



Economic and Revenue Update

A Briefing for the Money Committees

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Summary

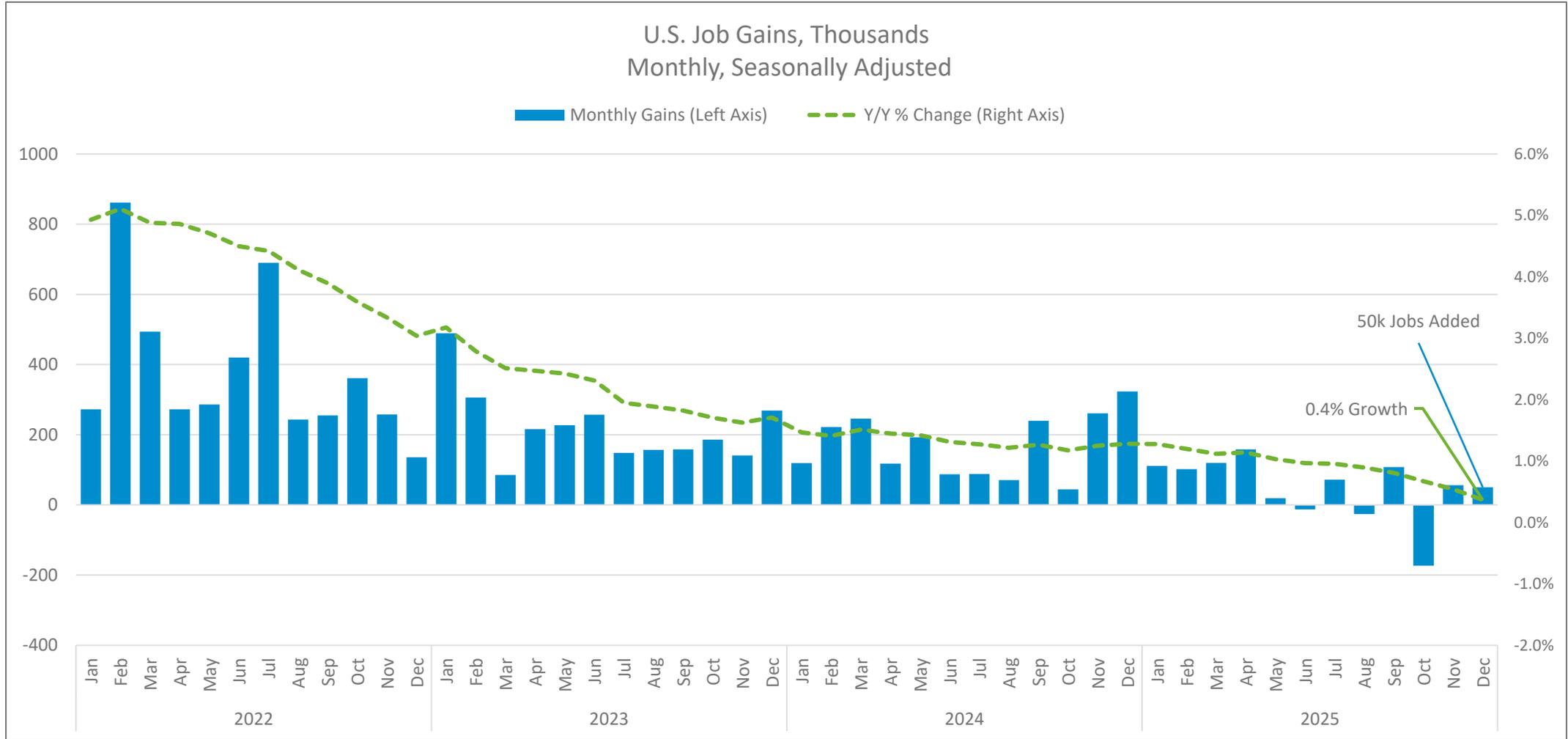
Economy

- ▶ The national employment trend continues to slow. December added 50,000 jobs at a year-over-year growth of 0.4%. One year ago, this growth rate was 1.3%.
- ▶ Virginia's job growth has also slowed. November added 8,600 jobs, but year-over-year growth is now at just 0.2%. One year ago, this growth rate was 1.7%.
- ▶ The Virginia growth rate is heavily impacted by October jobs data. Total Federal job losses in that month were 11,400.
- ▶ The October job losses were largely attributable to Federal "Fork in the Road" resignations initiated in early 2025.
- ▶ The Consumer Price Index was up 2.7% year-over-year in December. It had been climbing steadily since May, but the last two readings have come in below September's peak of 3.0%.

