

ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

April

Research Division

Fiscal Year 2012

<http://tax.illinois.gov/AboutIdor/TaxResearch/TaxResearch.htm>

This report analyzes the major revenues the Illinois Department of Revenue (IDOR) Research Division forecasts. It examines how actual revenues compare with the previous year and with current FY 2012 forecasts.

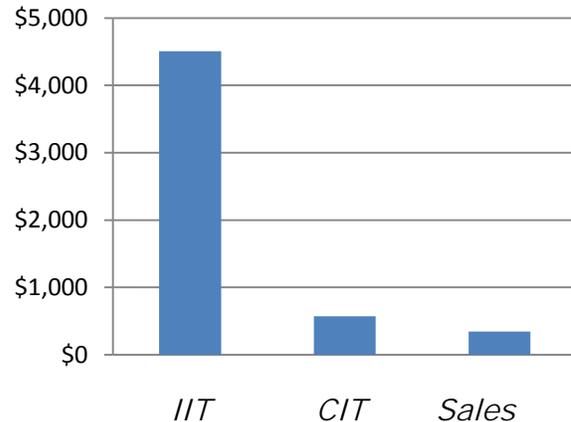
Fiscal Year 2012 receipts through April for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$22,474.6 million. Those receipts are \$5,425.0 million above last year and \$394.6 million above the current forecast.

Individual income tax receipts are \$14,117.1 million. The total is \$4,507.3 million above last year and \$309.1 million above the current forecast.

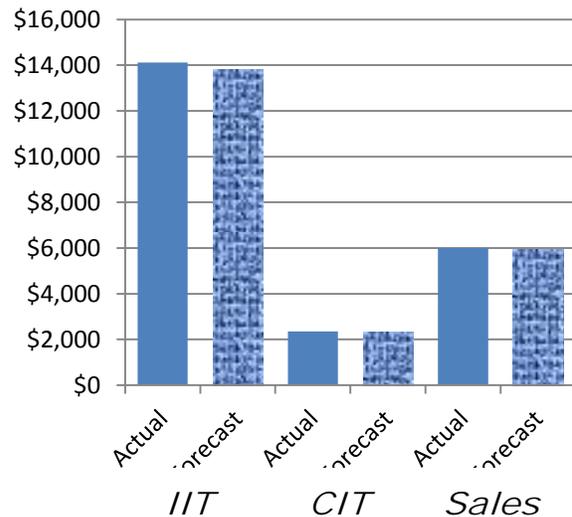
Corporate income tax receipts are \$2,354.6 million. The total is \$571.2 million above last year and \$33.3 million above the current forecast.

Sales tax receipts are \$6,002.9 million. The total is \$346.5 million above last year and \$52.2 million above the current forecast.

**Increase in Year-to-Date Revenues
FY 2011 and FY 2012 (in millions)**



**FY 2012 Year-to-Date Revenues versus
Forecasts (in millions)**



TECHNICAL NOTE

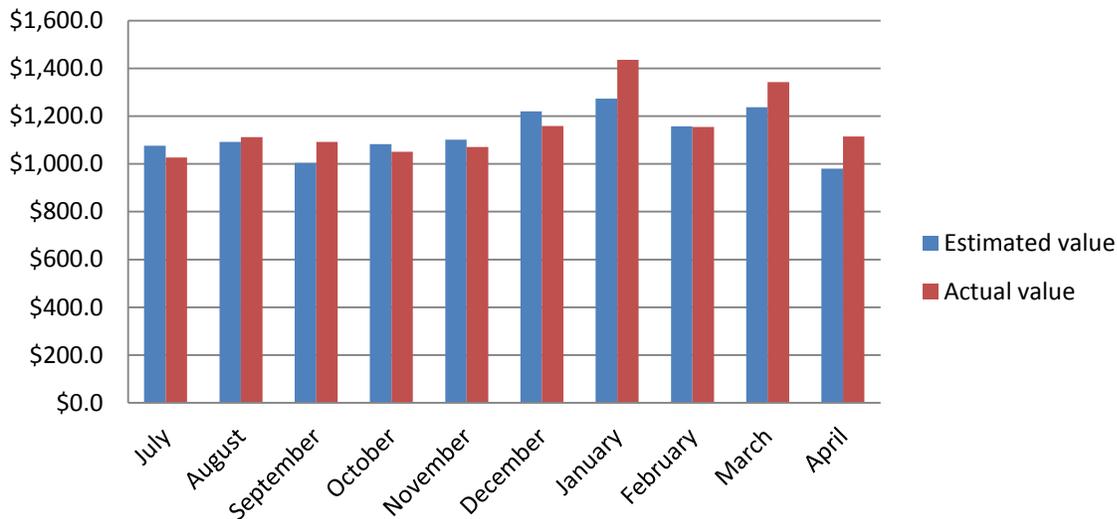
The sum of individual tax components may not equal the total due to rounding.

