

# Quarterly Revenue Report

## Q3 FY 2025-2026 (January-March)

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## ABOUT THIS DOCUMENT

The League’s quarterly Revenue Reports provide a general economic update and a summary of tax revenues collected by the state that are returned to local governments (municipalities and counties) throughout the year. These include a portion of local option sales and use taxes, utility sales taxes (on electricity, piped natural gas, telecommunications and local video programming), beer and wine excise tax, and solid waste disposal tax. These taxes are distributed to municipalities throughout the year according to formulas outlined in state law, and relevant revenue sources will be highlighted in each quarterly report.

To view this information in a more interactive format, visit our most recent [quarterly revenue report dashboard](#). For more information on the different types of state-collected local taxes and distribution formulas, see the League’s most up-to-date “[State-Collected Local Taxes: Basis of Distribution](#)” memo.

## WHAT’S NEW THIS QUARTER?

The following NC Department of Revenue (DOR) data has been released following the [League’s most recent revenue projection report](#).

Distribution Data	Collection Period	Distribution Received
Sales & Use Tax <sup>1</sup>	February, March April 2026	April, May, June 2026
Taxable Sales Data	January, February, March 2026	June 2026
Utility Sales Tax	January, February, March 2026	May 2026
Solid Waste Tax	January, February, March 2026	June 2026
Alcohol Sales Tax	April 2025-March 2026	June 2026

<sup>1</sup> Distributions received are generally representative of sales three months prior and were collected by DOR two months prior. Based on state accounting guidelines, the League assumes that revenues are accrued for 90 days. Please refer to memo #1015, “[Recognition of Sales Tax and Other Revenues at Year-End](#),” issued by the LGC on March 31, 2004, for further details and guidance.

Based on the latest data, the following tables summarize our analysis of statewide trends for Q3 of the 2025-2026 fiscal year:

FY26 Q3 Summary		
Revenue Source	Total Distributed FY26 Q3	% Change from FY25 Q3
Sales & Use Tax	\$1,398,594,847	4.10%
Sales & Use Tax Refunds	\$89,669,232	-2.20%
Electricity Sales Tax	\$126,297,098	4.01%
Video Programming Sales Tax	\$11,543,878	-16.31%
Telecommunication Services Sales Tax	\$5,354,846	-7.08%
Natural Gas Sales Tax	\$19,512,760	38.73%
Solid Waste Tax	\$2,340,186	-3.26%

## LOCAL GOVERNMENT SALES & USE TAXES

Sales tax revenue for the third quarter tends to be the lowest of the year from a dollar amount perspective. As consumers slow their shopping down from the holiday season and budgets constrict, we typically see modest-to-flat growth in these months. This was realized in the revenue data this year, with similar growth patterns to last year, 4.10% year-over-year change in total distributions. Quarter three growth has remained stable for the last three years despite consumer constriction related to inflation.

### Q3 Sales Tax Distributions, YoY % Change, by Article

	FY22-23-FQ3	FY23-24-FQ3	FY24-25-FQ3	FY25-26-FQ3
Art 39 % Change Y-O-Y	8.28%	3.19%	3.59%	4.04%
Art 40 % Change Y-O-Y	8.28%	3.18%	3.56%	4.07%
Art 42 % Change Y-O-Y	8.16%	3.22%	3.54%	4.18%

Overall, total distributions to local governments are 4.10% higher than they were in Q3 of FY2024-25:

### Monthly Sales Tax Distributions Year-to-Date

Date	Total % Change Y-O-Y	Difference from Last Year	TOTAL DISTRIBUTED
February 2026	3.62%	\$15,004,481	\$429,351,238.49
March 2026	4.51%	\$18,731,608	\$434,285,010.65
April 2026	4.15%	\$21,327,620	\$534,898,592.72
<b>Total</b>	<b>4.10%</b>	<b>\$55,063,709</b>	<b>\$1,398,534,841.86</b>

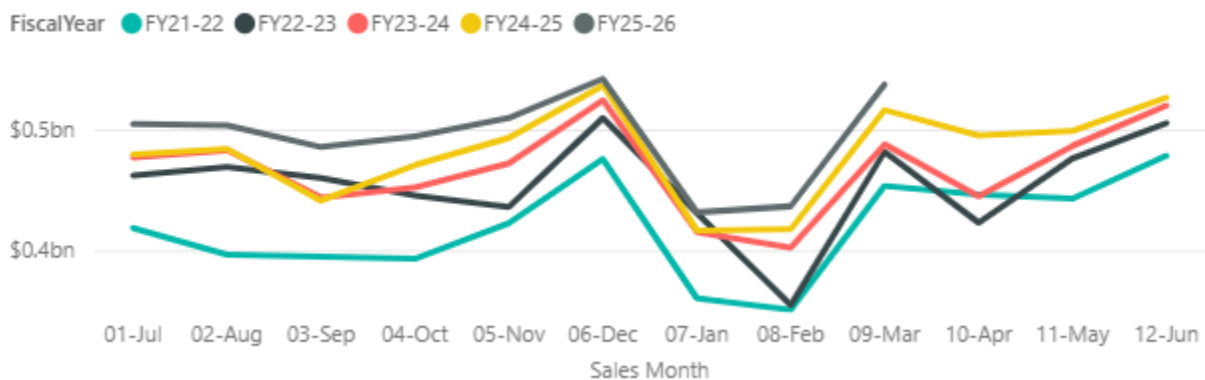
At a gross level, prior to refunds being taken out, sales tax collections have grown slightly faster than the net collections and distributions:

### Gross & Net Sales Tax Collections (by Sales Month)

Date	Gross Collections	Gross Collections % Change YOY	Net Collections	Net Collections % Change YOY
August 2025	\$529,740,952	6.44%	\$504,491,743	5.24%
September 2025	\$524,397,556	5.23%	\$503,428,912	4.04%
October 2025	\$532,159,751	8.04%	\$485,689,472	10.10%
November 2025	\$521,903,301	3.80%	\$494,168,358	5.04%
December 2025	\$514,648,451	1.87%	\$509,473,440	3.32%
January 2026	\$608,817,657	7.85%	\$541,781,071	0.99%
February 2026	\$466,310,542	1.50%	\$431,411,747	3.60%
March 2026	\$455,692,451	7.36%	\$436,354,561	4.49%
April 2026	\$570,350,945	4.87%	\$537,128,130	4.10%
<b>Annual Total</b>	<b>\$4,724,021,607</b>	<b>5.24%</b>	<b>\$4,443,927,434</b>	<b>4.46%</b>

It is always difficult to pinpoint just one factor to explain the year-over-year trends in sales tax. Within the framework of the national economy, this year has been exceptionally difficult to predict. Given ongoing uncertainty around trade policy, geopolitical events and broader economic conditions, it remains difficult to predict if we would expect to see the same growth in the fourth quarter that we saw last fiscal year. The prior two years saw two poor-performing April sales months.