Revenues

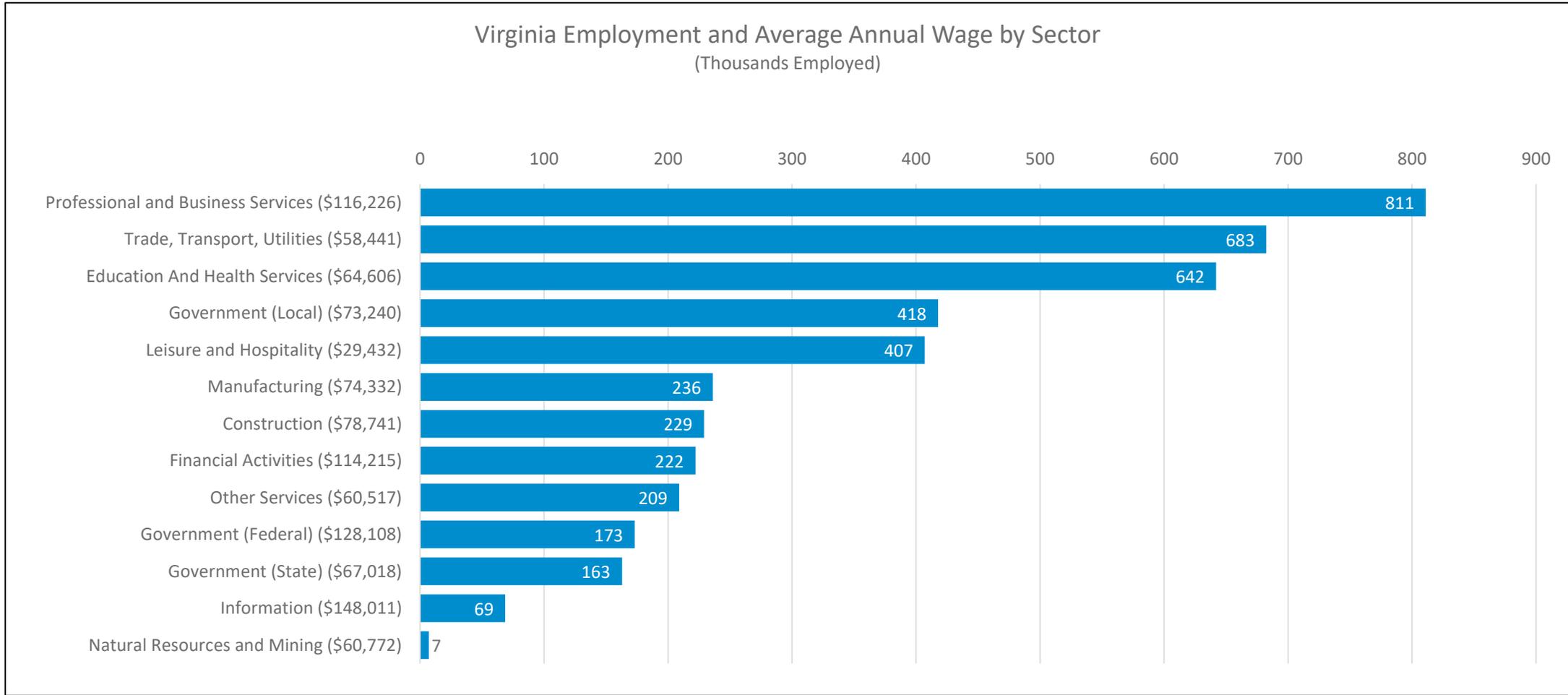
- ▶ Total General Fund revenues grew substantially in December.
- ▶ FYTD collections are up approximately \$1.2 billion (8.6%) relative to last year.
- ▶ Collections are \$395 million (2.6%) ahead of forecast.
- ▶ December's positive variance was dominated by nonwithholding.

