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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 report](#).

Distribution Data	Collection Period	Distribution Received
Sales & Use Tax ¹	May, June, July 2025	July, August, September 2025
Taxable Sales Data	May, June, July 2025	July, August, September 2025
Utility Sales Tax	April, May, June 2025	September 2025
Solid Waste Tax	April, May, June 2025	September 2025

¹ 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 Q4 of the 2025 fiscal year:

FY25 Q4 Summary		
Revenue Source	Total Distributed FY25 Q4	% Change from FY24 Q4
Sales & Use Tax	\$1.51 B	+ 4.9%
Sales & Use Tax Refunds	\$70.9 M	+ 10.78%
Electricity Sales Tax	\$91.5 M	+ 2.112%
Video Programming Sales Tax	\$11.9 M	- 13.14%
Telecommunication Services Sales Tax	\$5.80 M	+ 0.69%
Natural Gas Sales Tax	\$5.86 M	+ 18.62%
Solid Waste Tax	\$2.26 M	-0.88%

LOCAL GOVERNMENT SALES & USE TAXES

Sales taxes make up the largest portion of state-shared revenue received by local governments. Sales tax distributions continue to grow at a rate much slower than the rate of growth that followed the Covid-19 pandemic and recovery with a single digit increase for this quarter.

Q4 Sales Tax Distributions, YoY % Change, by Article

	FY21-22-FQ4	FY22-23-FQ4	FY23-24-FQ4	FY24-25-FQ4
Art 39 % Change Y-O-Y	14.00%	2.48%	3.24%	5.05%
Art 40 % Change Y-O-Y	14.00%	2.48%	3.24%	5.05%
Art 42 % Change Y-O-Y	13.99%	2.45%	3.25%	5.04%

Summary data from the Department of Revenue show that local governments saw growth of 4.75% over Q4 of last fiscal year.

Monthly Sales Tax Distributions Year-to-Date

Date	Total % Change Y-O-Y	Difference from Last Year	TOTAL DISTRIBUTED
May 2025	11.29%	\$49,990,198	\$492,689,228.63
June 2025	2.52%	\$12,221,711	\$496,502,036.14
July 2025	1.23%	\$6,382,417	\$524,006,783.66
Total	4.75%	\$68,594,326	\$1,513,198,048.43

Gross and net sales tax collections reflect a similar trend, over 4% growth, with growth in net collections slightly outpacing that of gross collections due to an increase in sales tax refunds for Q4 of FY25 as compared to FY24:

Gross & Net Sales Tax Collections (by Sales Month)

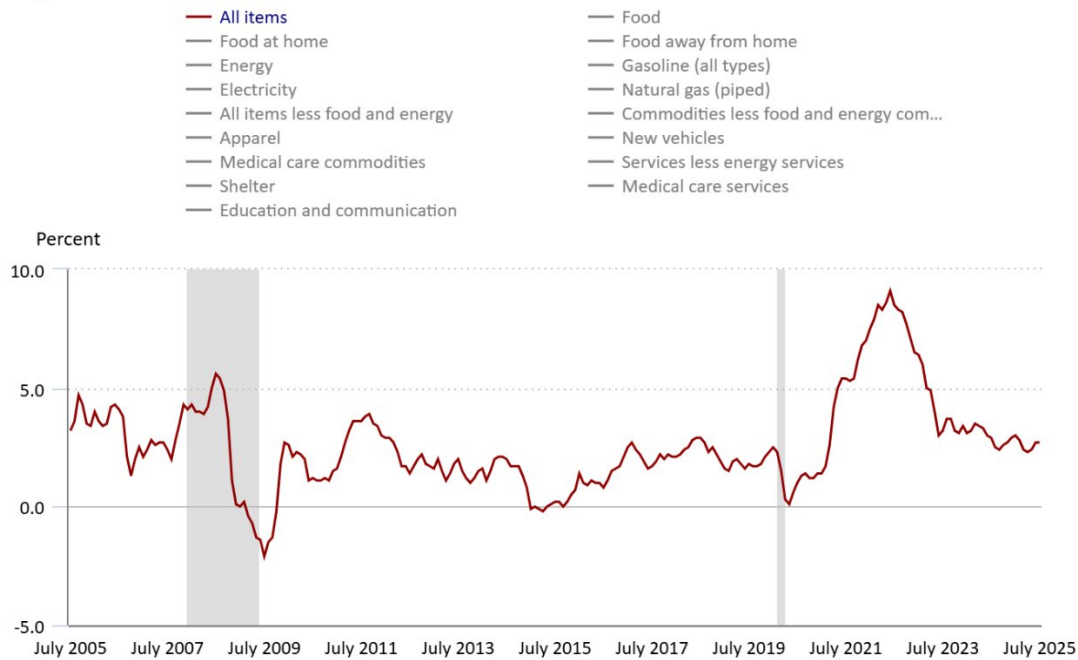
Date	Gross Collections	Gross Collections % Change YOY	Net Collections	Net Collections % Change YOY
May 2025	\$512,618,425	5.90%	\$494,968,494	11.33%
June 2025	\$522,218,211	4.38%	\$498,774,035	2.56%
July 2025	\$546,784,306	3.44%	\$526,310,508	1.25%
Annual Total	\$1,581,620,942	4.54%	\$1,520,053,036	4.78%

