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**Department of Finance
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MEMORANDUM

TO: Larry Walther, Director
Paul Louthian, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for October (FY 2019)**

DATE: November 2, 2018

Copy: Governor's Office
Management Services

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$1,908.4 million, \$114.6 million or 6.4 percent above year ago levels. After four months into the fiscal year, net available revenue is above forecast by \$57.5 million or 3.1 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$2,166.8 million, representing an increase of \$87.0 million or 4.2 percent above last year. Gross general revenues are above forecast by \$33.9 million or 1.6 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,019.3 million, \$35.5 million or 3.6 percent above FY 2018 collections and \$13.4 million or 1.3 percent above forecast.

Year-to-date individual income tax refunds total \$52.7 million, a decrease of \$3.1 million or -5.6 percent compared to last year and \$5.1 million or -8.9 percent below forecast. Amounts below forecast in refund categories add to net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$828.9 million, an increase of \$38.6 million or 4.9 percent from FY 2018 and

\$1.8 million or 0.2 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$139.2 million, an increase of \$11.2 million from year-to-date FY 2018. Corporate income is above forecast by \$11.7 million or 9.2 percent.

Year-to-date corporate income tax refunds total \$7.9 million, a decrease of -\$3.0 million compared to the same year-to-date period last year. Corporate Refunds were \$16.6 million below forecast over the period and a significant contributor to gains above forecast in Net Available Revenue.

OCTOBER REVENUE SUMMARY

October Net Available General Revenues and Summary Results: Net Available general revenues total \$435.4 million, \$20.9 million or 5.0 percent above last year and \$24.1 million or 5.9 percent above forecast.

Tax Refunds, mainly from Corporate Income Tax filings, were significantly lower than expected in October while gross revenue collections were slightly above forecast. These two aspects of revenue performance accounted for much of the gain in Net Available in October.

Individual Income Tax revenue was down compared to prior year and \$3.7 million above forecast. The decline compared to year ago reflects payday timing differences compared to collections last October that are accounted for in the monthly tracking forecast. Sales Tax collections were 4.6 percent above last year and -\$2.4 million below forecast for the month. Corporate Income Tax collections were slightly above year ago and below forecast for the month. Income Tax Refunds were significantly below forecast in October from Corporate and Individual categories with the effect of boosting Net Available results by \$20.3 million.

Among smaller revenue sources, Tobacco was above forecast by \$1.6 million and below year ago collections. Results in Gaming revenue exceeded forecast by \$0.1 million.

October Gross General Revenues: October collections total \$510.0 million, an increase of \$9.4 million or 1.9 percent above last year and \$3.0 million or 0.6 percent above forecast.

October Individual Income Tax collections total \$252.4 million. Collections decreased by -\$2.0 million or -0.8 percent compared to last year. With respect to the forecast, collections were \$3.7 million or 1.5 percent above forecast. Individual withholding decreased -2.6 percent compared to last year due to the payday timing differences from year ago collections.

October Individual Income Tax Refunds total \$22.7 million, \$3.9 million or -14.7 percent below last year and \$4.9 million or -17.7 percent below forecast. Refund amounts below forecast add to net available fund results.

October Sales and Use Tax Collections: October collections total \$199.7 million, an increase of \$8.8 million or 4.6 percent above last year. Collections were below monthly forecast levels by \$2.4 million or -1.2 percent, due in part to lower utility sales tax collections.

October Corporate Income Tax collections total \$21.4 million, an increase of \$0.1 million from year ago, and \$1.5 million or -6.5 percent below forecast in a low collection month for this revenue category.

October Corporate Income Tax Refunds total \$3.6 million. This amount is \$2.5 million below year ago levels. Refunds were also \$15.4 million below forecast.

October Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.6 million. Collections increased by \$1.1 million or 5.8 percent from year earlier levels and were above forecast by \$1.6 million. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

Educational Adequacy Fund: Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.125% to 6.0%, effective March 1, 2004. Effective July 1, 2004 a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004.

The additional revenues are deposited as special revenues to the Educational Adequacy Fund to be used to fulfill the financial obligations of the state to provide an adequate educational system. In October 2018, \$41.6 million was collected and deposited to the fund. After deductions, the net amount is \$40.4 million. The monthly collection is equivalent to a 4.1 percent increase from prior year collections.

