SOUTH CAROLINA
REVENUE AND FISCAL AFFAIRS

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MEMORANDUM FOR THE RECORD

Date: August 27, 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, and Dr. Michael Mikota *(Hartley Powell was unable to attend)*. Frank Rainwater – Executive Director, *Staff* – Lisa Jolliff, Morgan Daigle, and Karl Vesely; **Attendees:** *RFA* – Chris Finney and Emily Prosser. *Forty-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 9:00 a.m.

II. Chairman Grimball presented the June 25, 2026, 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)*

III. Final FY 2025-26 General Fund Revenues and Economic Updates *(See materials)*

Mr. Rainwater began the presentation by noting the two major purposes of today's meeting were: 1) to discuss how final FY 26 revenues compared to the May estimate, and 2) to provide preliminary insight as to how final FY 26 revenues and trends will impact the upcoming revisions to the FY 27 estimate.

Mr. Rainwater then gave an overview of final FY 26 revenues. He noted that:

- Actual revenues totaled $15,432.6 million and finished $381.8 million, or 2.6 percent, above the May 2026 estimate.
- At the time of the May estimate, excess revenues were estimated at $256.9 million, so final results were only $124.9 million higher than expected.
- The items with the largest surpluses were Individual Income tax filing items:
  - Refunds were $118.5 below expectations, and Non-withholdings were $88.7 million above estimates.
  - Withholdings and Sales tax were $77.7 and $54.7 million above estimates, respectively, but these were a smaller percentage of their totals at 1.1 percent each.

He concluded his overview by reporting on the activities of the Working Group. *(slides 2-5)*

Ms. Daigle discussed Sales tax. Her key points included:
Sales Tax:

- Month 13(July) collections grew by 8.5 percent compared to the 3.2 percent expected.

- Despite strong Month 13 collections, cumulative Sales tax revenue collections ended the fiscal year within 1.1 percent of the estimate. Overall, Sales tax collections totaled $5,283.9 million and grew by 5.1 percent compared to 4.0 percent expected and were $54.7 million above the estimate.
- Updates to the FY 27 estimate will likely include a base adjustment of the $54.7 million excess, as well as adjustments for legislative changes and updated spending expectations.

Education Improvement Act (EIA) Sales Tax:

- FY 26 collections for the EIA fund revenue and interest earnings grew by 4.1 percent overall compared to the 3.0 percent expected and were $14.9 million above the estimate.
- EIA collections growth reflects revenue from both the 1.0 percent Sales tax as well as from interest earnings. The EIA Sales tax base is slightly different from that of the General Fund, as the EIA includes some revenue from the Infrastructure Maintenance Fee (IMF) on vehicle sales. Nonetheless, overall growth in EIA fund revenue tracks closely with General Fund Sales tax growth. *(slides 7-8)*

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

Withholdings:

- June Withholdings grew 9.1 percent over the prior year and were $46.1 million ahead of expectations; FY 26 totaled $7,047.4 million and finished $77.7 million above the estimate, and growth was 3.6 percent versus the 2.5 percent expected for the fiscal year.
- Although growth was significantly higher than expected in June, given the slow growth in employment recently, June performance is likely due to timing differences in collections and is not expected to continue for an extended period. However, final FY 26 collections will be evaluated to determine the potential impact on revisions to the FY 27 forecast.

Non-withholdings:

- FY 26 Non-withholdings totaled $1,827.1 million and ended $88.7 million ahead of expectations and account for 23.2 percent of the total surplus; collections have remained elevated since October and grew by 10.6 percent in FY 26, compared with an expected increase of 5.2 percent.
- Growth in Individual Income tax returns for tax year (calendar) 2025 slowed significantly more than anticipated to finish FY 26, dropping from approximately 3 percent growth in returns as of the beginning of April to no growth by the end of June. This slowdown in total return growth impacted final collections in Non-withholdings and reduced the anticipated excess from $107.8 million in April to $88.7 million by the end of FY 26.

Refunds:

- Although June Refunds were $19.0 million above expectations, total FY 26 Refunds were $2.27 billion, or $118.5 million below the estimate, and grew 5.0 percent for the fiscal year compared to 10.5 percent expected.

- Similarly to Non-withholdings, the slowdown in tax return growth to finish FY 26 reduced total Refunds below expectations. This unexpected change in return growth and revenues will be evaluated for any potential impact this may have on these two categories for 2025 tax return extensions in October as well as overall expectations for FY 27.

Corporate Income Tax:

- Corporate Income tax collections were higher than expected in June by approximately $35.7 million. Revenues totaled $1,217.5 million and ended $13.1 million above the estimate for FY 26, declining 7.9 percent for the fiscal year versus an expected decline of 8.9 percent. *(slides 9-12)*

Mr. Vesely discussed year-end Insurance and Bank tax revenues. His key points included:

- Insurance tax revenues for FY 26 totaled $372.4 million and were $17.7 million less than expected in the May forecast. This shortfall is due to significantly higher Insurance Premiums tax credits of $96.9 million in June compared to $76.9 million expected, reducing net Insurance tax revenues. Gross Insurance Premiums tax collections were close to estimates.
- Gross Insurance premiums and the unexpected level of premiums tax credits will be evaluated as part of the November 2026 forecast process.
- Bank tax revenues for FY 26 totaled $84.0 million and were $9.7 million above the estimate. The estimate anticipated an 18.2 percent decline over the year, but Bank tax finished with a 7.6 percent decline. Financial data shows that SC banks remain in steady positions. Audit revenue this year was less than $200,000 versus $23 million in FY 25. *(slides 13-14)*

Mr. Rainwater concluded the main presentation by noting several additional items:

- The final FY 26 revenues affected the growth rates needed to meet the FY 27 estimates.
- Updating the growth rates, however, will involve other factors as well, such as adjustments for legislative enactments, current trends, and updated economic expectations. Another major factor will include an estimate for the impact of lowering the Withholdings tables pursuant to the income tax reform act. The act requires the Department of Revenue (DOR) and RFA to work together in estimating and implementing this change so as not to negatively affect the budget. *(slides 15-18)*

He then mentioned that the agency was publishing a new website on the coming Monday and thanked the Department of Administration (DOA) and Tyler Technologies for their service. He also acknowledged and thanked the many staff members who contributed to this effort over the past nine months, and especially Ms. Kathryn Kelley for her management of this project, and Mr. Byron Kirby for his expert technical insights and assistance.

Mr. Rainwater concluded the discussion by outlining the purposes and presentations for the next two meetings, which will prepare the Board for the forecast meeting on November 19, 2026.

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

IV. Other Items for Discussion

V. The next scheduled meeting is September 24, 2026.

VI. Dr. Mikota moved to adjourn the meeting, and Mr. Hutto seconded the motion. All voted aye, and the meeting adjourned at 9:57 a.m.

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

These minutes were approved on 9/24/2026

Emily Prosser Emily Prosser