The apparent moderate growth from previous years is a continuation of the themes from the last several quarters. While it can be difficult to pinpoint the exact reasoning for these changes, some factors do play a key role. The volatility of refund issuance, natural disasters, and the larger economic picture within the country can all play a major part in the amount of money that flows back into local governments. While fears of a recession are ongoing, the trends of positive but restrained growth seem to be in line with previous quarters. These local fiscal pressures are unfolding against the backdrop of a national economy that remains relatively stable currently, though with some potentially troubling signs beginning to emerge (see Economic Update below).

After several years of post-pandemic adjustment, the United States economy has settled into a period of relative stability, as moderate growth and consumer demand appear to remain steady. Inflation has remained stable, with the U.S. Department of Labor reporting a [year-over-year rate of 2.7% as of July 2025](#). That figure is unchanged from the prior month, up slightly from last quarter's rate of 2.5%, but still below the 3.1% level observed in November 2023 and considerably down from [7.1% in November 2022](#). The modest uptick in July was largely driven by shelter costs, while food prices held steady and energy prices declined. Excluding food and energy, core inflation rose 3.1% over the past 12 months, with notable increases in medical care, airline fares, and household furnishings offset by declines in lodging and communication.

For FY 2024-25 as a whole, statewide sales tax distributions increased by just over 3% compared to FY 2023-24. While growth remained positive, it was among the slowest annual gains in over a decade, signaling that the moderation seen in recent quarters has now carried through the full fiscal year.

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.

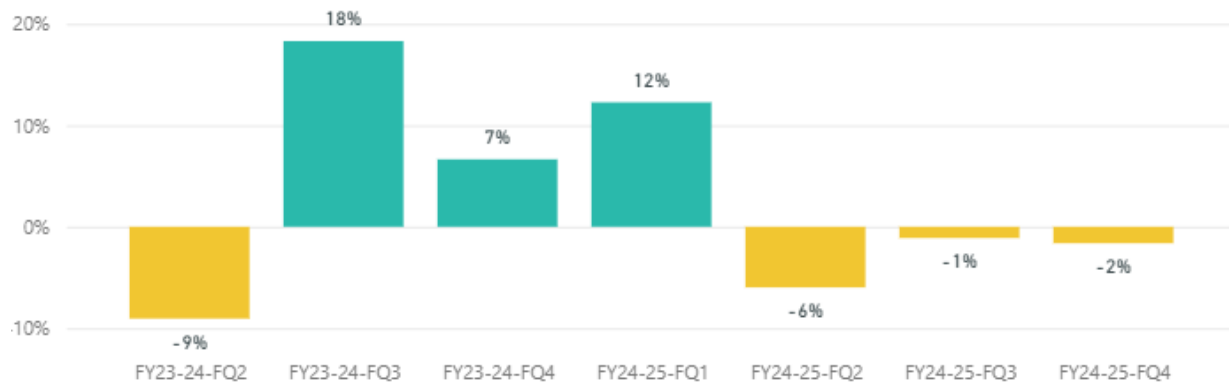
SALES TAX REFUNDS

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 DOR's capacity to process these requests, can make refunds spike or drop at during any given month. As represented in the chart below, there were more refunds issued in Q1 of FY24-25 than previous while the subsequent quarters saw a decline from the previous year. As a percent of collections, the refunds remain relatively consistent between 4-6% of the collections. Refunds for FY 2024-25 totaled \$315,487,363, making up roughly 5.18% of statewide sales tax collections. This was broadly consistent with the historical 4-6% share, underscoring the volatility of monthly distributions but relative stability across the full fiscal year.

