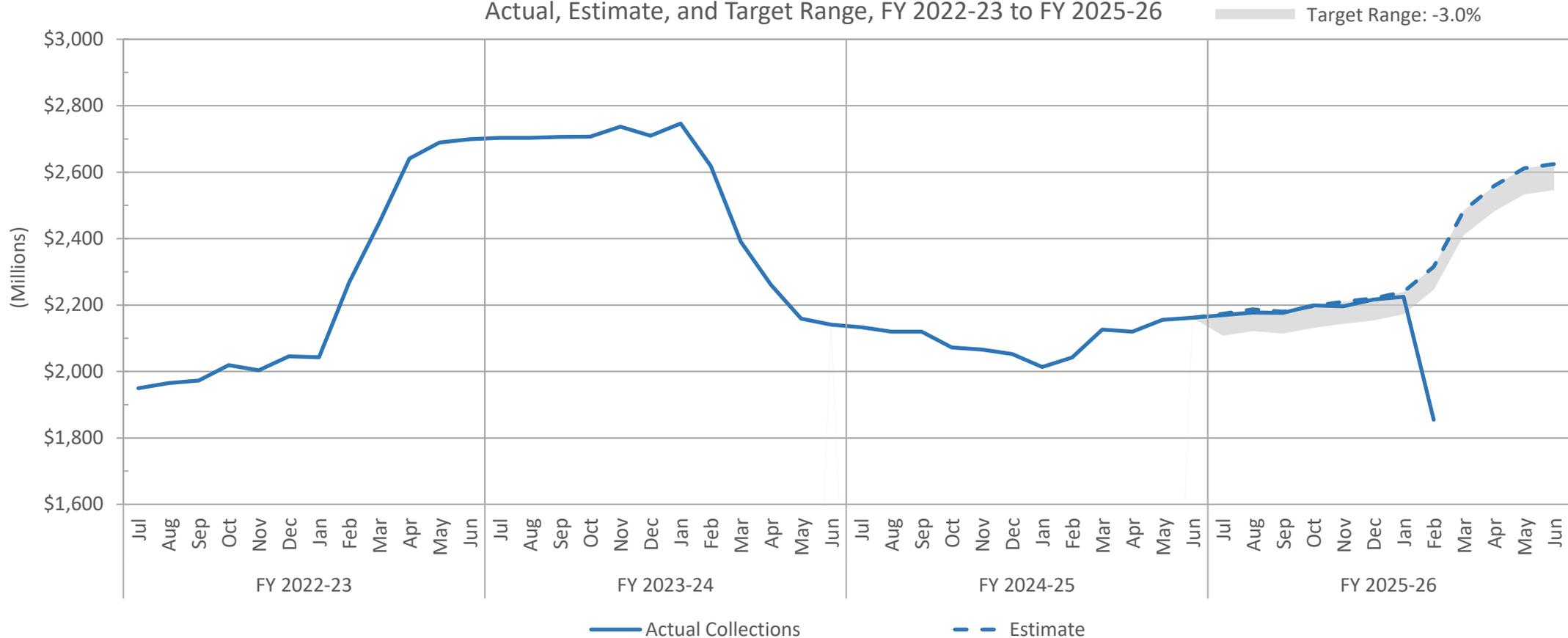


Refunds - Actual versus Estimate

Refunds in February were significantly below expectations by \$446.1 million due to changes in the timing of Refund processing; with this change, the final impact of tax filing season may not be known until June