FEATURE

Recent Withholding (WIT) Payments Performance

The year-to-date (YTD) FY 2012 WIT receipts are coming in above forecast. This is mostly explained by a significant surge in WIT observed in March and April. This increase means that FY 2012 WIT receipts will come in above the full FY 2012 forecast.

WIT Estimated vs Actual monthly values



Note: In prior reports we discussed the January surge was due to a timing issue. Taken together, December and January came in close to forecast.

The unexpected surge cannot be explained by a corresponding increase in employment. Based on the latest data available from the Illinois Department of Employment Security (IDES), Illinois employment has been growing at a modest pace.¹ This is consistent with the underlying assumption of our baseline FY 2012 WIT forecast. There are a couple of working hypotheses to explain the surge:

First: Some of the increase is because taxpayers have adjusted their W-4 forms to claim less personal allowances in reaction to receiving a lower than anticipated refund or having to make a higher than anticipated final tax payment for tax year 2011. We will have data to support or reject this hypothesis when we receive tax return data for tax year 2011.

Second: Our proprietary data indicates manufacturing and business services sectors experienced very high WIT growth in March and/or April.² We suspect bonus payments in these sectors were higher than forecast. In analyzing monthly WIT payments data of 277,980 Illinois employers, we determined that 99,718 of these employers increased WIT payments in March-April compared with the January-February period. Large bonus amounts are primarily associated with large employers. Fifty-one employers increased WIT payments by more than \$1 million in March-April compared to

¹ Illinois Department of Employment Security May 2012 Press Release.

² The taxpayer self-reports the SIC code corresponding to its economic activity. We must note: First, this self-reporting is not always accurate. Second, large firms often have more than one area of business and therefore more than one SIC would be applicable.

January-February and paid an additional \$122 million. We find a concentration of these firms in the financial sector, manufacturing, and business services sectors.³

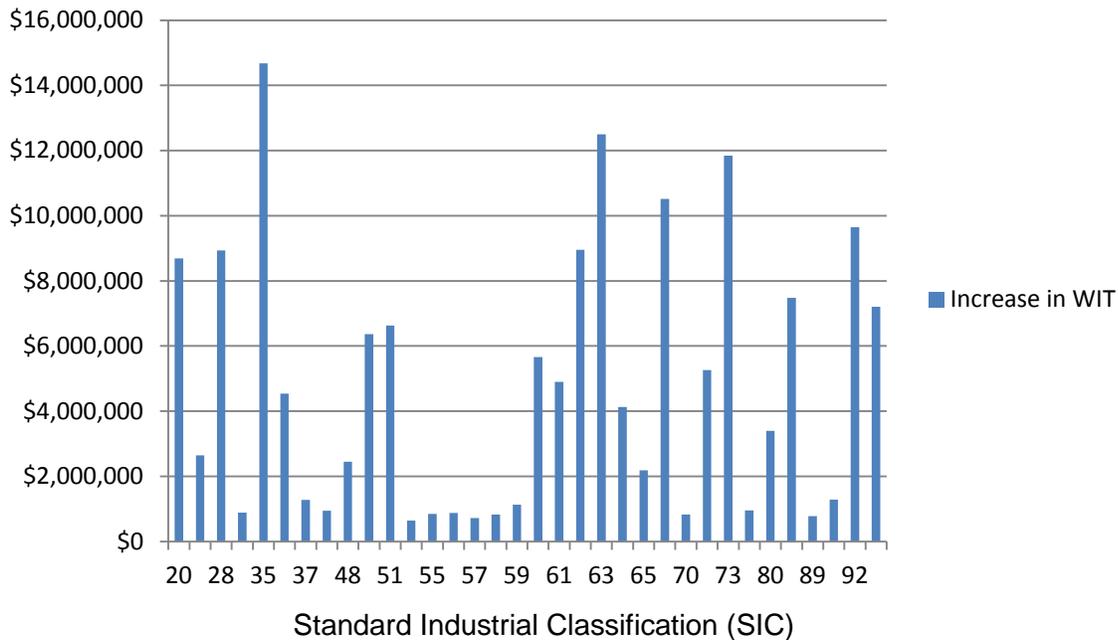
When we looked at the top 100 employers that increased WIT payments, we found they paid an additional \$160 million in WIT. Our view is derived from bonuses paid during this period. In terms of timing, the pattern is the same observed before; most of bonuses related increase in WIT happened in March.

