

South Carolina Economic and Fiscal Updates



Presented to
Government Finance Officers Association of South Carolina

May 4, 2026



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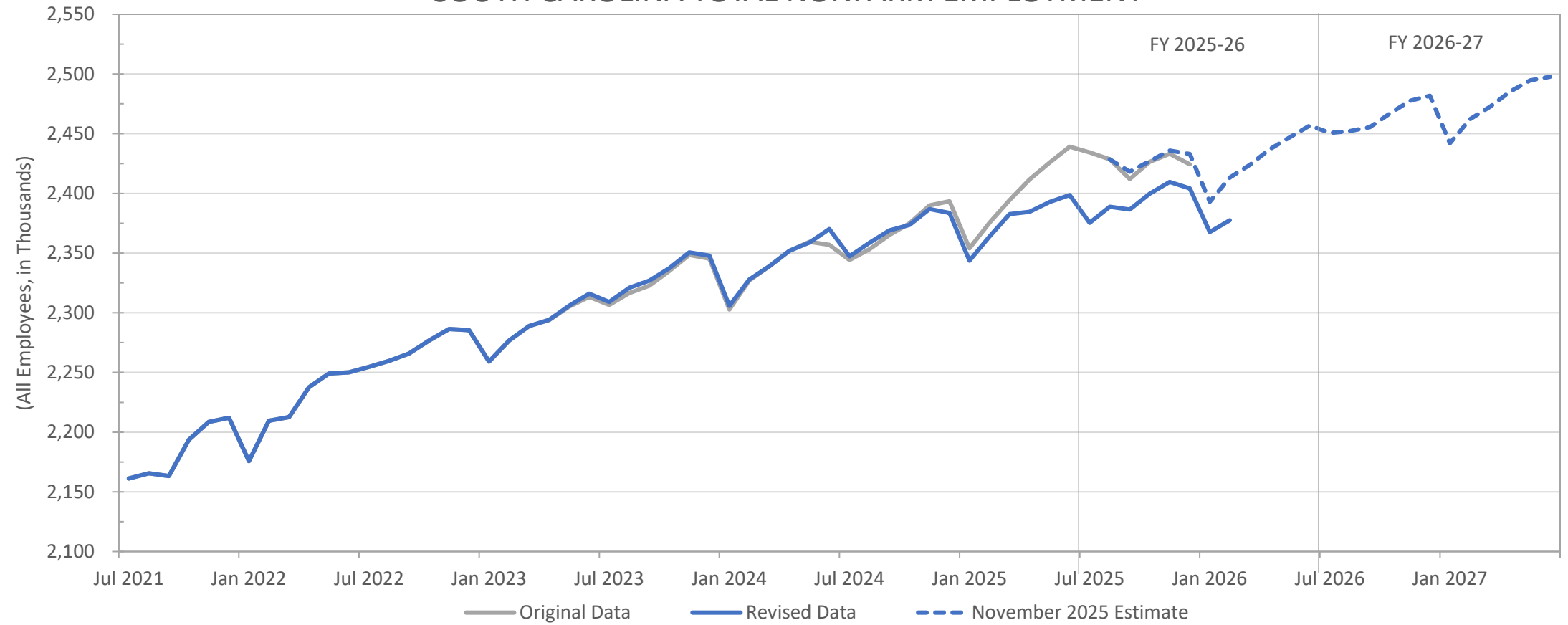
State and National Economy



Employment – November 2025 Forecast

Employment growth in 2025 was slower than expected based on the revised data; growth in February 2026 was 0.6% compared to 1.6% expected
FY 25: 2.2%; FY 26: 1.8%; FY 27: 1.7%

SOUTH CAROLINA TOTAL NONFARM EMPLOYMENT

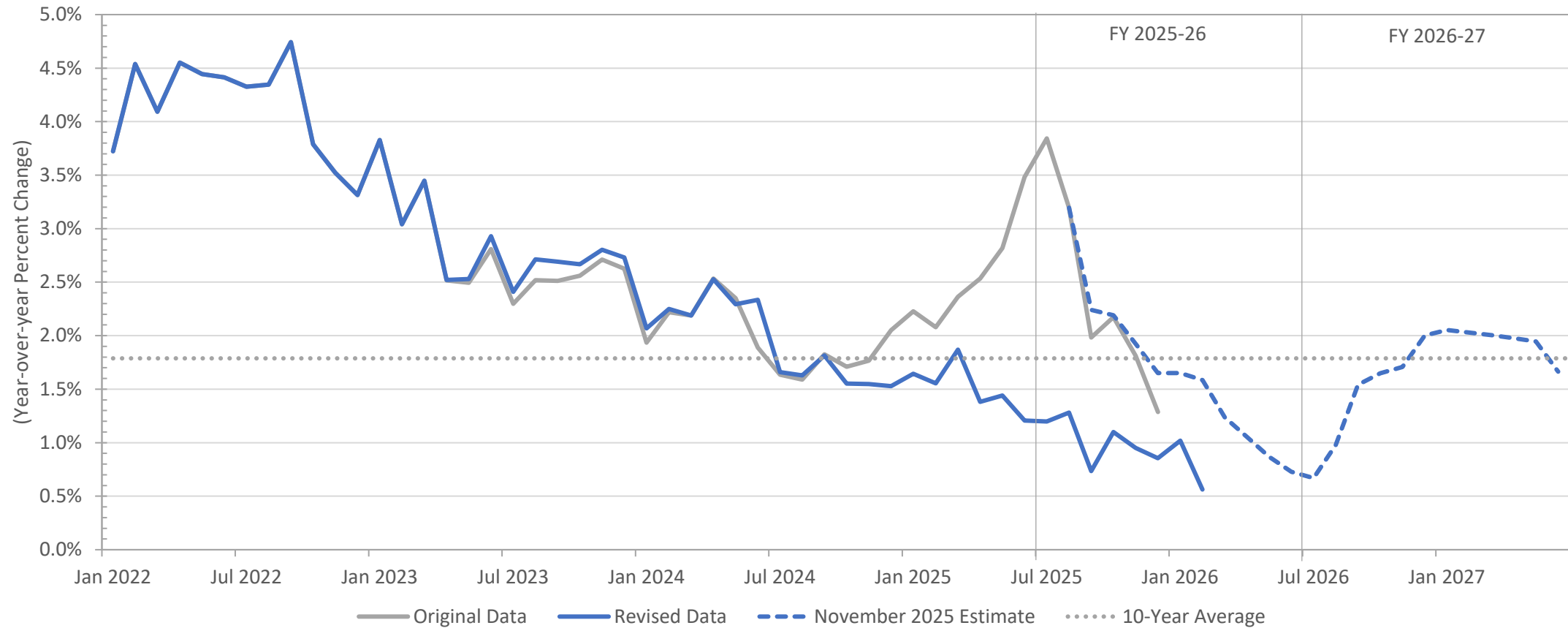


Source: Bureau of Labor Statistics, U.S. Department of Labor RFA/kv/4/23/2026

SC Employment – Percent Change

Employment growth for 2025 was revised down from an average of 1.7% to 0.9%

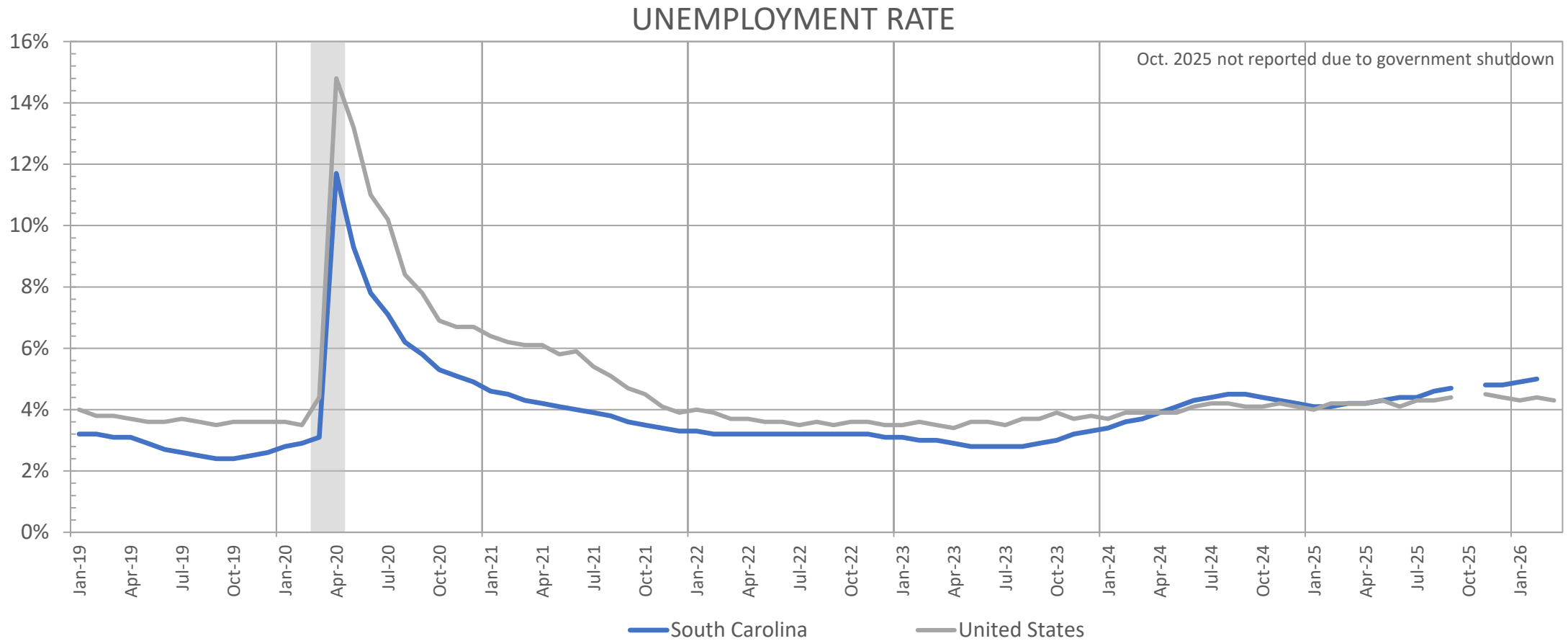
SOUTH CAROLINA TOTAL NONFARM EMPLOYMENT



Source: Bureau of Labor Statistics, U.S. Department of Labor RFA/kv/4/23/2026

SC Unemployment

South Carolina's unemployment rate rose to 5.0% in February 2026, above the national average of 4.4%

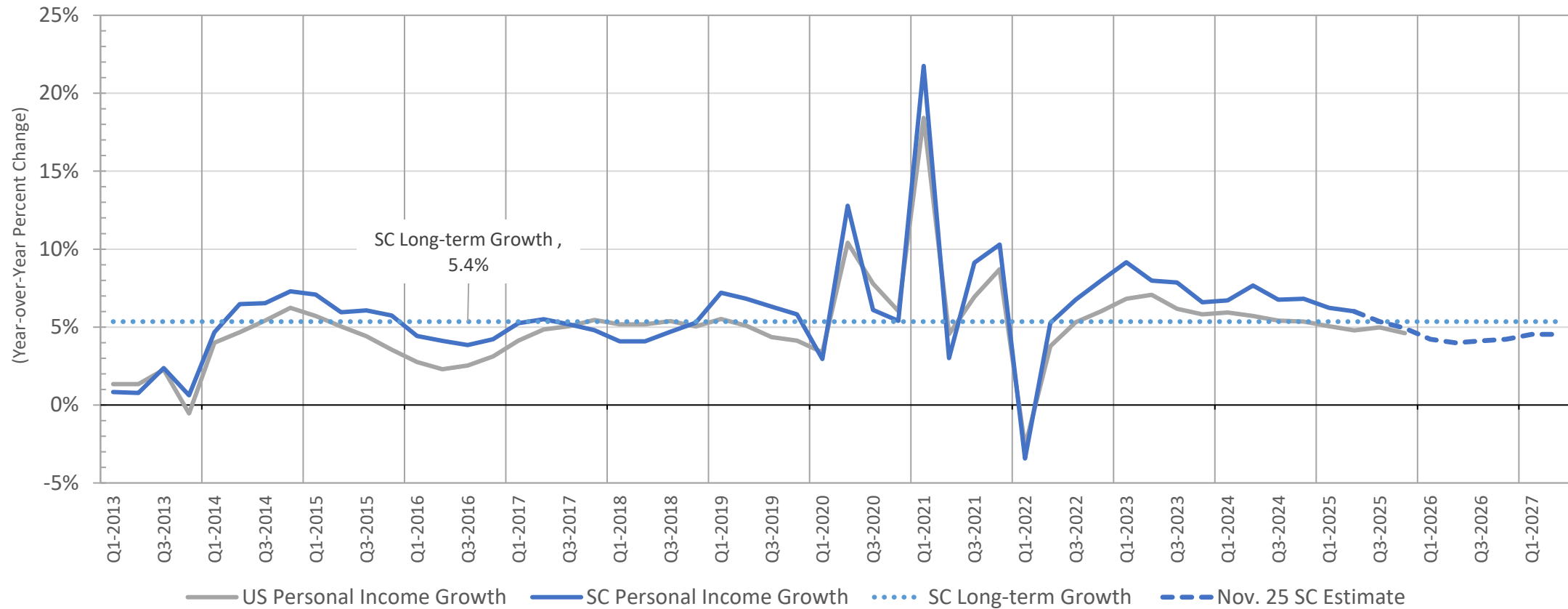


Source: U.S. Department of Labor, Bureau of Labor Statistics 129-RFA/kv/4/23/2026

Long-term Personal Income Growth – US & SC

Historically, SC personal income grows about 5.4% on average; US personal income growth is frequently slower than SC

PERSONAL INCOME GROWTH - US VERSUS SC

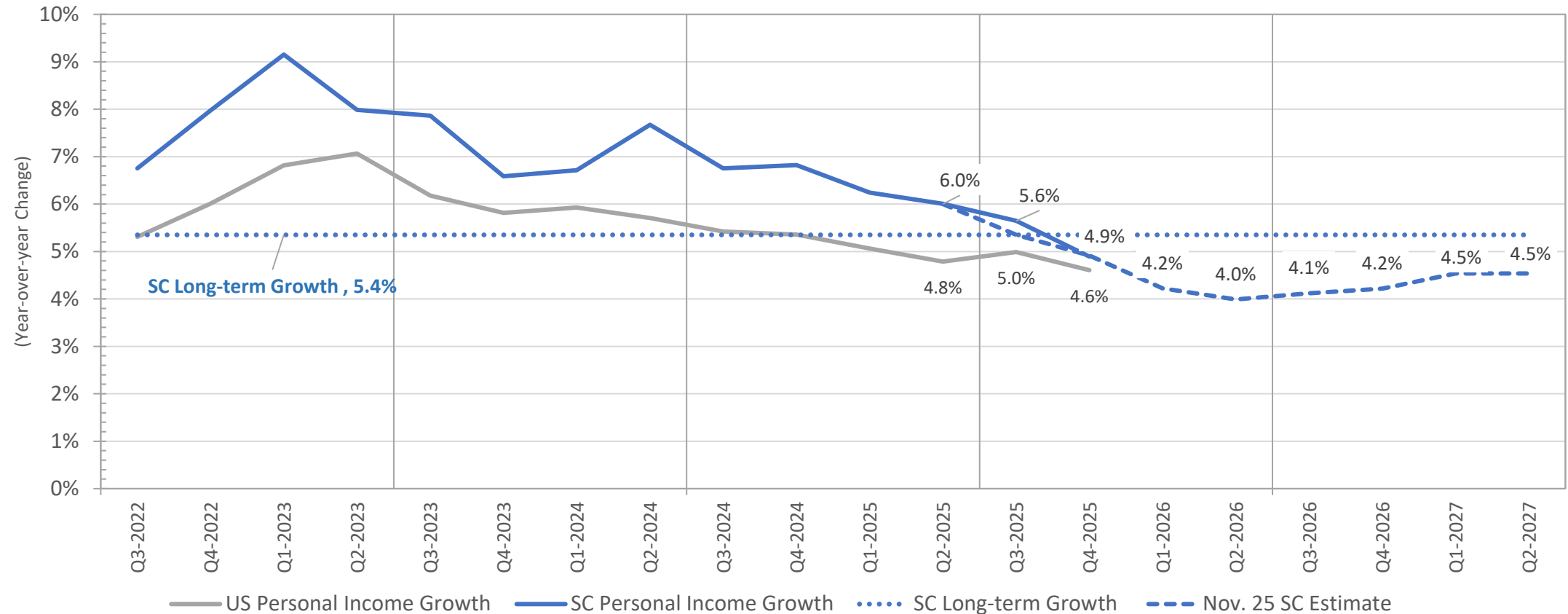


Source: U.S. Bureau of Economic Analysis (retrieved from FRED) ; SC long-term growth is 20-year growth rate as of 2024 352 - RFA/lhj/4/21/2026

Personal Income Growth – US & SC

SC personal income growth has exceeded the US since 2022; income growth is expected to slow below the long-term average of 5.4% during FY 26 and FY 27

PERSONAL INCOME GROWTH - US VERSUS SC



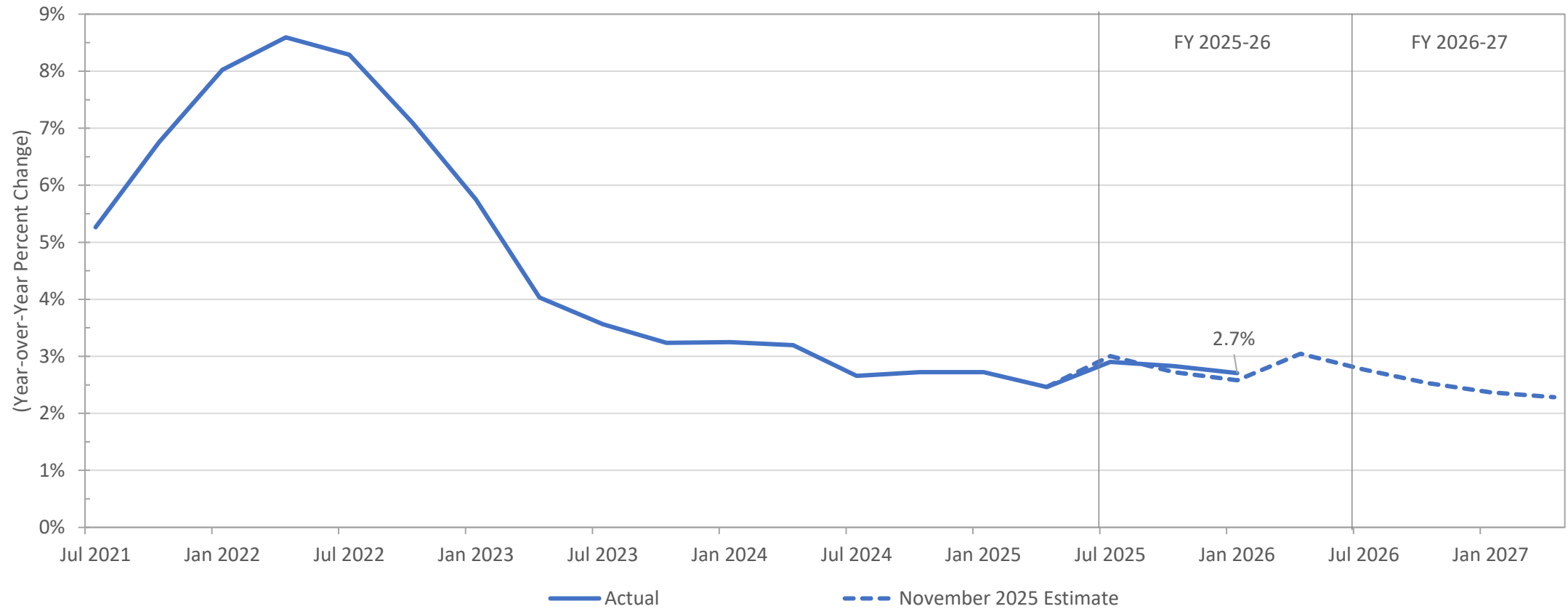
Source: U.S. Bureau of Economic Analysis (retrieved from FRED); long-term growth is 20-year growth rate as of 2024 352 - RFA/lhj/4/21/2026