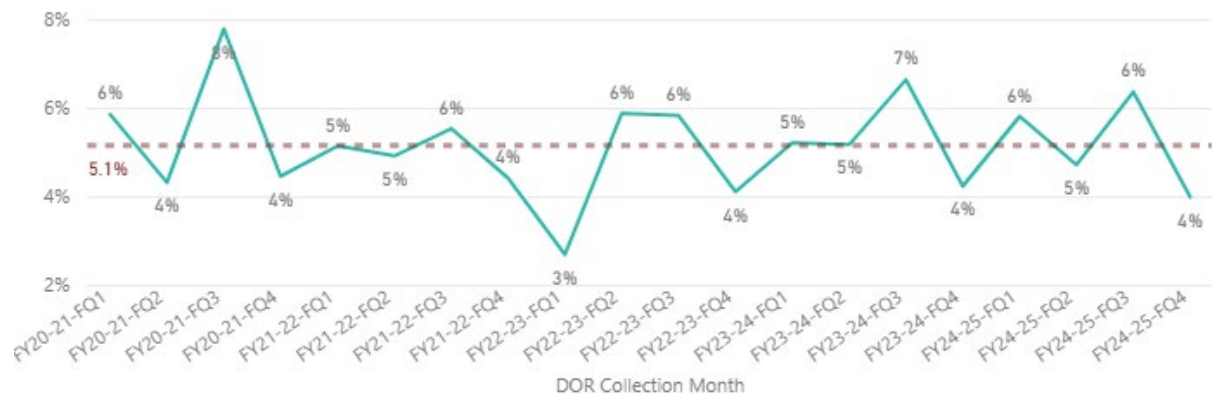
Refunds, by Quarter

Sales_FY.FQ	Refunds This Year	Refunds Last Year	Refunds as % of Collections	Refunds % Change YOY
FY24-25-FQ1	\$86,588,515	\$77,134,566.68	5.81%	12.26%
FY24-25-FQ2	\$74,189,133	\$78,907,552.20	4.71%	-5.98%
FY24-25-FQ3	\$91,689,105	\$92,724,506.70	6.36%	-1.12%
FY24-25-FQ4	\$63,020,611	\$64,061,805.24	3.98%	-1.63%
Total	\$315,487,363	\$312,828,430.82	5.18%	0.85%

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 illustrates our assumptions of the timing between when a customer uses a utility and when the Department of Revenue collects the tax.

1- Customer Uses Utility	January	February	March
2- Billing Month	February	March	April
3- Payment Due	March	April	May
4- DOR Collection Month	April	May	June
5- Report Distributed	September		

Utility tax distributions during FY25 Q4 saw an 18% increase in natural gas, moderate increases in electricity and telecom and a decrease in video programming from the previous year.

Q4 Utility Tax Distributions, YoY % Change

	FY22-23-FQ4	FY23-24-FQ4	FY24-25-FQ4
Electricity % Change YOY	2.93%	16.34%	2.13%
Nat Gas % Change YOY	-17.44%	3.71%	18.71%
Telecom % Change YOY	-1.79%	-7.06%	0.79%
Video % Change YOY	-10.47%	-12.24%	-13.07%

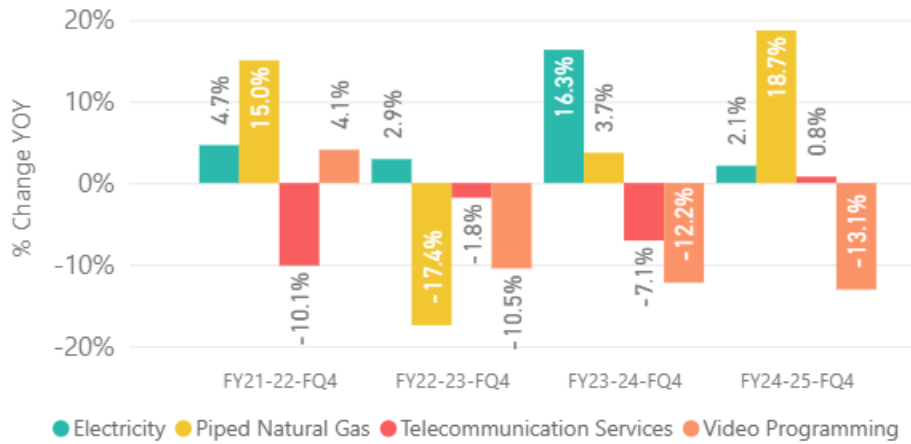
Historical dollar amounts of Q4 utility collections are shown below:

Q4 Utility Tax Distributions, YoY \$ Change

	FY22-23-FQ4	FY23-24-FQ4	FY24-25-FQ4
Sales Tax on Electricity	\$76,990,922	\$89,570,141	\$91,474,292
Sales Tax on Piped Natural Gas	\$4,765,330	\$4,942,188	\$5,867,101
Sales Tax on Telecommunication Services	\$6,197,435	\$5,760,106	\$5,805,366
Sales Tax on Video Programming	\$15,611,600	\$13,701,218	\$11,910,572

The utility sales tax from Q4 of the current fiscal year seems to show a level of volatility seen in the previous Q4's over the last 4 years, with video programming showing a consistent decline each quarter. As noted in the graph below, it is not uncommon for all utilities other than electricity to decrease during this time frame. Across all four utility types, FY 2024-25 distributions increased by 2.6% compared to FY 2023-24. Electricity continued to account for the largest share of utility taxes, while natural gas reflected year-over-year volatility. Taken together, utility revenues finished the fiscal year modestly higher than the prior year.