Employment growth is positive year-over-year, but slowing



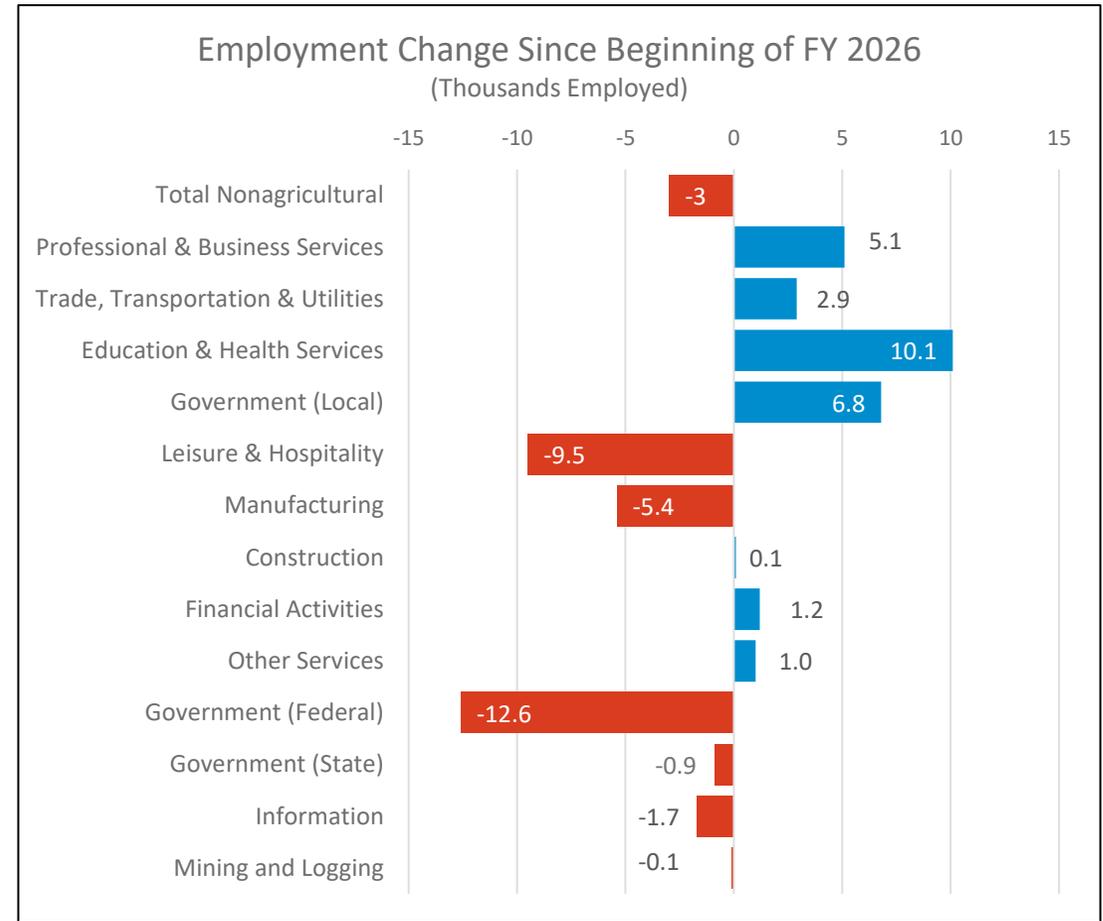
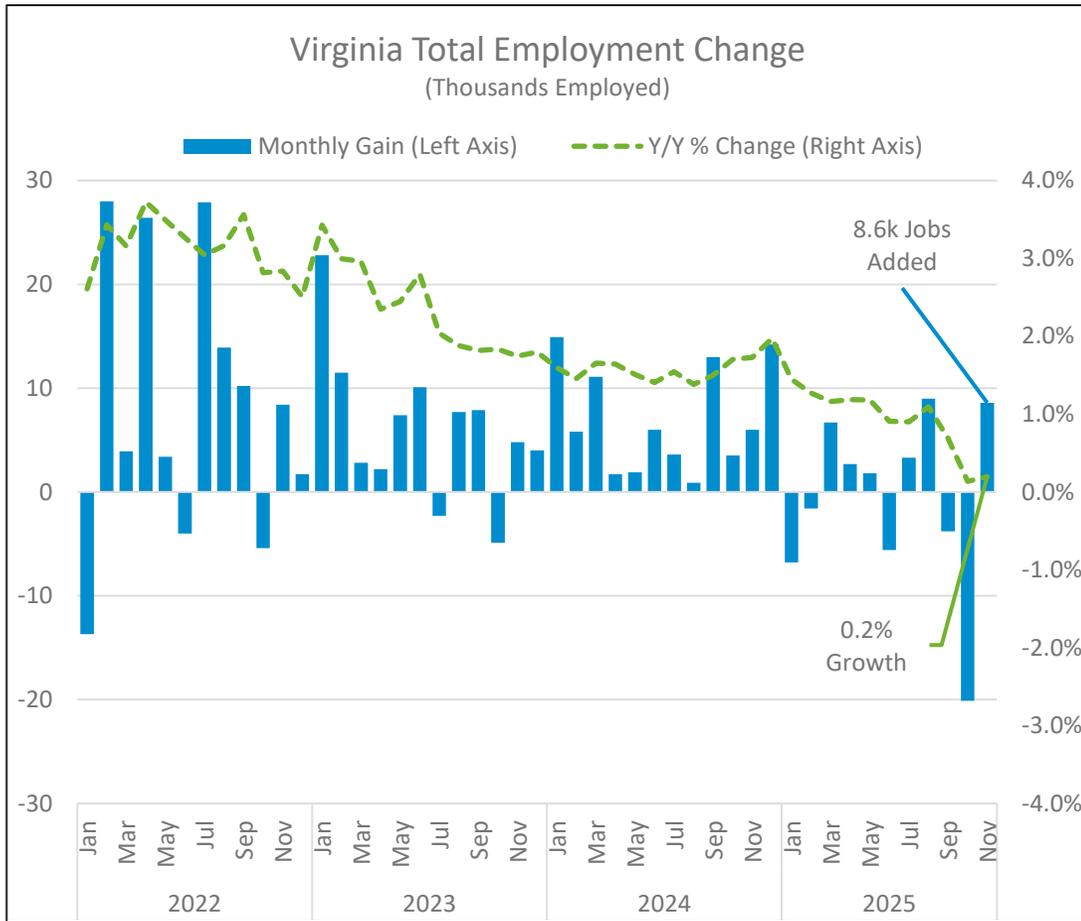
Source: U.S. Bureau of Labor Statistics