Consumer Price Index

Inflation is expected to remain above 2.0% in FY 26

FY 25: 2.6%; FY 26: 2.8%; FY 27: 2.5%

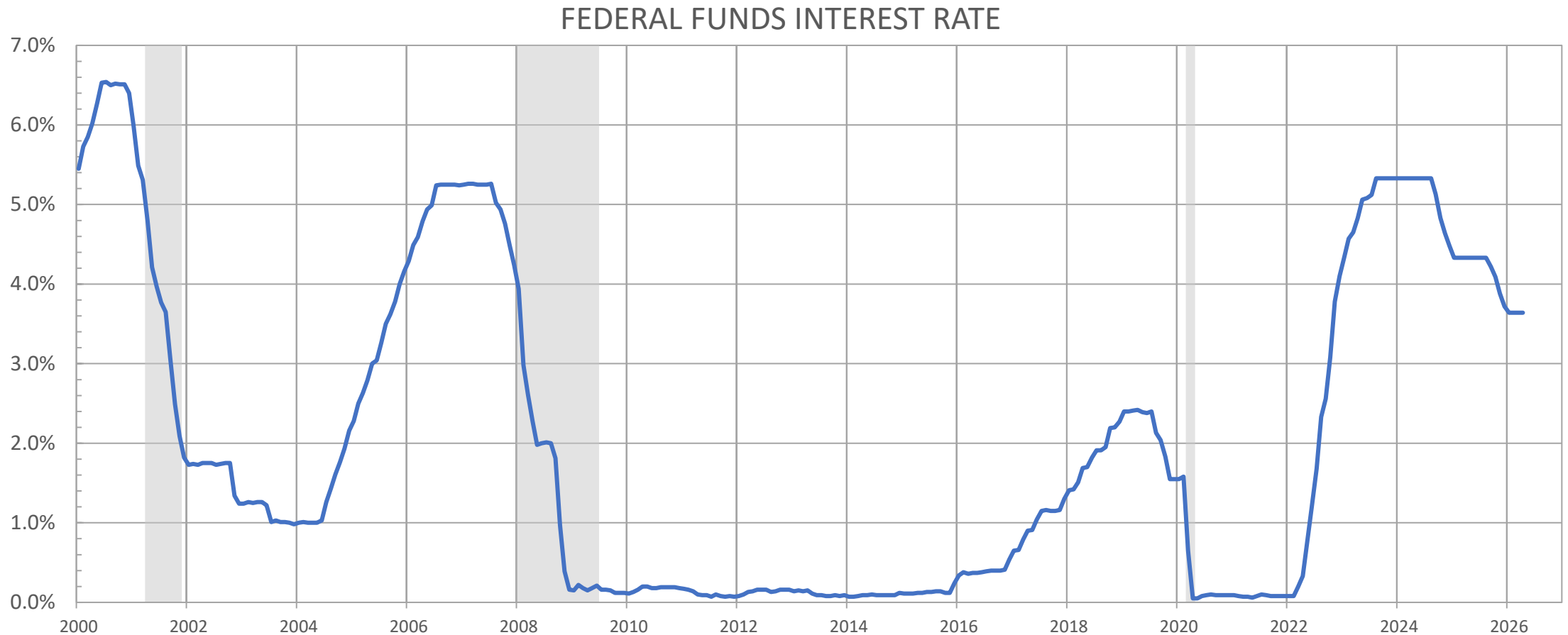
CONSUMER PRICE INDEX



Source: Bureau of Labor Statistics, U.S. Department of Labor RFA/kv/04/17/2026

Interest Rates

The increase in the federal funds rate that started in 2022 peaked at 5.33% and has fallen since August 2024 to 3.64% as of April 2026



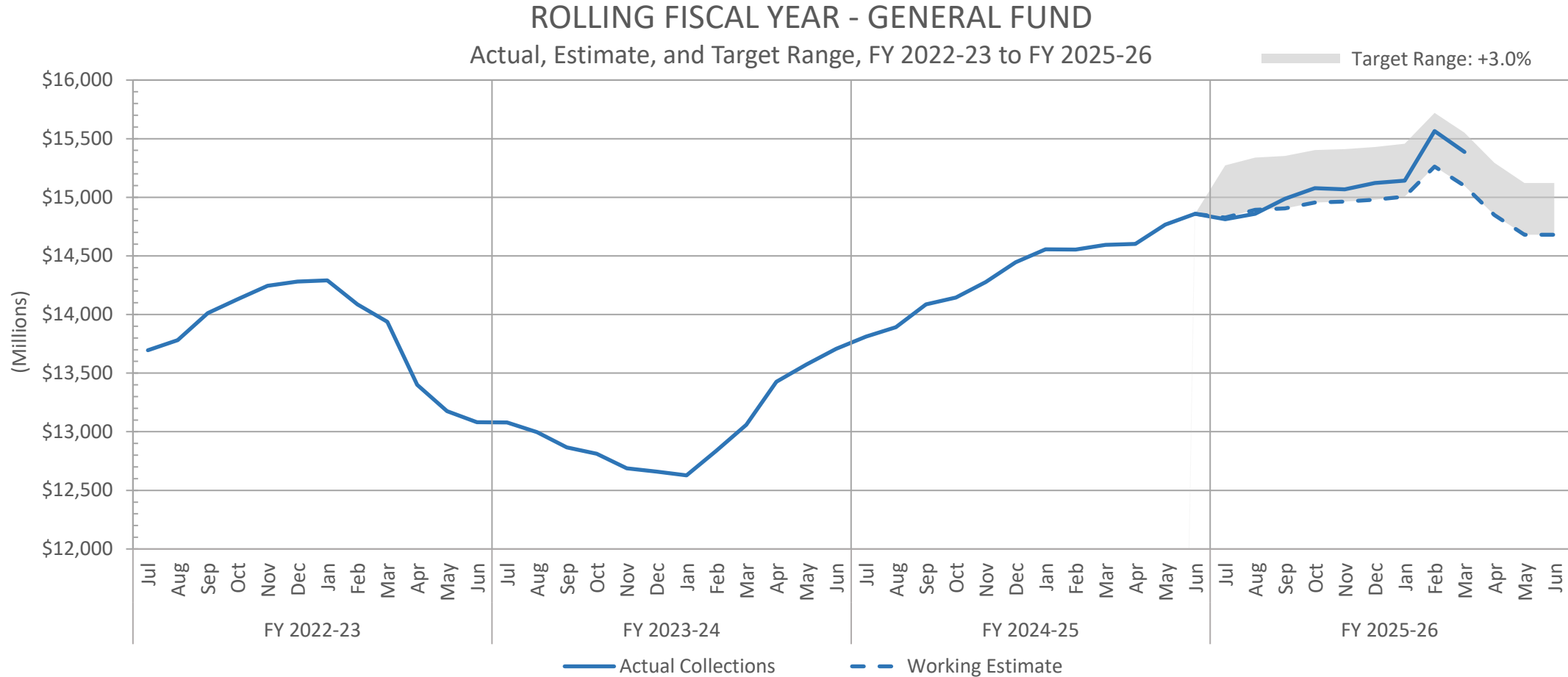
Source: Board of Governors of the Federal Reserve System via FRED Economic Data 277A -RFA/lhj/4/21/2026



State Revenues and the Budget

General Fund Revenue – Actual versus November Estimate

Through March 2026, collections are 5.2% above last year, or \$290.2 million ahead of year-to-date expectations, and within 3% of the estimate



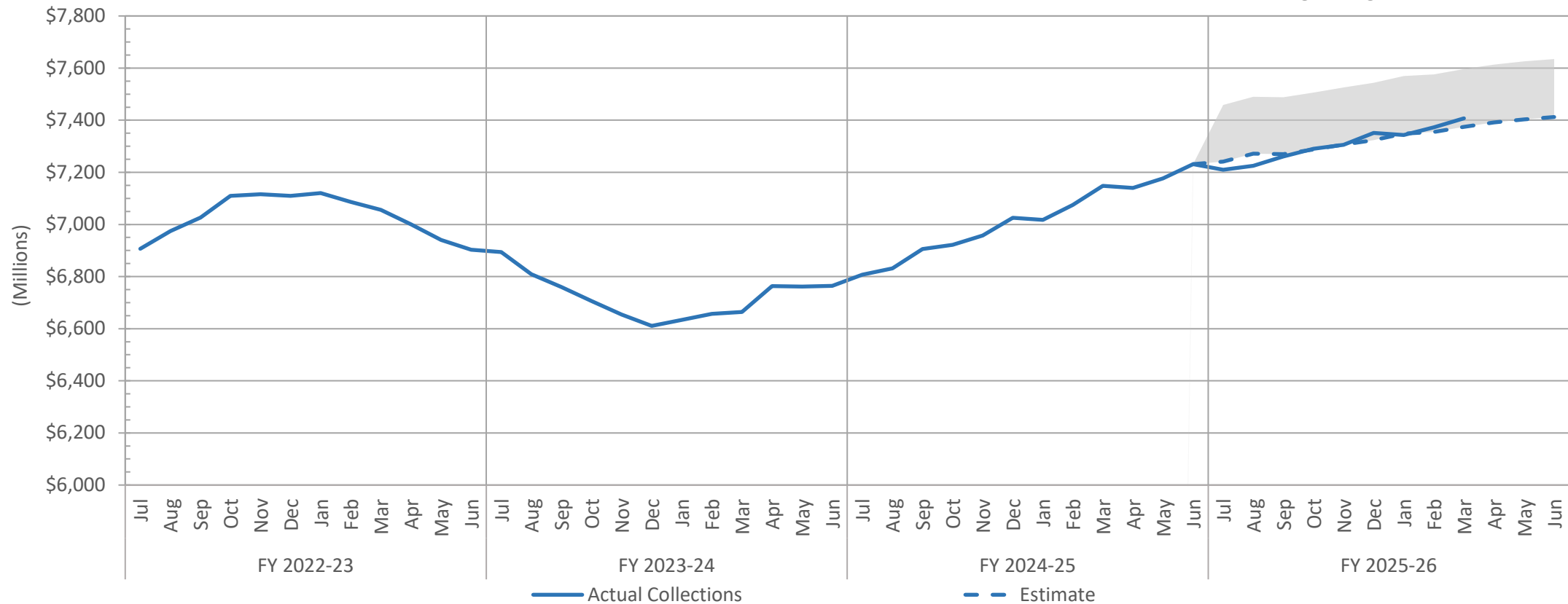
Withholdings - Actual versus November Estimate

Withholdings are \$32.4 million above the estimate in total through March, growing 3.2% over the same period last year, although growth for FY 26 is expected to slow to 2.5%

ROLLING FISCAL YEAR - INDIVIDUAL INCOME WITHHOLDINGS

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

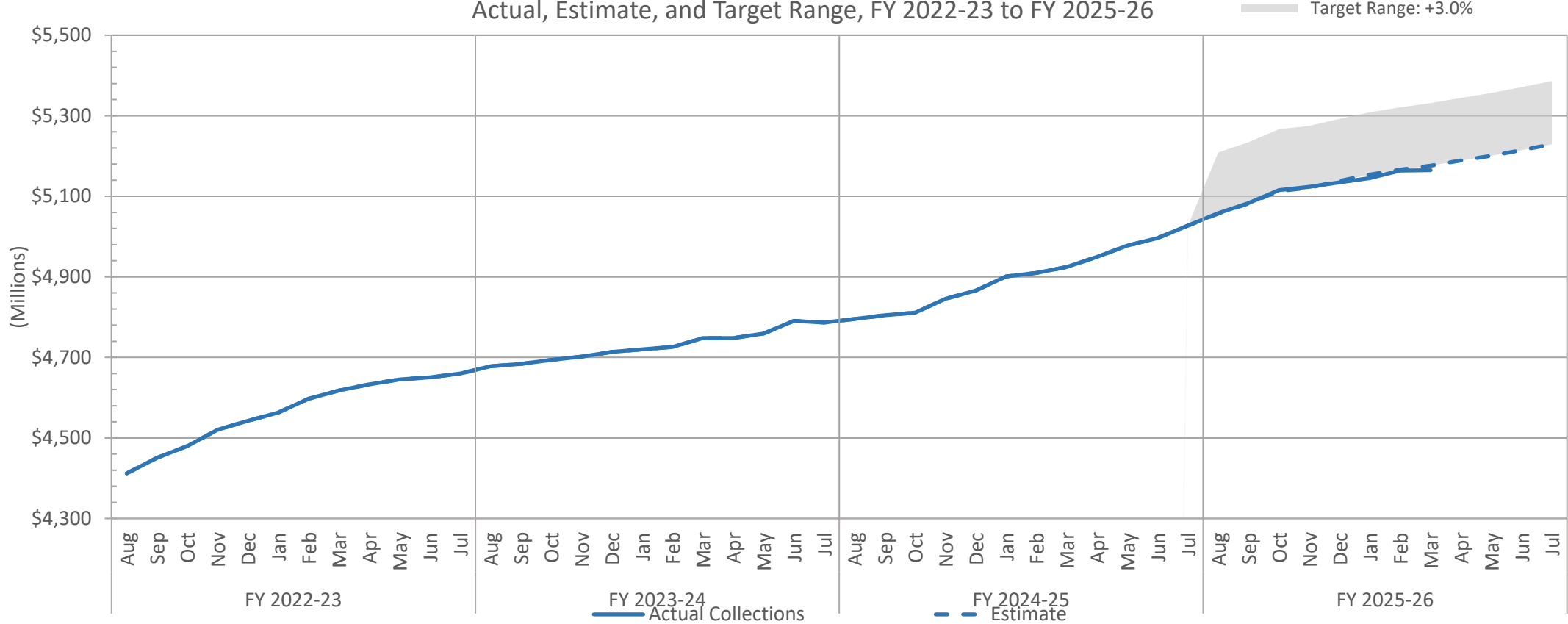
Target Range: +3.0%



Sales Tax - Actual versus November Estimate

Sales tax revenue growth has slowed in recent months and is tracking very close to expectations

ROLLING FISCAL YEAR - SALES TAX
Actual, Estimate, and Target Range, FY 2022-23 to FY 2025-26



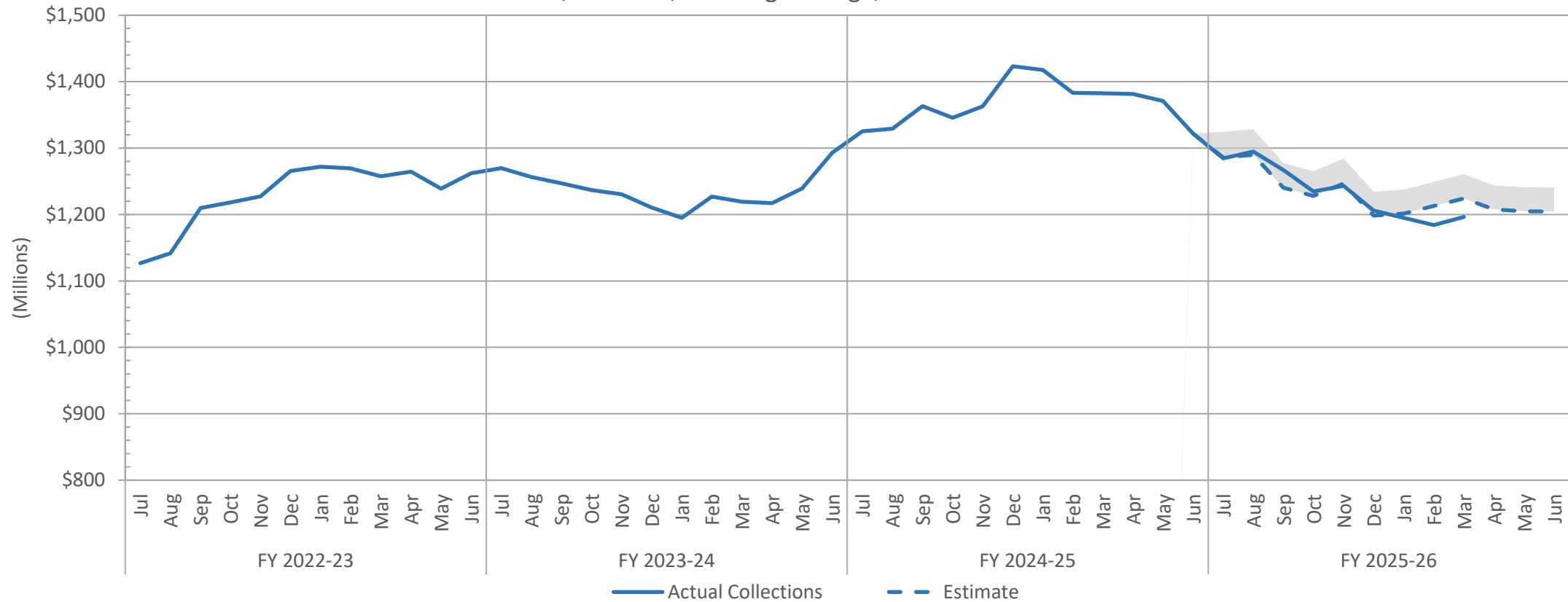
Corporate Income Tax - Actual versus November Estimate

Corporate income tax revenues have declined faster than expected; revenues are below the estimate by \$27.6 million through March