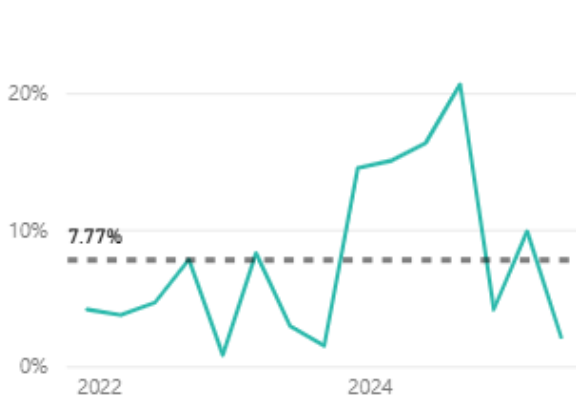
Q4 Utility Tax Distributions, year-over-year change (%)



ELECTRICITY & NATURAL GAS

As shown in the tables above, electricity sales tax was up 2.1% compared to last year's Q4. Natural gas sales tax increased by around 19%, which is consistent with relatively dramatic upward and downward changes over the last several years. In the graphs below, the bolded percentage and dotted line represents the average change in the distribution over the last three years; while the changes can look somewhat extreme on a quarter to quarter basis, or even a year to year basis, it is important to note that price increases and usage are influential factors for these distributions.

Electricity Tax Distributions



Natural Gas Tax Distributions



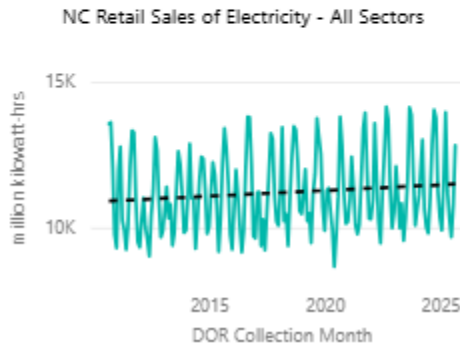
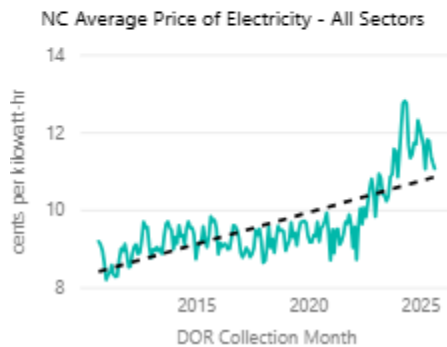
As noted in the tables and graphs below, there has been an increase in both price and consumption for the Q4 data.

Electricity Prices in NC

FY.FQ Utility	Avg Retail Electricity Price (All Sectors) % Change YOY
FY21-22-FQ4	3.84%
FY22-23-FQ4	6.84%
FY23-24-FQ4	12.32%
FY24-25-FQ4	0.25%
Average YTD	5.81%

Electricity Consumption in NC

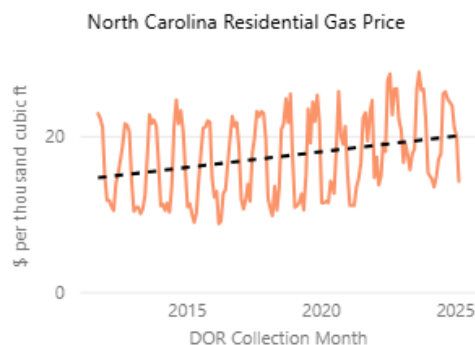
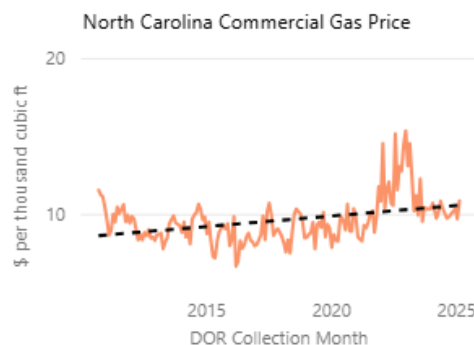
FY.FQ Utility	Retail Sales of Electricity (kw- hours, All Sectors) % Change YOY
FY21-22-FQ4	0.49%
FY22-23-FQ4	5.93%
FY23-24-FQ4	-4.20%
FY24-25-FQ4	3.03%
Average YTD	1.31%



Natural gas prices increased for both commercial users and residential users in North Carolina. Both of these metrics increasing follows the trend of increasing gas price for all users over the last 10 year period, though substantially higher for residential prices.