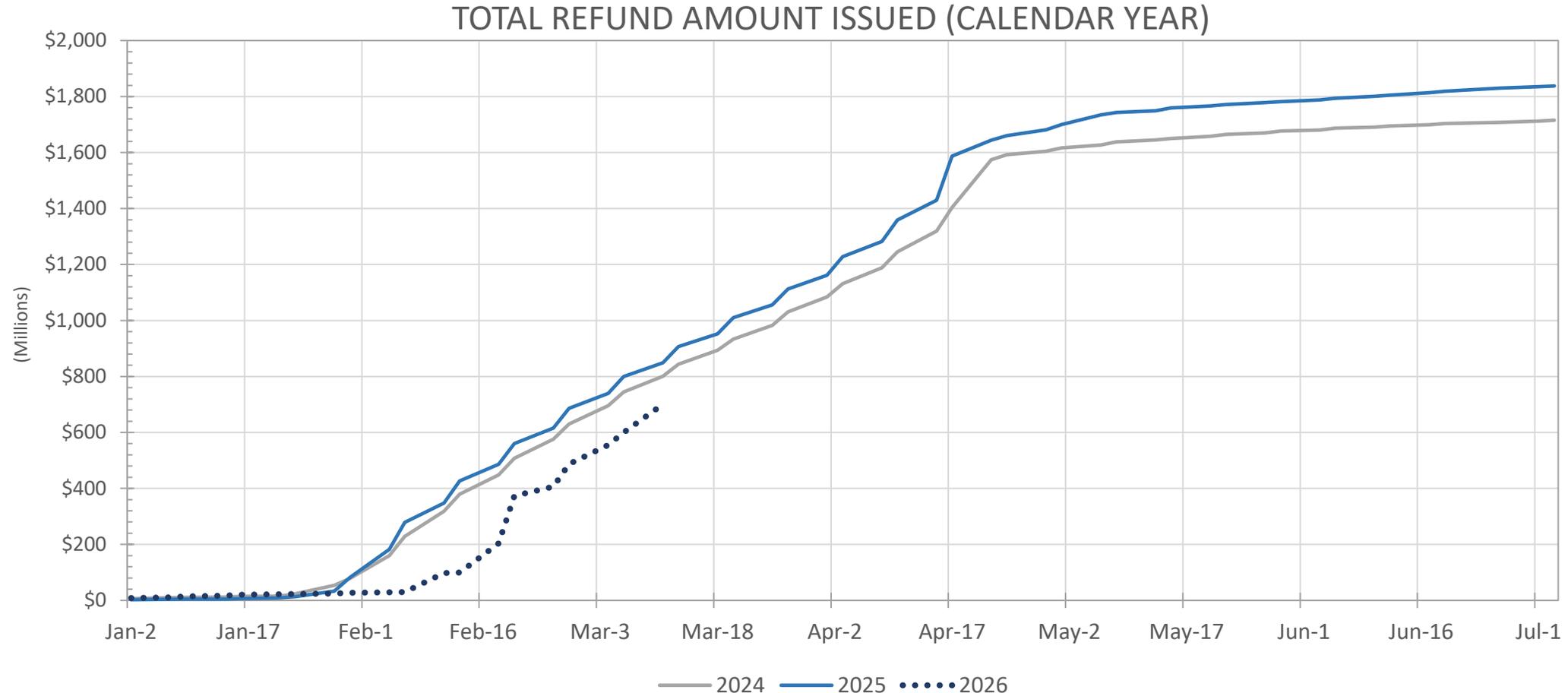
ROLLING FISCAL YEAR - INDIVIDUAL INCOME REFUNDS