A few economic sectors account for most of the WIT surge in this last two month period:

- SIC 35, Industrial and commercial machinery and computer equipment.
- SIC 63, Insurance carriers.
- SIC 73, Business services.
- SIC 67, Holdings and other investment offices.
- SIC 62, Security and commodity brokers, dealers, exchanges and services.

The plot below shows the contribution to growth by SIC code:

Contribution to WIT Growth by SIC code



In conclusion, some of the unanticipated increase in WIT receipts over the last two months is one time in nature. However, until we have at least one more month of data we are not able to estimate how much of the \$338.2 in unanticipated revenue is from one time compared with ongoing factors.

³ For confidentiality reasons we are not able to offer a breakdown of number of companies by sector.

➤ Individual Income Tax (IIT)

Ten months into FY 2012, total receipts are coming in above forecast. These positive results are explained almost exclusively by higher than anticipated March and April receipts. A more detailed analysis by form type is presented below.

Withholding (WIT) receipts: April's WIT receipts came in significantly above our monthly forecast. Year to date WIT revenue is 3.0 percent above our forecast. We believe part of this unanticipated growth is because taxpayers are adjusting their W-4 forms to claim less personal allowances in reaction to receiving a lower than anticipated refund or having to make a higher than anticipated final tax payment for tax year 2011. If this is true we will experience a surge in refunds claimed for tax year 2012.

Additionally, internal data indicates that the manufacturing and business services sectors experienced very high growth in March and April. It is our opinion that higher than anticipated bonuses also contributed to the significant growth in March and April WIT.

This is strong evidence that FY 2012 withholding receipts will perform significantly better than anticipated.

Non-withholding (Non-WIT) receipts: Following March's positive results, April's Non-WIT receipts again came in above our forecast for the month. Estimated payments for the month came slightly below forecast, but final payments more than compensated for that shortfall. Total Non-WIT receipts for the month ended 2.2 percent (\$26.7 million) above the forecast. The FY 2012 Non-WIT forecast for the April was \$1,222.1 million while actual receipts totaled \$1,248.8 million. Accounting for April result, actual Non-WIT receipts are 1.1 percent below year to date forecast.

The following table compares WIT and Non-WIT receipts to the year to date forecasts.

Year-to-Date (\$ millions)			
Note: FY2011 includes amnesty-related payments			
Actual	Forecast	\$ Difference	% Difference
\$14,117.1	\$13,808.0	\$309.1	2.2%
FY 2011	FY 2012	\$ Difference	% Difference
\$9,609.8	\$14,117.1	\$4,507.3	46.9 %

Components Year-to-Date (\$ millions)				
Note: FY2011 includes amnesty-related payments				
	Actual	Forecast	\$ Difference	% Difference
Withholding	\$11,562.8	\$11,224.6	\$338.2	3.0%
Estimated and final	\$2,554.3	\$2,583.4	-\$29.1	-1.1%
Total	\$14,117.1	\$13,808.0	\$309.1	2.2%

Withholding and estimated and final payments are derived from IDOR collection data and in-transit fund data. Totals may not equal individual components due to rounding.

➤ Corporate Income Tax (CIT)

April receipts came in on target at \$560.1 million. The majority of this revenue was from the second estimated payment for tax year 2012.

Year-to-Date comparison (\$ millions) Note: FY2011 includes amnesty-related payments

Actual	Forecast	\$ Difference	% Difference
\$2,354.6	\$2,321.4	\$33.3	1.4 %
FY 2011	FY 2012	\$ Difference	% Difference
\$1,783.4	\$2,354.6	\$571.2	32.0%

➤ Sales Tax

One-time amnesty-related payments totaling \$163.9 million were deposited across November (\$122.5 million), December (\$36.0 million), and January (\$5.4 million) of last year. Comparisons that exclude FY 2011's amnesty-related payments are a better indicator of changes in actual taxable spending, since they are not skewed by one-time special payments.

The component table below shows that year-to-date growth in FY 2012, excluding FY 2011's amnesty related payments, was 9.3 percent. For the month of April alone, state sales/use tax receipts were up 5.6 percent (\$32.4 million) compared to April 2011. Three months after revising the FY 2012 budget forecast upward, year to date receipts are \$52.2 million (0.9 percent) above budget.