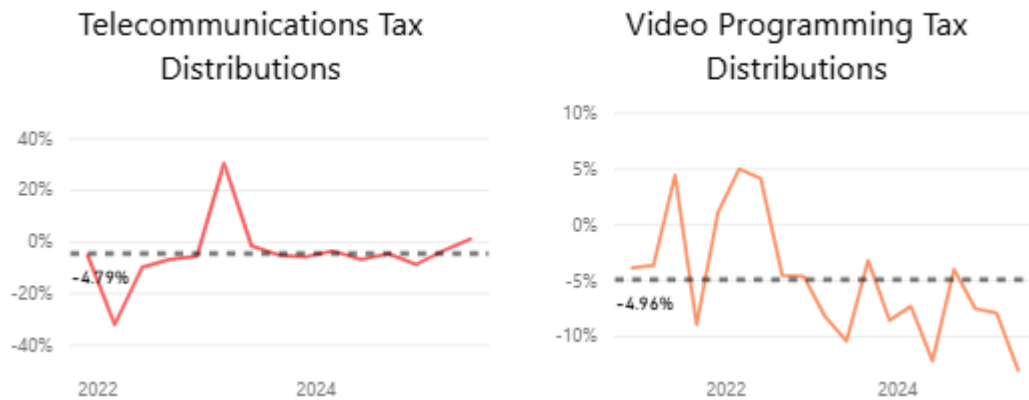
Natural Gas Prices in North Carolina

FY.FQ Utility	Average of Commercial Gas Price % Change YOY	Average of Residential Gas Price % Change YOY
FY24-25-FQ4	1.21%	38.52%
FY23-24-FQ4	-2.31%	-7.95%
FY22-23-FQ4	0.12%	14.83%
FY21-22-FQ4	15.45%	32.40%
Average YTD	4.10%	15.63%



TELECOMMUNICATIONS & VIDEO PROGRAMMING

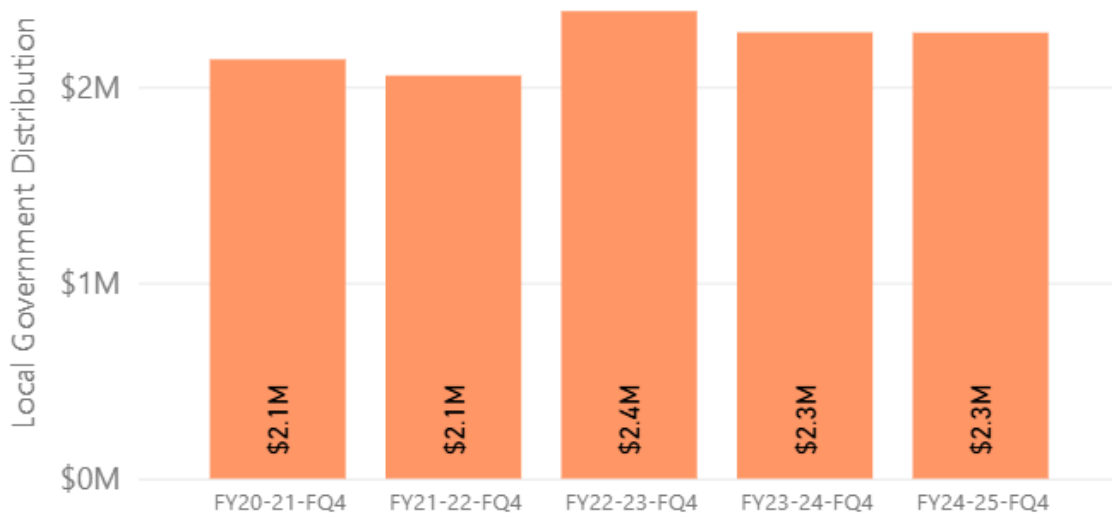
Revenue from the telecommunications tax held nearly flat just under a 1% increase for the last quarter of FY24-25, and revenue from the video programming tax fell by 13%. Though there have been occasional spikes in revenue over recent years, it is expected that revenue from both sources will continue to trend downward as consumer behaviors change.



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 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. Although the most recent Q4 distribution was essentially flat compared to last year's Q4, total solid waste distributions for FY 2024-25 rose by nearly 1% compared to the prior fiscal year. This revenue source has remained stable over time, averaging about 3% year-over-year growth on a quarterly basis. The roughly 1% increase from FY 2023-24 to FY 2024-25 is slightly below average but does continue the long-term trend of steady but moderate growth in this revenue source.

Q4 Solid Waste Disposal Tax History



FY.FQ	Solid Waste Tax Distribution	Solid Waste Tax % Change YOY
FY24-25-FQ1	\$2,476,960	1.90%
FY24-25-FQ2	\$2,357,845	-3.15%
FY24-25-FQ3	\$2,419,024	5.36%
FY24-25-FQ4	\$2,276,012	-0.08%
Total	\$9,529,842	0.96%

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 \$170.417M in FY2023-24 and \$186.137M in FY2024-25. The January 2025 distribution to municipalities was \$93.069M. The North Carolina General Assembly has not passed a new appropriation for the biennial budget for fiscal year 2025-2027. If nothing is passed, the previous biennial budget persists.



DISASTER IMPACTS AND RECOVERY

Hurricane Helene struck western North Carolina in late September 2024, leaving a lasting imprint on many mountain communities. Nearly a year later, recovery efforts continue, and local governments are still navigating the fiscal challenges tied to the disaster. The immediate response was marked by extraordinary collaboration across the state, and the long-term work of rebuilding homes, infrastructure, and economies remains ongoing.