ROLLING FISCAL YEAR - CORPORATE INCOME TAX

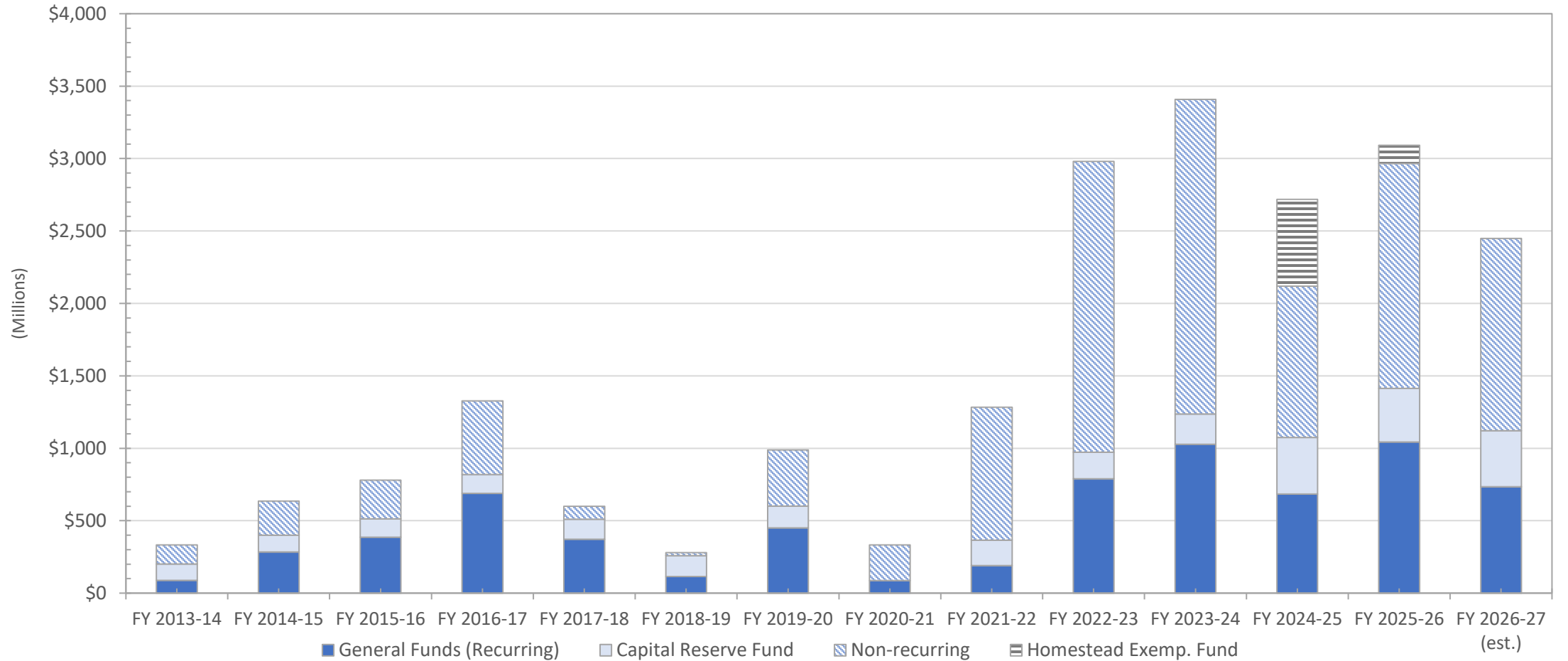
Actual, Estimate, and Target Range, FY 2022-23 to FY 2025-26

Target Range: +3.0%



Revenue Available for Budget Process

AVAILABLE "NEW" FUNDS BY BUDGET YEAR

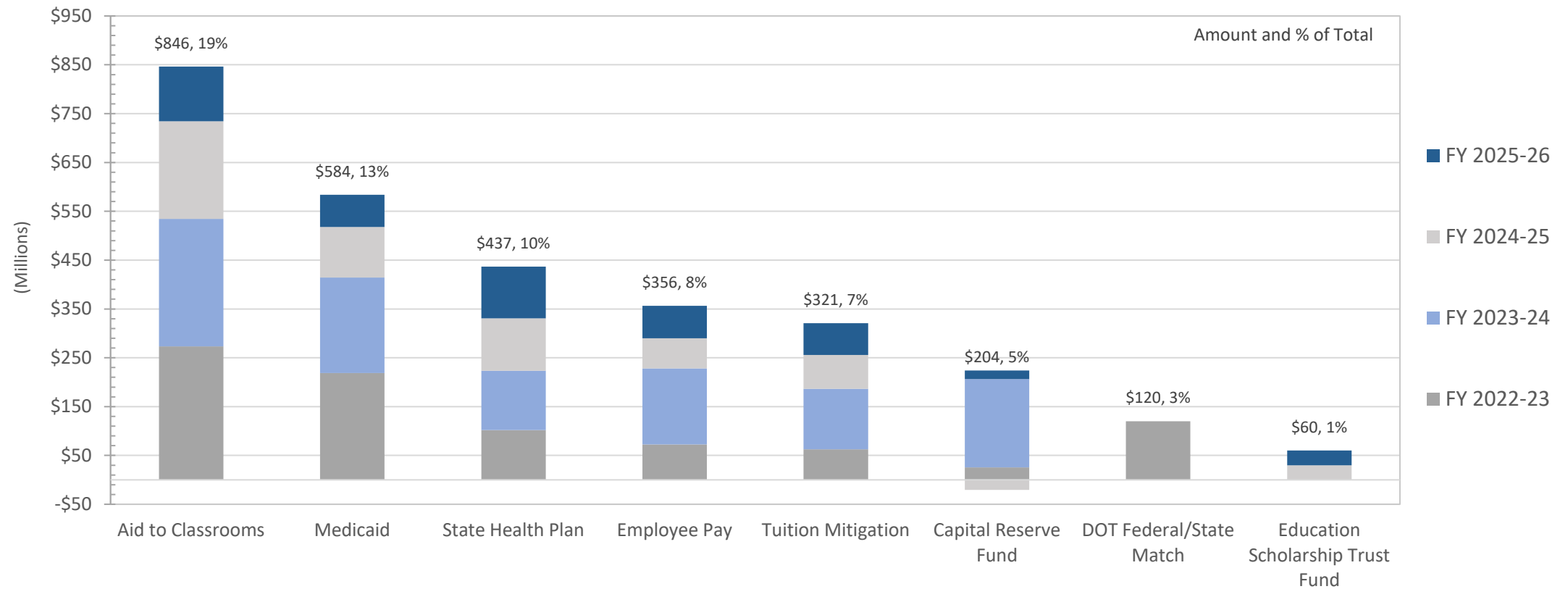


Source: Revenue and Fiscal Affairs Office 333 - lhj/01/20/2026

Recurring Appropriation Increases by Category

Over 65% of recurring General Fund and EIA appropriations in the last four fiscal years were in these eight areas

MAJOR RECURRING APPROPRIATION INCREASES
General Fund and Education Improvement Act, FY 2022-23 to FY 2025-26

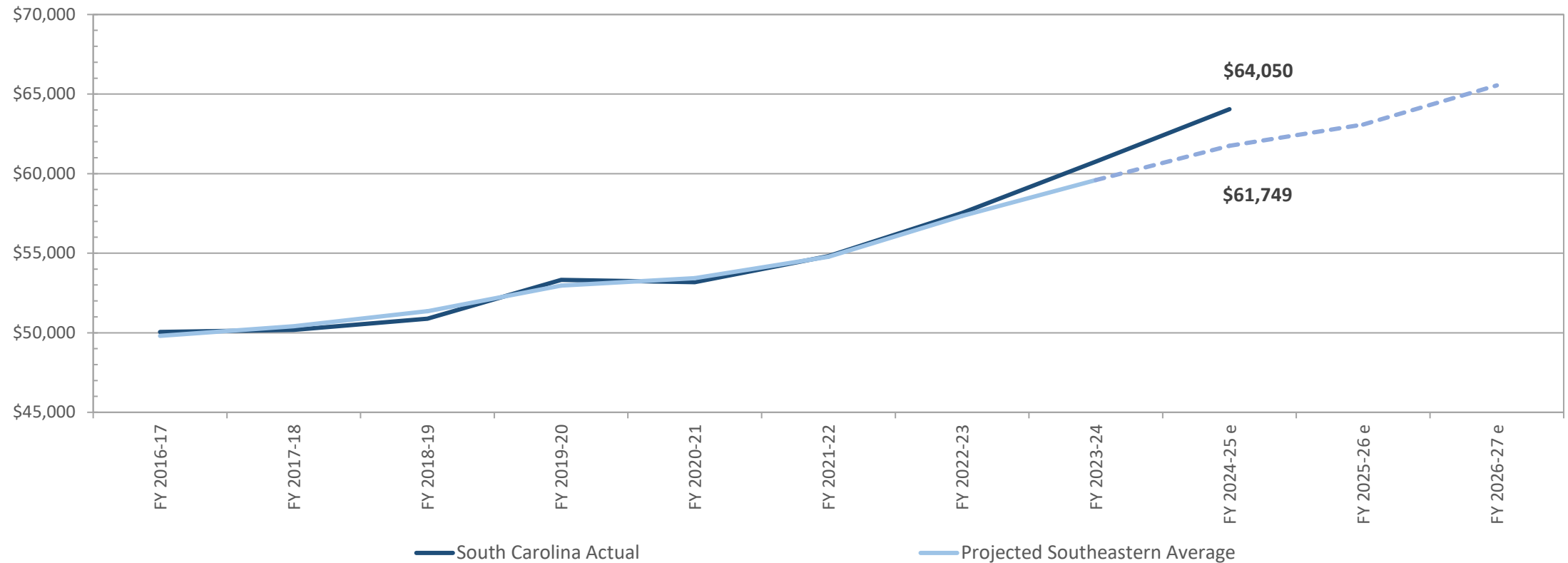


Notes: Medicaid includes maintenance of effort, provider reimbursement increases, and FMAP adjustments; Capital Reserve Fund base appropriation in FY 2024-25 was more than required
Source: SC Revenue and Fiscal Affairs, General Fund and Education Improvement Act recurring appropriations 380-RFA/lhj/03/20/2026

SC and Southeastern Average Teacher Salary

In FY 25, the average teacher salary in SC was about 3.7% higher than the SE average

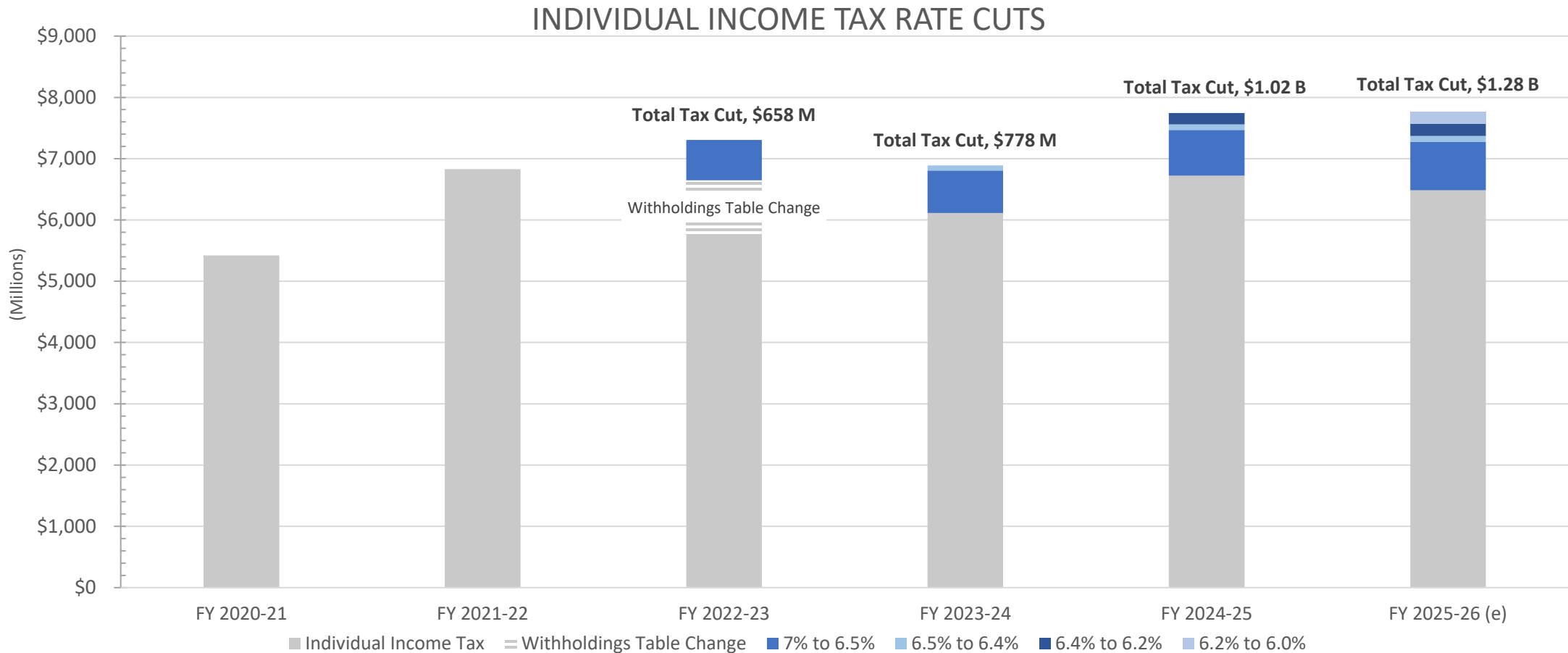
SOUTH CAROLINA AND SOUTHEASTERN AVERAGE TEACHER SALARY



Data Source: S.C. Department of Education, S.C. teacher salary; S.C. Revenue and Fiscal Affairs Office, Southeastern average salary estimates
Source: S.C. Revenue and Fiscal Affairs Office - 301 - 11/7/2025

Individual Income Tax Rate Cuts Since 2022

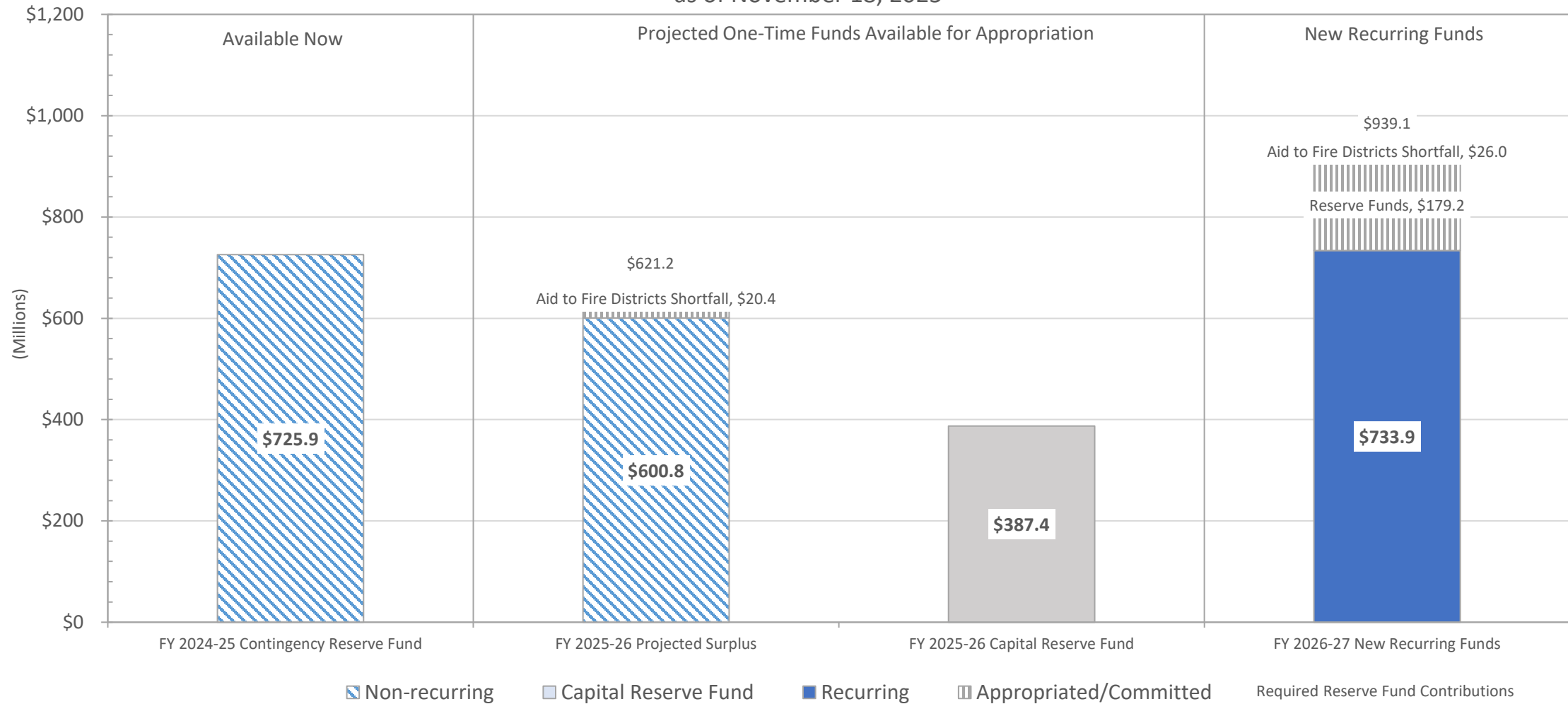
The income tax rate reductions since tax year 2022 lowered income taxes by an estimated \$1.28 billion this fiscal year



Source: SC Revenue and Fiscal Affairs; individual income tax liability change attributed to each fiscal year without regard to extensions (TY 22 in FY22- 23) 379-RFA/lhj/03/19/2026

FY 2026-27 Budget - Available Funds

AVAILABLE FUNDS - FY 2026-27 BUDGET PROCESS
as of November 18, 2025



Source: S.C. Revenue and Fiscal Affairs 297/RFA/11/18/2025

Legislative Proposals with a Revenue Impact

- H. 4216 (Act 110 of 2026), SC Income Tax Reform: \$308.7 million
 - Changes tax structure and rates for 2026
- S. 768, Increase in Homestead Exemption: \$247.7 million
 - Increases the property tax exemption for seniors from \$50,000 to \$150,000

South Carolina Individual Income Tax

H. 4216 (Act 110 of 2026) - Income Tax Reform

- H. 4216 effectively changes the starting point for SC income taxes from federal taxable income to federal adjusted gross income
- Allows a new state deduction based on income
- Changes the tax rates from 0%, 3%, and 6% to 1.99% and 5.21%
- Link to bill and fiscal impact:

<https://www.scstatehouse.gov/billsearch.php?billnumbers=4216>

Tax Year 2025	
Tax Bracket	Tax Rate
\$0 to \$3,560	0%
\$3,560 to \$17,830	3%
Over \$17,830	6%

