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Department of Finance and Administration

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MEMORANDUM

TO: Larry Walther, Director
Paul Louthian, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for October (FY 2018)**

DATE: November 2, 2017

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 $1,793.8 million, $22.4 million or 1.3 percent above year ago levels. After four months into the fiscal year, net available revenue is below forecast by $36.2 million or -2.0 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total $2,079.8 million, representing an increase of $29.7 million or 1.4 percent above last year. Gross general revenues are below forecast by $22.9 million or -1.1 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total $983.8 million, $27.2 million or 2.8 percent above FY 2017 collections and $8.3 million or 0.8 percent above forecast.

Year-to-date individual income tax refunds total $55.8 million, up $23.1 million or 70.7 percent compared to last year and $13.7 million or 32.5 percent above forecast. Amounts above forecast in refund categories reduce net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total $790.3 million, an increase of $2.1 million or 0.3 percent from FY 2017 and $27.4 million or -3.4 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total $128.0 million, an increase of $1.8 million from year-to-date FY 2017. Corporate income is below forecast by $9.8 million or -7.1 percent.

Year-to-date corporate income tax refunds total $10.9 million, a decrease of $16.4 million compared to the same year-to-date period last year.

OCTOBER REVENUE SUMMARY

October Net Available General Revenues total $414.5 million, $24.5 million or -5.6 percent below last year and $38.5 million or -8.5 percent below forecast.

Among the major categories, Individual Income Tax, the largest single category of gross collections exceeded forecast. Corporate Income Tax collections were below forecast as quarterly estimated payments fell below last year and forecast. Sales tax collection results were held lower by decline in business spending and weak consumer categories. The utilities portion of Sales Tax collections was held lower by cooler weather during summer billings. Individual Income tax refunds exceeded forecast in October with higher claims from extension filings for tax year 2016.

Among smaller revenue sources, Tobacco was below forecast by -$0.5 million and below year ago collections. Results in Gaming revenue exceeded forecast by $0.5.

October Gross General Revenues: October collections total $500.6 million, a decrease of $29.4 million or -5.6 percent from last year and $30.9 million or -5.8 percent below forecast.

October Individual Income Tax collections total $254.4 million. Collections decreased by $1.7 million, or -0.7 percent compared to last year. With respect to the forecast, collections were $1.1 million or 0.4 percent above forecast. Individual withholding was unchanged compared to last year due to payday timing effects in collections.

October Individual Income Tax Refunds total $26.6 million, $10.1 million above last year and $5.3 million above forecast. Refund amounts above forecast reduce net available fund results.

October Sales and Use Tax Collections: October collections total $191.0 million, a decrease of $7.7 million or -3.9 percent below last year. Collections were below monthly forecast levels by $15.9 million or -7.7 percent.

October Corporate Income Tax collections total $21.3 million, a decrease of $19.7 million or -48.1 percent from year ago, and $17.2 million or -44.7 percent below forecast in a key filing month for Estimated Payments for this category.

October Corporate Income Tax Refunds total $6.1 million. This amount is $14.7 million below year ago levels. Refunds were also $3.9 million above forecast.

October Tobacco Tax collections, a smaller component of general revenue in annual terms, total $18.5 million. Collections decreased by $1.1 million or -5.4 percent from year earlier levels and were also below forecast by $0.5 million. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

Year-to-date Soft Drink Tax (for Medicaid Program Trust Fund): Year-to-date collections of the dedicated soft drink tax total $16.9 million, an increase of 0.6 percent from last year.

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 2017, $40.0 million was collected and deposited to the fund. After deductions, the net amount is $38.8 million. The monthly collection is equivalent to a -2.5 percent decrease from prior year collections.

C: /FISCNOT/October FY 2018
Attachment (2)

OCTOBER 2017 YEAR-TO-DATE GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/2/2017