OCTOBER 2018 YEAR-TO-DATE GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 05/16/2018

MILLIONS OF \$

	ACTUAL FY18	FORECAST FY19	ACTUAL FY19	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	983.8	1,005.9	1,019.3	13.4	1.3	35.5	3.6
CORPORATE INCOME	128.0	127.5	139.2	11.7	9.2	11.2	8.8
SALES AND USE	790.3	827.1	828.9	1.8	0.2	38.6	4.9
ALCOHOLIC BEVERAGE	19.0	18.9	19.4	0.5	2.7	0.4	2.2
TOBACCO	74.5	70.6	74.5	3.9	5.5	0.0	-0.1
INSURANCE	22.3	23.4	23.1	-0.3	-1.1	0.9	3.9
RACING	0.5	0.5	0.5	0.0	2.2	0.0	-5.2
GAMES OF SKILL	20.7	21.0	22.1	1.1	5.4	1.4	6.8
MISCELLANEOUS ¹	40.6	38.0	39.7	1.7	4.4	-1.0	-2.4
TOTAL GROSS	2,079.8	2,132.9	2,166.8	33.9	1.6	87.0	4.2
LESS: SCSF/COF ²	64.5	66.1	67.2	1.1	1.6	2.7	4.2
INDIV INCOME TAX REFUNDS	55.8	57.8	52.7	-5.1	-8.9	-3.1	-5.6
CORP INCOME TAX REFUNDS	10.9	24.5	7.9	-16.6	-67.7	-3.0	-27.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	3.0	7.8	4.8	-3.0	-38.3	1.8	57.9
AMENDMENT 82 BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	5.2	5.2	5.2	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	-100.0
CITY & COUNTY TOURIST	0.4	0.5	0.4	-0.1	-11.2	0.0	0.0
SCHOOL DESEGREGATION	29.9	0.0	0.0	0.0	0.0	-29.9	-100.0
EDUCATIONAL EXCELLENCE	106.8	110.4	110.4	0.0	0.0	3.6	3.4
EDUCATIONAL ADEQUACY	9.4	9.7	9.8	0.1	0.6	0.3	3.4
TOTAL DEDUCTIONS	286.0	282.0	258.4	-23.6	-8.4	-27.6	-9.7
NET AVAILABLE	1,793.8	1,850.9	1,908.4	57.5	3.1	114.6	6.4

REVENUE FORECAST SUMMARY FOR OCTOBER

YEAR-TO-DATE GROSS	\$ 33.9 MILLION OR 1.6% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 57.5 MILLION OR 3.1% ABOVE FORECAST

1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.

OCTOBER 2018 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 05/16/2018

MILLIONS OF \$

			CHANGE FROM FORECAST		CHANGE FROM LAST YEAR		
	ACTUAL OCT FY18	FORECAST OCT FY19	ACTUAL OCT FY19	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	254.4	248.7	252.4	3.7	1.5	-2.0	-0.8
CORPORATE INCOME	21.3	22.9	21.4	-1.5	-6.5	0.1	0.5
SALES AND USE	191.0	202.1	199.7	-2.4	-1.2	8.8	4.6
ALCOHOLIC BEVERAGE	4.4	4.4	4.5	0.1	1.3	0.0	0.5
TOBACCO	18.5	18.0	19.6	1.6	8.7	1.1	5.8
INSURANCE	1.2	1.2	1.6	0.4	33.2	0.4	37.0
RACING	0.1	0.1	0.1	0.0	25.3	0.0	37.4
GAMES OF SKILL	5.2	5.3	5.4	0.1	2.4	0.2	3.5
MISCELLANEOUS ¹	4.5	4.3	5.4	1.1	24.9	0.8	18.4
TOTAL GROSS	500.6	507.0	510.0	3.0	0.6	9.4	1.9
LESS: SCSF/COF ²	15.5	15.7	15.8	0.1	0.7	0.3	1.9
INDIV INCOME TAX REFUNDS	26.6	27.6	22.7	-4.9	-17.7	-3.9	-14.7
CORP INCOME TAX REFUNDS	6.1	19.0	3.6	-15.4	-81.0	-2.5	-40.7
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.2	1.9	0.9	-1.0	-52.1	-0.3	-26.6
AMENDMENT 82 BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	1.3	1.3	1.3	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	-100.0
CITY & COUNTY TOURIST	0.2	0.2	0.2	0.0	11.0	0.0	0.0
SCHOOL DESEGREGATION	6.0	0.0	0.0	0.0	0.0	-6.0	-100.0
EDUCATIONAL EXCELLENCE	26.7	27.6	27.6	0.0	0.0	0.9	3.4
EDUCATIONAL ADEQUACY	2.4	2.4	2.4	0.0	1.7	0.1	3.4
TOTAL DEDUCTIONS	86.1	95.7	74.6	-21.1	-22.0	-11.4	-13.3
NET AVAILABLE	414.5	411.3	435.4	24.1	5.9	20.9	5.0

REVENUE FORECAST SUMMARY FOR OCTOBER

OCTOBER GROSS	\$ 3.0 MILLION OR 0.6% ABOVE FORECAST
OCTOBER NET AVAILABLE	\$ 24.1 MILLION OR 5.9% ABOVE FORECAST

1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.