Estimating Helene’s impact on sales tax revenue continues to be challenging. Most of the state’s hurricane-related revenue data has historically come from coastal communities, where storms typically hit during the off-season for tourism. In contrast, Helene disrupted western North Carolina during the height of its fall tourism economy, meaning that traditional comparisons provide only partial context. Moreover, broader economic trends, such as inflationary pressures and the current slowdown in sales tax growth, complicate isolating the storm’s fiscal impacts.

North Carolina has experienced consecutive quarters of [moderating sales tax growth](#), signaling a return to pre-pandemic patterns rather than the double-digit gains that cushioned earlier disaster impacts. For instance, in the first quarter of 2025, taxable retail sales rose by just [-2.6% year-over-year](#). This cooling trend makes it more difficult for communities to offset Helene-related declines. Short-term fiscal challenges are likely tied to shifts in consumer behavior, supply chain disruptions, and business closures. Distribution formulas such as ad valorem and per capita depend on

property values and population changes. Since those data lag, longer-term impacts (declining population or property values) may take time to manifest in state revenue distributions.

Research also suggests that while disaster-related revenue losses can be temporarily offset by an influx of federal or state aid, local governments [often face increased debt burdens and decreased revenues](#) in the decade following a disaster. Helene's long-term fiscal footprint is therefore expected to extend beyond the immediate recovery period.

As more sales tax data becomes available for the municipalities most affected by Helene, the League will continue to incorporate those findings into future quarterly updates and annual projections. We remain committed to providing resources and context for impacted communities as they navigate both the short-term disruptions and long-term structural effects of this unprecedented storm.

ECONOMIC UPDATE: NATIONAL OUTLOOK

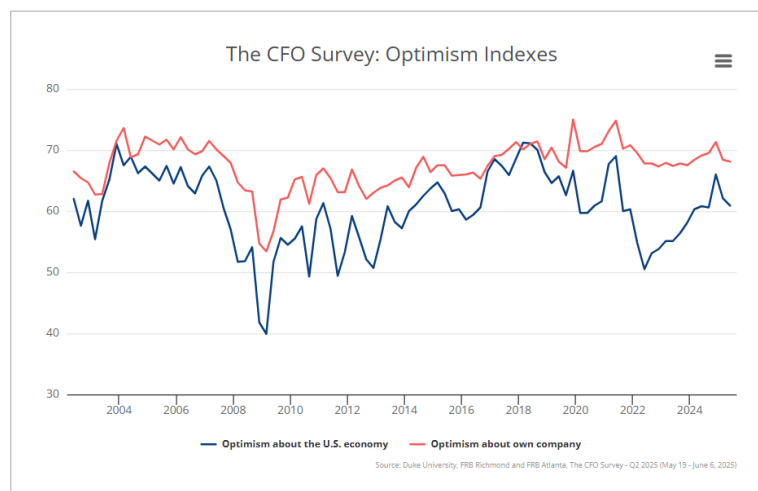
At the time this report is being written, the U.S. Bureau of Labor Statistics is reporting a [CPI figure](#) of 2.9% for the 12-month period ending in August 2025. This figure has remained stable since the League's most [recent revenue report](#). The Federal Reserve lowered interest rates during their September meeting from 4.25% to 4.5% to [4% to 4.25%](#). The Committee cites a need to support employment rates as a motivating factor for this rate decrease. There does seem to be a tone of uncertainty on the economic outlook with changes to the geopolitical landscape and levies on imported goods impacting consumers in the [latter part of 2025](#).

As of September 18, 2025, the average 30-year fixed rate mortgage is [6.29%](#). Though only less than a quarter percentage point increase from this time last year and seem to be leveling off at the level, overall mortgage rates are quite a bit higher than the pre-pandemic borrowing levels.

It is worth noting that, even though North Carolina-specific data may not yet be available, national trends point to slowing job growth and rising unemployment, factors that could ultimately affect consumer spending and municipal revenues if the pattern continues. Job growth weakened and the [unemployment rate rose to 4.3%](#), its highest level in nearly four years. This increase was one of the key drivers behind the Federal Reserve's decision to cut rates in September.



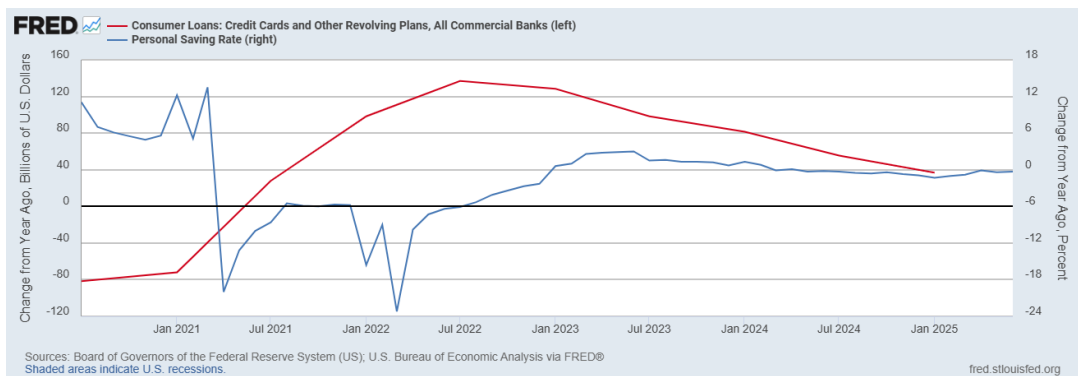
Optimism among CFO's has fallen slightly from the previous quarter in 2025. The [CFO Survey](#) conducted by Duke University and the Federal Reserve Banks of Atlanta and Richmond queries CFOs regarding monetary policy, cost pressure/inflation, and labor quality/availability. The graph below shows a dip in confidence, with the top concern among CFO's centered around trade policy while inflation concerns waned.



