

May 2025 Revised Consensus General Fund Revenue Forecast

Modest Downward Revisions from February Consensus Revenue Forecast

The Consensus Forecasting Group (CFG), comprised of economists at OSBM and the General Assembly’s Fiscal Research Division, has issued a revised consensus revenue forecast for General Fund revenues.

Slightly Lower Expected FY 2024-25 Overcollections

The revised forecast anticipates overcollections of \$364M in FY 2024-25, \$180M lower than [forecast in February 2025](#). The downward revision is due primarily to lower-than-expected corporate income tax collections in April, particularly related to reduced estimated tax payments from businesses, likely due to anticipating higher input costs and lower profits from recently implemented tariffs.

Individual income tax collections in April and early May were higher than in last year’s spring filing season, due primarily to high capital gains realizations during 2024, but were in line with expectations based on the February 2025 consensus forecast. The filing season concluded earlier than expected because few taxpayers in Helene-affected counties waited until the May 1 extended deadline to file and pay state income taxes without penalties or interest. The federal filing deadline for those affected by the hurricane has since been shifted from May 1 to September 25, but the CFG anticipates very little revenue impact from the additional extension. Sales tax collections rebounded close to target in April due to a temporary surge in consumer spending on durable goods in March and early April, likely related to consumers shifting purchases forward in advance of expected tariffs.

Anticipated Slowing Economic Growth Results in Modest Downward Revision

The forecast anticipates modestly lower revenues in each year of the 2025-27 biennium due mainly to lower collections from sales, individual income, and corporate income taxes. Total General Fund revenues for FY 2025-26 are revised down \$218M (0.6%) from the February consensus. Anticipated collections remain above the individual income tax rate trigger for that year, which will lower the individual income tax rate from 3.99% in 2026 to 3.49% in 2027.

The forecast for FY 2026-27 is down \$222M (0.7%) from the February consensus and \$827M below the consensus forecast for FY 2025-26. The primary factor behind the anticipated year-over-year decrease in revenues is the triggered rate reduction to 3.49% in 2027. The forecast for FY 2026-27 revenues remains below the trigger amount in that year. However, revenue collections would only need to exceed the revised forecast by \$256 million (0.8%) to trigger a rate reduction to 2.99% in 2028.

May 2025 Revised Consensus General Fund Forecast (in millions)			
Fiscal Year	Revised Consensus	Change \$	Change %
FY2024-25	\$34,528.1	(180.1)	-0.5%
FY2025-26	\$34,672.1	(217.6)	-0.6%
FY2026-27	\$33,844.7	(222.4)	-0.7%

Source: OSBM-FRD consensus forecast as of May 28th, 2025

A weakening outlook for wage and profit growth led to a minor downward revision to the personal income tax forecast. Recent business surveys show fewer businesses expect to raise workers' wages, with many expressing renewed focus on cutting costs to support profitability amid higher prices for imports. However, collections are projected to decline only modestly from the February consensus due to offsetting effects from continued growth in non-wage income sources, including investment and pension income.

The forecast also anticipates lower sales tax revenues due to slowing wage growth and from consumers shifting spending away from tariff-affected goods and toward less-affected services.

Anticipated lower revenues from corporate income taxes reflects a lower baseline for FY 2024-25 collections. The forecast continues to reflect weakness in corporate profits in 2025 and 2026 after several years of strong growth, but the outlook for year-over-year business profit growth through the biennium is little changed from the February consensus forecast despite significant changes to federal trade policy.

Economic Uncertainty Heightens Revenue Forecast Risk

One of the dominant themes from recent surveys of businesses and consumers is heightened uncertainty about the economy. The revised consensus revenue forecast reflects this heightened uncertainty.

Although the economic outlook underlying the forecast anticipates weakening—but positive—economic growth, there is also elevated risk of a national and global recession that could push revenues much lower. Conversely, there is also a possibility of higher revenue collections should economic and policy uncertainty diminish, thereby encouraging continued business investment and consumer spending.

Minor Downward Revision to Transportation Revenue Forecast

Transportation revenues from General Fund sales tax transfers are revised slightly downward to reflect reduced General Fund sales tax collections in the revised consensus. Highway Trust Fund revenues are revised modestly downward due to anticipated reductions in vehicle sales resulting from federal trade policy impacts on automotive pricing. All other Highway Fund and Highway Trust Fund revenue sources have remained unchanged from February projections.

May 2025 Revised Consensus Transportation Forecast (in millions)			
Fiscal Year	Revised Consensus	Change \$	Change %
FY2024-25	\$5,707	(2)	-
FY2025-26	\$5,765	(30)	-0.5%
FY2026-27	\$5,847	(45)	-0.8%

Source: OSBM-FRD consensus forecast as of May 28th, 2025