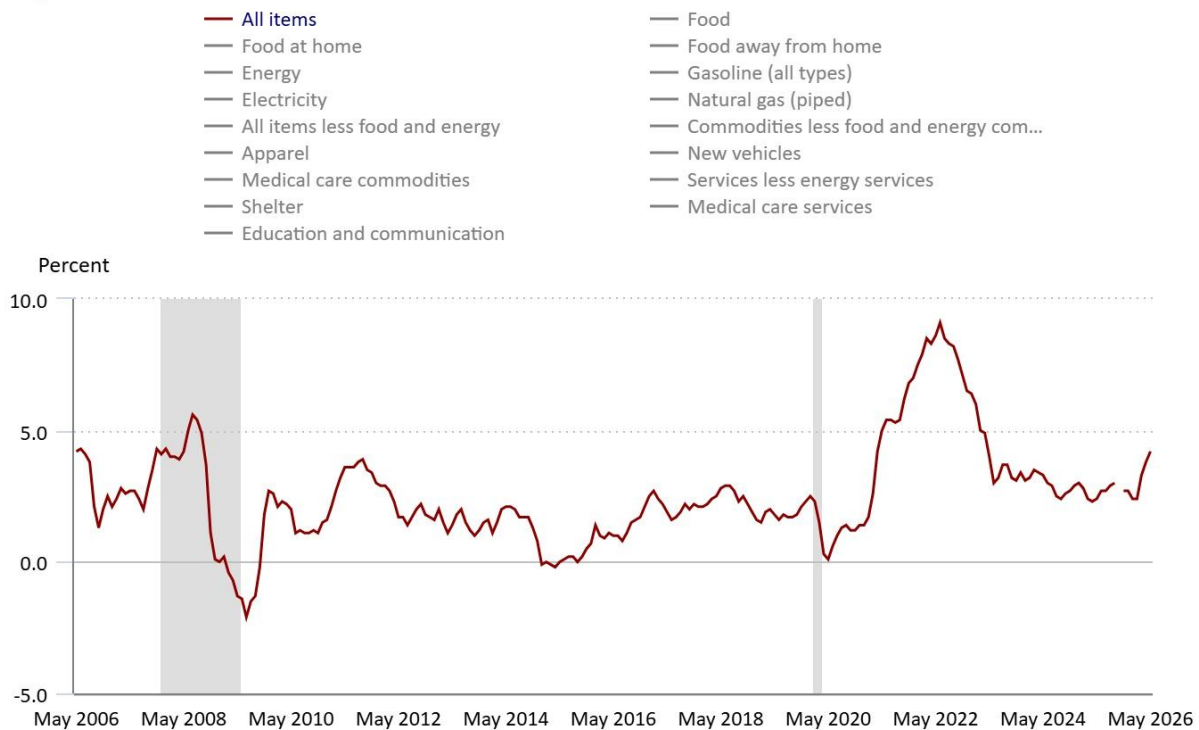
### NET Sales Tax Monthly Collection



Inflation increased in May, with the [Consumer Price Index](#) rising 0.5% for the month and 4.2% over the past year. The largest driver was energy, which rose 3.9% in May and accounted for more than 60% of the monthly increase, while shelter and food posted smaller gains. Excluding food and energy, core inflation rose a modest 0.2%, with increases in areas like medical care, airline fares, and recreation offset somewhat by declines in motor vehicle insurance and new vehicles. For local governments, higher prices can temporarily support sales tax revenue by increasing the taxable

value of purchases, though persistent inflation may eventually weaken consumer spending and slow revenue growth. That tipping point is a balancing act that is at the core of the Federal Reserve’s monetary policy.

**12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted**



Source: U.S. Bureau of Labor Statistics.



Note: The shaded areas are representative of a recession.

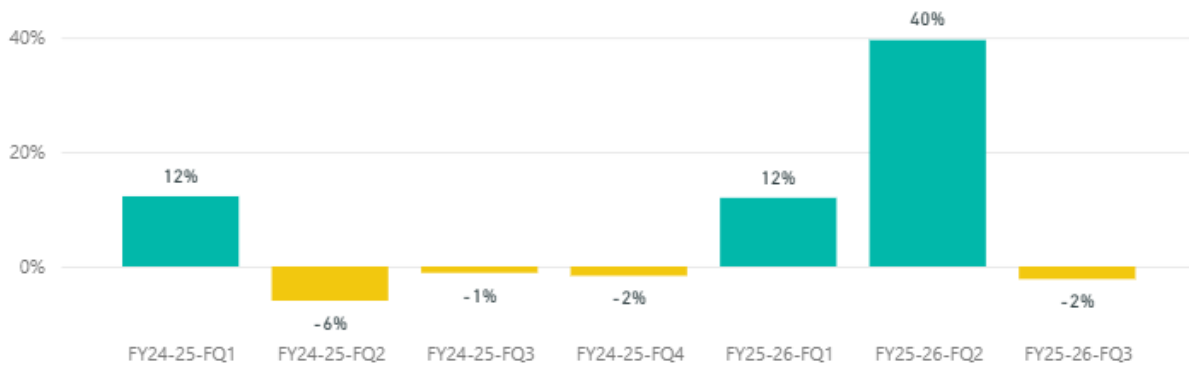
## SALES TAX REFUNDS

Sales tax refunds contribute to the general volatility of sales tax data; there are no apparent trends that appear within the refund data. The timing of organizations filing for refunds, combined with the DOR’s capacity to process these requests, can make refunds spike or drop during any given month. Refunds for the third quarter of FY25-26 were down -2% from the previous year, but as a percentage of collections (6%), they were roughly in line with the third quarter of the previous fiscal year (6.36%). The up and down nature of refund totals is shown in the line graph at the bottom of the following page.

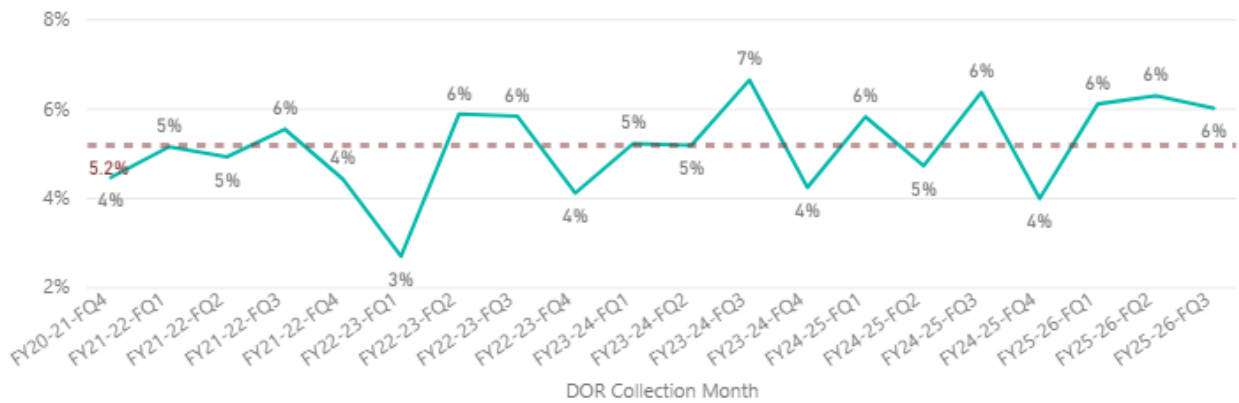
### Refunds, by Quarter

Sales_FY.FQ	Refunds This Year	Refunds Last Year	Refunds as % of Collections	Refunds % Change YOY
FY25-26-FQ3	\$89,669,232	\$91,689,104.63	6.00%	-2.20%
FY25-26-FQ2	\$103,516,586	\$74,189,132.57	6.28%	39.53%
FY25-26-FQ1	\$96,964,608	\$86,588,515.41	6.10%	11.98%
FY24-25-FQ4	\$63,020,611	\$64,061,805.24	3.98%	-1.63%

### Quarterly Refunds YoY % Change



### Monthly Refunds as % of Collections



## UTILITY SALES TAXES

The Department of Revenue distributes quarterly taxes from the sales of four utility types—electricity, natural gas, telecommunication services and video programming. The table below reflects the estimated time between when a customer uses the utility and the time at which the Department of Revenue distributes the report.