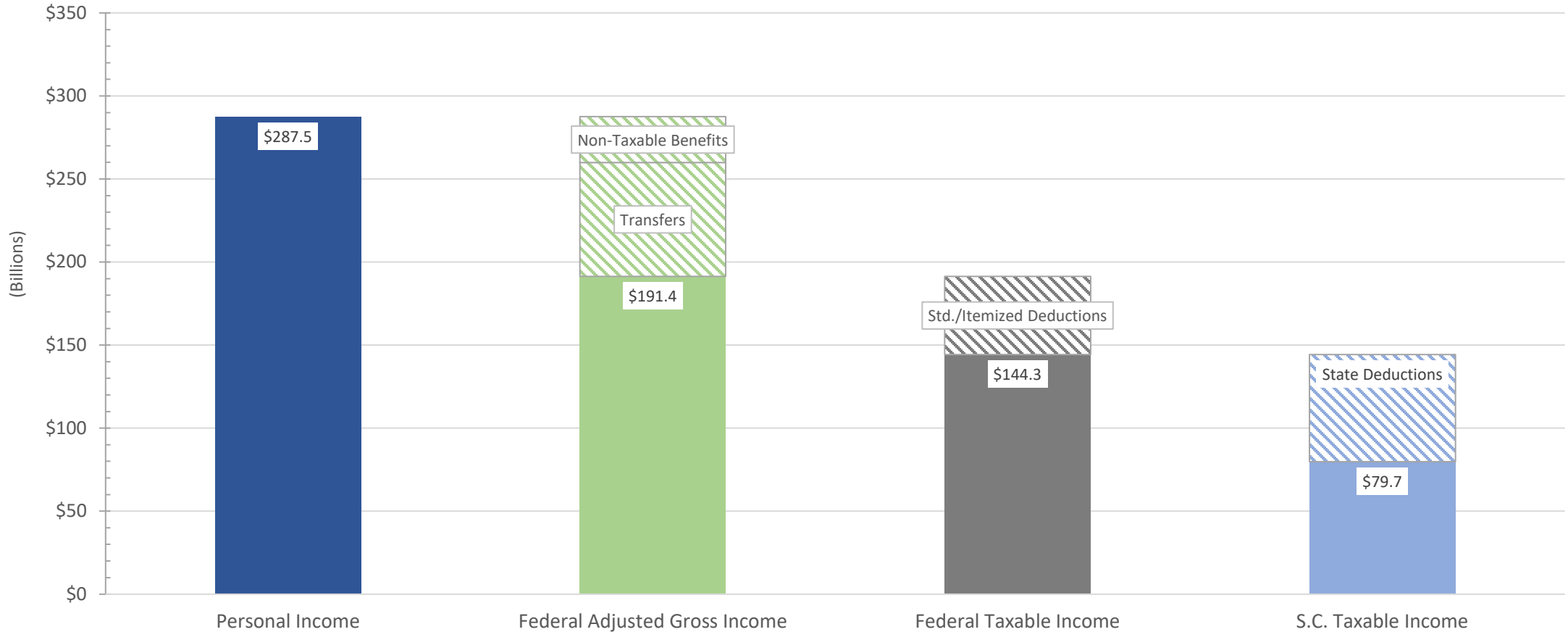
Tax Year 2026	
Tax Bracket	Tax Rate
\$0 to \$30,000	1.99%
Over \$30,000	5.21%

Estimated SC Income – Different Measures

SC taxable income was approximately 28% of personal income in 2022

MEASURES OF SOUTH CAROLINA INCOME

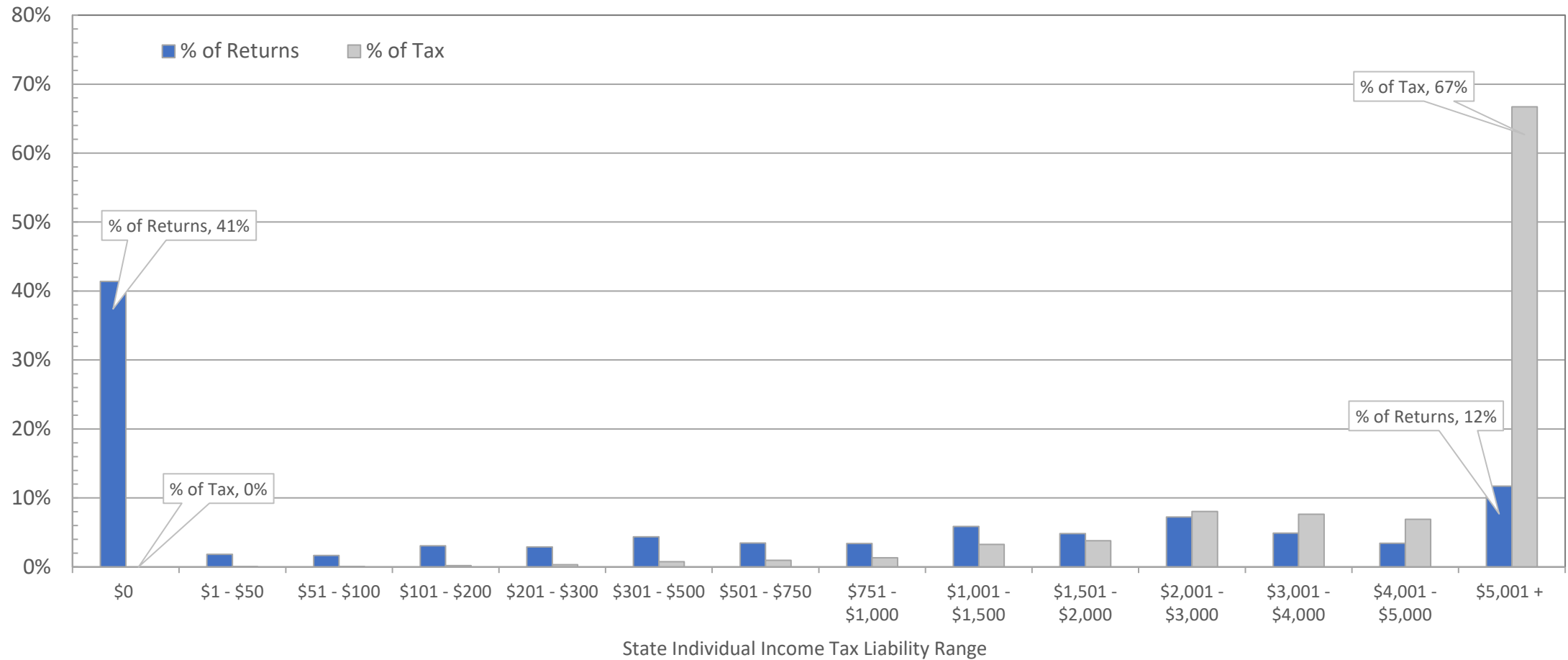
Estimates for Resident Tax Filers - Tax Year 2022



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; I.R.S. Statistics of Income; S.C. Dept. of Revenue Individual Income Tax Returns
S.C. Revenue and Fiscal Affairs 186B-lhj/01/24/2025

Estimated South Carolina Tax Liability for Tax Year 2024

ESTIMATED SC INDIVIDUAL INCOME TAX RETURNS AND TAX LIABILITY
By Tax Liability Range, Tax Year 2024



Data Source: S.C. Department of Revenue Individual Income Tax Returns; compiled by S.C. Revenue and Fiscal Affairs 131/lhj/2/5/2026

H. 4216 (Act 110)– Impact for 2026

Proposal: Apply a tax rate of 1.99% on taxable income up to \$30,000 and 5.21% over, eliminate the federal standard or itemized deduction, allow a new SC deduction at certain income levels, and maintain all other state adjustments, exemptions, and credits. (See notes below)

Impact: With this tax structure, 42.8% of taxpayers have a lower tax liability, 22.6% have a higher tax liability, and 34.6% are unchanged. The General Fund impact is (\$308,700,000).

Estimated Federal Adjusted Gross Income Range	Estimated Tax Return Distribution				Estimated Tax Change (Returns with a Change)							Returns with a Change								Tax Returns with No Change		Tax Returns with Zero Tax Liability	
	Estimated # of Returns	Estimated % of Returns	Old Avg. Tax Liability	New Avg. Tax Liability	Returns with Tax Change	% of Returns in Range	Old Avg. Tax Liability	New Avg. Tax Liability	Average Tax Change	Total Dollar Increase/(Decrease)	Tax Returns with a Decrease in Liability				Tax Returns with an Increase in Liability				No Tax Change # of Returns	No Change % of Returns	Zero Tax # of Returns	Zero Tax % of Returns	
											Tax Decrease # of Returns	Tax Decrease % of Returns in Range	Total Decrease Amount	Average Decrease Amount	Tax Increase # of Returns	Tax Increase % of Returns in Range	Total Increase Amount	Average Increase Amount					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	
\$0*	78,854	2.9%	\$50	\$42	1,080	1.4%	\$3,683	\$3,062	(\$622)	(\$671,000)	576	0.7%	(\$704,000)	(\$1,222)	504	0.6%	\$34,000	\$68	77,774	98.6%	77,824	98.7%	
\$1 to \$10,000	286,253	10.4%	\$3	\$9	43,699	15.3%	\$20	\$58	\$38	\$1,653,000	834	0.3%	(\$78,000)	(\$94)	42,865	15.0%	\$1,731,000	\$40	242,554	84.7%	243,249	85.0%	
\$10,001 to \$20,000	310,122	11.2%	\$16	\$26	75,652	24.4%	\$67	\$105	\$38	\$2,867,000	5,591	1.8%	(\$363,000)	(\$65)	70,060	22.6%	\$3,230,000	\$46	234,471	75.6%	235,107	75.8%	
\$20,001 to \$30,000	275,560	10.0%	\$107	\$110	140,713	51.1%	\$210	\$216	\$5	\$762,000	51,551	18.7%	(\$2,682,000)	(\$52)	89,162	32.4%	\$3,444,000	\$39	134,847	48.9%	134,332	48.7%	
\$30,001 to \$40,000	269,566	9.8%	\$288	\$216	160,474	59.5%	\$483	\$362	(\$121)	(\$19,416,000)	131,752	48.9%	(\$21,120,000)	(\$160)	28,722	10.7%	\$1,704,000	\$59	109,091	40.5%	110,638	41.0%	
\$40,001 to \$50,000	234,386	8.5%	\$569	\$388	174,125	74.3%	\$767	\$522	(\$244)	(\$42,568,000)	127,554	54.4%	(\$46,871,000)	(\$367)	46,572	19.9%	\$4,303,000	\$92	60,260	25.7%	61,891	26.4%	
\$50,001 to \$75,000	407,593	14.8%	\$1,192	\$971	351,754	86.3%	\$1,381	\$1,125	(\$256)	(\$89,935,000)	287,674	70.6%	(\$101,116,000)	(\$351)	64,080	15.7%	\$11,181,000	\$174	55,839	13.7%	61,960	15.2%	
\$75,001 to \$100,000	250,437	9.1%	\$2,020	\$1,826	225,194	89.9%	\$2,246	\$2,030	(\$216)	(\$48,624,000)	177,430	70.8%	(\$61,900,000)	(\$349)	47,764	19.1%	\$13,276,000	\$278	25,243	10.1%	27,729	11.1%	
\$100,001 to \$150,000	298,343	10.8%	\$3,258	\$3,171	289,948	97.2%	\$3,352	\$3,262	(\$90)	(\$26,092,000)	199,040	66.7%	(\$58,517,000)	(\$294)	90,908	30.5%	\$32,425,000	\$357	8,395	2.8%	9,188	3.1%	
\$150,001 to \$200,000	143,398	5.2%	\$5,518	\$5,684	141,433	98.6%	\$5,595	\$5,763	\$168	\$23,766,000	61,936	43.2%	(\$14,937,000)	(\$241)	79,497	55.4%	\$38,703,000	\$487	1,965	1.4%	1,459	1.0%	
\$200,001 to \$300,000	109,340	4.0%	\$8,741	\$8,777	108,016	98.8%	\$8,848	\$8,885	\$37	\$3,955,000	63,636	58.2%	(\$27,603,000)	(\$434)	44,380	40.6%	\$31,558,000	\$711	1,324	1.2%	945	0.9%	
\$300,001 to \$500,000	56,123	2.0%	\$14,926	\$14,355	55,090	98.2%	\$15,206	\$14,624	(\$582)	(\$32,054,000)	42,933	76.5%	(\$47,609,000)	(\$1,109)	12,157	21.7%	\$15,555,000	\$1,280	1,032	1.8%	762	1.4%	
\$500,001 to \$1,000,000	25,664	0.9%	\$25,969	\$24,512	24,758	96.5%	\$26,919	\$25,410	(\$1,510)	(\$37,381,000)	19,803	77.2%	(\$51,185,000)	(\$2,585)	4,955	19.3%	\$13,804,000	\$2,786	906	3.5%	684	2.7%	
Over \$1,000,000	11,936	0.4%	\$78,228	\$74,458	11,159	93.5%	\$83,671	\$79,639	(\$4,031)	(\$44,989,000)	8,693	72.8%	(\$87,454,000)	(\$10,060)	2,466	20.7%	\$42,465,000	\$17,221	776	6.5%	703	5.9%	
Total	2,757,573	100.0%	\$2,321	\$2,209	1,803,095	65.4%	\$3,549	\$3,378	(\$171)	(\$308,700,000)	1,179,002	42.8%	(\$522,100,000)	(\$443)	624,092	22.6%	\$213,400,000	\$342	954,478	34.6%	966,471	35.0%	

Figures may not add to totals due to rounding. For non-residents, federal AGI is only the amount applicable to South Carolina.

*Returns may have \$0 federal AGI but positive state taxable income due to provisions not adopted by South Carolina or out-of-state income adjustments.

Current 2026 Marginal Tax Rates:	Taxable Income Range:	Proposed Tax Rates:	SC Deduction	Phase-out Start	Phase-out End	Other Notes:
0%	up to \$3,640	1.99% up to \$30,000	Single \$15,000	\$40,000	\$95,000	No federal standard or itemized deductions.
3%	\$3,640-\$18,230	5.21% over \$30,000	Married Joint \$30,000	\$80,000	\$190,000	New SC deduction is pro-rated for non-residents.
6.0%	over \$18,230		Head of Household \$22,500	\$60,000	\$142,500	All other current state adjustments to income (federal conformity provisions), deductions, exemptions, and credits are maintained.
						Active trade or business rate at 3% is maintained.
						Earned Income Tax credit is capped at \$200.

SC deduction is phased-out based on federal AGI levels shown.

Disclaimer: Estimates are based on current assumptions at the time of the analysis. Changes in growth rates, base year tax data, or other assumptions may have a positive or negative impact on these estimates and the budget.

https://www.scstatehouse.gov/fiscalimpact.php?type=BILL&session=126&bill_number=4216

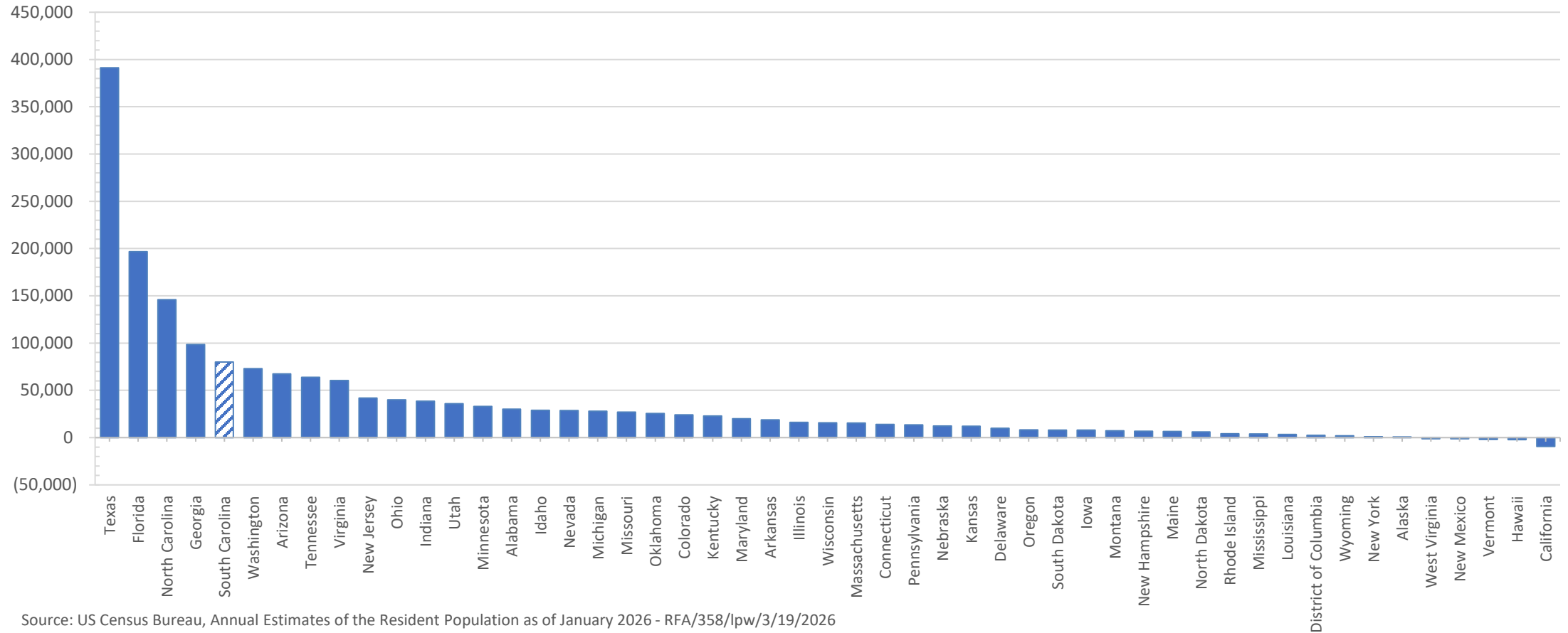
Factors Affecting Road Infrastructure Demand



SC Population Increase - 5th Largest in 2025

From 2024 to 2025, SC's population increased by 79,958, or 1.46%, the highest rate of growth in the US

