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FY 2026-27 and FY 2027-28 General Fund Revenue Forecasts
Economic Growth in South Carolina Results in Positive Budget Outlook

COLUMBIA – The South Carolina Board of Economic Advisors (BEA) issued an updated forecast for the current fiscal year ending June 30, 2027, FY 2026-27 (FY 27), and an initial forecast for the following year, FY 2027-28 (FY 28), at its meeting Thursday, November 19, 2026.

South Carolina is benefiting from strong population and economic growth that are outpacing the nation as a whole, and this stronger growth relative to the national average is expected to continue. According to economic data released since the May forecast, personal income, the primary driver of revenue collections, has continued to grow faster than previously expected. Based on analysis by staff and perspectives shared by the BEA's panel of economists, South Carolina's personal income and employment are expected to grow slightly below historical averages over the forecast period through FY 28.

The BEA noted that General Fund revenues for last fiscal year finished $381.8 million above expectations, which resulted in a higher base for estimating FY 27 and FY 28 revenues. Collections in both sales and income taxes, the largest General Fund revenue categories, continue to outperform expectations from May due to the larger revenue base from FY 26 as well as continued economic growth.

For FY 27, the BEA increased its previous estimate by a net total of $160.9 million to $15.381 billion after considering a higher revenue baseline established by the final FY 26 collections, revised growth estimates, and tax cuts enacted by the General Assembly. The main upward revisions to the forecast occurred in sales tax, individual income tax payments (non-withholdings), and corporate income tax. Overall, the revised forecast represents an increase of 1.1 percent over the May forecast but is a slight decline of 0.3 percent from last fiscal year largely due to income tax cuts.

In addition to the individual income tax reduction for 2026, the forecast also includes the impact of lowering the withholding tables for 2027. Act 110 of 2026 lowered individual income taxes and specified that the Department of Revenue (DOR), in

consultation with Revenue and Fiscal Affairs (RFA), and in accordance with fiscal responsibility, shall adjust the withholding tables to reflect the amendments made in the act. An immediate transition to fully implement the reduction would have a significant budget impact, and the change will need to be phased in over time. For 2027, DOR adjusted the tables to reduce withholdings by a total of approximately $400 million overall in 2027, which will lower collections by $200 million during the second half of FY 27. DOR and RFA will continue to work together annually with legislative and executive input to implement the ongoing phase-in of withholding reductions to better align with the income tax reduction. The projected adjustment for 2028 is an additional $600 million, which will further reduce collections and is factored into the FY 28 forecast.

For FY 28, the BEA adopted a forecast of $15.730 billion, reflecting expected growth of 2.3 percent, or $348.3 million, over the revised FY 27 forecast. Personal income growth is expected to slow slightly from 5.2 percent in FY 26 to 4.8 percent and 4.7 percent in FY 27 and FY 28, respectively, which is slightly below the historical pre-pandemic average of 4.9 percent from 2010 to 2019. Growth in most major revenue categories is expected to be slightly below historical averages as a result. Further, the board continues to be mindful of potential challenges to the economy and will continue monitoring economic conditions that may impact the forecast.

In addition to adjusting the withholding tables, Act 110 of 2026 specified that the top marginal income tax rate must be decreased if individual income tax revenues minus amounts credited to the Trust Fund for Tax Relief are projected to increase by at least 5 percent from the projection for the current fiscal year to the projections for the next fiscal year. The growth in the FY 28 individual income tax revenue estimate less the Trust Fund for Tax Relief over the projected estimate for FY 27 is 2.7 percent and not sufficient to enact a reduction in the top marginal individual income tax rate for tax year 2027.

With these new estimates, the budget outlook for the next legislative session remains positive. The revised revenue estimate for FY 27 results in an expected budgetary surplus of $486.6 million for FY 27. This projected surplus combined with the FY 26 surplus of $574.6 million in the Contingency Reserve Fund (after accounting for the supplemental appropriations in Act 261 of 2026) and the FY 27 Capital Reserve Fund of $421.7 million result in a total of $1.483 billion in one-time funds available to be appropriate for non-recurring purposes.

After accounting for required trust fund contributions and open-ended appropriations, new recurring funding of $740.0 million will be available to appropriate during the upcoming FY 28 budget process. Additional explanation can be found in the BEA's meeting materials, which are posted on the agency's website at www.rfa.sc.gov .

FY 2027-28 Budget Outlook

(Millions)

Net New Recurring General Fund Revenue – FY 2027-28 *(Less Tax Relief Trust Fund, General Reserve Fund, and Capital Reserve Fund contributions)*	**$740.0**
Non-Recurring Revenue	
FY 2025-26 Contingency Reserve Fund *(prior year surplus)*	$574.6
FY 2026-27 Capital Reserve Fund	$421.7
Projected FY 2026-27 General Fund Surplus	$ 486.6
Total Non-Recurring Revenue	**$ 1,483.0**
Estimated Additional Revenue for Appropriation	**$2,222.9**

(Figures may not add to totals due to rounding)

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