1- Customer Uses Utility	October	November	December
2- Billing Month	November	December	January
3- Payment Due	December	January	February
4- DOR Collection Month	January	February	March
5- Report Distributed	June		

Utility tax distributions during FY25-26 Q3 saw a significant increase in natural gas revenues and a tempered increase in electricity tax distributions:

### Q3 Utility Tax Distributions, YoY % Change

	FY23-24-FQ3	FY24-25-FQ3	FY25-26-FQ3
Electricity % Change YOY	15.04%	9.87%	4.01%
Nat Gas % Change YOY	-7.28%	11.22%	38.73%
Telecom % Change YOY	-3.80%	-3.79%	-7.08%
Video % Change YOY	-7.36%	-7.95%	-16.31%

Historical dollar amounts for Q3 utility collections are shown below:

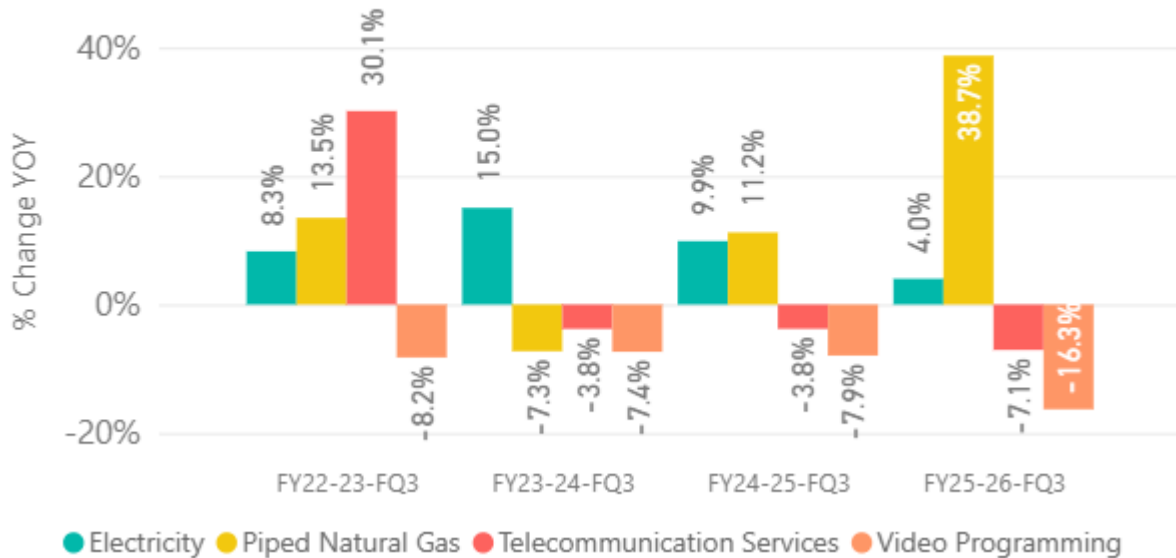
### Q3 Utility Tax Distributions, YoY \$ Change

	FY23-24-FQ3	FY24-25-FQ3	FY25-26-FQ3
Sales Tax on Electricity	\$110,524,884	\$121,430,641	\$126,297,098
Sales Tax on Piped Natural Gas	\$12,646,216	\$14,064,809	\$19,512,760
Sales Tax on Telecommunication Services	\$5,990,004	\$5,762,762	\$5,354,846
Sales Tax on Video Programming	\$14,984,819	\$13,794,185	\$11,543,878

The trendline for telecommunications revenues is at -2.14% year-over-year change. For this last quarter, the decline was a bit more pronounced at -7.08%. Video programming revenues continue their decline, reporting a -16.31% decline in revenues for the third quarter compared to the previous third quarter of last fiscal year.

"The large increase in natural gas revenue year-over-year, and the slight increase in electricity revenues, can likely be explained through pricing trends (as depicted in the charts on page 10).

### Q3 Utility Tax Distributions, year-over-year change (%)

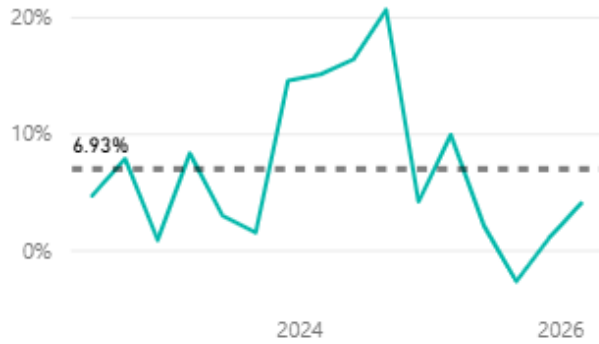


## ELECTRICITY & NATURAL GAS

Though in recent years the natural gas revenue increases in quarter three have not been as dramatic, this year’s 38.7% increase over the previous period last year is not unprecedented. Natural gas revenues are largely dependent on weather patterns rather than price, though price is definitely a factor. The price of natural gas to North Carolina commercial and residential consumers both increased by 42.6% and 22.3%, respectively, contributing to this quarter’s increase in revenue. Quarter three is typically the largest natural gas revenue quarter of the year.

In the third quarter of last year, electricity prices in North Carolina declined by roughly the same percentage that consumption increased. Despite those offsetting factors, local government electricity tax revenues grew by 9.9% compared to the prior year. This year, both key drivers moved in the same direction. Electricity prices increased by 4.12%, while consumption rose by 2.19%. The result was an increase in local government electricity tax revenues of 4% over the previous year. While revenue growth remained positive, it fell below the historical third-quarter trend of approximately 7% year-over-year growth.

### Electricity Tax Distributions



### Natural Gas Tax Distributions



As noted in the tables and graphs below, electricity prices increased in NC for the third quarter of FY25-26. After several quarters of year-over-year price declines, electricity prices increased 4.25% year-over-year.