MILLIONS OF $

	ACTUAL FY17	FORECAST FY18	ACTUAL FY18	CHANGE FROM FORECAST DOLLAR DIFFERENCE	CHANGE FROM FORECAST PERCENT DIFFERENCE	CHANGE FROM LAST YEAR DOLLAR DIFFERENCE	CHANGE FROM LAST YEAR PERCENT DIFFERENCE
INDIVIDUAL INCOME	956.6	975.5	983.8	8.3	0.8	27.2	2.8
CORPORATE INCOME	126.2	137.8	128.0	-9.8	-7.1	1.8	1.4
SALES AND USE	788.2	817.7	790.3	-27.4	-3.4	2.1	0.3
ALCOHOLIC BEVERAGE	18.5	18.7	19.0	0.3	1.6	0.5	2.9
TOBACCO	74.2	71.8	74.5	2.7	3.8	0.3	0.4
INSURANCE	22.8	22.8	22.3	-0.5	-2.3	-0.5	-2.2
RACING	0.6	0.6	0.5	-0.1	-10.2	0.0	-5.4
GAMES OF SKILL	18.9	18.9	20.7	1.8	9.7	1.9	10.0
MISCELLANEOUS[1]	44.3	38.9	40.6	1.7	4.5	-3.6	-8.2
TOTAL GROSS	2,050.1	2,102.7	2,079.8	-22.9	-1.1	29.7	1.4
LESS: SCSF/COF[2]	65.6	65.2	64.5	-0.7	-1.1	-1.1	-1.7
INDIV INCOME TAX REFUNDS	32.7	42.1	55.8	13.7	32.5	23.1	70.7
CORP INCOME TAX REFUNDS	27.4	7.1	10.9	3.8	53.9	-16.4	-60.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	3.8	6.9	3.0	-3.9	-55.8	-0.8	-20.7
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	0.0
CITY & COUNTY TOURIST	0.4	0.4	0.4	0.0	11.0	0.0	0.0
SCHOOL DESEGREGATION	29.9	30.0	29.9	-0.1	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	104.5	106.4	106.8	0.4	0.4	2.3	2.2
EDUCATIONAL ADEQUACY	9.2	9.4	9.4	0.0	0.4	0.2	2.2
TOTAL DEDUCTIONS	278.7	272.7	286.0	13.3	4.9	7.3	2.6
NET AVAILABLE	1,771.3	1,830.0	1,793.8	-36.2	-2.0	22.4	1.3

REVENUE FORECAST SUMMARY FOR OCTOBER

YEAR-TO-DATE GROSS	$ 22.9 MILLION OR 1.1% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	$ 36.2 MILLION OR 2.0% BELOW 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 2017 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/2/2017

MILLIONS OF $

				CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
	ACTUAL OCT FY17	FORECAST OCT FY18	ACTUAL OCT FY18	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	256.0	253.3	254.4	1.1	0.4	-1.7	-0.7
CORPORATE INCOME	41.0	38.5	21.3	-17.2	-44.7	-19.7	-48.1
SALES AND USE	198.6	206.9	191.0	-15.9	-7.7	-7.7	-3.9
ALCOHOLIC BEVERAGE	4.2	4.2	4.4	0.2	5.5	0.3	6.0
TOBACCO	19.6	19.0	18.5	-0.5	-2.7	-1.1	-5.4
INSURANCE	0.6	0.6	1.2	0.6	94.4	0.6	101.8
RACING	0.1	0.1	0.1	0.0	-8.8	0.0	-4.4
GAMES OF SKILL	4.7	4.7	5.2	0.5	11.5	0.5	11.2
MISCELLANEOUS[1]	5.2	4.2	4.5	0.3	8.0	-0.7	-12.7
TOTAL GROSS	530.0	531.5	500.6	-30.9	-5.8	-29.4	-5.6
LESS: SCSF/COF[2]	17.0	16.5	15.5	-1.0	-6.0	-1.4	-8.5
INDIV INCOME TAX REFUNDS	16.5	21.3	26.6	5.3	25.0	10.1	60.9
CORP INCOME TAX REFUNDS	20.8	2.2	6.1	3.9	176.9	-14.7	-70.7
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.7	2.0	1.2	-0.8	-38.0	0.5	76.7
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	0.0
CITY & COUNTY TOURIST	0.2	0.2	0.2	0.0	11.0	0.0	0.0
SCHOOL DESEGREGATION	6.0	6.0	6.0	0.0	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	26.1	26.6	26.7	0.1	0.4	0.6	2.2
EDUCATIONAL ADEQUACY	2.3	2.4	2.4	0.0	-1.7	0.1	2.2
TOTAL DEDUCTIONS	90.9	78.5	86.1	7.6	9.6	-4.9	-5.4
NET AVAILABLE	439.1	453.0	414.5	-38.5	-8.5	-24.5	-5.6

REVENUE FORECAST SUMMARY FOR OCTOBER

OCTOBER GROSS	$ 30.9 MILLION OR 5.8% BELOW FORECAST
OCTOBER NET AVAILABLE	$ 38.5 MILLION OR 8.5% BELOW 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.