Virginia labor market overview



Source: U.S. Bureau of Labor Statistics

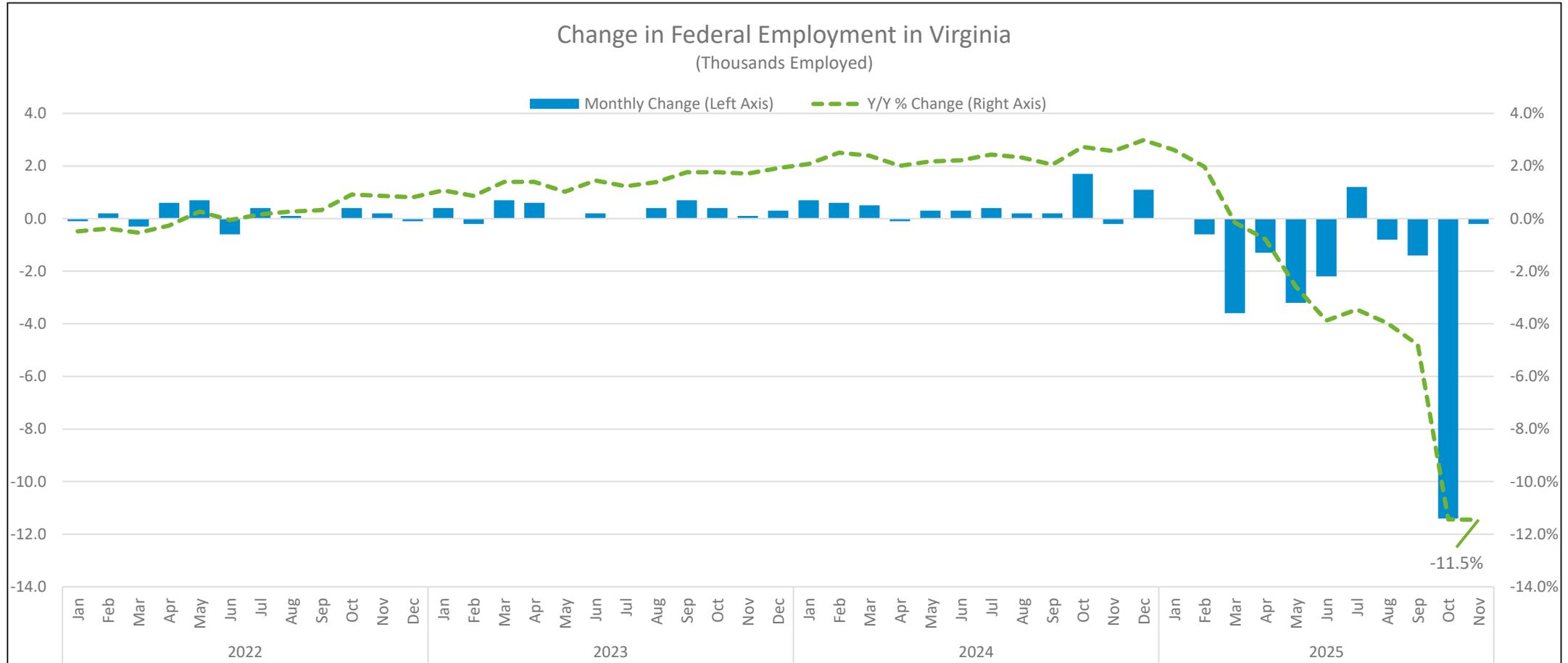
Employment growth is positive year-over-year, but negative in the past six months