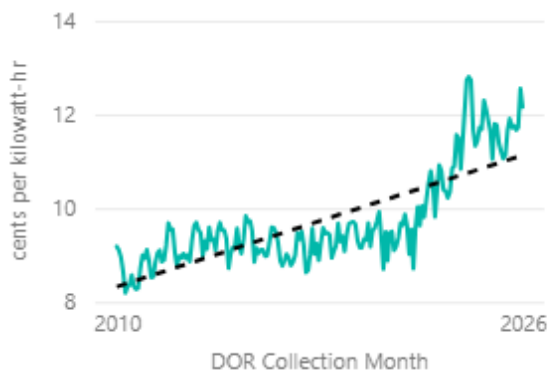
### Electricity Prices in NC

FY.FQ Utility	Avg Retail Electricity Price (All Sectors) % Change YOY
FY25-26-FQ3	4.25%
FY24-25-FQ3	-6.71%
FY23-24-FQ3	15.32%
FY22-23-FQ3	15.63%
<b>Average YTD</b>	<b>7.12%</b>

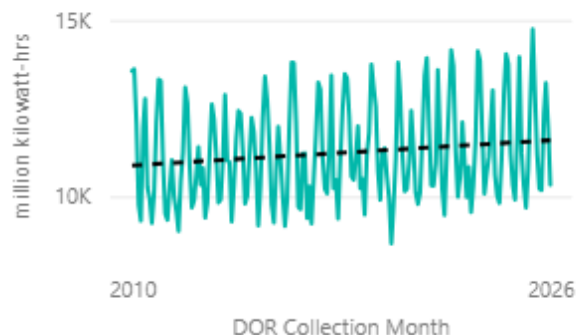
### Electricity Consumption in NC

FY.FQ Utility	Retail Sales of Electricity (kw-hours, All Sectors) % Change YOY
FY25-26-FQ3	2.19%
FY24-25-FQ3	6.02%
FY23-24-FQ3	5.26%
FY22-23-FQ3	-7.50%
<b>Average YTD</b>	<b>1.49%</b>

### NC Average Price of Electricity - All Sectors



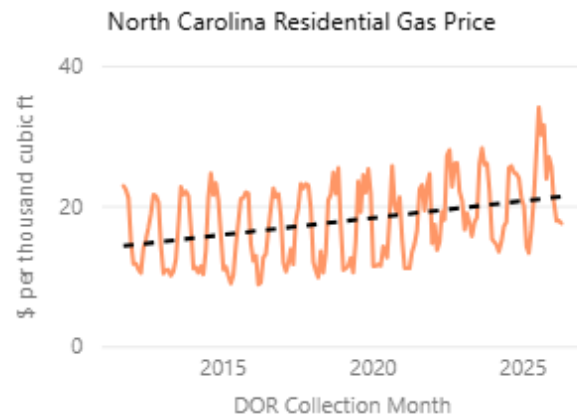
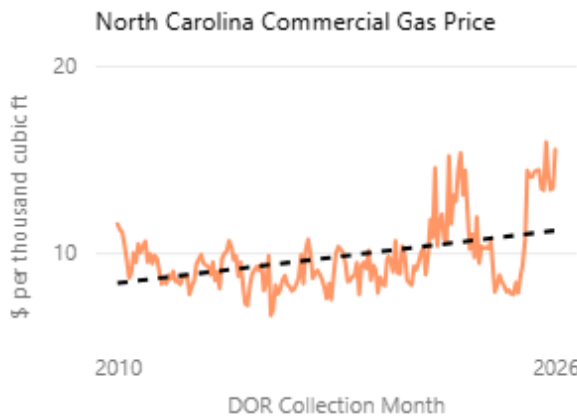
### NC Retail Sales of Electricity - All Sectors



As commercial and residential prices increased well above historical averages, natural gas distributions grew by approximately \$5.4 million compared to the same quarter in the prior year.

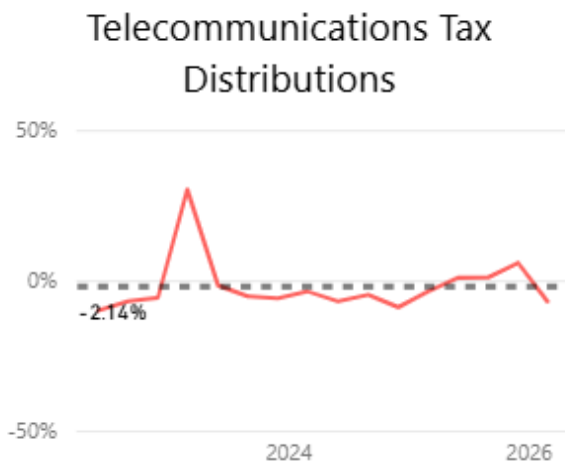
### Natural Gas Prices in North Carolina

FY.FQ Utility	Average of Commercial Gas Price % Change YOY	Average of Residential Gas Price % Change YOY
FY25-26-FQ3	42.64%	22.30%
FY24-25-FQ3	10.24%	4.66%
FY23-24-FQ3	-32.23%	-19.06%
FY22-23-FQ3	11.56%	17.46%
<b>Average YTD</b>	<b>8.05%</b>	<b>6.49%</b>



### TELECOMMUNICATIONS & VIDEO PROGRAMMING

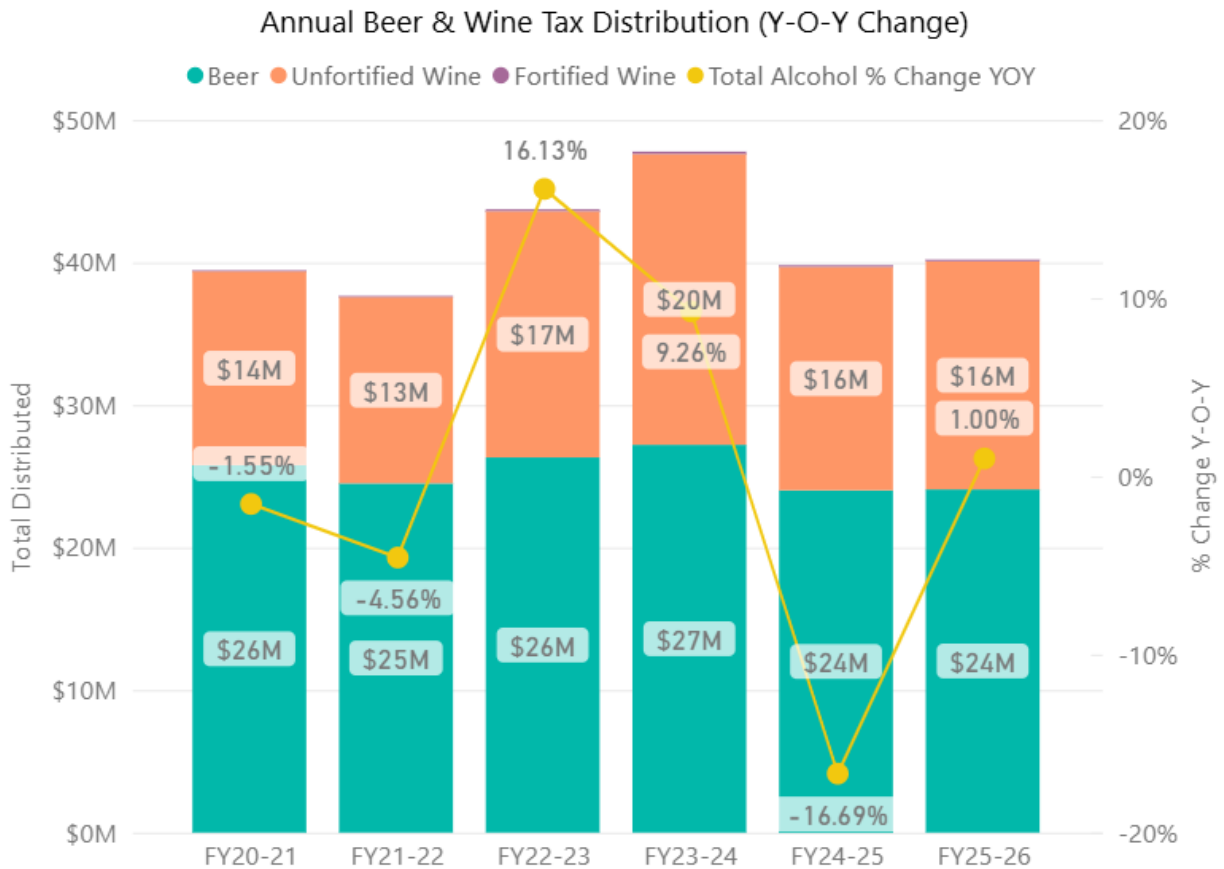
Revenue for both telecommunications and video programming took a hit this quarter, with a -7.08% and -16.31% decline, respectively. This decline is consistent with expectations of a decline in revenue from telecommunications and video programming tax revenue, and caps off the last three years of year-over-year quarter three declines.