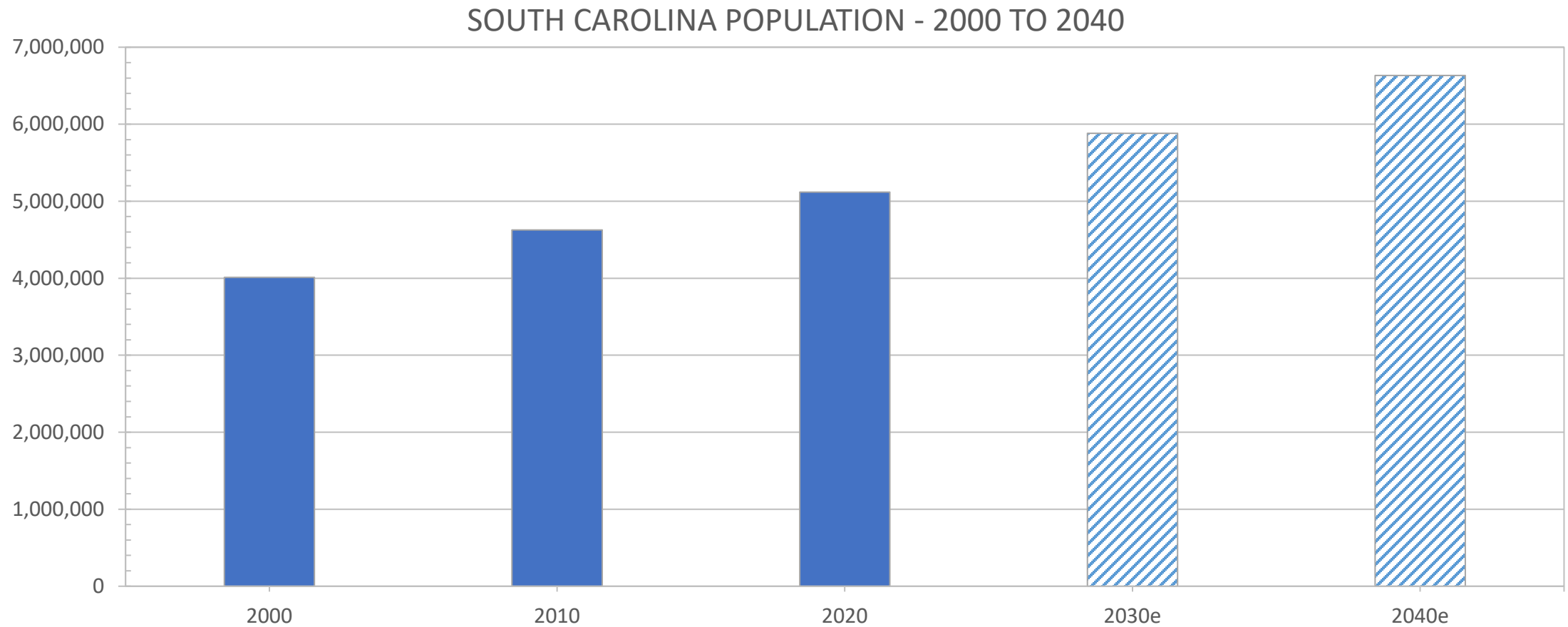
STATE RANKINGS BY TOTAL POPULATION CHANGE 2024 TO 2025



Source: US Census Bureau, Annual Estimates of the Resident Population as of January 2026 - RFA/358/lpw/3/19/2026

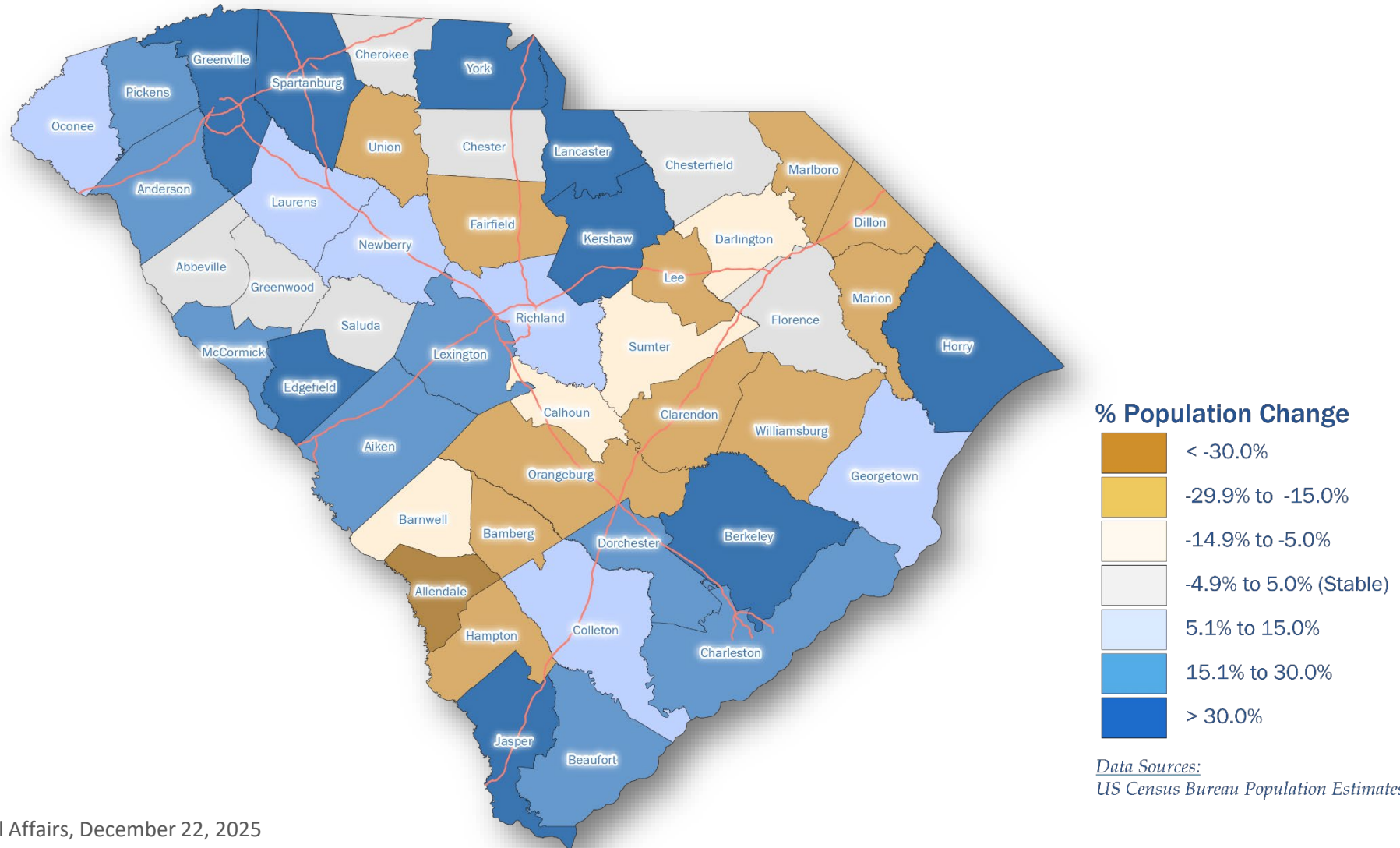
SC Population Growth

Population is estimated to grow 29% from 5.1 million in 2020 to 6.6 million in 2040



Source: U.S. Census Bureau, Intercensal Estimates of the Resident Population, 2000, 2010, and 2020; S.C. RFA Population Estimates 2030 and 2040. S.C. RFA - 372/lpw/9/11/2025

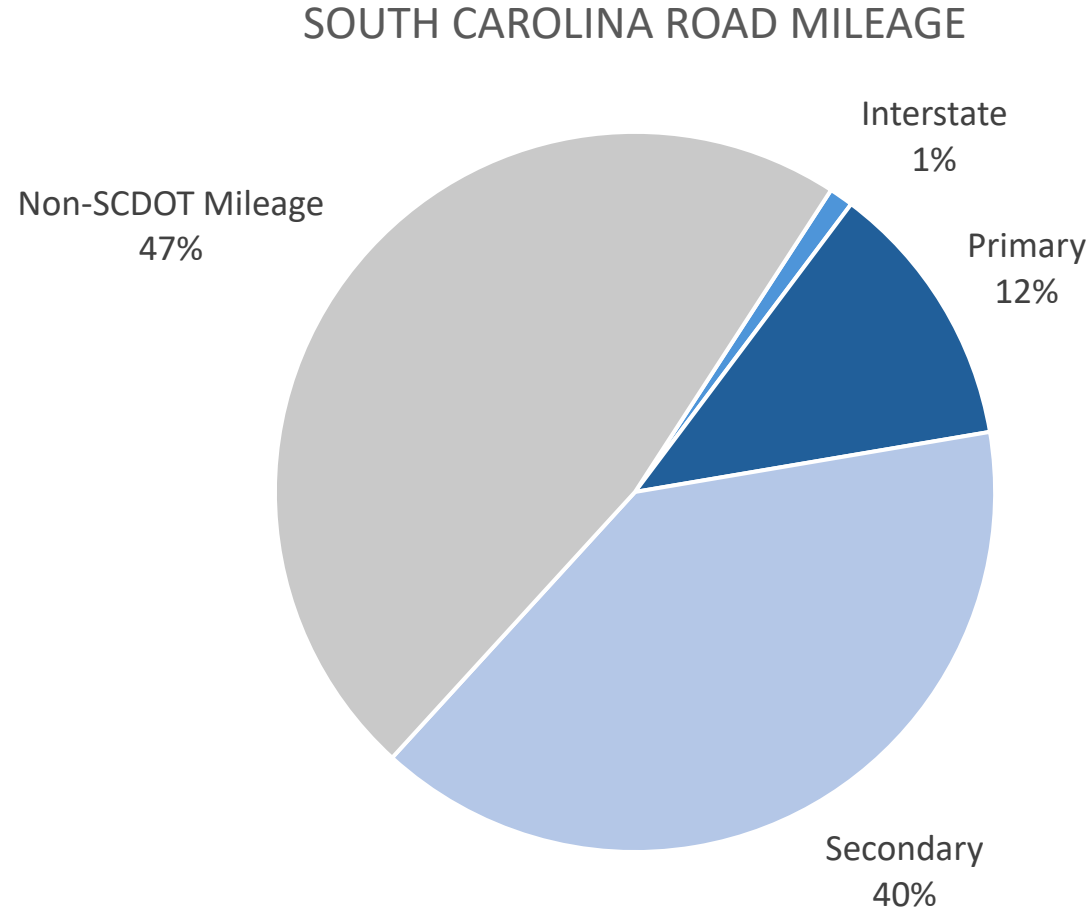
Projected Population Change by County - 2020 to 2040



Source: SC Revenue and Fiscal Affairs, December 22, 2025

Road Mileage by Type of Road

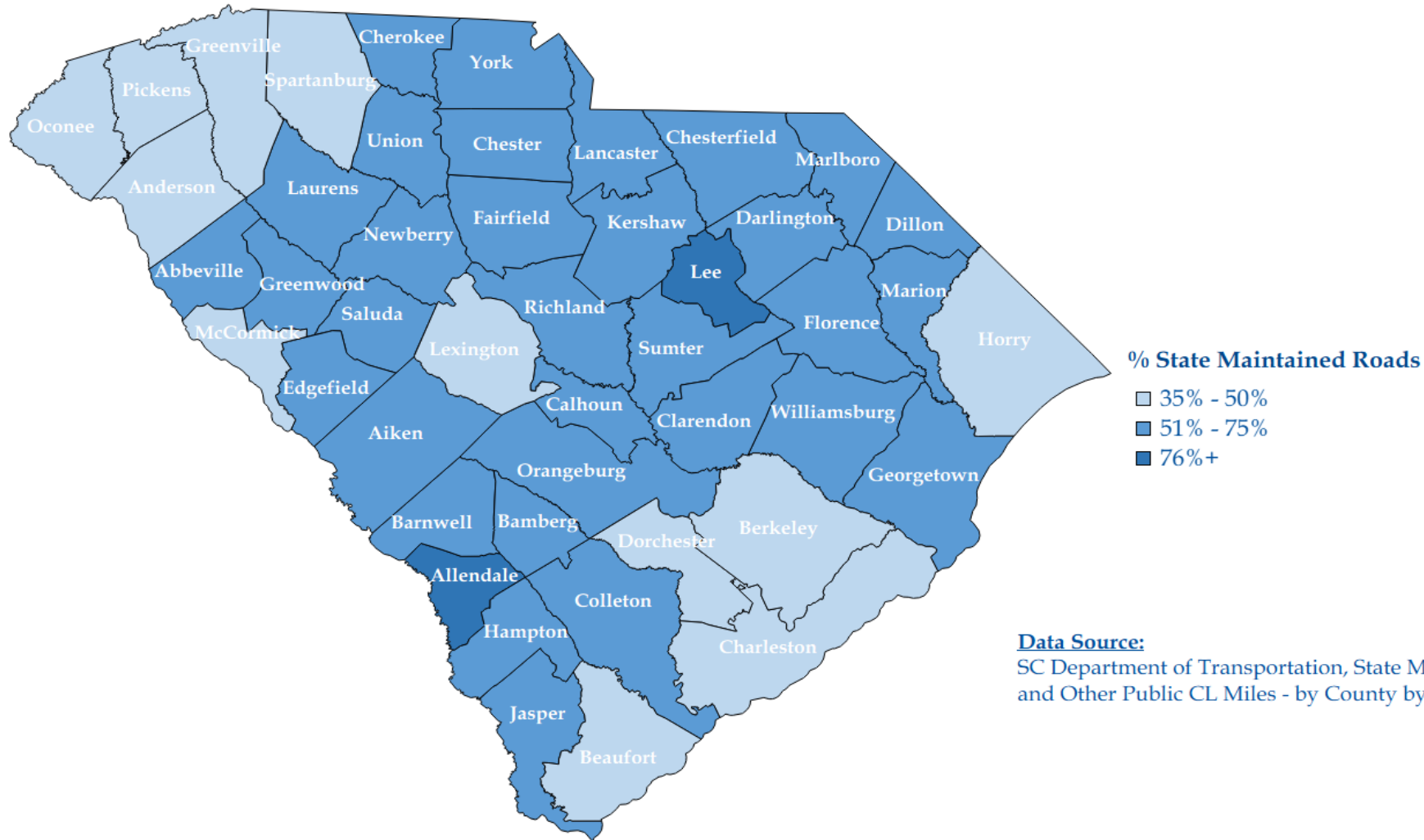
SCDOT maintains approximately 53% of the road mileage in SC



Source: SCDOT State Maintained and Other Public Center Line Miles

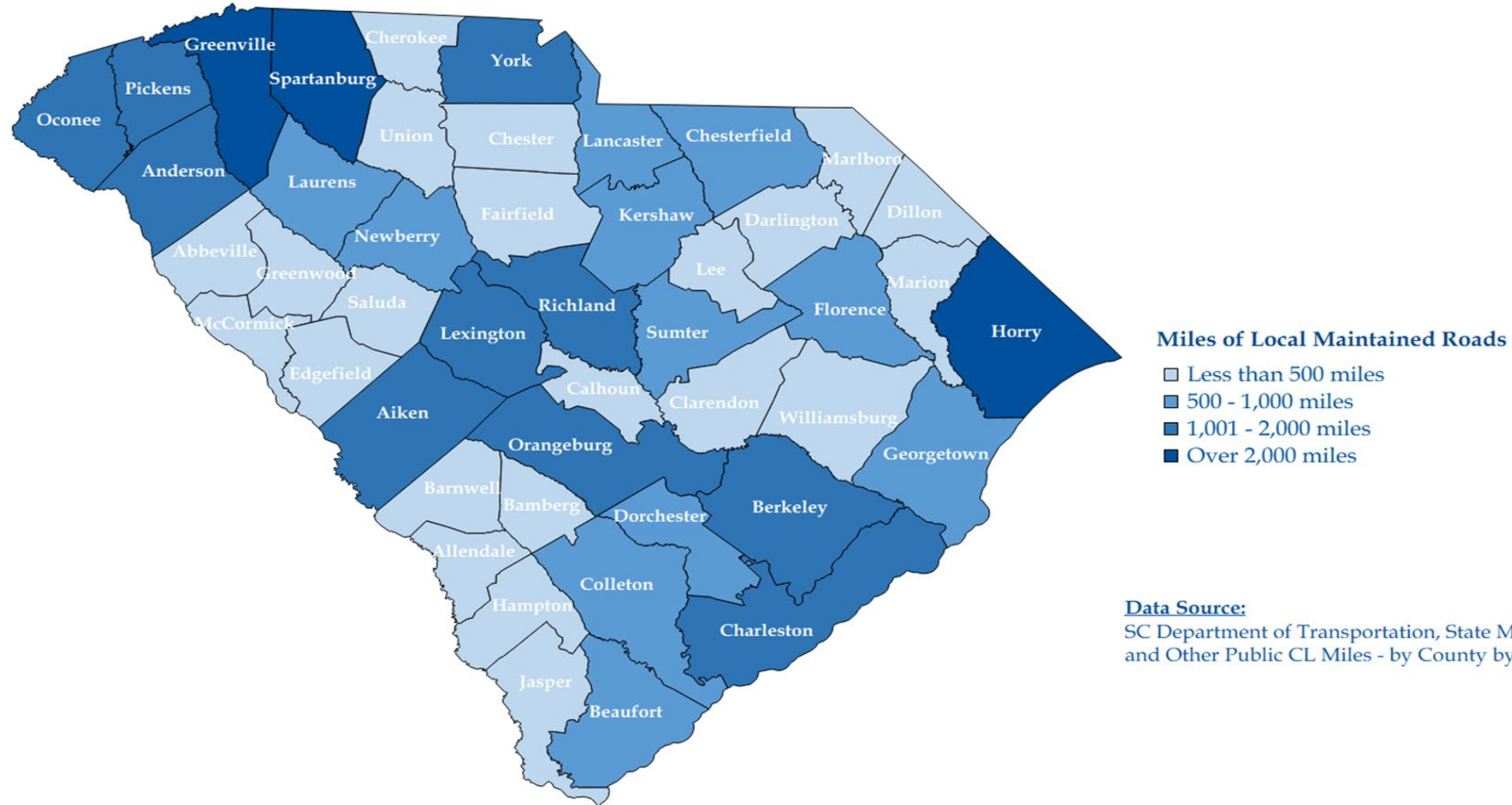
Percentage of State Maintained Roads in Each County

Ranges from 35% (Berkeley) to 80% (Lee)



Locally Maintained Roads in Each County

Ranges from 123 miles (Allendale) to 2,621 miles (Greenville)