Source: U.S. Bureau of Labor Statistics

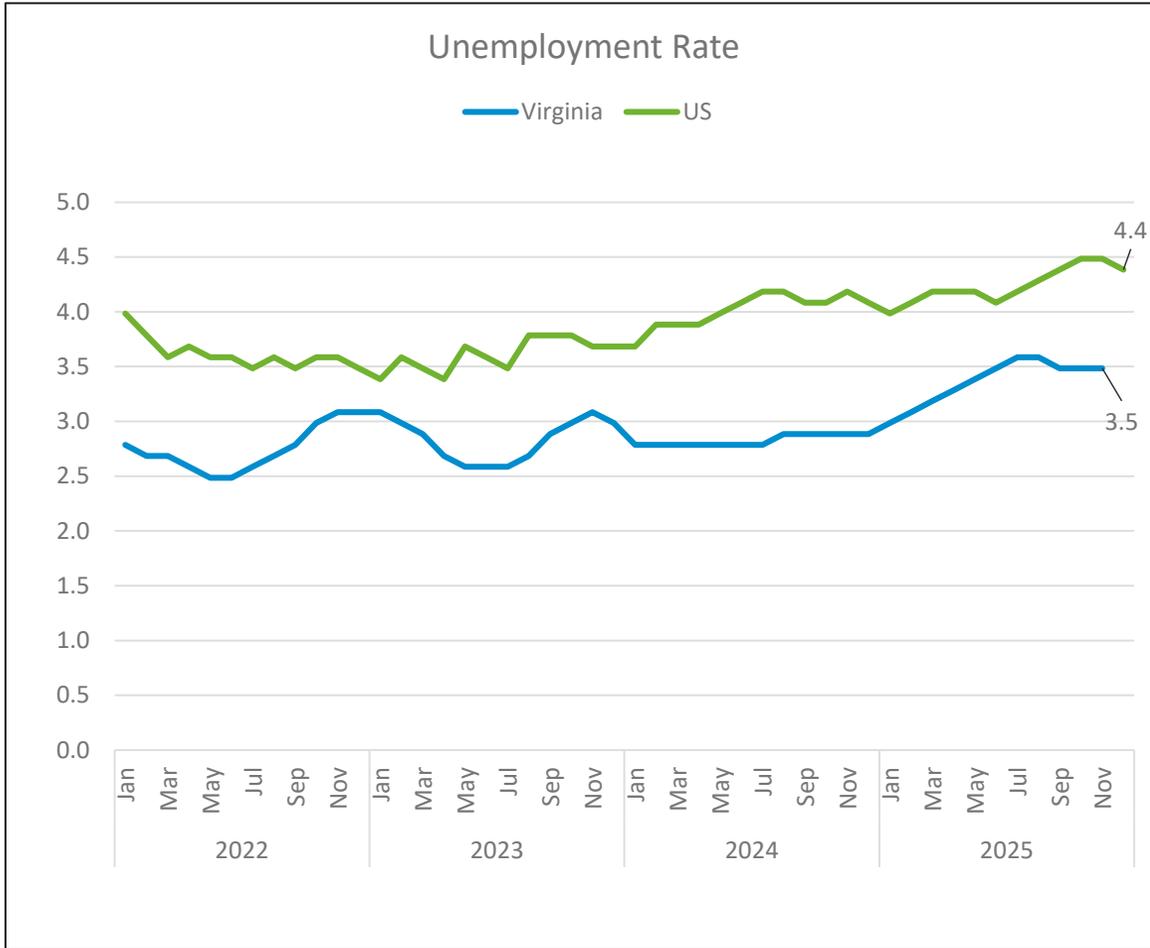
Source: U.S. Bureau of Labor Statistics

Recent Federal job losses are delayed effect of “Fork in the Road”