## BEER & WINE TAX

The alcoholic beverage tax is an excise tax paid by producers based on their sales of alcohol in North Carolina. A portion of the taxes collected is distributed by the DOR to municipalities on a per capita basis. These revenues are collected during a period running from April through March of the following year, with distributions typically made to municipalities by June.

Growth in this revenue source is influenced by the overall volume and mix of beer and wine sold in North Carolina, as these products are taxed at different rates. An excise tax of 61.71¢ per gallon is levied on the sale of beer and malt beverages. An excise tax of 26.34¢ per liter is levied on the sale of unfortified wine, and 29.34¢ per liter is levied on the sale of fortified wine. One year after an unexpected double-digit decline in these revenues, this year we saw a 1% increase in this revenue source.

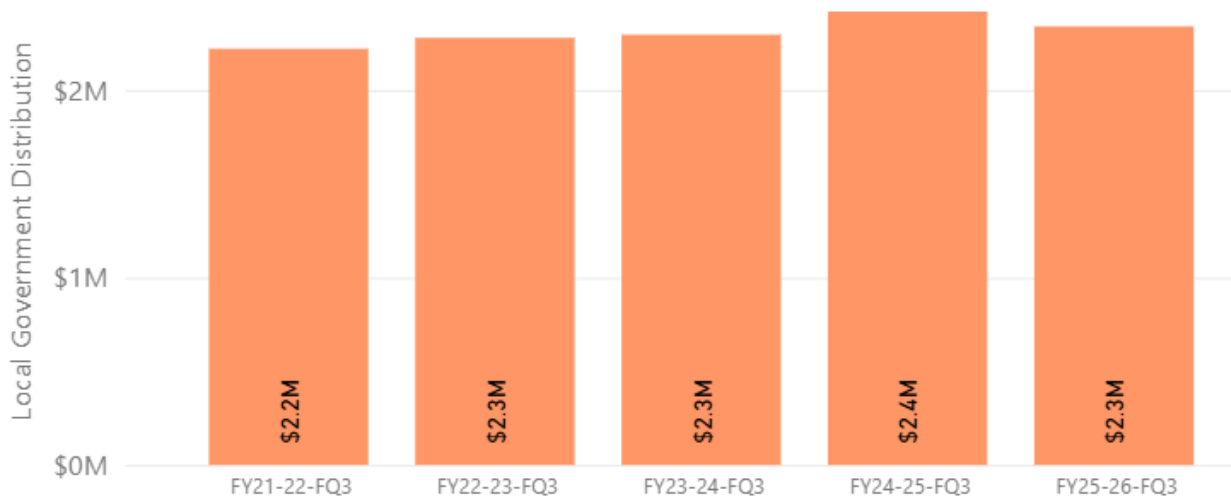


## SOLID WASTE DISPOSAL TAX

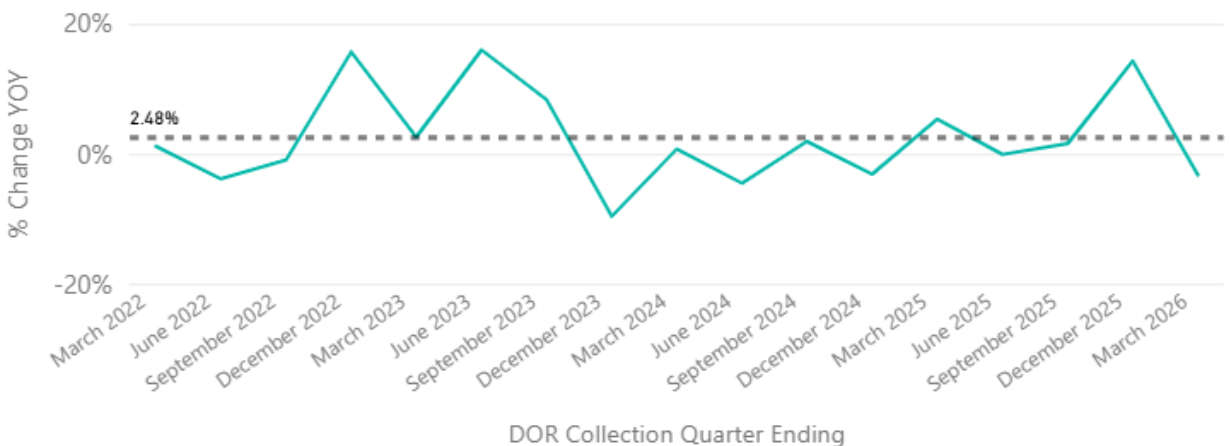
Revenue from solid waste comes from a \$2 per-ton solid waste disposal tax charged on municipal solid waste and construction and demolition debris that is deposited in a landfill in the state or transferred at a transfer station for disposal outside the state. The Department of Revenue distributes this revenue to local governments quarterly.

Solid waste distributions have decreased by -3.26% this quarter when compared to the same time period last fiscal year. These revenues typically have alternating growth and decline patterns, making this revenue source relatively stable. There was an exception to this trend in quarter two this year, which experienced a large jump with 14.29% growth year-over-year.

