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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 May (FY 2017)**

DATE: June 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 $4,777.1 million, $49.1 million or -1.0 percent below year ago levels. After one month from the revised forecast and 11 months into the fiscal year, net available revenue is above forecast by $57.8 million or 1.2 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total $5,885.7 million, representing an increase of $58.4 million or 1.0 percent above last year. Gross general revenues are above the revised forecast by $20.3 million or 0.3 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total $2,937.9 million, $59.9 million or 2.1 percent above FY 2016 collections and $11.3 million or 0.4 percent above the revised forecast.

Year-to-date individual income tax refunds total $424.7 million, up $90.9 million or 27.2 percent compared to last year and $32.4 million or -7.1 percent below forecast. Amounts below forecast in refund categories increase net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total $2,135.1 million, an increase of $40.1 million or 1.9 percent from FY 2016 and $7.6 million or 0.4 percent above the revised forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total $365.1 million, a decrease of $36.7 million or -9.1 percent from year-to-date FY 2016. Corporate income is above the revised forecast by $0.4 million or 0.1 percent.

Year-to-date corporate income tax refunds total $66.3 million, a decrease of -$1.8 million compared to the same year-to-date period last year.

MAY REVENUE SUMMARY

The Official General Revenue Forecast was revised on May 2, 2017, resulting in a reduction of $70 million in the year end amount for Net Available revenue to $5,263.1 million. The monthly forecasts for May and June reflect this revision to year end expectations and now account for actual collections in the year-to-date values through April.

May Net Available General Revenues total $339.2 million, $1.0 million or 0.3 percent above last year and $57.8 million or 20.5 percent above forecast.

Results in May were positively impacted by lower than expected Individual Income Tax refunds issued and gross revenue collections meeting or exceeding forecast in all of the major tax categories.

Individual Income tax collections were $11.3 million above forecast largely due to gains in Withholding Tax revenue.

Individual Income Tax Refunds were below forecast by $32.4 million, increasing Net Available fund results. This amount reflects continued differences in filings and processing compared to prior years and cautionary levels projected in the revised forecast.

Among other major categories, Sales and Use Tax collections were $7.6 million above forecast and 12.1 percent higher than last year due to refund issuance last year in accordance with a court settlement.

Among smaller revenue sources, Tobacco tax was above forecast by $0.3 million. Results in Gaming revenue were also above forecast by $0.9 million.

May Gross General Revenues: May collections total $468.9 million, an increase of $36.0 million or 8.3 percent above last year and $20.3 million or 4.5 percent above forecast.

May Individual Income Tax collections total $209.4 million. Collections decreased by $7.6 million, or -3.5 percent below last year. With respect to the forecast, collections were

$11.3 million or 5.7 percent above forecast. Individual withholding decreased 3.0 percent compared to last year due to payroll timing differences.

May Individual Income Tax Refunds total $63.6 million, $36.2 million or 131.9 percent above last year and $32.4 million or -33.8 percent below the revised forecast. Refund amounts below forecast increase net available fund results.

May Sales and Use Tax Collections: May collections total $192.4 million, an increase of $20.8 million or 12.1 percent above last year. Collections were above monthly forecast levels by $7.6 million or 4.1 percent. Comparison to year ago results was impacted by a refund in the prior year in accordance with a court settlement.

May Corporate Income Tax collections total $33.4 million, an increase of $24.4 million from year ago, and $0.4 million above forecast.

May Corporate Income Tax Refunds total $1.1 million. This amount is $3.6 million below year ago levels. Refunds were also $1.9 million below forecast.

May Tobacco Tax collections, a smaller component of general revenue in annual terms, total $18.6 million. Collections decreased by $1.2 million or -5.9 percent from year earlier levels and were above forecast by $0.3 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 $42.9 million, an increase of 2.2 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 May 2017, $48.4 million was collected and deposited to the fund. After deductions, the net amount is $46.9 million. The monthly collection is equivalent to a 2.4 percent increase from prior year collections.