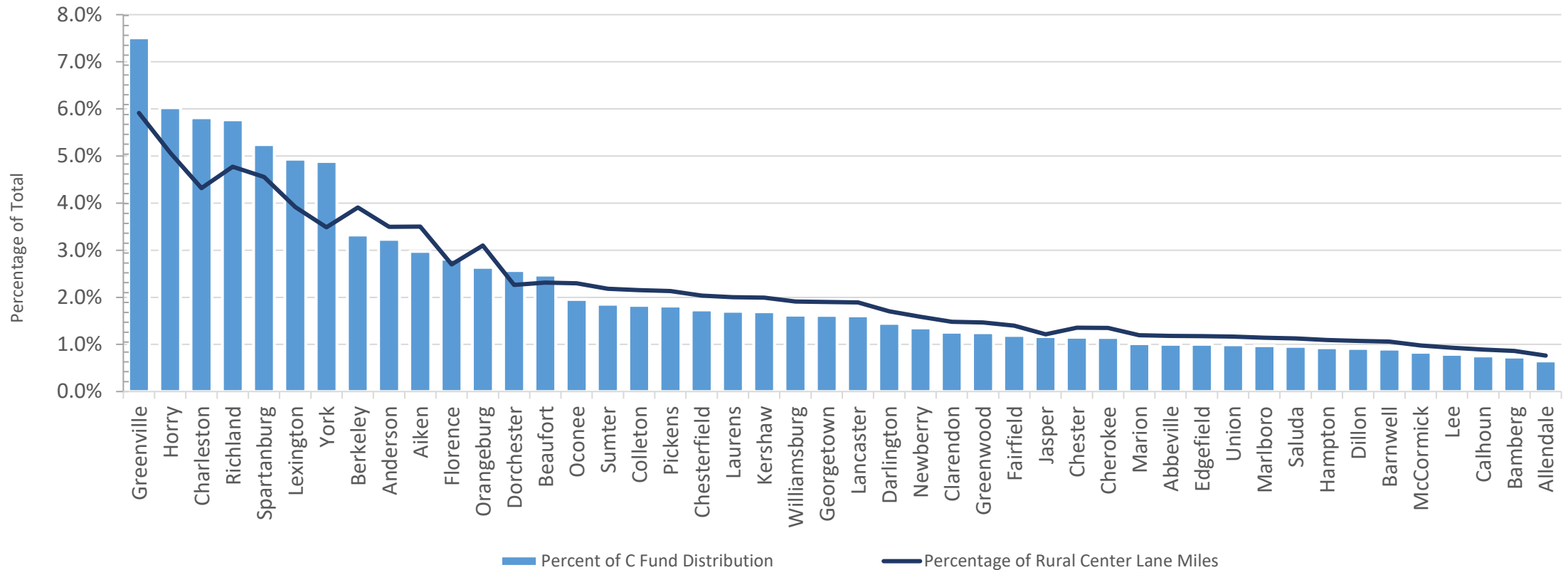


Data Source:
 SC Department of Transportation, State Maintained
 and Other Public CL Miles - by County by System

Percentage of C Funds by County versus Rural Center Lane Miles

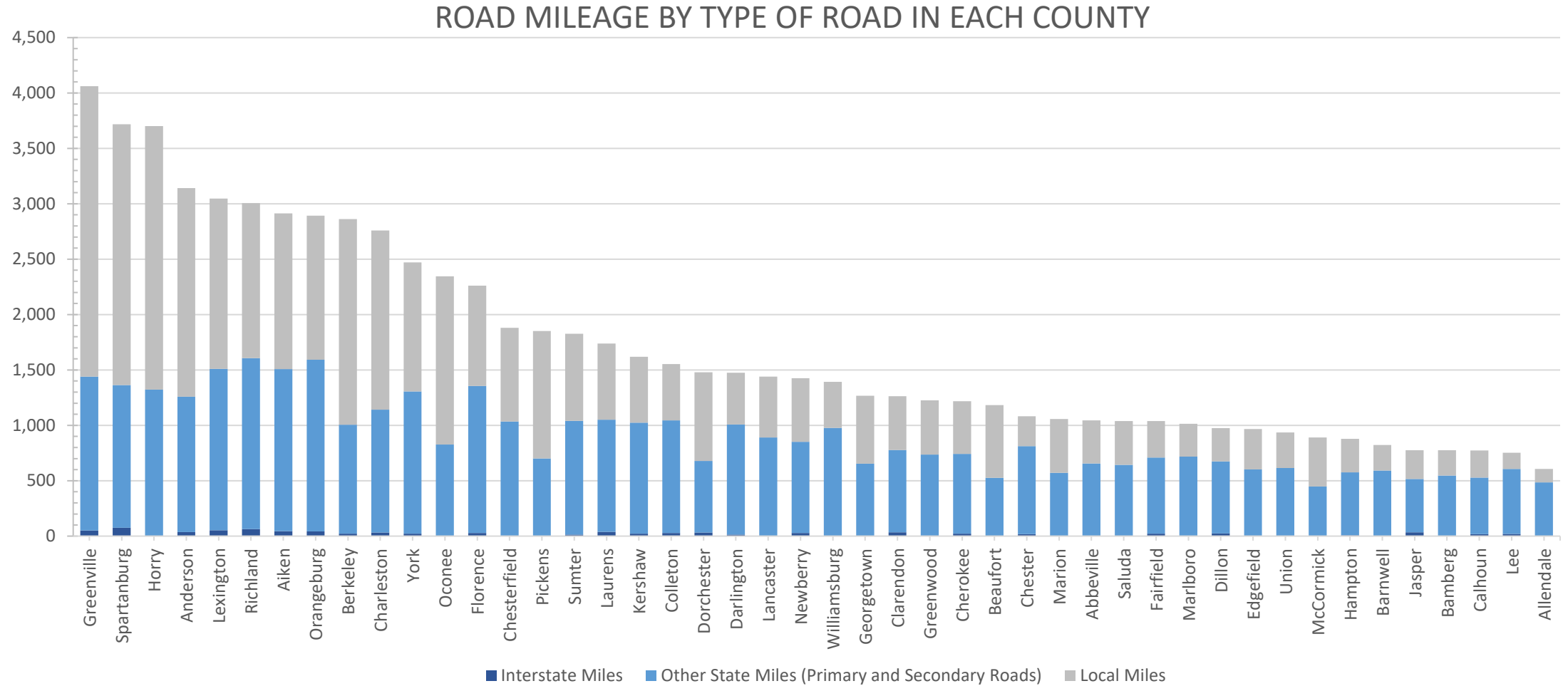
C Funds are distributed to each county based on population, land area, and rural road mileage

PERCENTAGE OF C FUNDS AND RURAL CENTER LANE MILES



Source: S.C. Department of Transportation ; Based on SCDOT FY 2024-25 Forecast, Includes Donor Funds RFA - mad/11/06/2025

Road Mileage by Type of Road in Each County

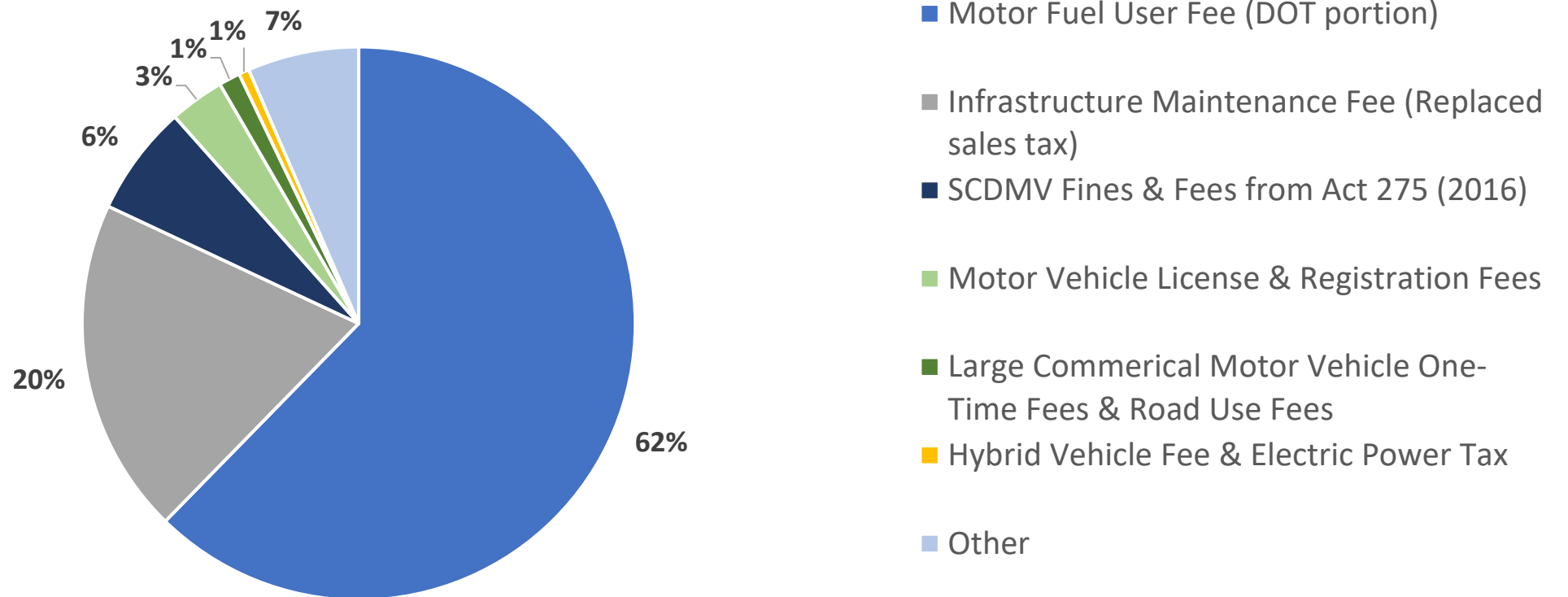


Data Source: S.C. Department of Transportation, State Maintained and Other Public CL Miles; S.C. Revenue and Fiscal Affairs Office 11/10/2025

SCDOT State Revenues – FY 2023-24

Motor fuel user fees are 62% of SCDOT's state funding; the Infrastructure Maintenance Fee (IMF) provides 20%

SC DEPARTMENT OF TRANSPORTATION FUNDING SOURCES
FY 2023-24

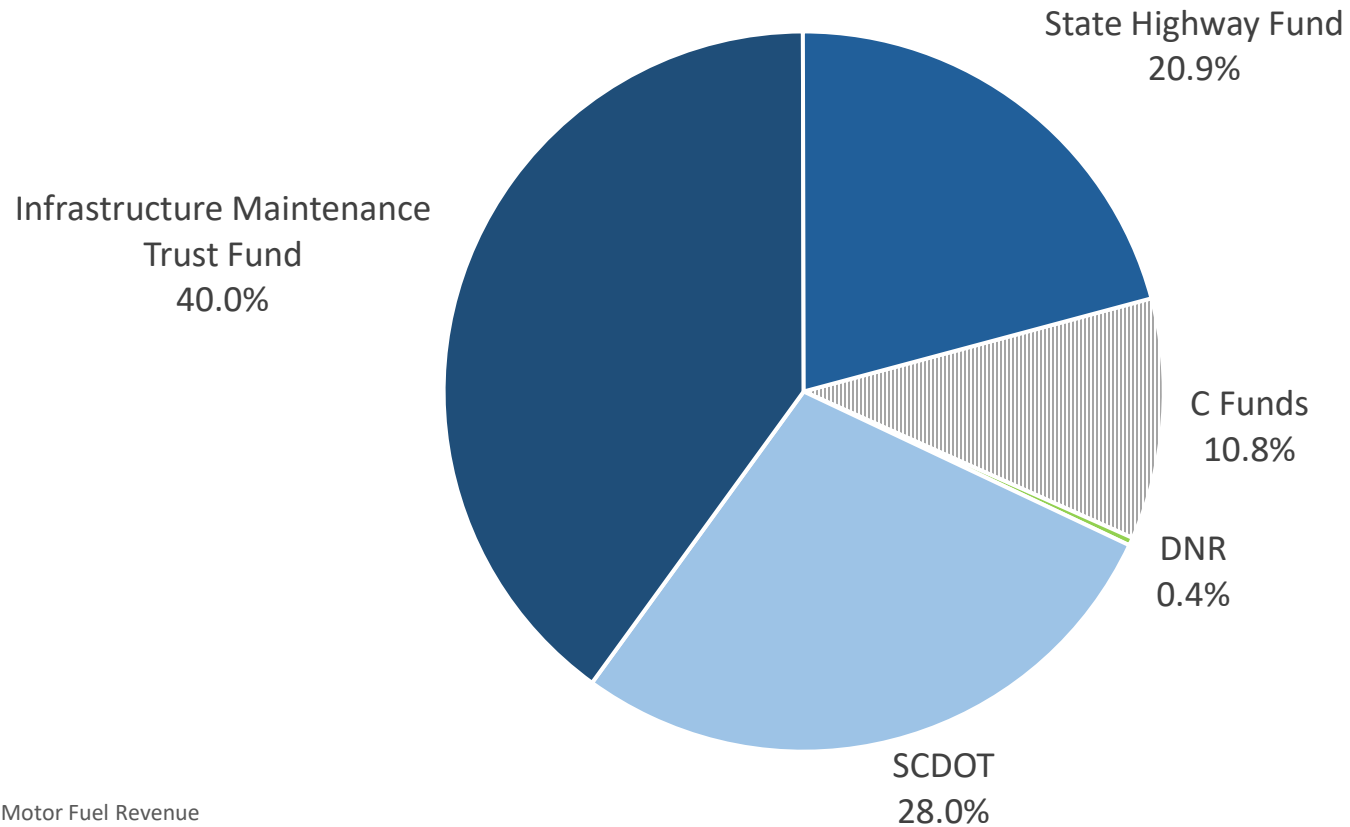


Source: SCDOT, FY 2024 Annual Revenues Report/reg/9/16/25

Distribution of Motor Fuel Revenue – FY 2024-25

88.9% of the \$0.28 motor fuel user fee funds various state transportation costs through SCDOT; 10.8% goes to C Funds for local governments

FY 2024-25 MOTOR FUEL USER FEE REVENUE DISTRIBUTION

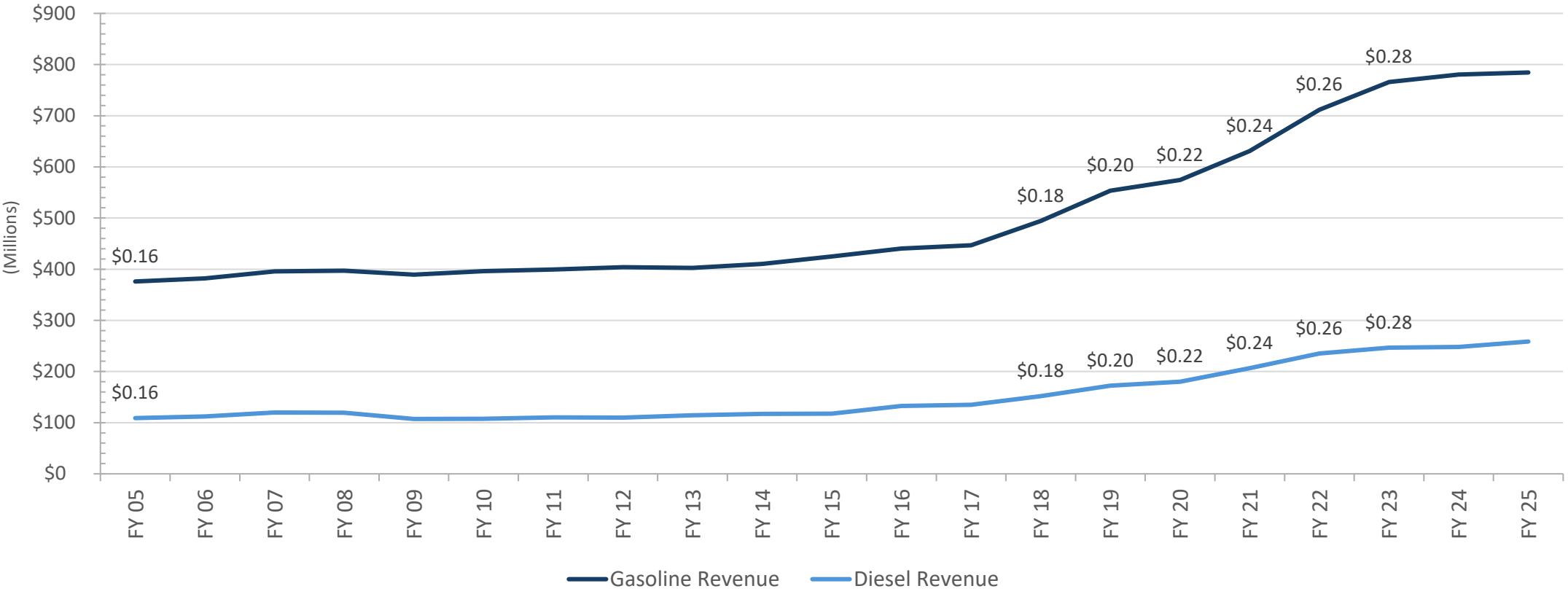


Source: SCDOT Monthly Motor Fuel Revenue

Motor Fuel Revenue History – FY 2004-05 to FY 2024-25

Collections remained relatively flat until fee increases beginning in FY 2017-18 and have now flattened again

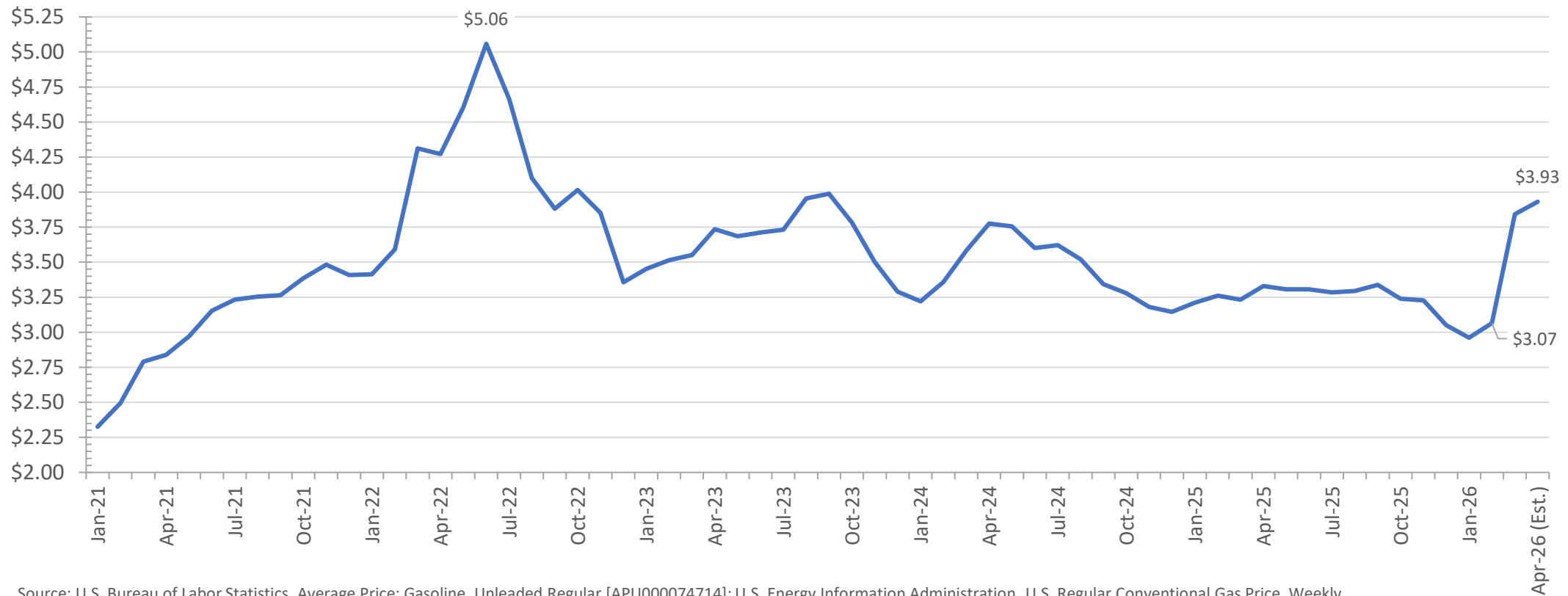
MOTOR FUEL REVENUE HISTORY
Including Per Gallon Motor Fuel User Fee