Q3 Solid Waste Disposal Tax History



Solid Waste Tax, Quarterly YoY % Change



### FY26 YTD Solid Waste Tax Distributions

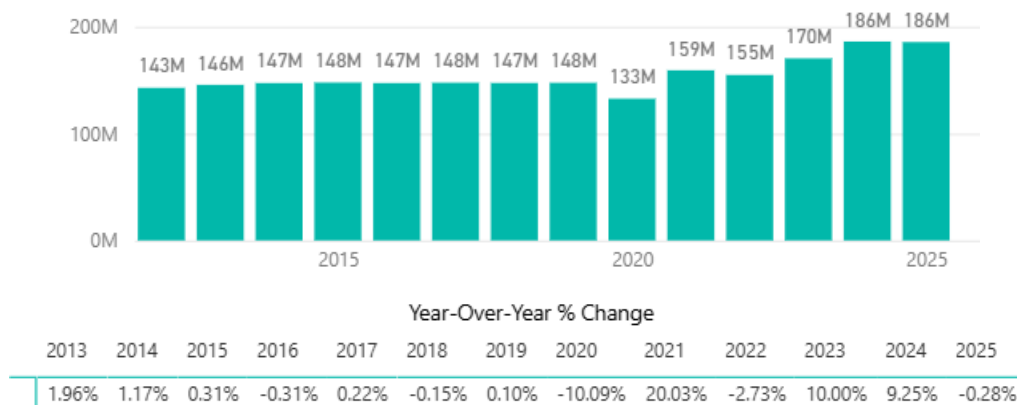
FY.FQ	Solid Waste Tax Distribution	Solid Waste Tax % Change YOY
FY25-26-FQ3	\$2,340,186	-3.26%
FY25-26-FQ2	\$2,694,884	14.29%
FY25-26-FQ1	\$2,515,124	1.54%
<b>Total</b>	<b>\$7,550,194</b>	<b>4.09%</b>

### POWELL BILL FUNDS

State Street-Aid (Powell Bill) funds are distributed to eligible municipalities in October and January. 75% of the annual distribution of Powell Bill funds is allocated among eligible cities based on population, while 25% of the distribution is based on mileage.

The 2023-2025 biennial budget increased Powell Bill appropriations from \$15.5 million in each of the two years of the biennium, making the total appropriation \$170.417 million in FY23-24 and \$186.137 million in FY24-25. With no state budget being passed for FY25-26, the amount of Powell Bill funds stayed consistent with the FY24-25 amount, and \$186.137 million was distributed for FY25-26. At the time of this publication, the North Carolina General Assembly has not passed a new appropriation for the biennial budget, though we do believe one is coming soon. The expectation is that the Powell Bill funds will remain intact at roughly the same amount.

Total Distributed by Year

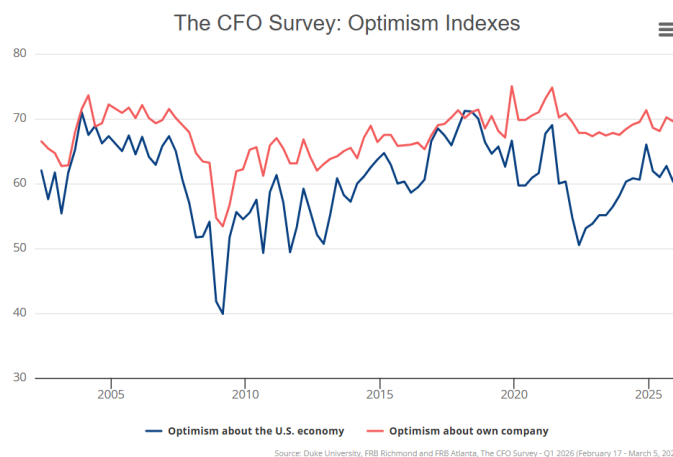


## ECONOMIC UPDATE: NATIONAL OUTLOOK

Forecasts on the economy at a national level have taken a timid tone surrounding the uncertainty tied to the Iranian War and imports/exports, oil prices and more. As discussions of a deal to end the war made headlines in the closing weeks of June, the stock market and oil prices delivered a rebound. Many of the national economic research and forecasts are predicated on a swift end to the war and a negotiated agreement that opens shipping through the Strait of Hormuz. The University of Michigan’s [US Economic Outlook for 2026-2028](#), released in May 2026, references GDP growth despite a gloom cast over consumer sentiment. This growth, largely by AI-driven capital, relies far more on imports than the tech boom in the 1990s.

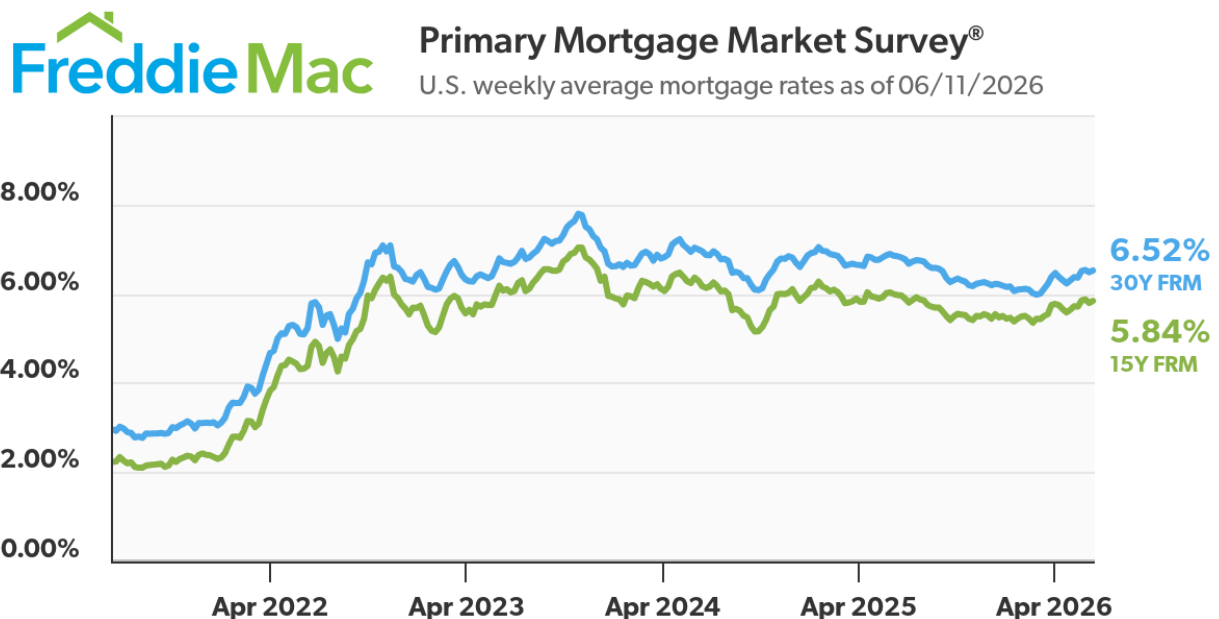
Worth noting this quarter is the impact of artificial intelligence on the economy. An [article by the Guardian](#) notes that the demand for datacenters to support the growth and demand for AI in the global economy is going to create a need for expansion of the grid to deliver the necessary power. This is especially relevant for our local governments in North Carolina when it comes to how land and utilities are used in each respective jurisdiction. [Jason Furman](#), an economist at Harvard’s Kennedy School, points to the investment and growth in datacenters as a singular force behind the growth in the GDP. Federal Reserve Chair Kevin Warsh also mentioned that the demand for datacenters is showing up in GDP.