[Within the survey](#) this quarter, there was special emphasis on trade policy and impact on business decisions. 40% of survey respondents reported concerns and were more likely to report actions of postponing expenditures and or scaling down planned capital expenditures. An overwhelming response in action taken has resulted in pass through cost increases to the consumer. Rising business concerns over trade policy mean municipalities may face higher operating costs as expenses are passed through,

while at the same time slower business investment and reduced consumer spending could dampen revenue growth. This creates budget pressure, forcing municipalities to balance rising expenditures with potentially lagging revenues.

The gap between [personal savings and consumer](#) loans is also an important trend that helps to indicate economic health. So far in 2025, the chart below shows that credit card and revolving loan growth (red line) has flattened, hovering close to zero following the trend started in 2023. Meanwhile, the **personal saving rate** (blue line) has steadied just above zero growth, showing little change. Together, this suggests households are no longer sharply expanding credit use, but savings remain low and stagnant, indicating household financial pause.

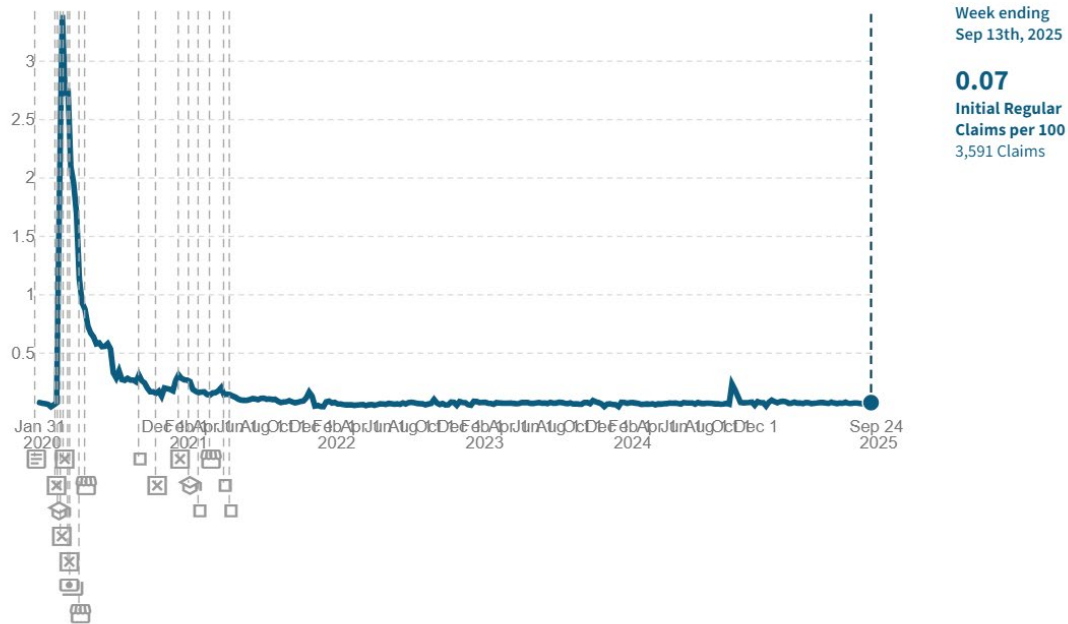


ECONOMIC UPDATE: STATE OUTLOOK

Unemployment claims and [unemployment rate](#) in North Carolina continue to trend below the national average. As of September 20, 2025, the United States saw 0.12 initial claims for regular unemployment benefits per 100 people in the workforce. As shown in the graph below, North Carolina saw 0.07 initial regular claims per 100 people. The number of initial claims has remained stable from what we saw in the previous quarter. The last spike in unemployment over the national average was in October 2024 and can be rationalized by the extreme weather events in Western NC in September. [A national outlook from the University of Michigan](#) attributes educational services under both state and local government accounted for 40 percent of the total hiring slow down.

Current Unemployment Claims per 100 People*

In **North Carolina**, as of **September 13 2025**, there were **0.07** initial claims for regular unemployment benefits per 100 people in the labor force.