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



Individual Income Tax Refunds Issued – Dollar Amount

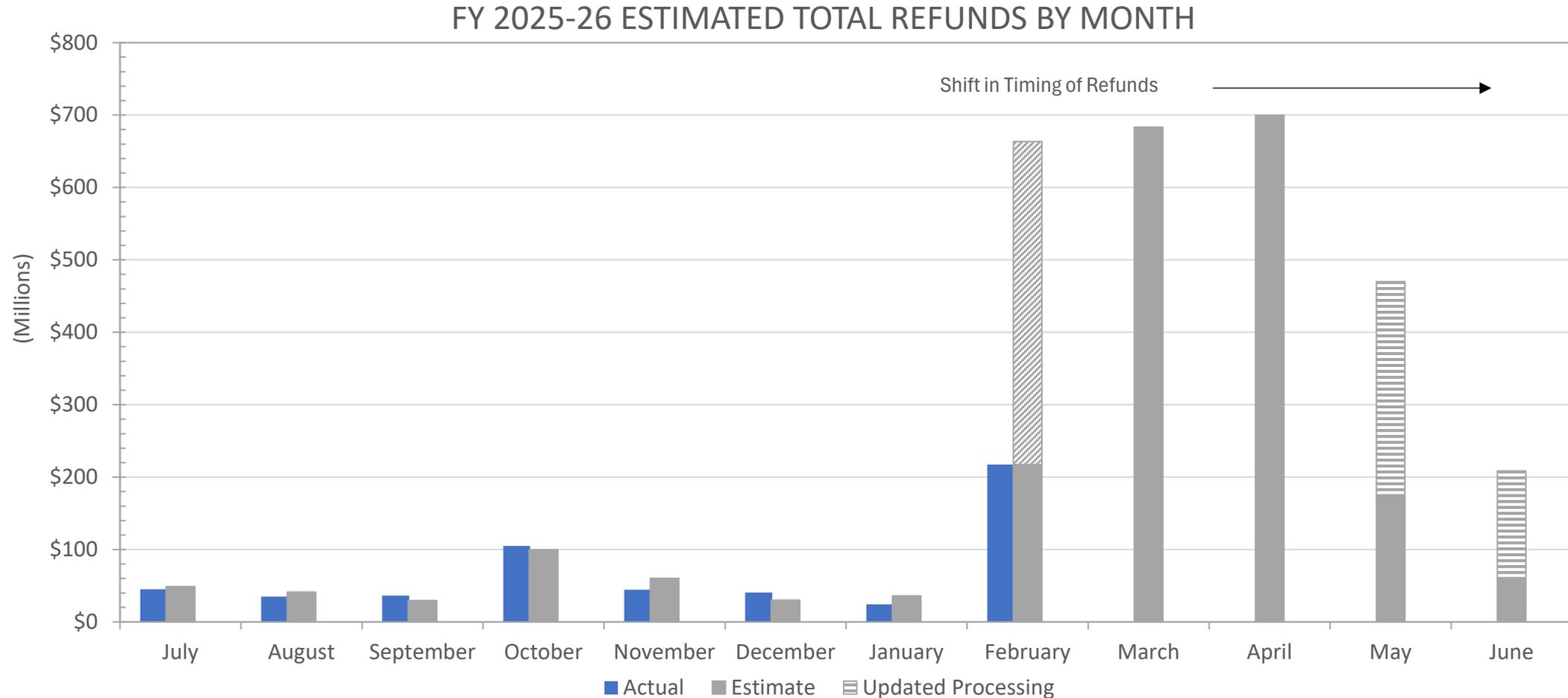
Due to a timing change, the amount of Refunds processed is below previous years and causing the current revenue excess, which means more will be issued in May and June



Source: S.C. Department of Revenue, 3/11/2026

FY 26 Refunds by Month – Changes in Processing

Based on the current Refund processing, approximately \$297 million of estimated Refunds will shift to May and \$149 million will shift to June



Legislative Proposals with a Revenue Impact

- H. 4216, SC Income Tax Reform: \$308.7 million
 - Changes tax structure and rates for 2026
- H. 3368, Federal Income Tax Conformity: \$288.5 million (*Impact assumes H. 4216 is enacted*)
 - Impact of One Big Beautiful Bill for 2025 and beyond
- S. 768, Increase in Homestead Exemption: \$247.7 million
 - Increases the property tax exemption for seniors from \$50,000 to \$150,000

Review of FY 2025-26 and FY 2026-27 Forecasts



FY 2025-26 and FY 2026-27 Forecast Considerations

- April 10 - No changes to the forecasts are recommended at this time
- Withholdings and Sales tax are running close to estimates
- Corporate Income tax is running behind
- Tax filing is expected to have a significant impact, and timing changes make this more challenging
- Geopolitical issues are a concern for consumer spending and economic growth

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