

## May Revised Consensus General Fund Revenue Forecast

### Little Change from February Consensus Revenue Forecast

- Nonpartisan staff at OSBM and the General Assembly’s Fiscal Research Division (FRD) have issued a revised consensus revenue forecast for General Fund revenues.
- April is typically the most volatile and unpredictable month for revenue collections, as individual and corporate income payments and returns are generally due April 15th.
- This year, April revenue collections were significantly below prior-year levels but were consistent with the February consensus forecast. The result is a -\$135.8 million (-0.4%) downward revision to projected overcollections for the current fiscal year, mostly due to slower-than-anticipated growth in investment income on State cash balances.
- The revised consensus forecast anticipates General Fund revenue growth of \$416M (1.3%) in the current fiscal year. Growth in sales tax revenues and investment income more than offsets a decline in individual income tax revenues.
- In the next biennium, the forecast anticipates General Fund revenue growth of \$216M (0.6%) in FY 2023-24 and \$36M (0.1%) in FY 2024-25.
- Continued growth in revenues from investment income and taxes on insurance premiums will more than offset small declines in income and sales taxes in FY 2023-24. Small increases in revenues from individual income, sales, and insurance premium taxes in FY 2024-25 will offset declining investment income revenues.
- The economic outlook for the upcoming biennium has changed little from [February](#). OSBM and FRD economists still anticipate a significant slowdown in economic growth during the remainder of 2023 and into 2024 combined with gradually easing inflation.

May 2023 Revised General Fund Consensus Forecast Summary				
Fiscal Year	February Forecast	Revised Forecast	Change \$	Change %
2021-22 (actual)	\$33,208.7	n/a	n/a	n/a
2022-23 (est.)	\$33,760.2	\$33,624.4	-\$135.8	-0.4%
<i>vs. certified</i>	<i>\$3,250.3</i>	<i>\$3,114.5</i>		
2023-24 (est.)	\$33,706.4	\$33,838.9	+\$132.5	0.4%
2024-25 (est.)	\$33,648.3	\$33,875.3	+\$227.0	0.7%

### Recession Risks and Implementation of Business Tax Changes Heighten Uncertainty

- Although the U.S. economy has continued expanding despite headwinds from monetary policymakers’ efforts to fight persistent inflation, the risk of a recession remains elevated.
- Many North Carolina businesses that pass income directly to their owners have elected to take advantage of the new option to pay income taxes at the entity level and credit those tax payments to their owners. This change has introduced new uncertainty into the forecasts for individual and corporate income taxes due to challenges attributing payments between tax types and to differences in taxpayer behavior between business entities and individuals.