

FISCAL RESEARCH DIVISION

A Staff Agency of the North Carolina General Assembly

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Consensus Revenue Forecast

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Outline

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Changes to Economic Outlook

Economic forecasters have increased expectations compared to May 2025. While there is significant uncertainty related to the U.S.-Iran conflict, forecasters expect the effects on energy prices to be short-lived.

FY 2025-26 Examples (Year-over-year growth estimates from Moody's)

- US GDP: 4.4% in May 2025 → 5.8% in March 2026
- NC GDP: 5.3% in May 2025 → 5.6% in March 2026
- NC Total Personal Income: 5.2% in May 2025 → 6.7% in March 2026



Collections Overview through February

Most revenue sources are above consensus revenue targets.

Revenue Source	Comparison to Certified Revenue
Personal Income Tax	Above Target
Sales Tax	Below Target
Business Taxes	Above Target
Other Taxes	On Target
Nontax Revenue	Above Target



General Fund Forecast Summary

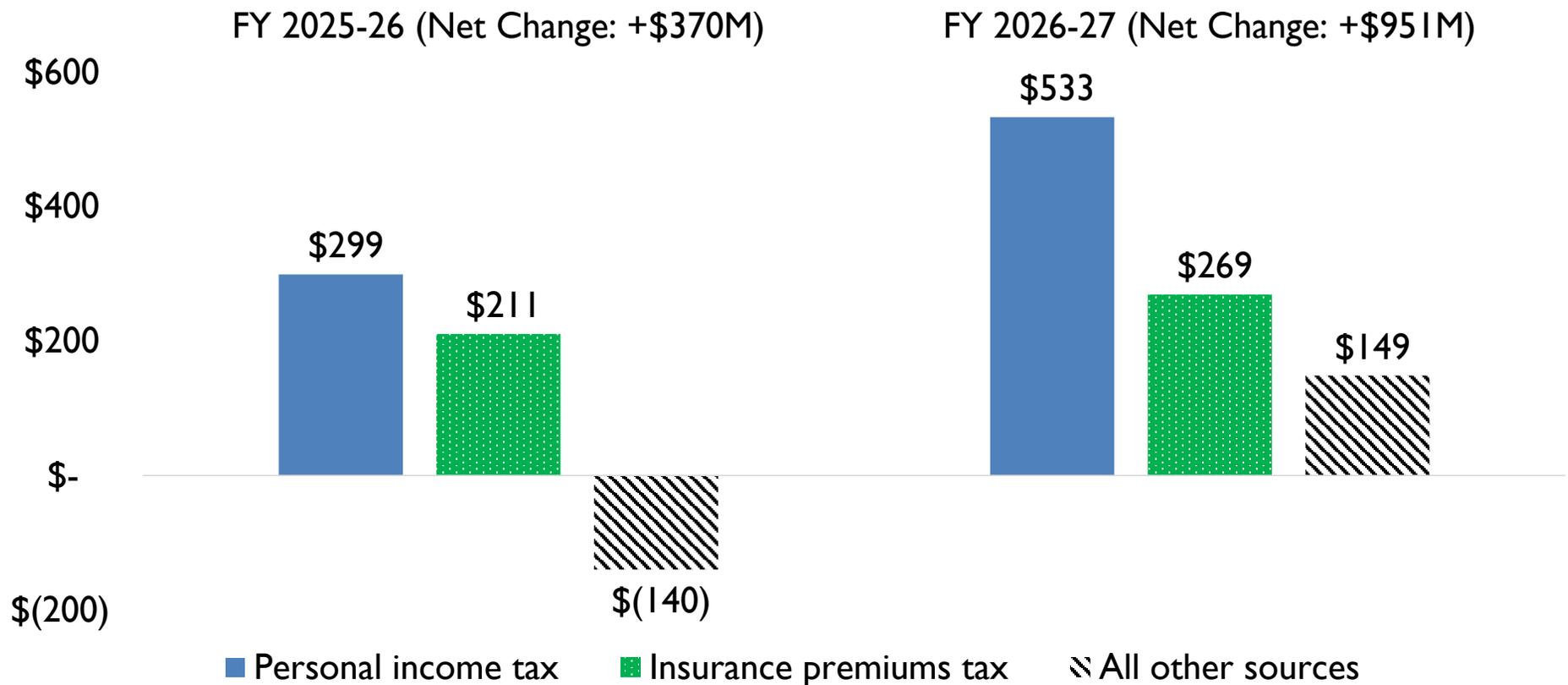
\$ in millions

Fiscal Year	Certified Revenue	March 2026 Forecast	Change
2025-26	\$34,709	\$35,079	+\$370 (+1.0%)
2026-27	\$33,769	\$34,720	+\$951 (+2.8%)



Contributions to Forecast Revision

\$ in millions



Personal Income Tax Triggers

Fiscal Year	Trigger Amount (\$ in millions)	General Fund Forecast	Tax Year	Personal Income Tax Rate
-	-		2024	4.5%
-	-		2025	4.25%
-	-		2026	3.99%
FY 2025-26	\$33,042	\$35,079	2027	3.49% (Trigger hit, 1 st rate reduction)
FY 2026-27	\$34,100	\$34,720	2028	2.99% (Trigger hit, 2 nd rate reduction)
FY 2027-28	\$34,760		2029	Up to 1 additional rate reduction of 0.5% contingent on triggers: 3 rd reduction: 2.99% to 2.49% (minimum rate = 2.49%)
FY 2028-29	\$35,750		2030	
FY 2029-30	\$36,510		2031	
FY 2030-31	\$38,000		2032	
FY 2031-32	\$38,500		2033	
FY 2032-33	\$39,000		2034	



Risks to the Forecast

U.S.-Iran Conflict

- Oil prices may hinder growth and raise prices
 - Increased prices could increase retail sales tax collection, which could offset income tax revenue declines.

"April Surprise"

- If income tax payments come in below trend, current year collections could revert towards certified revenue



Transportation Revenue Forecast Summary

\$ in millions

Fiscal Year	Certified Revenue	March 2026 Forecast	Change
2025-26	\$5,795	\$5,854	+\$59 (+1.0%)
2026-27	\$5,892	\$5,971	+\$79 (+1.3%)



Thank You

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Appendix: General Fund Detailed Revisions

\$ in millions (figures rounded)

Source	FY 2025-26		FY 2026-27	
	Consensus Revenue	Change from Certified	Consensus Revenue	Change from Certified
Personal Income Tax	\$17,192	1.8%	\$16,615	3.3%
Sales and Use Tax	\$11,337	-1.4%	\$11,785	-0.3%
Business Taxes	\$3,729	4.0%	\$3,719	9.8%
Other Taxes	\$1,015	-1.5%	\$1,040	-1.0%
Nontax Revenue	\$1,806	5.7%	\$1,562	9.2%
Total Revenue	\$35,079	1.1%	\$34,720	2.8%



Appendix: FY 2025-27 Tax Policy Changes

- Personal income tax rate reductions
 - Calendar Year 2025 – 4.25%
 - Calendar Year 2026 – 3.99%
 - Calendar Year 2027 – 3.49% (First trigger exceeded based on FY 2025-26 forecasted net General Fund revenue)
- Corporate income tax rate reductions
 - Calendar Year 2025 – 2.25%
 - Calendar Years 2026 and 2027 – 2.0%
- Sales tax transfer to DOT fully phased in at 6% in FY 2024-25, increasing rate of sales tax revenue growth in FY 2025-27 relative to FY 2023-25



Appendix: 5-Year General Fund Revenue

\$ in millions