The prominence of [AI-driven investment](#) may also help explain the resilience in business sentiment, as CFOs continue to report growing optimism despite persistent concerns over tariffs, labor availability and economic uncertainty. The CFO Survey conducted by [Duke University and the Federal Reserve Banks of Atlanta and Richmond](#) identified tariffs and trade policy as their top concern for the fifth consecutive quarter, but optimism about the United States’ economy still increased from 60.3 to 61.7 on a scale of 0-100 between the fourth quarter of 2025 and the first quarter of 2026.

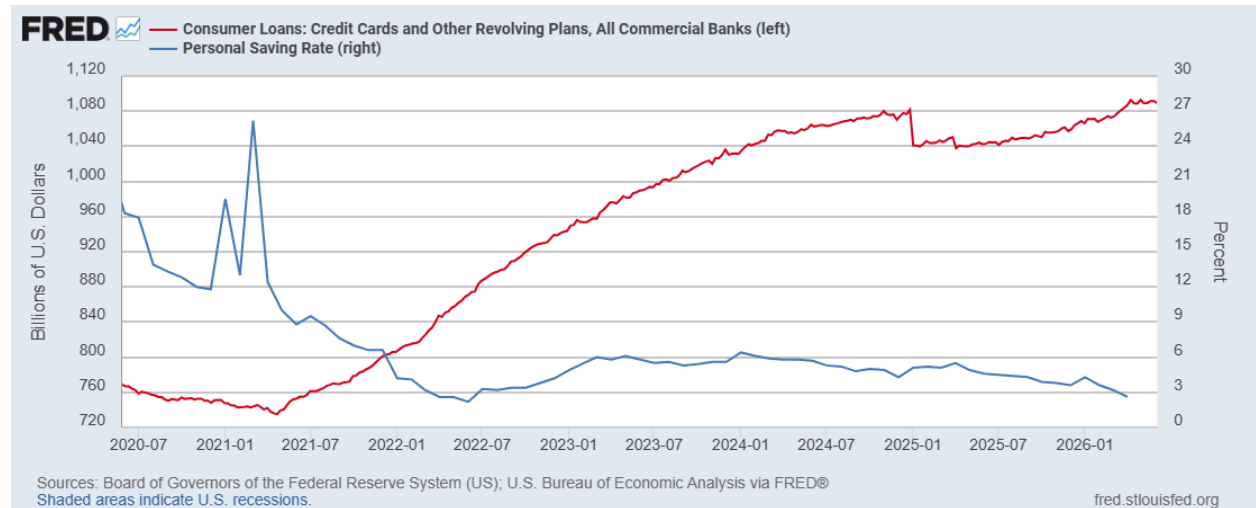


Though there were no immediate changes under the new Federal Reserve chair, Kevin Warsh, his [press conference](#) signaled the possibility of substantial changes, including walking back the trend of providing forward guidance. Warsh signaled a review of the Federal Reserve’s communication practices, including the use of forward guidance, economic projections and public messaging surrounding policy decisions. He also announced several temporary task forces that will evaluate Federal Reserve communications, data methodology, and broader monetary policy frameworks, including the long-standing 2% inflation target. For local governments and financial markets, these reviews may create greater uncertainty regarding the future path of interest rates, particularly as policymakers weigh whether inflationary pressures stemming from geopolitical events such as the Iran conflict warrant additional action. While the Federal Reserve’s commitment to price stability remains unchanged, future policy signals may become less explicit as the institution reassesses how it communicates its objectives and decisions.

[Housing market indicators](#) show signs of cooling. Builder confidence in newly built single-family homes fell two points in the June Housing Market Index. This is an indication that the majority of single-family home builders feel less confident about the current and near-term outlook for housing. As of June 11, 2026, the average 30-year fixed [mortgage rate](#) stood at 6.52%, slightly higher than the previous week’s 6.48% and materially improved from 6.84% one year ago. Lower mortgage rates typically support household financial stability and can help stimulate activity in the housing market. However, while lower than a year ago, these rates are still on the higher side and provide further evidence of the cooling market.



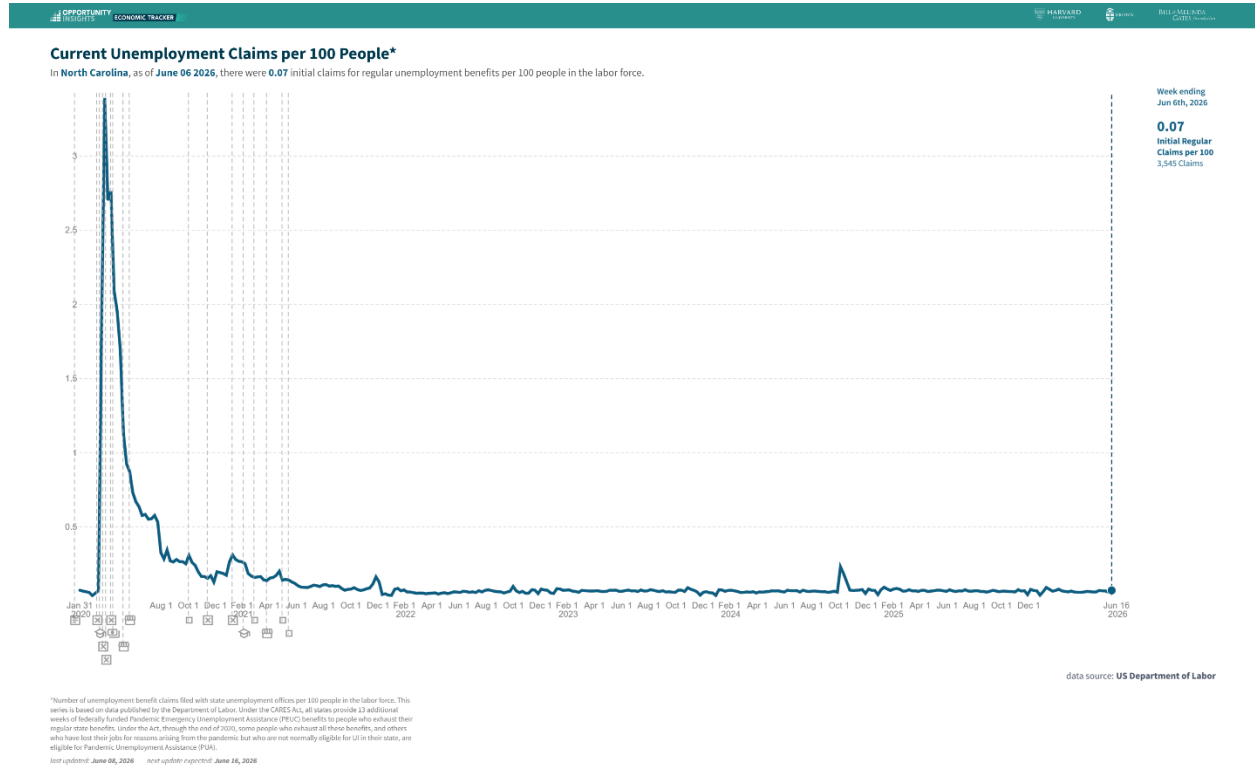
Inflation increased in May, with the [Consumer Price Index](#) rising 0.5% for the month and 4.2% over the past year. While higher prices can temporarily support sales tax collections, Federal Reserve data indicate consumers are increasingly relying on revolving credit as personal savings rates decline. Recent national data from the [Board of Governors of the Federal Reserve System \(US\): U.S. Bureau of Economic Analysis](#) displays a widening gap between the year-over-year savings rate to consumer loans. Pandemic-era savings, with stimulus infusions, are over, and consumers are handling the increased cost of living with revolving debt. This is helpful to the economy in the short term, but if the employment structure changes in North Carolina, everyday consumers may not have the cushion in their savings to help. When this occurs, consumer spending often softens, and local revenues tied to retail activity can flatten or become more volatile.



