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M E M O R A N D U M

TO: Richard Weiss, Director
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FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for February (FY 2012)**

DATE: March 2, 2012

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 \$2,990.5 million, \$54.2 million or 1.8 percent above year ago levels. After eight months into the fiscal year, net available revenue is above forecast by \$20.2 million or 0.7 percent.

Among major revenue categories, both individual and corporate income taxes are above forecast and sales tax collections (gross receipts) are down year-to-date relative to forecast. The key components of individual income tax are on forecast or ahead for the year, including withholding tax and estimated payments. The sales tax results improved slightly in February relative to forecast, but year-to-date results reflect a combination of generally weak retail sales earlier in the fiscal year and adverse one-time comparisons in business transactions in the first two months of the fiscal year. Business and consumer components of sales tax collection growth have been inconsistent over the year. Also, offsetting some of the positive factors is a large increase in corporate refunds earlier in the year and a surge in the number of individual refunds processed in February.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,682.3 million, representing an increase of \$142.8 million or 4.0 percent above last year. Gross general revenues are above forecast by \$70.8 million or 2.0 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,747.6 million, \$81.1 million or 4.9 percent above FY 2011 collections and \$49.3 million or 2.9 percent above forecast. Collections growth for individual withholding is up 3.6 percent over year ago levels.

Year-to-date individual income tax refunds total \$240.1 million, up \$53.3 million or 28.6 percent compared to last year and \$43.6 million or 22.2 percent above forecast. Amounts above forecast in refund categories detract from net available revenue.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$1,417.8 million, an increase of \$17.8 million or 1.3 percent from FY 2011 and \$25.1 million or -1.7 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$234.1 million, an increase of \$36.3 million or 18.3 percent from year-to-date FY 2011. Corporate income is above forecast by \$35.9 million or 18.1 percent.

Year-to-date corporate income tax refunds total \$49.6 million, up \$18.1 million compared to the comparable year-to-date period last year. This amount includes large refunds in October.

FEBRUARY REVENUE SUMMARY

February Net Available General Revenues total \$190.1 million, \$24.0 million or -11.2 percent below last year and \$22.6 million or -10.6 percent below forecast.

While gross collections exceeded forecast this month, offsetting individual income tax refunds exceeded expectations by \$33.6 million. Gross collections benefited from good gains in individual withholding while sales tax (gross receipts) slightly exceeded forecast.

February Gross General Revenues: February collections total \$393.6 million, an increase of \$22.2 million or 6.0 percent from last year and \$10.5 million or 2.7 percent above forecast.

February Individual Income Tax collections total \$193.8 million. Collections increased by \$15.6 million, or 8.8 percent, compared to last year. With respect to the forecast, collections are \$10.7 million or 5.8 percent above forecast. Individual withholding gained 5.9 percent compared to last year, after a fractional gain in January.

February Individual Income Tax Refunds total \$153.2 million, \$40.0 million above last year and also \$33.6 million above forecast. High growth in refunds partly reflect

accelerated filings compared to the year ago pattern and one additional filing day this month. In February, 24.0 percent more refunds were processed than in February 2011 and the average refund amount was 9.4 percent higher than last year.

February Gross Receipts Collections: February collections total \$167.9 million, an increase of \$5.6 million or 3.4 percent from last year. Collections were above monthly forecast levels by \$0.3 million or 0.2 percent.

February Corporate Income Tax collections total \$4.0 million, a decrease of \$1.0 million or -20.3 percent from year earlier levels, and \$1.3 million or -23.8 percent below forecast. Corporate income tax filings are a volatile component of general revenue and collections are generally low in the month of February.

February Corporate Income Tax Refunds total \$2.3 million. This amount is \$1.4 million above year ago levels and \$1.3 million above forecast for this subtraction from gross general revenues.

February Tobacco Tax collections, a small component of general revenue, total \$18.2 million or -0.9 percent below year earlier levels, and \$0.9 million or 4.9 percent below forecast. 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 Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$32.0 million, an increase of 0.5 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 February 2012, \$34.3 million was collected and deposited to the fund. After deductions, the net amount is \$33.3 million. The monthly collection is equivalent to a 2.9 percent increase from prior year collections.

YEAR TO DATE REPORT, FEBRUARY 2012
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH FEBRUARY 2012
8 Months YTD
Forecast Date: 04/21/2011