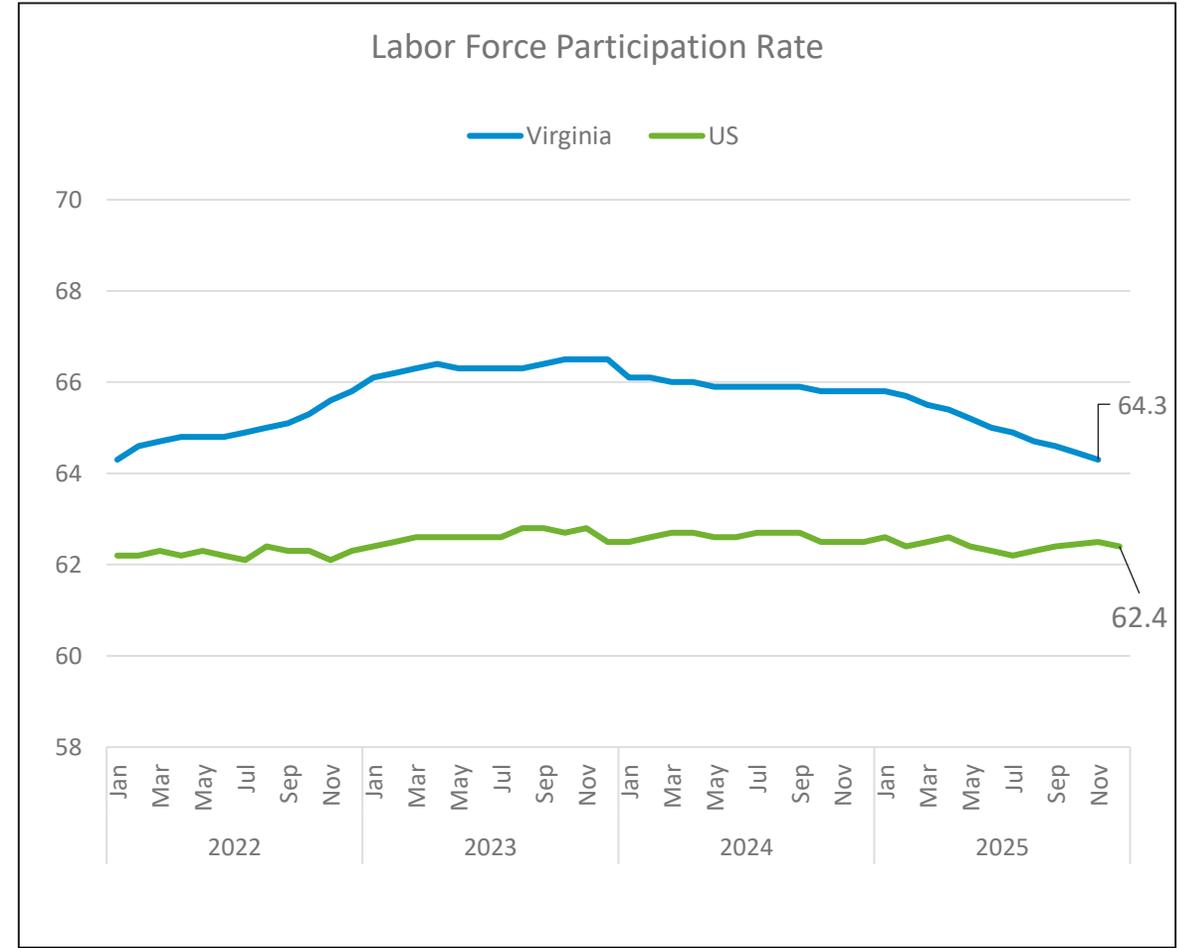


Source: U.S. Bureau of Labor Statistics

US unemployment ticks down; Virginia stays stable

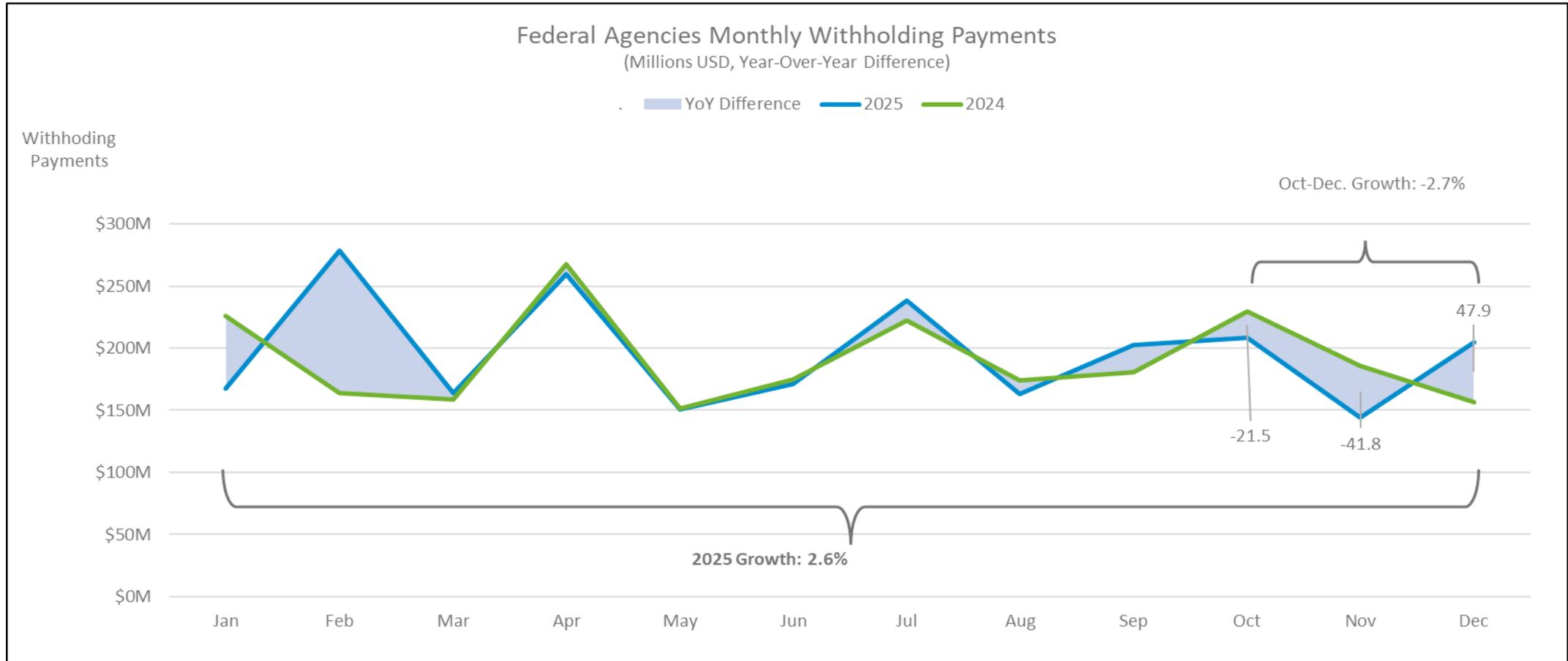


Source: U.S. Bureau of Labor Statistics

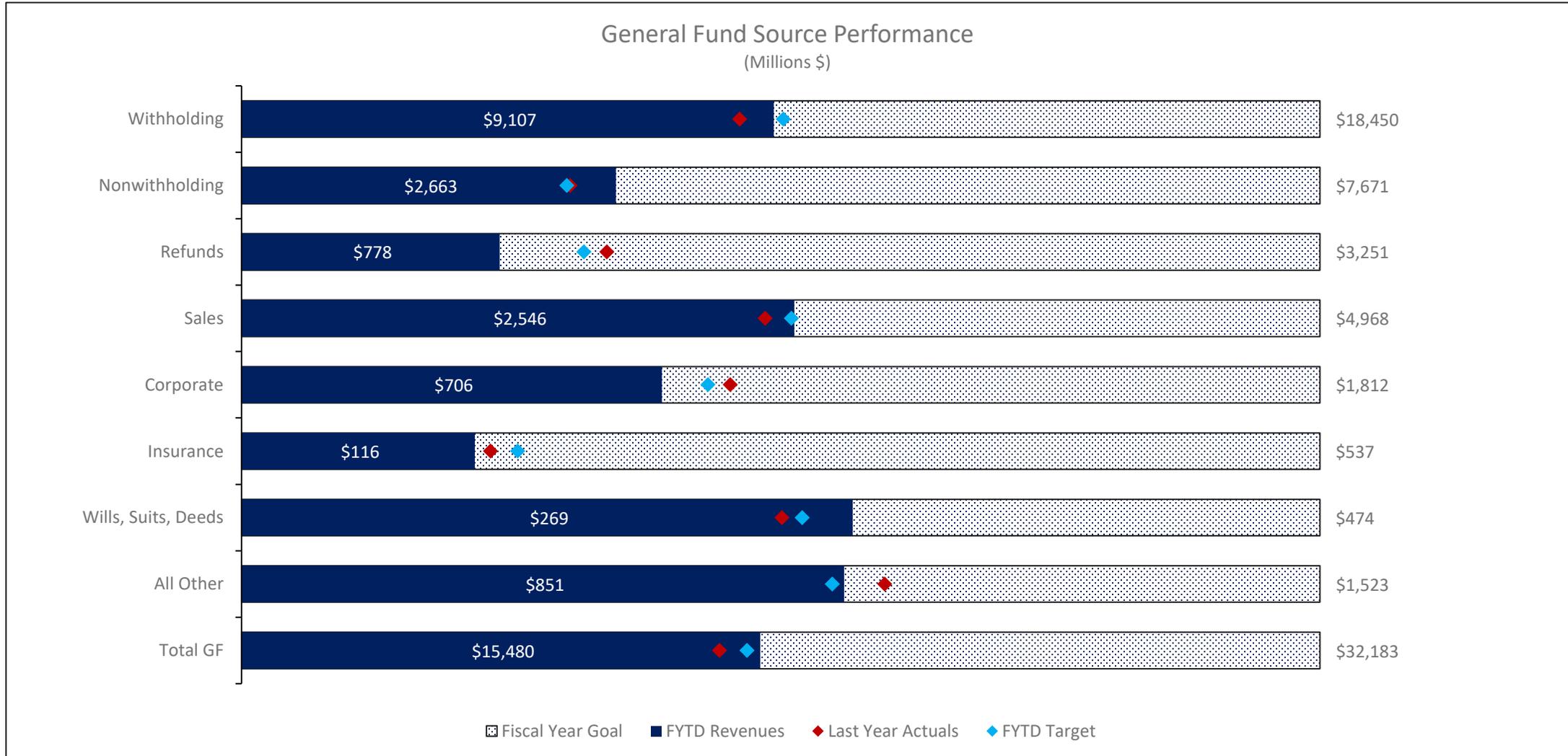


Source: U.S. Bureau of Labor Statistics

Federal withholding recovering post-shutdown



Revenues are ahead of projections



December grew 21.0%; FYTD revenues 2.6% ahead of forecast

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SOURCE, \$ Mil	December Year-Over-Year				Forecast Variance FYTD			
	Dec 25	Dec 26	Change \$	Change %	Actuals	Projected	Variance \$	Variance %
Withholding	\$1,514.4	\$1,685.3	\$170.9	11.3%	\$9,106.5	\$9,268.5	(162.0)	-1.7%
Non-withholding	637.1	1,036.6	399.6	62.7%	2,663.1	2,313.9	349.2	15.1%
IIT Refunds	(206.7)	(95.9)	110.8	-53.6%	(778.3)	(1,031.9)	253.6	-24.6%
Net Individual Income	\$1,944.8	\$2,626.0	\$681.2	35.0%	\$10,991.3	\$10,550.6	\$440.8	4.2%
Sales & Use Tax	400.7	418.4	17.7	4.4%	2,546.5	2,533.0	13.5	0.5%
Corporate Income Tax	351.0	333.2	(17.8)	-5.1%	706.3	783.3	(77.0)	-9.8%
Insurance	123.9	116.1	(7.8)	-6.3%	116.1	137.4	(21.3)	-15.5%
Wills, Suits, Deeds	42.4	49.2	6.9	16.2%	268.7	246.5	22.3	9.0%