C: /FISCNOT/May FY 2017
Attachment (2)

MAY 2017 YEAR-TO-DATE GENERAL REVENUE REPORT

ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/2/2017

MILLIONS OF $

				CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
	ACTUAL FY16	FORECAST FY17	ACTUAL FY17	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	2,878.1	2,926.6	2,937.9	11.3	0.4	59.9	2.1
CORPORATE INCOME	401.8	364.7	365.1	0.4	0.1	-36.7	-9.1
SALES AND USE	2,095.1	2,127.5	2,135.1	7.6	0.4	40.1	1.9
ALCOHOLIC BEVERAGE	49.7	50.2	50.4	0.2	0.4	0.7	1.4
TOBACCO	203.7	199.5	199.8	0.3	0.2	-3.9	-1.9
INSURANCE	64.0	63.1	62.9	-0.2	-0.3	-1.1	-1.6
RACING	2.4	2.3	2.3	0.0	-1.4	-0.1	-4.4
GAMES OF SKILL	51.1	54.0	54.9	0.9	1.6	3.8	7.4
MISCELLANEOUS[1]	81.5	77.5	77.3	-0.2	-0.3	-4.2	-5.2
TOTAL GROSS	5,827.3	5,865.4	5,885.7	20.3	0.3	58.4	1.0
LESS: SCSF/COF[2]	186.5	187.7	188.3	0.6	0.3	1.9	1.0
INDIV INCOME TAX REFUNDS	333.8	457.1	424.7	-32.4	-7.1	90.9	27.2
CORP INCOME TAX REFUNDS	68.1	68.2	66.3	-1.9	-2.8	-1.8	-2.6
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	9.0	15.0	12.0	-3.0	-20.0	3.0	32.8
AMENDMENT 82 BONDS	0.0	1.1	1.1	0.0	2.4	1.1	0.0
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	13.6	13.6	13.6	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	23.2	24.0	23.2	-0.8	-3.3	0.0	0.0
CITY & COUNTY TOURIST	1.0	0.9	0.9	0.0	-1.3	-0.2	-15.2
SCHOOL DESEGREGATION	65.8	65.8	65.8	0.0	0.0	0.0	0.0
EDUCATIONAL EXCELLENCE	275.8	287.3	287.3	0.0	0.0	11.6	4.2
EDUCATIONAL ADEQUACY	24.4	25.4	25.4	0.0	0.0	1.0	4.2
TOTAL DEDUCTIONS	1,001.1	1,146.1	1,108.6	-37.5	-3.3	107.5	10.7
NET AVAILABLE	4,826.1	4,719.3	4,777.1	57.8	1.2	-49.1	-1.0

REVENUE FORECAST SUMMARY FOR MAY

YEAR-TO-DATE GROSS	$ 20.3 MILLION OR 0.3% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	$ 57.8 MILLION OR 1.2% 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.

MAY 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 MAY FY16	FORECAST MAY FY17	ACTUAL MAY FY17	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	217.0	198.1	209.4	11.3	5.7	-7.6	-3.5
CORPORATE INCOME	8.9	33.0	33.4	0.4	1.1	24.4	273.4
SALES AND USE	171.6	184.8	192.4	7.6	4.1	20.8	12.1
ALCOHOLIC BEVERAGE	5.8	5.7	5.9	0.2	3.6	0.1	1.4
TOBACCO	19.8	18.3	18.6	0.3	1.7	-1.2	-5.9
INSURANCE	1.1	1.0	0.9	-0.2	-17.9	-0.3	-24.6
RACING	0.2	0.2	0.1	0.0	-20.2	0.0	-25.7
GAMES OF SKILL	5.1	4.5	5.4	0.9	19.6	0.3	5.6
MISCELLANEOUS[1]	3.3	3.0	2.8	-0.2	-7.4	-0.5	-15.0
TOTAL GROSS	432.9	448.6	468.9	20.3	4.5	36.0	8.3
LESS: SCSF/COF[2]	13.9	14.4	15.0	0.6	4.5	1.2	8.3
INDIV INCOME TAX REFUNDS	27.4	96.0	63.6	-32.4	-33.8	36.2	131.9
CORP INCOME TAX REFUNDS	4.7	3.0	1.1	-1.9	-64.1	-3.6	-77.0
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.7	3.5	0.5	-3.0	-85.9	-1.2	-71.0
AMENDMENT 82 BONDS	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	1.2	1.2	1.2	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	18.5	20.6	19.9	-0.8	-3.8	1.3	7.1
CITY & COUNTY TOURIST	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
SCHOOL DESEGREGATION	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
EDUCATIONAL EXCELLENCE	25.1	26.1	26.1	0.0	0.1	1.1	4.2
EDUCATIONAL ADEQUACY	2.2	2.3	2.3	0.0	0.0	0.1	4.2
TOTAL DEDUCTIONS	94.7	167.1	129.6	-37.5	-22.4	34.9	36.9
NET AVAILABLE	338.2	281.5	339.2	57.8	20.5	1.0	0.3

REVENUE FORECAST SUMMARY FOR MAY

MAY GROSS	$ 20.3 MILLION OR 4.5% ABOVE FORECAST
MAY NET AVAILABLE	$ 57.8 MILLION OR 20.5% 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.