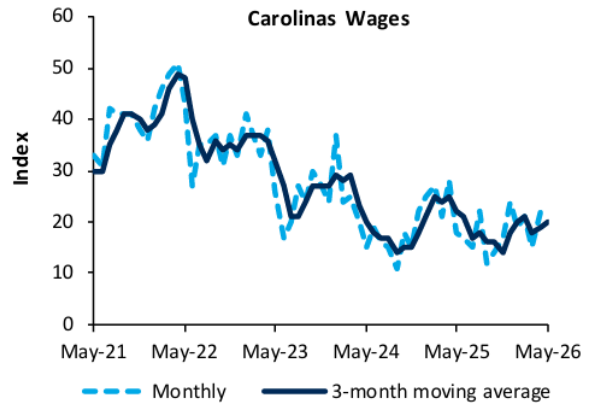
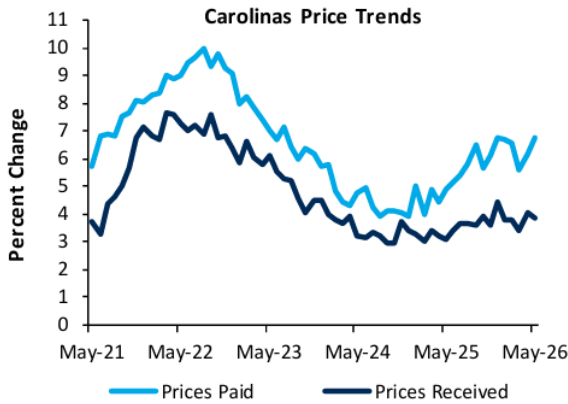
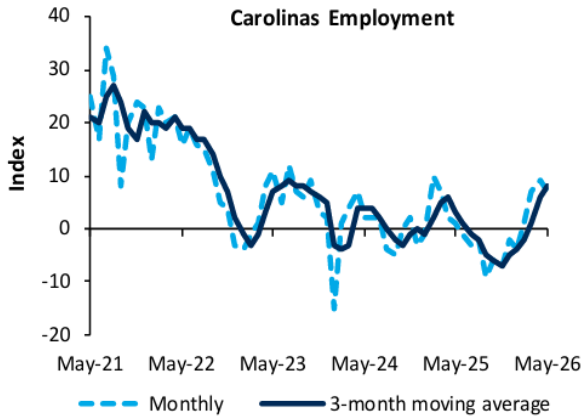
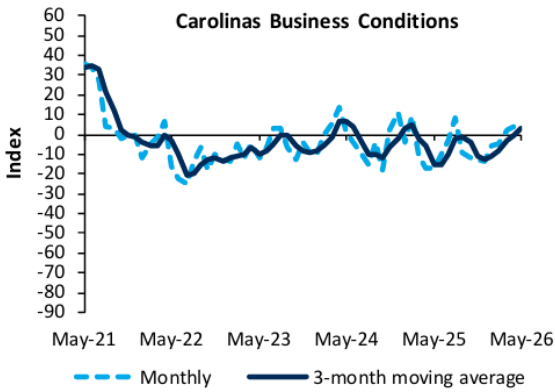
Taken together, these indicators suggest a national economy that remains resilient but increasingly dependent on a narrow set of growth drivers. AI-related investment, strong labor markets, and improving business sentiment continue to support economic activity, yet elevated inflation, consumer reliance on debt, housing market softness, and geopolitical uncertainty create meaningful downside risks. For local governments, the near-term outlook remains generally positive for revenues tied to economic activity and consumption, but the underlying conditions warrant caution. Communities may face growing infrastructure and utility demands associated with AI-driven development while simultaneously navigating the potential for slower consumer spending, higher borrowing costs and increased revenue volatility should economic conditions weaken.

## ECONOMIC UPDATE: STATE OUTLOOK

[Unemployment in North Carolina](#) is low. As a state, North Carolina is in a low-hire and low-fire employment environment. Unemployment claims for the United States at the beginning of June were 0.14 initial regular claims per 100. This is higher than the 0.07 claims per 100 in North Carolina, based on data published by the [Department of Labor](#). Except for October 2024, unemployment in North Carolina has been steady at or near 0.07 per 100 claims.



The Richmond Federal Reserve Bank’s [May 2026 Survey of Business Activity](#) showed stronger business activity across the Carolinas, with the sales index increasing by 17 points from April to May. Despite improving sales, businesses reported a decline in the availability of workers with needed skills, reinforcing findings from the [2026 UNC System Workforce Alignment Report](#) that workforce shortages remain a constraint on economic growth.



From the State revenue perspective, forecasters are striking a positive note. The [Consensus Forecast Group](#) revised FY 2026–27 General Fund revenues upward by \$713 million (2.1%) from the March forecast, driven primarily by stronger-than-expected individual income tax collections, along with higher corporate, franchise and insurance premium tax revenues. Despite expectations for slower overall revenue growth, projected collections remain above statutory triggers for scheduled individual income tax rate reductions, with the rate expected to decline from 3.99% in 2026 to 2.99% by 2028.

During the 2026 Short Session, legislators continued debating several proposals with potential fiscal implications for local governments, including potential changes to property taxes and occupancy tax oversight, utility revenue transfer restrictions and land-use reforms. While these measures and policies have not been enacted into session law and have no direct impact on revenues during the third quarter (January–

March 2026), they warrant monitoring as municipalities prepare future budgets and long-range financial plans.

The League is actively involved in discussions with legislators and will continue to inform the membership as these discussions progress and any proposed legislation makes its way through the approval process. If you would like to sign up for the League's legislative mailing list to ensure you receive direct communications on this and other important issues of note, please [email Shelly Linker](#) and let her know your interest.

As always, the League recommends that, in addition to state-wide data and broad economic indicators presented in this report, municipalities should consider and factor in their individual geographic and economic factors when finalizing projections.

## ADDITIONAL RESOURCES

Useful data, including some found in this report, can be found at the following links:

NC local government revenue distribution data:

<https://www.ncdor.gov/news/local-government>

NC taxable sales data:

<https://www.ncdor.gov/news/reports-and-statistics/monthly-sales-and-use-tax-statistics>

Energy consumption and pricing data:

<https://www.eia.gov/electricity/data.php>

<https://www.eia.gov/naturalgas/data.php>

Powell Bill distribution data and other information:

<https://connect.ncdot.gov/municipalities/State-Street-Aid/Pages/default.aspx>

Other NCLM Forecasts, Revenue Reports, and our most recent Basis of Distribution Memo:

[Research & Surveys | NCLM](#)

## CONTACT

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