Interest Income	127.8	106.8	(20.9)	-16.4%	488.7	475.5	13.2	2.8%
All Other	62.9	45.6	(17.3)	-27.5%	362.3	358.4	3.9	1.1%
Total GF Revenues	\$3,053.4	\$3,695.4	\$641.9	21.0%	\$15,480.0	\$15,084.6	\$395.4	2.6%

- ▶ Total General fund revenues hit \$15.48 billion as of the end of December. That is \$395.4 million (2.6%) ahead of forecast.
- ▶ Nonwithholding provided the largest boost in revenues in December adding \$399.6 million more than last year. This is primarily driven by the last estimated payments from pass through entities for Tax Year 2025.
- ▶ Refunds were lower than last year by \$110.8 million (-53.6%).
- ▶ Withholding benefited from an extra major deposit day and grew \$170.9 million (11.3%).

Revenues can decline 1.6% and still meet forecast

SOURCE, \$ Mil	<u>Jan-Jul Revenues</u>			YTD Growth	Remaining Growth to Meet Dec Forecast	Forecasted Annual Growth
	FY 25 Actuals	FY 26 Dec Forecast	Revenues Rqd to Meet Budget			
Withholding	\$9,039.6	\$9,181.8	\$9,343.8	6.9%	3.4%	5.1%
Non-withholding	5,181.6	5,356.7	5,007.5	14.0%	-3.4%	2.0%
IIT Refunds	(2,086.6)	(2,219.1)	(2,472.7)	-29.3%	18.5%	2.0%
Net Individual Income	\$12,134.6	\$12,319.3	\$11,878.6	12.6%	-2.1%	4.5%
Sales & Use Tax	2,401.2	2,434.6	2,421.1	5.6%	0.8%	3.2%