The "all else" component—everything except motor vehicles and motor fuels—continues to post strong growth. The growth in this component is broad based. Looking at national retail sales data covering the first quarter of calendar year 2012, sales at furniture and home furnishing stores increased 8.9 percent compared to the same period in 2011, sales at building material and supply stores increased 12.5 percent, sales at clothing stores increased 7.9 percent, and sales at restaurants and bars increased 7.6 percent. The only area of weakness was sales at electronics and appliance stores, which fell 2.1 percent in the first quarter of 2012.

Although the University of Michigan Consumer Sentiment index has been more or less flat over the first four months of calendar year 2012, the average reading during this period was 75.7, placing it among the highest readings since the end of the recession and near where it was in early 2011 before it collapsed and plunged to 55.8 in August 2011. The survey used to produce the index found consumers had declining assessments of current conditions but improving assessments of future conditions.

Year-to-Date comparison (\$ millions) Note: FY2011 includes amnesty-related payments

Actual	Forecast	\$ Difference	% Difference
\$6,002.9	\$5,950.7	\$52.2	0.9%
FY 2011	FY 2012	\$ Difference	% Difference
\$5,656.4	\$6,002.9	\$346.5	6.1%

Year-to-Date comparison (\$ millions) Note: FY2011 excludes amnesty-related

	FY 2011	FY 2012	\$ Difference	% Difference
Vehicles	\$752.0	\$796.3	\$44.3	5.9%
Motor fuel*	\$564.9	\$656.6	\$91.7	16.2%
All else	\$4,175.6	\$4,550.0	\$374.3	9.0%
	\$5,492.5	\$6,002.9	\$510.3	9.3%

*Estimated. IDOR does not have actual data on sales tax from Motor Fuel.

➤ Estate Tax

April receipts came in slightly above forecast. However, extraordinarily high receipts in November, December, January and March are leading to year to date receipts that are significantly above the year to date forecast.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$195.5	\$174.4	\$21.1	12.1%
FY 2011	FY 2012	\$ Difference	% Difference
\$119.2	\$195.5	\$76.3	64.0%

➤ Cigarette Taxes

Fiscal Year 2012 receipts for the cigarette tax through April are still running close to forecast.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$427.8	\$429.7	-\$1.9	-0.4%
General Revenue Fund	\$295.2	\$295.8	-\$0.6	-0.2%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$463.2	\$427.8	-\$35.4	-7.6%
General Revenue Fund	\$295.4	\$295.2	-\$0.2	-0.1%

➤ Tobacco Products Tax

Long Term Care Fund

Fiscal Year 2012 receipts through April continue to outpace the prior year's revenues by \$1.3 million (5.7 percent).

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$24.0	\$24.1	-\$0.1	-0.4%
FY 2011	FY 2012	\$ Difference	% Difference
\$22.7	\$24.0	\$1.3	5.7%

➤ Liquor Tax

Liquor tax receipts continue to post strong growth over FY 2011, keeping them just above the year-to-date forecast.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$232.6	\$226.2	\$6.4	2.8%
General Revenue Fund	\$136.9	\$134.8	\$2.1	1.6%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$224.8	\$232.6	\$7.7	3.4%
General Revenue Fund	\$132.1	\$136.9	\$4.8	3.6%

➤ Hotel Operator's Occupation Tax (HOOT)

Fiscal Year 2012 HOOT receipts through April are still up 8.1 percent falling just shy of forecast projections. STR Global (Smith Travel Research) forecasts a strong summer 2012 for the U.S. Hotel industry, projecting occupancy to increase by 1.8 percent with average daily rate increasing 3.9 percent over last year's summer months of June, July, and August.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$174.1	\$175.2	-\$1.1	-0.6%
General Revenue Fund	\$27.1	\$28.1	-\$1.0	-3.4%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$161.1	\$174.1	\$13.0	8.1%
General Revenue Fund	\$21.5	\$27.1	\$5.6	26.0%

➤ Public Utilities Taxes

Telecommunications –

FY 2012 receipts were coming in as forecast until the end of the calendar year 2011. IDOR's Financial Accounting and Local Government Allocations Divisions then recognized an insufficient balance in the Municipal Telecommunications Tax Fund (Fund 719). IDOR is in the process of building up the fund balance. As a result, GRFs receipts are below forecast and will continue to do so for the remainder of the Fiscal Year.