Gasoline Prices

Average gas prices have risen sharply from the February 2026 average by an estimated 28.3%; prices have risen from a monthly average of \$3.07 in February to an estimated average of \$3.93 in April, but are still significantly lower than the June 2022 peak

AVERAGE PRICE OF GASOLINE PER GALLON, ALL TYPES

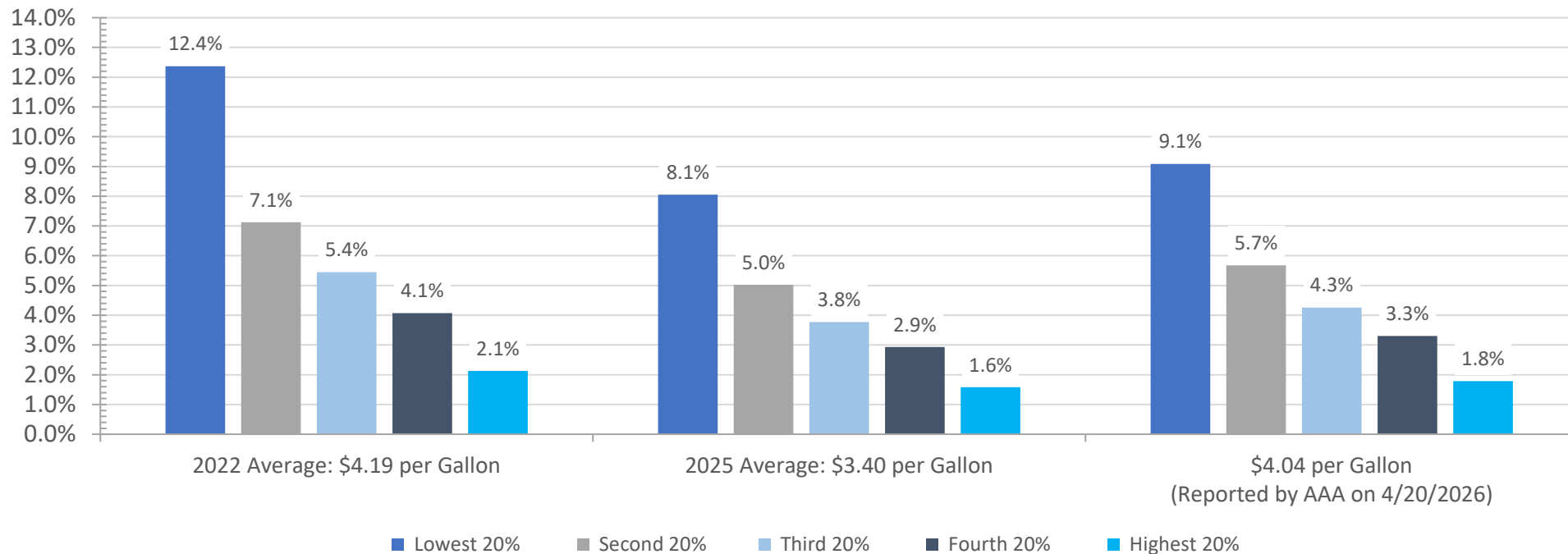


Source: U.S. Bureau of Labor Statistics, Average Price: Gasoline, Unleaded Regular [APU000074714]; U.S. Energy Information Administration, U.S. Regular Conventional Gas Price, Weekly [GASREGCOVW]; AAA Daily Fuel Prices, April 13-20, 2026 - RFA/mad/04-20-2026

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 ON GASOLINE AND MOTOR OIL
By Household Income Level

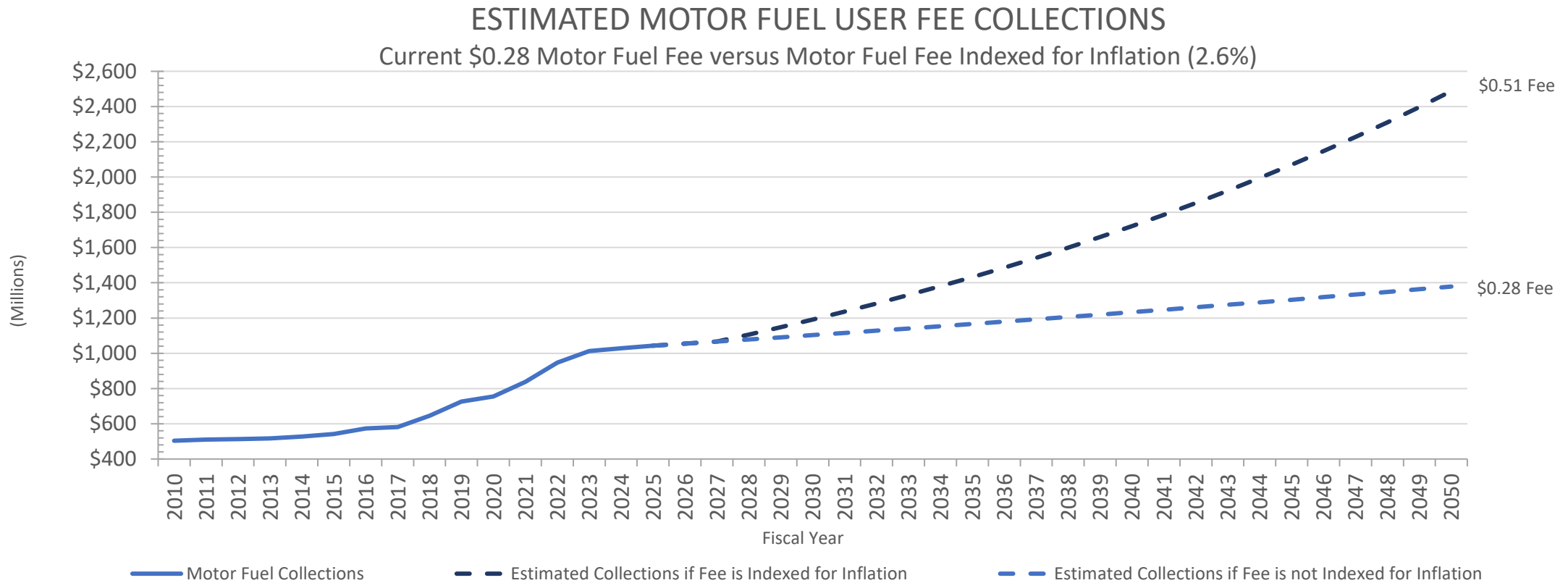


Note: Estimates for 2025 and 2026 are based on the 2024 Consumer Expenditure Survey and Actual and Expected Growth in Personal Income for South Carolina.

Source: Bureau of Labor Statistics (BLS), Consumer Expenditure Survey 2022 & 2024; BLS, Average Price: Gasoline, Unleaded Regular [APU000074714], AAA Fuel Prices 4-20-2026; U.S. Bureau of Economic Analysis, Total Personal Income in South Carolina [SCTOT]; SC Board of Economic Advisors, Personal Income Assumptions November 2025

Motor Fuel User Fee Revenue Indexed for Inflation to 2050

Cumulatively, from FY 2027-28 through FY 2049-50, indexing the motor fuel user fee each year would increase the fee from \$0.28 to \$0.51 and generate approximately \$11.2 billion in additional revenue over this period

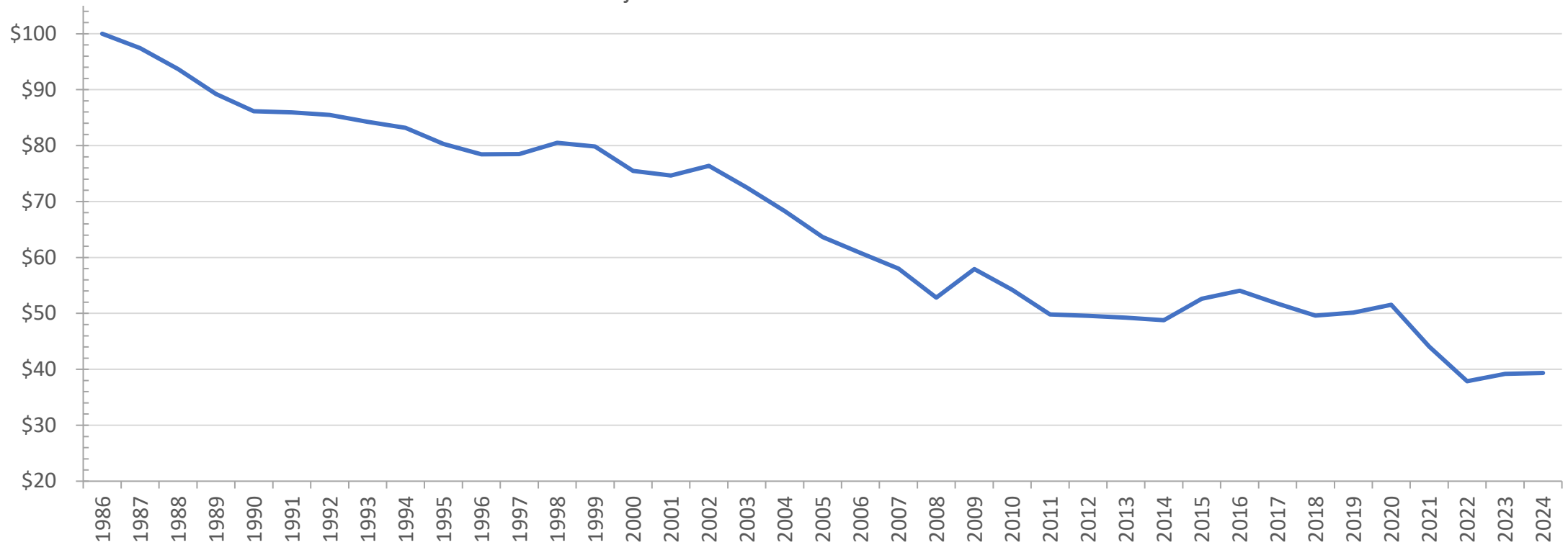


Source: U.S. Department of Transportation Federal Highway Administration Highway Statistics Series, S.C. Department of Transportation Motor Fuel Revenue Data, U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: All Commodities [PPIACO] RFA-mad/11/20/2025

Purchasing Power of \$100 Since 1986

Due to inflation, purchasing power has declined, and it would cost about \$254 in 2024 to buy what \$100 could purchase in 1986

PURCHASING POWER OF \$100 SINCE 1986
Adjusted for Producer Price Index

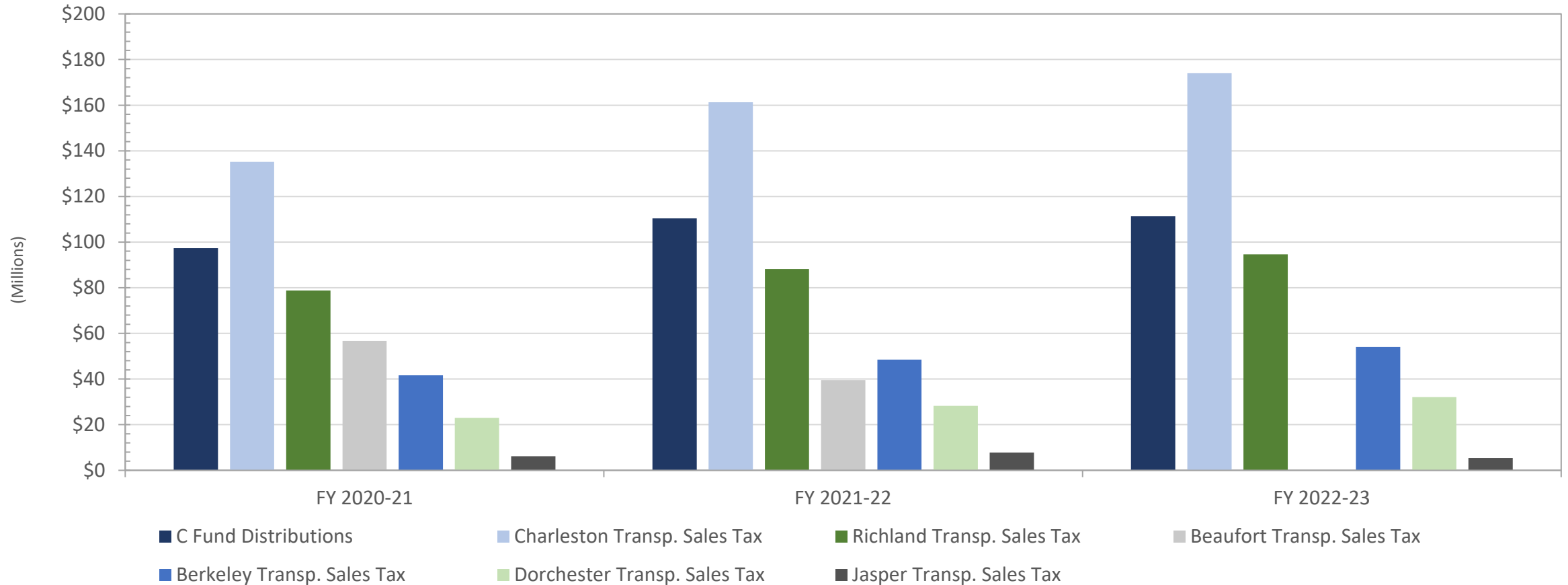


Source: U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: All Commodities [PPIACO], RFA-mad/10/24/2025

Funding for Locally Maintained Roads

Local governments use C-Funds and local transportation sales taxes to fund expenses for roads

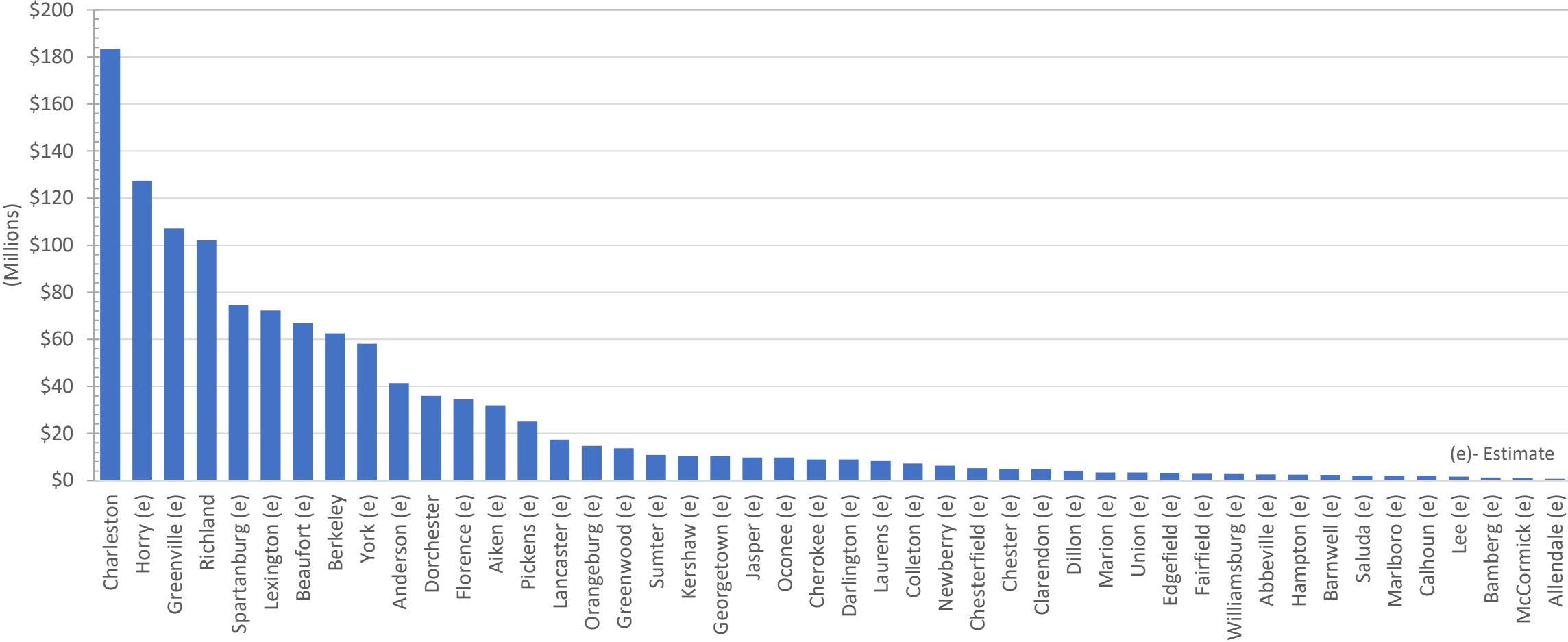
FUNDING SOURCES FOR LOCALLY MAINTAINED ROADS



Source: S.C. Department of Revenue, Local Option Transportation Tax Data ; S.C. Department of Transportation RFA- mad/11/06/2025
 Beaufort transportation sales tax ended in 2023

Potential Revenue from 1% Local Option Transportation Sales Tax

1% LOCAL OPTION TRANSPORTATION SALES TAX REVENUE
 FY 2024-25 Potential Collections Based on Actual Tax or Estimates

