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Department of Finance and Administration

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MEMORANDUM

TO: Larry Walther, Secretary
Paul Louthian, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for February (FY 2022)**

DATE: March 2, 2022 Copy: Governor's Office

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues total $4,541.1 million, $244.2 million or 5.7 percent above year ago levels. After eight months into the fiscal year, Net Available revenue is above forecast by $317.8 million or 7.5 percent.

Year-to-date Gross General Revenues gross collections total $5,206.5 million, representing an increase of $293.5 million or 6.0 percent above last year. Gross general revenues are above forecast by $293.8 million or 6.0 percent.

Year-to-date Individual Income Tax collections total $2,406.1 million, $5.1 million or a -0.2 percent below FY 2021 collections and $196.6 million or 8.9 percent above forecast. Tax due date shift accounts for the disparity against year ago levels while Estimated Payments and Payroll Withholding account for most of the current gains above forecast.

Year-to-date individual income tax refunds total $154.3 million, up $18.5 million or 13.6 percent compared to last year and $19.0 million or -10.9 percent below forecast. Individual refunds received and processed this year are higher than last year because of the late start in IRS processing in the prior year.

Year-to-date Sales and Use Tax collections total $2,052.1 million, an increase of $200.9 million or 10.9 percent from FY 2021 and $52.6 million or 2.6 percent above forecast.

Year-to-date Corporate Income Taxes collections total $408.2 million, an increase of $88.2 million from year-to-date FY 2021. Corporate income is above forecast by $35.7 million or 9.6 percent. Corporate Estimated Payments exceeded year ago and forecast levels.

Year-to-date corporate income tax refunds total $38.7 million, a decrease of $16.2 million compared to the same year-to-date period last year.

FEBRUARY REVENUE SUMMARY

February Net Available General Revenues total $406.6 million, $30.8 million or -7.0 percent below last year and $77.0 million or 23.4 percent above forecast.

Net Available revenue results were above the revised forecast in the major categories of Individual Income Tax and Sales and Use Tax in February. Individual Income Tax collections primarily benefited from continued high growth in Payroll Withholding Tax. Sales Tax collections were above forecast and year ago levels. Corporate Income Tax collections were slightly below forecast (-$0.1 million) in a seasonally low collection month in that category.

Among smaller revenue sources, Tobacco was above forecast by $0.8 million and below year ago collections. Results in Gaming revenue were below forecast for the month by $0.3 million.

February Gross General Revenues collections total $528.5 million, an increase of $34.9 million or 7.1 percent above last year and $62.6 million or 13.4 percent above forecast. Gains in Gross revenue from collections were broad-based in February.

February Individual Income Tax collections total $264.8 million. Collections increased by $26.5 million or 11.1 percent compared to last year. With respect to the forecast, collections were $55.9 million or 26.8 percent above forecast. Individual Withholding Tax revenue increased 10.7 percent compared to last year.

February Individual Income Tax Refunds total $52.0 million, $50.8 million above last year and $18.7 million below forecast. Delayed start of IRS processing last year and more normal starting times this year account for the major difference. Refund claims below forecast add to net revenue results.

February Sales and Use Tax collections total $228.2 million, an increase of $6.3 million or 2.9 percent above last year. Collections were above monthly forecast levels by $5.1 million or 2.3 percent. Major reporting sectors of Sales Tax displayed mixed results compared to year ago, with decline in Retail Trade in comparison to stimulus-fueled gains last year. Other sectors continued to display high growth, led by the sectors still in recovery stages from the pandemic. These included Accommodation and Food Services (restaurants) and Other (personal) Services. Motor Vehicles Sales Tax experienced a 10 percent gain Y/Y, which includes comparison with a week-long snow event last year.

February Corporate Income Tax collections total $7.0 million, an increase of $1.7 million from year ago, and $0.1 million below forecast. February is a seasonally low collection month in this category.

February Corporate Income Tax Refunds total $13.6 million. This amount is $6.8 million above year ago levels. Refunds were $2.6 million above forecast.

February Tobacco Tax collections, a smaller component of general revenue in annual terms, total $15.0 million. Collections decreased by $1.1 million from year earlier levels and were above forecast by $0.8 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 February 2022, $47.4 million was collected and deposited to the fund. After deductions, the net amount is $46.0 million. The monthly collection is equivalent to a 2.2 percent increase from prior year collections.