Electricity – Electricity receipts are still coming in slightly below forecast at \$340.6 million (-2.5 percent) lower than expected.

Natural gas – Year to date receipts are \$122.9 million (-7.7 percent) lower than forecast. Because natural gas is the primary fuel used to heat Illinois homes, the warmer than normal winter has started to show up in receipts.

April 2012 receipts were \$14.3 million, \$2.7 million (-15.8 percent) lower than April 2011. Receipts lag the underlying activity by two months. It is expected that May receipts will be lower than forecast as well due to warmer than usual weather in March.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Telecommunications	\$401.6	\$425.3	-\$23.7	-5.6%
Electricity	\$340.6	\$354.4	-\$8.7	-2.5%
Natural gas	\$122.9	\$133.2	-\$10.3	-7.7%
	\$865.1	\$912.9	-\$47.8	-5.2%
	FY 2011	FY 2012	\$ Difference	% Difference
Telecommunications	\$490.8	\$401.6	-\$89.2	-18.2%
Electricity	\$349.3	\$340.6	-\$8.7	-2.5%
Natural gas	\$127.1	\$122.9	-\$4.2	-3.3%
	\$967.2	\$865.1	-\$102.1	-10.6%

➤ Motor Fuel Taxes

Combined motor fuel taxes year to date are 2.6 percent below the same period in FY 2011 and 2.2 percent below forecast.

Year-to-Date (\$ millions) IFTA			
Actual	Forecast	\$ Difference	% Difference
\$60.2	\$67.2	-\$7.0	-10.5%
FY 2011	FY 2012	\$ Difference	% Difference
\$68.9	\$60.2	-\$8.7	-12.6%

Year-to-Date (\$ millions) Regular MFT			
Actual	Forecast	\$ Difference	% Difference
\$951.1	\$968.8	-\$17.7	-1.8%
FY 2011	FY 2012	\$ Difference	% Difference
\$971.1	\$951.1	-\$20.0	-2.1%

Year-to-Date (\$ millions) UST			
Actual	Forecast	\$ Difference	% Difference
\$58.2	\$57.5	\$0.7	1.1%
FY 2011	FY 2012	\$ Difference	% Difference
\$58.6	\$58.2	-\$0.4	-0.7%

➤ Real Estate Transfer Tax (RETT)

Beginning in January of 2012 due to an accounting error, a portion of the Real Estate Transfer Tax receipts were reported as Rental Housing Support Program surcharges. A correction will be made in the May report and year-to-date Real Estate Transfer Tax receipts are expected much closer to forecast.

Year-to-Date (\$ millions)

Actual	Forecast	\$ Difference	% Difference
\$28.4	\$30.8	-\$2.4	-7.8%
FY 2011	FY 2012	\$ Difference	% Difference
\$31.4	\$28.4	-\$3.0	-9.6%

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<http://tax.illinois.gov/AboutIdor/TaxResearch/TaxResearch.htm>

April and Year-to-Date Receipts and Forecasts (\$ in millions)