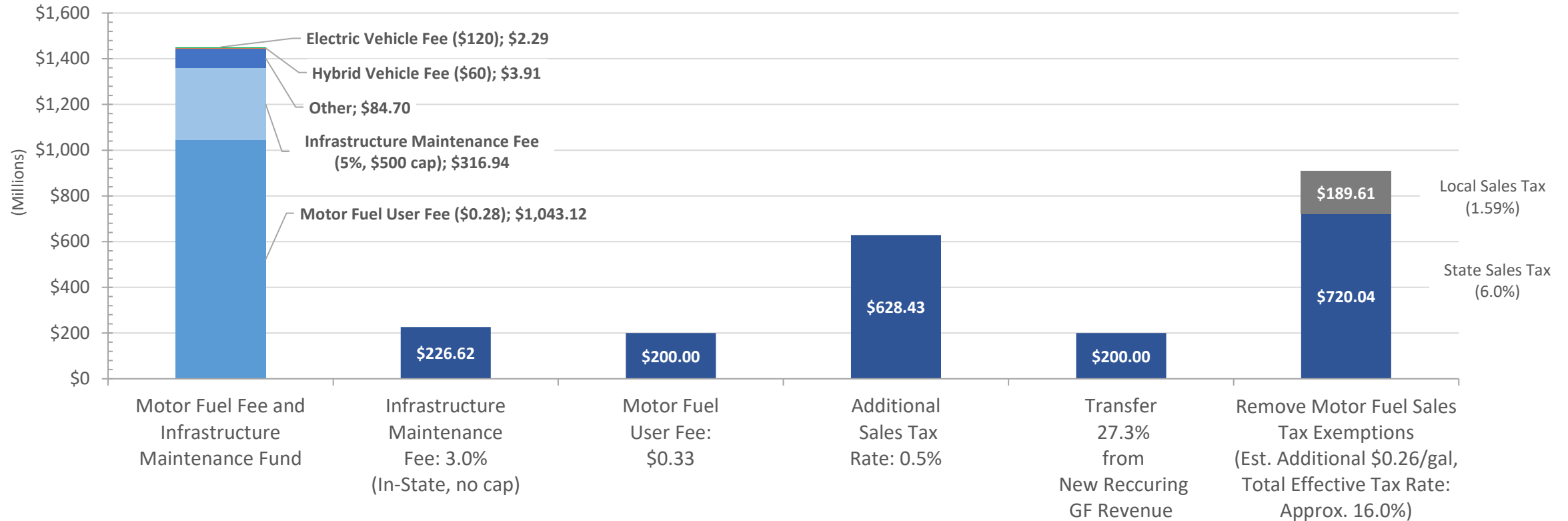


Source: SC Dept. of Revenue local option sales tax revenue and net taxable sales by county; RFA estimates based on other local option sales tax or net taxable sales.
 Note: Actual tax revenue may include sales tax on unprepared food as applicable, but estimates do not. 376 - RFA/md/01/27/2026

Comparisons of Estimated Revenues

Examples of sales taxes, increasing motor fuel user fees, and removing sales tax exemptions

REVENUE COMPARISONS



Notes: (1) Additional revenue from new IMF rate and Motor Fuel User Fee illustrates additional revenue collections, after covering revenue generated from current respective rates and fees. (2) Revenue from removing exemptions and an increase in the Sales tax rate illustrate new revenue, and would not cover current revenue as well. (3) Removing exemptions from the motor fuel user fee would result in an average effective tax rate of approximately 16.0% per gallon of motor fuel based on the current \$0.28 fee, state Sales tax rate of 6%, and the average Local Sales tax rate of 1.59%

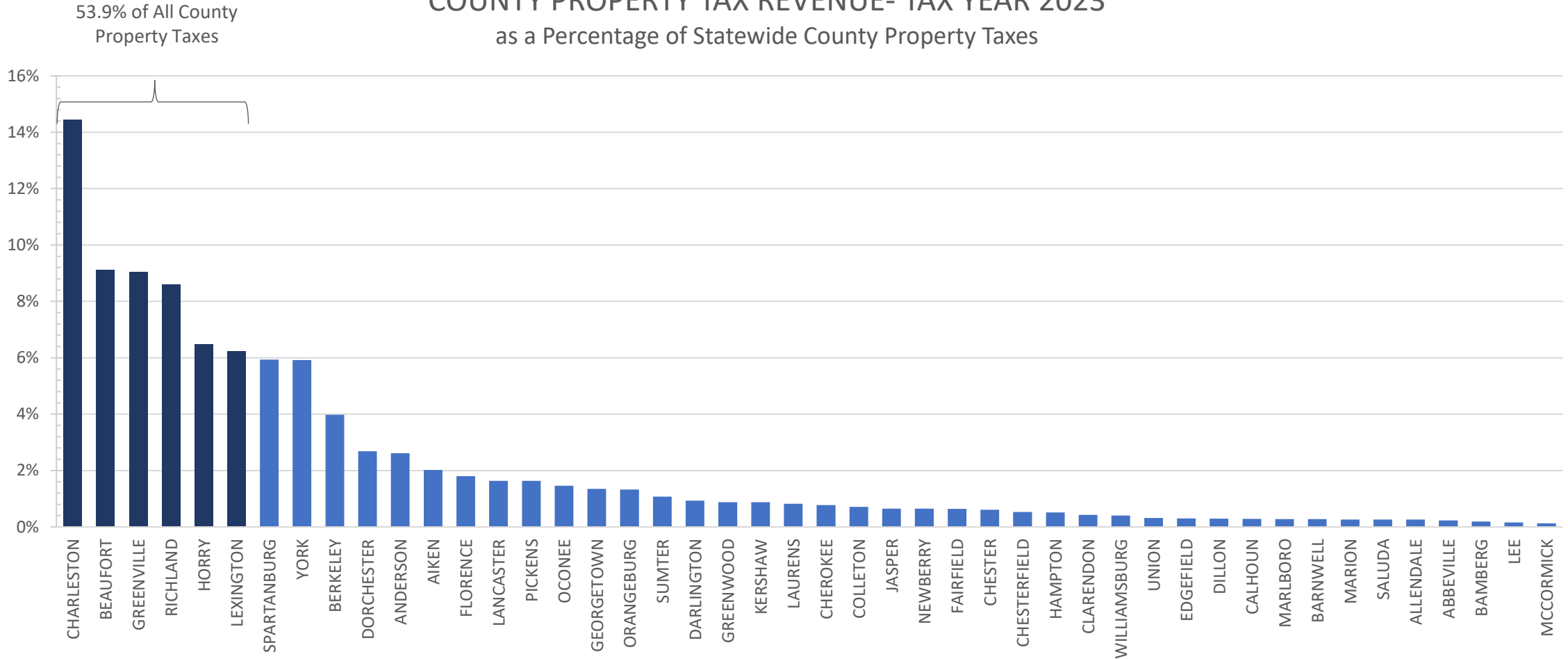
Property Tax and Other Local Issues



County Property Tax Revenue

The top 6 counties make up almost 54% of statewide property taxes

COUNTY PROPERTY TAX REVENUE- TAX YEAR 2023
as a Percentage of Statewide County Property Taxes



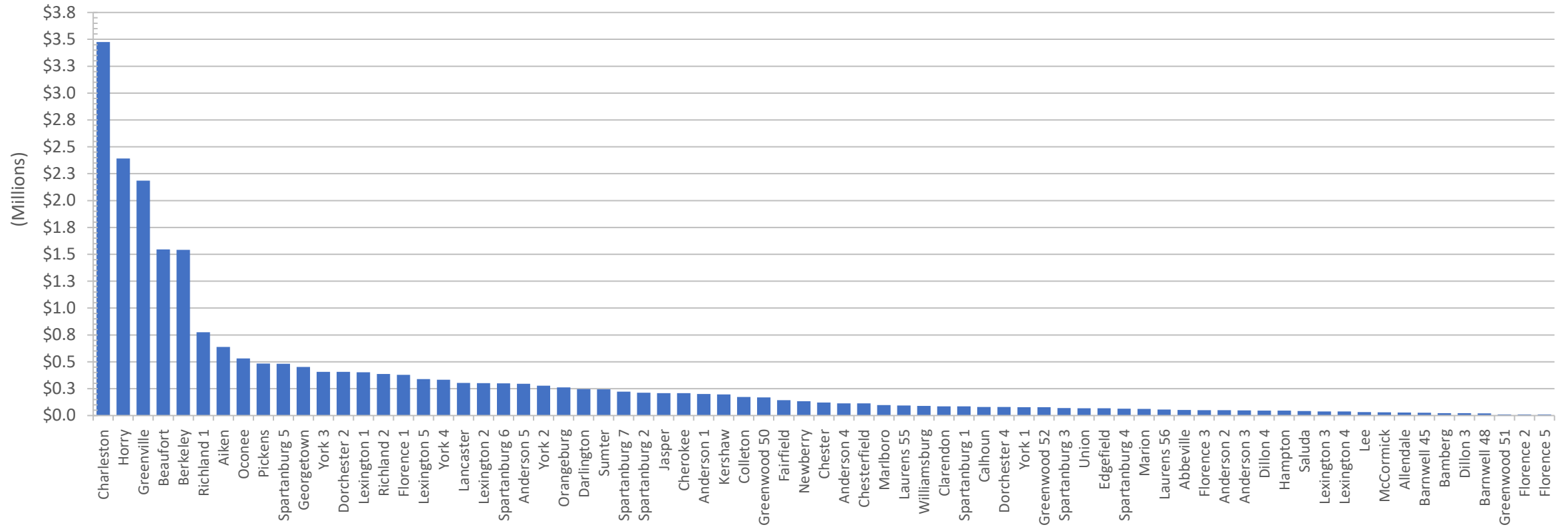
Source: S.C. Department of Revenue; Tax Collections by County Report - 377 RFA-mkm/01/30/2025



Value of One Mill - 2023

One mill generates between \$10,635 and \$3.47 million for school district operating expenses

ESTIMATED VALUE OF A MILL - SCHOOL OPERATIONS
Tax Year 2023



Note: Includes Fee-in-lieu

Source: Department of Revenue 2025 Index of Taxpaying Ability; calculations by Revenue and Fiscal 378-mkm/08/27/25



Millage Rate Increase Limitation

Inflation component

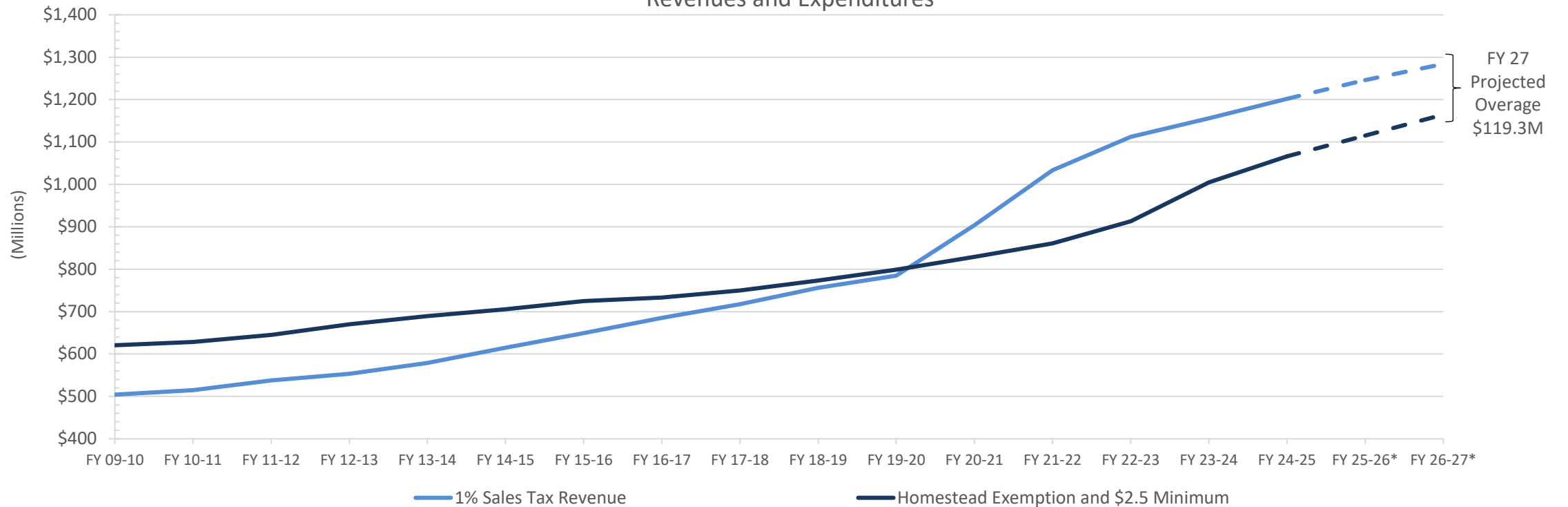
- The inflation component for the millage rate increase limitation for FY 2026-27 is 2.63%
- Census Bureau Population Release Dates:
 - Counties and School Districts – March 2026
 - Incorporated Places (Municipalities) – May 2026

<https://rfa.sc.gov/data-research/local-government/property-tax/millage-caps>

Homestead Exemption Fund

Sales tax revenue projection continues to cover expenditures

HOMESTEAD EXEMPTION FUND (TIER III)
Revenues and Expenditures



*Does not include fund balance or appropriations.

Note: Tier III Expenditure includes \$2.5M minimum disbursements and lease purchase lawsuit revisions. BEA expenditure estimates as of 12/15/2025 and revenue estimates as of 11/18/2025.

Source: SC Revenue and Fiscal Affairs Office MKM-40- 01/20/2026

Homestead Exemption Fund– Appropriation of Fund Balance

- Proviso 118.20 of the FY 2025-26 Appropriations Act appropriated \$124.3 million of the balance in the HEX Fund for income tax relief, allowing for an acceleration of lowering the top income tax bracket from 6.2% to 6.0%

Manufacturers Valuation Exemption

42.8571% of the value of the property is exempt

- The Comprehensive Tax Cut Act of 2022 increased the manufacturing property tax exemption to 42.8571% of the appraised value
 - Essentially, this exemption lowers the assessment ratio from 10.5% to 6%
- Per statute, in any year that the reimbursements are projected by RFA to exceed the \$170 million limit, the exemption amount will be proportionally reduced so as not to exceed the limit
- Based on RFA's current projections, the reimbursement projection may exceed the cap beginning in FY 2026-27
- However, Proviso 117.202 of FY 2025-26 allows up to \$300 million to be used for the reimbursements despite the cap in statute

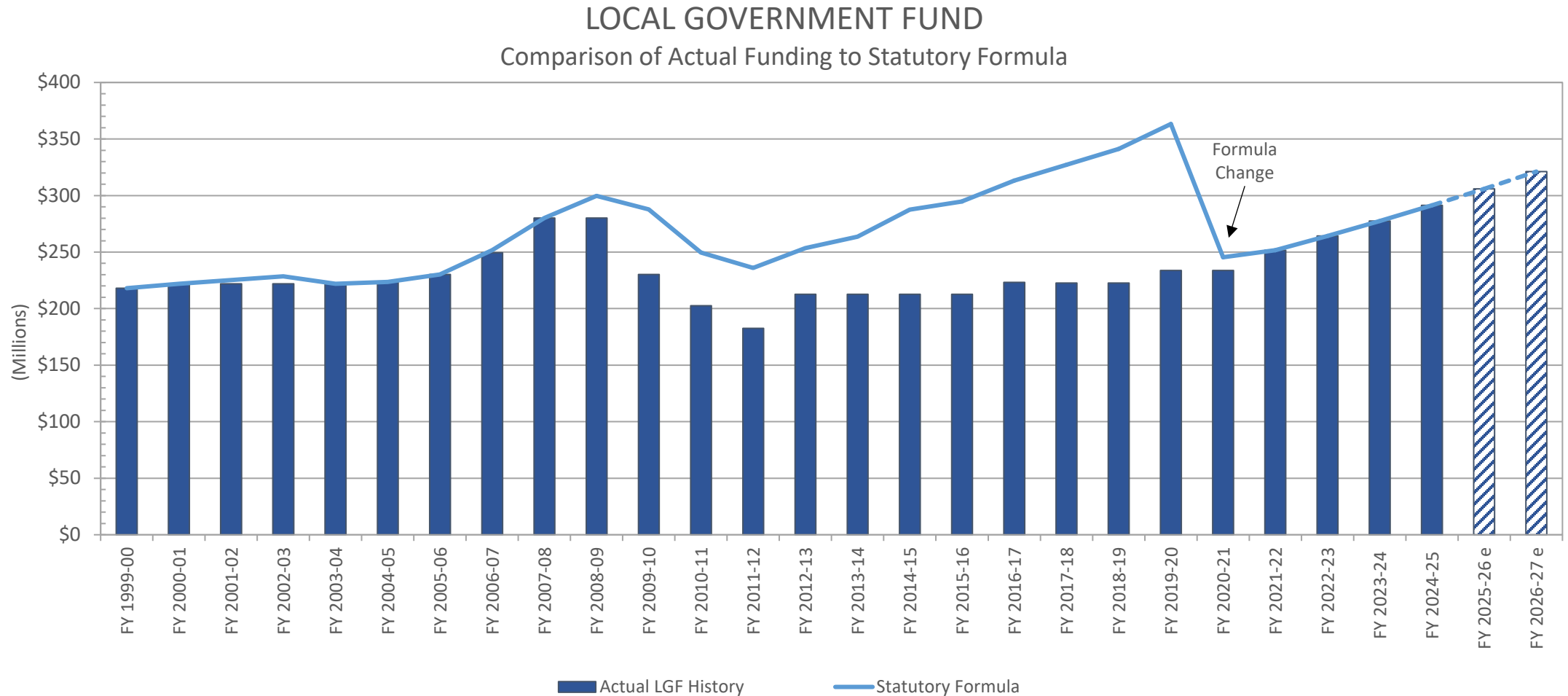
Homestead Exemption – Proposed Legislation

Increase the exemption amount to \$150,000 with a residency requirement

- S. 768 effectively increases the homestead exemption to \$150,000 for those who are eligible for the exemption in tax year 2025
 - For those who become eligible after tax year 2025, there are residency requirements to qualify for the full exemption
- The exemption will continue to be reimbursed by the Trust Fund for Tax Relief on a dollar-for-dollar basis
- Also, by ordinance, a governing body may increase the exemption amount; any property taxes not collected due to this increase by ordinance will not be reimbursed by the State

Local Government Fund

Under the statutory formula, the Local Government Fund is set to increase 5% in FY 27 (\$15.3 million)



Source: S.C. Revenue and Fiscal Affairs Office - 193/lpw/11/19/2025

State Aid to Fire Districts

Proviso 117.213 – Review of open-ended status

- The State Aid to Fire Districts appropriation distributes certain insurance tax revenue to local fire departments
- Proviso 117.213 of the FY 2025-26 Appropriations Act tasked RFA, in conjunction with the Executive Budget Office, to provide options to address the State Aid to Fire Districts open-ended status
- The General Fund acts as a clearing account for the tax revenue that is collected in one fiscal year and distributed the next, and the appropriation has not been increased to keep up with the distribution, resulting in an open-ended appropriation
- The Executive Budget moves this process out of the State's General Fund to a separate fund and allocates sufficient funding for the distribution as recommended
- The change should have *no impact* on the amount or the timing of the distributions for State Aid to Fire Districts

**Thank you!
Questions?**

For additional information please visit our website: www.rfa.sc.gov