C: /FISCNOT/February FY 2022
Attachment (2)

February 2022 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 12/16/21

Millions of $

	Actual Feb FY21	Forecast Feb FY22	Actual Feb FY22	Change from Forecast: Dollar Difference	Change from Forecast: Percent Difference	Change from Last Year: Dollar Difference	Change from Last Year: Percent Difference
Individual Income	2,411.3	2,209.5	2,406.1	196.6	8.9	-5.1	-0.2
Corporate Income	320.1	372.5	408.2	35.7	9.6	88.2	27.5
Sales & Use	1,851.2	1,999.5	2,052.1	52.6	2.6	200.9	10.9
Alcohol	43.8	46.0	47.6	1.6	3.5	3.8	8.8
Tobacco	147.4	140.4	144.4	4.0	2.8	-3.0	-2.0
Insurance	48.2	51.2	51.4	0.2	0.5	3.2	6.6
Racing	0.7	0.8	0.7	-0.1	-14.9	0.0	1.3
Gaming	21.0	27.9	27.7	-0.2	-0.9	6.6	31.5
Severance	4.8	7.2	8.7	1.5	20.2	3.8	78.5
Franchise	8.0	8.0	8.0	0.0	0.0	0.0	0.0
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	53.9	47.1	49.0	1.9	4.0	-4.9	-9.1
Total Gross	4,913.0	4,912.7	5,206.5	293.8	6.0	293.5	6.0
LESS: (SCSF/COF) [1]	152.3	150.3	161.4	11.1	7.4	9.1	6.0
Individual Income Refunds	135.9	173.3	154.3	-19.0	-10.9	18.5	13.6
Corporate Income Refunds	54.9	52.7	38.7	-14.0	-26.6	-16.2	-29.5
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	5.4	12.2	9.8	-2.4	-19.7	4.4	80.8
Amendment 82 Bonds	1.0	1.0	1.0	0.0	-2.8	0.0	-4.2
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	10.0	10.0	10.0	0.0	0.0	0.0	0.0
College Savings Bonds	3.0	2.7	2.7	0.0	1.8	-0.2	-8.3
City & County Tourist	0.7	0.7	0.7	0.0	-4.9	0.0	0.0
Educational Excellence	232.3	263.3	263.4	0.1	0.0	31.1	13.4
Educational Adequacy	20.5	23.2	23.3	0.1	0.4	2.7	13.4
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	616.0	689.4	665.3	-24.1	-3.5	49.3	8.0
Net Available	4,297.0	4,223.3	4,541.1	317.8	7.5	244.2	5.7

Revenue Forecast Summary for the Month

February Year-to-Date Gross: $ 293.8 Million OR 6.0% Above Forecast

February Year-to-Date Net Available: $ 317.8 Million OR 7.5% Above Forecast

[1] State Central Services Fund and Constitutional Officers Fund.

February 2022 General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 12/16/21 — Millions of $

	Actual Feb FY21	Forecast Feb FY22	Actual Feb FY22	Change from Forecast: Dollar Difference	Change from Forecast: Percent Difference	Change from Last Year: Dollar Difference	Change from Last Year: Percent Difference
Individual Income	238.3	208.9	264.8	55.9	26.8	26.5	11.1
Corporate Income	5.3	7.1	7.0	-0.1	-0.8	1.7	31.8
Sales & Use	221.8	223.1	228.2	5.1	2.3	6.3	2.9
Alcohol	4.4	4.5	5.0	0.5	10.5	0.6	13.3
Tobacco	16.2	14.2	15.0	0.8	6.0	-1.1	-6.9
Insurance	1.9	1.9	1.6	-0.3	-13.9	-0.2	-12.7
Racing	0.1	0.1	0.1	0.0	-2.6	0.0	-19.9
Gaming	3.1	3.6	3.3	-0.3	-9.5	0.2	5.7
Severance	0.6	0.5	1.0	0.5	90.0	0.3	52.5
Franchise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	1.9	2.0	2.5	0.5	24.7	0.6	34.2
Total Gross	493.6	465.9	528.5	62.6	13.4	34.9	7.1
LESS: (SCSF/COF) [1]	15.3	14.8	16.4	1.6	10.7	1.1	7.1
Individual Income Refunds	1.2	70.7	52.0	-18.7	-26.5	50.8	4,368.5
Corporate Income Refunds	6.7	11.0	13.6	2.6	23.3	6.8	101.2
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	0.2	2.8	2.8	0.0	1.7	2.7	1,698.9
Amendment 82 Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	1.2	1.2	1.2	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Excellence	29.0	32.9	32.9	0.0	0.1	3.9	13.4
Educational Adequacy	2.6	2.9	2.9	0.0	0.4	0.3	13.4
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	56.2	136.3	121.8	-14.5	-10.6	65.6	116.9
Net Available	437.4	329.6	406.6	77.0	23.4	-30.8	-7.0

Revenue Forecast Summary for the Month

February Gross: $ 62.6 Million OR 13.4% Above Forecast

February Net Available: $ 77.0 Million OR 23.4% Above Forecast

[1] State Central Services Fund and Constitutional Officers Fund.