



MEMORANDUM FOR THE RECORD

Date: March 26, 2026, 9:00 a.m.

Location: Revenue and Fiscal Affairs (RFA) Office, Room 417/Web Conference

Subject: Minutes of the Board of Economic Advisors (BEA) 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, and Karl Vesely; **Attendees:** RFA – Paul Athey, Chris Finney, Kathryn Kelley, and Emily Prosser. *Fifty-eight 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 12, 2026, meeting minutes, which previously had been shared with and updated based on comments from the Members. He asked if any Member had additional edits or questions, and hearing no amendments or objections, Chairman Grimball declared the minutes approved as corrected. ([See minutes](#))
- III. FY 2025-26 General Fund Revenue and Economic Updates ([See materials](#))

Mr. Rainwater began his presentation by noting that today's meeting serves for both the March and April meetings as no new data are expected to be available before the statutorily listed April 10th meeting. A release will be issued in late April to report March revenues.

Mr. Rainwater summarized revenues through February 2026 by noting:

- Total General Fund revenue and excess for February 2026 are distorted due to processing and timing differences in Individual Income tax returns.
- The excess in estimated monthly revenues through February, excluding the timing difference in Individual Non-withholdings and Refunds, is \$42.6 million:
 - Withholdings tax is \$17.6 million above expectations.
 - 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. (*slides 2-5*)

He also noted that the \$42.6 million excess is significantly less than the excess reported at this time in the past six fiscal years and emphasized that tax filing season will play a significant role again in determining final revenue. (*slide 6*)

Staff then presented the economic and revenue updates as follows:

Mr. Vesely discussed economic indicators. His key points included:

SC Employment:

- Year-over-year growth in employment fell to 1.3 percent in December.
- Though a decline in employment growth was anticipated after high year-over-year growth rates this summer, the decline was sharper than anticipated.

US and SC Personal Income:

- Personal income growth is steady at 6.0 percent year-over-year, above the expected 5.4 percent rate.

Inflation:

- The latest CPI data shows inflation remaining at 2.4 percent. Inflation remains above the 2.0 percent Federal Reserve target and is close to BEA expectations for elevated inflation through this fiscal year. This data, however, only reflects the change in oil prices for the first day of the Iranian conflict. Reports estimate that if oil stays at or above \$100 per barrel, inflation could reach 3.5 percent.
- The weekly average price of oil has risen 39.5 percent from the last week of February to the week prior to the presentation.
- Gasoline and other motor fuel oils are a small component in inflation. The increase in the price of oil remains a long-term risk for transportation costs and could cause companies to reprice goods and services. (*slides 9-12*)

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

Sales Tax:

- February collections grew by 5.2 percent 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 percent compared to 4.8 percent expected overall and are \$2.1 million below the estimate.

Retail Sales:

- The November estimate anticipates slow growth in Sales tax collections for the remainder of the fiscal year, which is generally in line with Wells Fargo's March forecasts for national retail sales and food services.
- Wells Fargo is forecasting growth of 2.8 percent for the remainder of the fiscal year, which is slightly lower than our estimate for Sales tax growth of 2.9 percent for the same period.

Gas Prices:

- Based on the available weekly and daily gas readings through March 18th, it is estimated that the average monthly price of gasoline has risen over 15 percent from February to March.
- Although gas prices have risen sharply over the past month, they are lower than the 2022 peak of over \$5.00 per gallon nationally.

Household Spending on Gasoline:

- Household income growth and improved fuel economy since 2022 will likely help to blunt some of the impact of rising gas prices.

- Prolonged price increases will boost inflation, weigh on consumer stock sentiment, and drag down stock market earnings and GDP growth.
- Gasoline is an inelastic good, and therefore rising gas prices may impact household spending on other goods and services. Lower income households are the most vulnerable to rising gas prices and the most likely to cut back on spending in other categories to compensate.
- The extent of any reduction in overall spending on taxable items will depend on how much gas prices continue to increase, how long gas prices remain elevated, and inflation on other goods and services. At this time, it is unclear how much more prices will rise and how long prices may remain elevated compared to last year.
- Overall, the economy is more uncertain, but the economic developments to date do not support adjustments to the expectations on consumer behavior and spending at this time. (*slides 14-17*)

Ms. Jolliff discussed Corporate and Individual Income taxes. Her main points were:
Corporate Income Tax:

- Corporate Income tax continues to trend below expectations and is now \$28.6 million below the fiscal year-to-date estimate.
- The forecast anticipated a decline of 8.9 percent, but the decrease has been larger than estimated; collections are now 24.6 percent lower than this time last fiscal year.
- Across other states, the median change in corporate income tax in nominal terms is approximately a 12 percent annual decline based on the latest reporting received.
- The next four months will be particularly important this year, especially tax filing; historically, over 60 percent of collections occur in the final four months.

Withholdings:

- Withholdings grew 4.7 percent in February, bringing growth up to 2.9 percent for this fiscal year; collections are now \$17.6 million above expectations and only need to grow 1.6 percent for the remainder of the year to meet the estimate of 2.5 percent.

Individual Income Tax Filing Considerations:

- 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 could 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 may affect this year's estimated surplus.

Non-withholdings:

- Collections have been largely on target except for October, which included larger than usual 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.

Refunds:

- 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.
- Due to the 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.
- Based on the current Refund processing, approximately \$297 million of estimated Refunds will shift to May and \$149 million will shift to June.
- Given the magnitude of the change in timing, we will update the Monitor pattern for Refunds before next month's revenue report.

Legislative Proposals with a Revenue Impact:

- H. 4216, SC Income Tax Reform: \$308.7 million
 - Changes tax structure and rates for 2026
 - The bill has been ratified and sent to the Governor.
 - The bill also includes a provision that directs the Department of Revenue (DOR) in consultation with RFA to adjust the withholdings tables to reflect the tax reform changes but with consideration of fiscal responsibility. When the table change is implemented, there will be a one-time change in cash flow that will reduce revenues by about half of the withholdings decrease. RFA will be working with DOR on the timing and magnitude of the adjustment before the November 2026 estimate. Revenues will need to be running a surplus to implement the change without impacting the budget.
- H. 3368, Federal Income Tax Conformity: \$288.5 million (*Impact assumes H. 4216 is enacted*)
 - The timing of passage is likely to impact revenues. If the bill is passed soon, taxpayers will be able to claim these additional deductions, which would potentially reduce this year's projected revenue surplus. Conversely, if no action is taken there could also be a potential for a delay in filings. These issues will be considered in analyzing potential changes to forecast in May.
- S. 768, Increase in Homestead Exemption: \$247.7 million
 - Increases the property tax exemption for seniors from \$50,000 to \$150,000
 - The homestead exemption is paid for from income tax revenues that are automatically credited to the Trust Fund for Tax Relief. While the bill would not impact gross revenue, it would have an impact on the budget. (*slides 18-25*)

IV. FY 2025-26 and FY 2026-27 Forecast Review

Mr. Rainwater concluded the presentation by recommending no change to the forecasts based on the data and analysis presented. He noted that staff will be conducting further analysis based on new economic and revenue data in preparation for the May meeting. *(slide 27)*

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.

V. Reports from Working Group Members

No Working Group members offered comments.

VI. Other Items for Discussion

VII. The next scheduled meeting is May 19, 2026.

VIII. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 9:44 a.m.

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

These minutes were approved on 5/19/2026

Emily Prosser *Emily Prosser*