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2011	FORECAST FY 2012	INCREASE AMOUNT PERCENT		ACTUAL FY 2011	ACTUAL FY 2012	INCREASE AMOUNT PERCENT		
INDIVIDUAL INCOME	1,666.5	1,698.3	31.8	1.9	1,666.5	1,747.6	81.1	4.9	102.9
CORPORATE INCOME	197.8	198.2	0.4	0.2	197.8	234.1	36.3	18.3	118.1
GROSS RECEIPTS ¹	1,399.9	1,442.9	43.0	3.1	1,399.9	1,417.8	17.8	1.3	98.3
ALCOHOLIC BEVERAGE ²	20.6	21.5	0.9	4.2	20.6	20.8	0.2	0.8	96.8
TOBACCO	159.5	152.8	-6.7	-4.2	159.5	159.1	-0.4	-0.2	104.1
INSURANCE	46.5	46.1	-0.4	-0.8	46.5	44.1	-2.4	-5.1	95.6
RACING	2.4	2.3	-0.1	-3.9	2.4	2.2	-0.2	-6.8	97.0
GAMES OF SKILL	7.9	8.8	0.9	12.0	7.9	16.2	8.3	105.5	183.6
MISCELLANEOUS ³	38.5	40.6	2.1	5.5	38.5	40.4	1.9	5.0	99.5
TOTAL GROSS	3,539.5	3,611.5	72.0	2.0	3,539.5	3,682.3	142.8	4.0	102.0
LESS: SCSF/COF ⁴	106.2	119.2	13.0	12.3	106.2	121.5	15.3	14.4	101.9
IND INCOME TAX REFUNDS	186.7	196.5	9.8	5.2	186.7	240.1	53.3	28.6	122.2
CORP INCOME TAX REFUNDS	31.5	34.1	2.6	8.2	31.5	49.6	18.1	57.3	145.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	10.6	15.8	5.2	49.1	10.6	11.0	0.4	3.5	69.4
WATER/SEWER BONDS	10.1	10.1	0.0	0.0	10.1	10.1	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.7	5.6	-0.1	-2.1	5.7	2.1	-3.6	-63.6	37.1
CITY/CO. TOURIST	4.0	3.9	-0.1	-1.4	4.0	4.0	0.0	-0.1	101.4
SCHOOL DESEGREGATION	52.4	50.2	-2.2	-4.2	52.4	50.2	-2.2	-4.2	100.0
EDUCATIONAL EXCELLENCE	179.1	188.0	8.9	5.0	179.1	186.7	7.6	4.2	99.3
EDUCATIONAL ADEQUACY	15.8	16.6	0.8	4.9	15.8	16.5	0.7	4.2	99.4
ELDERLY TRANSPORTATION	1.1	1.2	0.1	4.5	1.1	0.2	-1.0	-86.1	13.3
NET AVAILABLE	2,936.3	2,970.3	34.0	1.2	2,936.3	2,990.5	54.2	1.8	100.7

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 70.8 MILLION OR 2.0% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 59.0 MILLION OR 25.6% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 20.2 MILLION OR 0.7% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 11</u> 31.8	<u>YTD FY 12</u> 32.0	<u>% CHANGE</u> 0.5
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 11</u> 279.1	<u>YTD FY 12</u> 281.8	<u>% CHANGE</u> 1.0

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.

FEBRUARY GENERAL REVENUE REPORT
(ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)
(682-1688 for further information)

February 29, 2012
Days Remaining: 0
Forecast date: 04/21/2011

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2011	FORECAST FY 2012	CHANGE AMOUNT	PERCENT	ACTUAL FY 2011	ACTUAL FY 2012	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	178.1	183.1	5.0	2.8	178.1	193.8	15.6	8.8	105.8
CORPORATE INCOME	5.1	5.3	0.2	4.6	5.1	4.0	-1.0	-20.3	76.2
GROSS RECEIPTS ¹	162.4	167.6	5.2	3.2	162.4	167.9	5.6	3.4	100.2
ALCOHOLIC BEVERAGE ²	1.8	2.0	0.2	13.0	1.8	2.1	0.3	18.3	104.7
TOBACCO	18.3	19.1	0.8	4.2	18.3	18.2	-0.2	-0.9	95.1
INSURANCE	0.5	0.5	0.0	1.7	0.5	0.4	-0.1	-12.8	85.7
RACING	0.4	0.4	0.0	3.0	0.4	0.4	0.0	-4.4	92.8
GAMES OF SKILL	1.2	1.1	-0.1	-8.2	1.2	2.3	1.1	90.1	207.0
MISCELLANEOUS ³	3.7	4.0	0.3	7.3	3.7	4.6	0.8	22.2	114.0
TOTAL GROSS	371.5	383.1	11.6	3.1	371.5	393.6	22.2	6.0	102.7
LESS: (SCSF/COF) ⁴	11.1	12.6	1.5	13.1	11.1	13.0	1.8	16.6	103.1
IND INC TAX REFUNDS	113.3	119.6	6.3	5.6	113.3	153.2	40.0	35.3	128.1
CORP INC TAX REFUNDS	0.9	1.0	0.1	5.8	0.9	2.3	1.4	143.6	230.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.0	1.9	1.9	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	1.2	1.2	0.0	0.0	1.2	1.2	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	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	0.0	0.0
SCHOOL DESEGREGATION	6.3	8.4	2.1	33.3	6.3	8.4	2.1	33.3	100.0
EDUCATIONAL EXCELLENCE	22.4	23.5	1.1	5.0	22.4	23.3	1.0	4.2	99.3
EDUCATIONAL ADEQUACY	2.0	2.1	0.1	6.1	2.0	2.1	0.1	4.2	98.2
ELDERLY TRANSPORTATION	0.1	0.1	0.0	-29.7	0.1	0.0	-0.1	-100.0	0.0
NET AVAILABLE	214.1	212.7	-1.4	-0.7	214.1	190.1	-24.0	-11.2	89.4

REVENUE FORECAST SUMMARY FOR FEBRUARY

FEBRUARY GROSS \$ 10.5 MILLION OR 2.7% ABOVE FORECAST.
FEBRUARY NET AVAILABLE \$ 22.6 MILLION OR 10.6% BELOW FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Feb 11</u> 32.3	<u>Feb 12</u> 33.3	<u>% CH</u> 2.9
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- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes estate tax, severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.