Corporate Income Tax	1,057.7	1,028.4	1,105.4	-14.0%	4.5%	-3.6%
Insurance	417.5	399.5	420.8	-6.3%	0.8%	-0.8%
Wills, Suits, Deeds	233.6	227.7	205.4	13.1%	-12.1%	0.6%
Interest Income	80.2	65.2	52.0	-4.8%	-35.2%	-8.9%
All Other	648.5	623.4	619.6	-8.1%	-4.5%	-5.8%
Total GF Revenues	\$16,973.3	\$17,098.2	\$16,702.8	8.6%	-1.6%	3.0%

- ▶ FYTD revenues are up 8.6%.
- ▶ Growth for the Fiscal Year 2026 was forecasted at 3.0% coming out of GACRE.
- ▶ Revenues can decline by 1.6% and still meet this forecast.

Conclusion

- ▶ Revenues are ahead of forecast by \$395 million.
- ▶ December was a particularly strong month driven by nonwithholding revenue. With Tax Year 2025 complete, the strong performance in nonwithholding is expected to continue into the spring filing season.
- ▶ The labor market is in a low growth condition both nationally and in Virginia. But unemployment is holding steady.
- ▶ The recent spike in Federal job losses are likely a result of resignations initiated nearly a year ago.
- ▶ The former Governor's proposed budget included a forecasted growth of 3.0 percent for Fiscal Year 2026. With collections up 8.6 percent year-to-date, revenues over the remainder of the year can decline up to 1.6 and still meet forecast.