Revenue Source Receipts	April FY2011	April FY2012	FY 2011 YTD	FY 2012 YTD	YTD FY 2012 vs. YTD FY 2011		FY 2012 YTD Forecasts	YTD FY 2012 vs. YTD Forecasts		FY 2008 Total	FY 2009 Total	FY 2010 Total	FY 2011 Total	FY 2012 Estimate
Individual Income Tax (IIT)	\$1,796.9	\$2,367.2	\$9,609.8	\$14,117.1	\$4,507.3	46.9%	\$13,808.0	\$309.1	2.2%	\$11,187.2	\$10,219.4	\$9,429.8	\$12,301.8	\$16,506.2
Corporate Income Tax (CIT)	\$395.2	\$561.6	\$1,783.4	\$2,354.6	\$571.2	32.0%	\$2,321.4	\$33.3	1.4%	\$2,200.9	\$2,072.5	\$1,648.9	\$2,285.7	\$2,852.7
Sales Tax (GRFs)	\$578.5	\$611.0	\$5,656.4	\$6,002.9	\$346.5	6.1%	\$5,950.7	\$52.2	0.9%	\$7,214.6	\$6,772.8	\$6,308.0	\$6,833.0	\$7,145.0
Public Utilities (GRFs)	\$102.8	\$71.0	\$967.2	\$865.1	-\$102.1	-10.6%	\$912.9	-\$47.8	-5.2%	\$1,157.1	\$1,167.8	\$1,089.2	\$1,147.2	\$1,082.0
Telecommunications	\$57.6	\$30.6	\$490.8	\$401.6	-\$89.2	-18.2%	\$425.3	-\$23.7	-5.6%	\$578.9	\$593.3	\$549.5	\$586.9	\$509.0
Electricity	\$28.2	\$26.1	\$349.3	\$340.6	-\$8.7	-2.5%	\$354.4	-\$13.8	-3.9%	\$410.3	\$402.9	\$381.4	\$401.2	\$409.0
Gas	\$17.0	\$14.3	\$127.1	\$122.9	-\$4.2	-3.3%	\$133.2	-\$10.3	-7.7%	\$168.0	\$171.5	\$158.3	\$159.1	\$164.0
Lottery (GRFs)	\$61.8	\$62.6	\$506.7	\$513.1	\$6.4	1.3%	\$513.1	\$0.0	0.0%	\$657.0	\$625.0	\$625.0	\$631.9	\$639.9
Riverboat Gaming (GRFs)	\$18.5	\$26.7	\$277.4	\$363.4	\$86.1	31.0%	\$356.0	\$7.5	2.1%	\$564.0	\$430.0	\$430.5	\$324.2	\$412.1
Estate Tax (GRFs)	\$1.4	\$23.0	\$119.2	\$195.5	\$76.3	64.0%	\$174.4	\$21.1	12.1%	\$372.8	\$287.7	\$243.4	\$122.2	\$215.1
Cigarette (All Funds)	\$44.3	\$44.0	\$463.2	\$427.8	-\$35.4	-7.6%	\$429.7	-\$1.9	-0.4%	\$592.2	\$564.0	\$557.8	\$560.8	\$524.0
Tobacco Products	\$2.4	\$2.4	\$22.7	\$24.0	\$1.3	5.7%	\$24.1	-\$0.1	-0.4%	\$21.2	\$21.4	\$24.0	\$27.4	\$29.0
PP Replacement Tax	\$236.4	\$226.8	\$1,065.7	\$1,001.9	-\$63.8	-6.0%	\$956.9	\$45.0	4.7%	\$1,486.2	\$1,263.6	\$1,012.6	\$1,334.2	\$1,180.6
Regular Motor Fuel Tax	\$94.8	\$90.7	\$971.1	\$951.1	-\$20.0	-2.1%	\$968.8	-\$17.7	-1.8%	\$1,117.1	\$1,263.6	\$1,165.4	\$1,157.6	\$1,162.0
Motor Fuel - IFTA	\$5.3	\$2.4	\$68.9	\$60.2	-\$8.7	-12.6%	\$67.2	-\$7.0	-10.5%	\$146.5	\$144.0	\$103.0	\$84.9	\$83.0
Ug. Storage Tank	\$5.4	\$6.1	\$58.6	\$58.2	-\$0.4	-0.7%	\$57.5	\$0.7	1.1%	\$71.1	\$74.8	\$70.8	\$71.2	\$70.0
Liquor (GRF)	\$13.7	\$13.2	\$132.1	\$136.9	\$4.8	3.6%	\$134.8	\$2.1	1.6%	\$158.1	\$157.6	\$158.5	\$157.4	\$162.0
Insurance Tax (GRFs)	\$53.5	\$40.7	\$252.7	\$275.9	\$23.2	9.2%	\$240.1	\$35.8	14.9%	\$294.6	\$334.3	\$322.4	\$316.1	\$302.0
Franchise Tax (Corp Division)	\$13.6	\$13.3	\$175.8	\$161.8	-\$14.0	-8.0%	\$170.6	-\$8.8	-5.2%	\$225.2	\$201.5	\$208.0	\$207.3	\$204.0
Real Estate Transfer Tax	\$3.9	\$1.7	\$31.4	\$28.4	-\$3.0	-9.6%	\$30.8	-\$2.4	-7.8%	\$76.8	\$45.6	\$40.3	\$38.0	\$40.0
Private Vehicle Use (GRFs)	\$2.7	\$2.7	\$24.9	\$23.7	-\$1.2	-4.9%	\$26.2	-\$2.6	-9.8%	\$32.0	\$27.3	\$30.2	\$30.3	\$32.0
Hotel Tax (All Funds)	\$9.6	\$10.3	\$161.1	\$174.1	\$13.0	8.1%	\$175.2	-\$1.1	-0.6%	\$219.2	\$203.3	\$173.1	\$191.7	\$210.0
FY 2012 annual estimates are updated to reflect information provided in the Governor's 2013 Operating Budget														