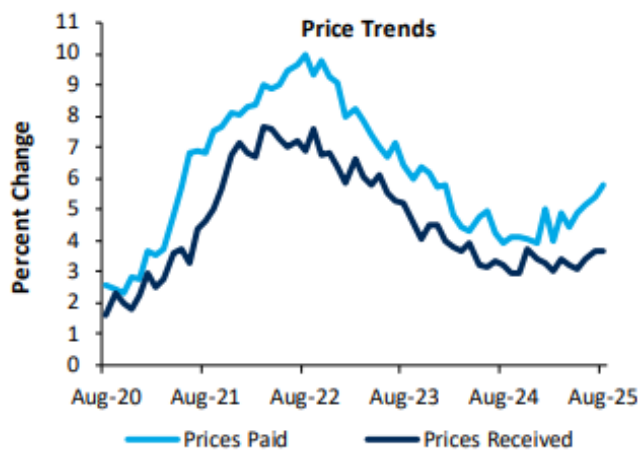
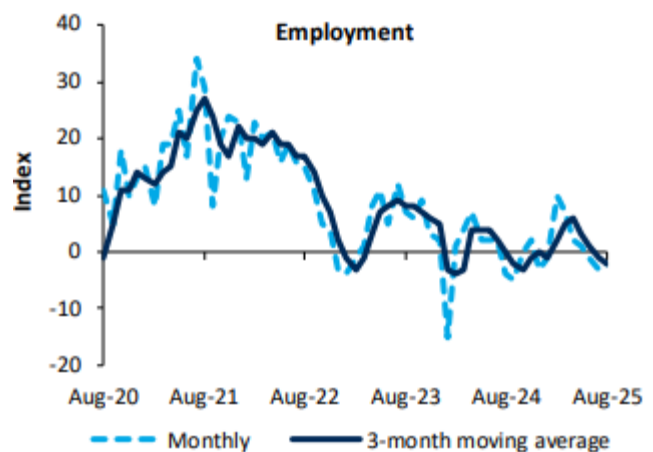
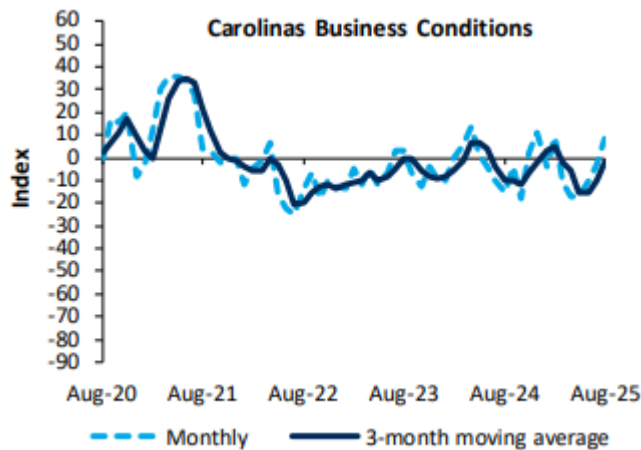
data source: **US Department of Labor**

*Number of unemployment benefit claims filed with state unemployment offices per 100 people in the labor force. This series is based on data published by the Department of Labor. Under the CARES Act, all states provide 13 additional weeks of federally funded Pandemic Emergency Unemployment Assistance (PEUC) benefits to people who exhaust their regular state benefits. Under the Act, through the end of 2020, some people who exhaust all these benefits, and others who have lost their jobs for reasons arising from the pandemic but who are not normally eligible for UI in their state, are eligible for Pandemic Unemployment Assistance (PUA).

last updated: **September 20, 2025** next update expected: **September 26, 2025**

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The Richmond Federal Reserve Bank's [August Survey of Business activity](#) reported that business activity in the Carolinas "improved somewhat in August." The general business conditions index improved to 8 from -3, which suggests momentum in the regional economy.



In an article by [WRAL TechWire](#), Dr. Gerald Cohen, the chief economist at the [Kenan Institute](#) at the University of North Carolina at Chapel Hill, is cited indicating sometime in the next 12-18 months a recession is indicated. This line of commentary was largely based on the spread between 10 year and 3-month Treasury bills.

Dr. John Connaughton's [September 2025 North Carolina Economic Forecast](#) projects real GDP growth of 2.1% for 2025, marking the sixth consecutive year of expansion since the COVID-19 downturn. He notes that the recent rise in the unemployment rate, combined with the Federal Reserve's rate cuts, creates a 60/40 probability of a recession, with much of the outcome dependent on congressional action.

Dr. Michael Walden's [July 2025 index of North Carolina leading economic indicators](#) made a gain in the last quarter with a rise of 1.5%. This can be attributed to a strong increase in building permits and a reduction in unemployment claims. With the dip in both of these metrics in 2024 due largely to Hurricane Helene, the indicators are showing a rebound in the Western NC economy.

Overall, FY 2024-25 closed with slower growth across most revenue categories than in the immediate post-pandemic years. While municipalities can continue to expect stable distributions, the moderation in sales tax growth highlights the importance of monitoring both state and national economic conditions throughout FY2025-26. 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/reports-and-statistics/local-government-distributions>

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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