

ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

August

Research Division

Fiscal Year 2013

<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 2013 forecasts.

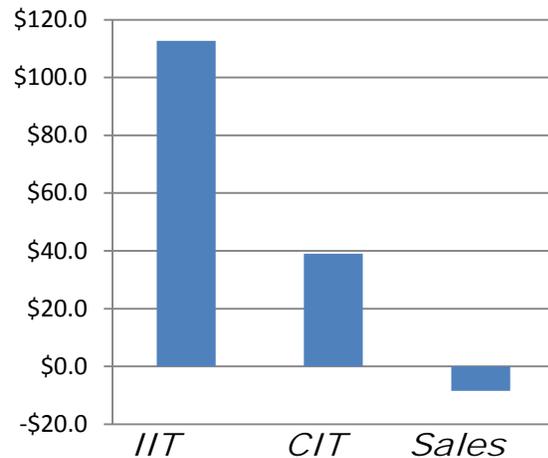
Fiscal Year 2013 revenue receipts in August for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$3,697.1 million. Those receipts are \$143.2 million above last year and \$45.9 million above current estimate.

Individual income tax receipts are \$2,344.3 million. The total is \$112.7 million above last year and \$27.6 million above the current estimate.

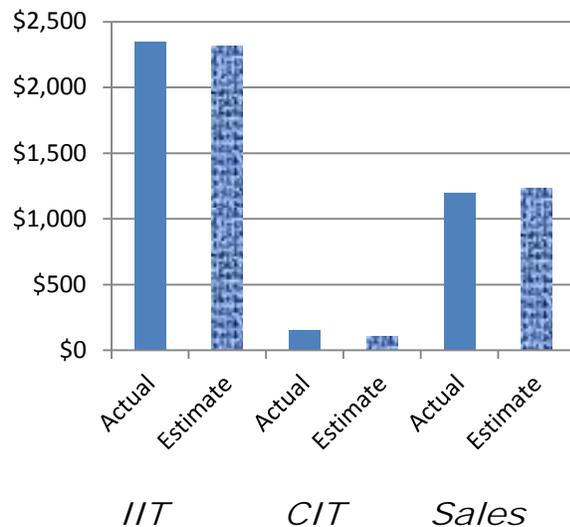
Corporate receipts are \$154.6 million. The total is \$39.0 million above last year and \$51.5 million above the current estimate.

Sales tax receipts are \$1,198.2 million. The total is \$8.5 million below last year and \$33.2 million below our estimates.

**Increase in Year-to-Date Revenues
FY 2012 and FY 2013 (in millions)**



**FY 2013 Year-to-Date Revenues versus
Forecasts (in millions)**

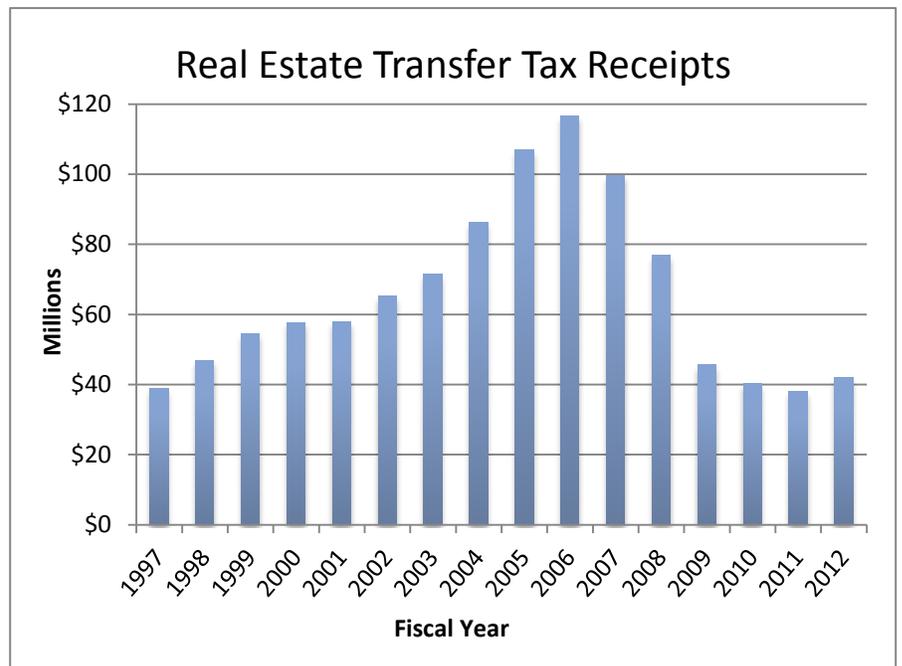


TECHNICAL NOTE: THE SUM OF INDIVIDUAL TAX COMPONENTS MAY NOT EQUAL THE TOTAL DUE TO ROUNDING.

FEATURE - Real Estate Transfer Tax: Recent Trends and Projections

The Real Estate Transfer Tax (RETT) is imposed on sellers of real estate when they transfer title, at a rate of \$0.50 per \$500 of the sale price. The total amount of receipts collected from the RETT is a function of both the total number of sales and the sale price.

The surge in collections for the RETT in the six year period from FY 2000 (\$57.7 million) to FY 2006 (\$116.6 million) reflected unprecedented growth in the real estate market. The bubble was caused by, among other factors, relatively low interest rates, speculative buying, and questionable lending practices. The bubble started to burst in 2007 when declining real estate values and high mortgage delinquency rates led to the collapse of the subprime mortgage market. The combined effects of the subprime market collapse and the resulting recession created an overall housing market meltdown. The meltdown is reflected in steep declines in RETT receipts: from FY 2007 (\$99.5 million) to FY 2012 (\$42.0 million).



A major side effect of the sharp declines in prices is that many borrowers owe more on their mortgage than the market value of their home. CoreLogic refers to this situation as “negative equity”, also known as the home being “underwater”. CoreLogic reports that nationally, the number of mortgages with negative equity rose to 25.7 percent in the last quarter of 2009. The national rate had eased to 23.7 percent by the first quarter figure of 2012, but Illinois’ rate of negative equity remains high, at 28 percent.¹ This situation provides an incentive for borrowers to default on their loan. To underscore this, RealtyTrac reported that Illinois had the highest foreclosure filing rate in the nation for the month of August, jumping 42 percent from a year ago.

Another factor contributing to the continuing weakness in Illinois’ real estate market is the high inventory of foreclosed homes for sale. A recent report by the Woodstock Institute showed that completed foreclosure auctions had doubled in the Chicago six county area in the first half of 2012 as compared to the first half of 2011, due largely to the resolution of the legal issues surrounding the robo-signing scandal.²

The high number for homes with negative equity in Illinois and the increase in foreclosure auctions tempers the recent good news in the July homes sales report released by Illinois Realtors Association, which shows sales up 25.5 percent over previous year levels. With the increase in foreclosures, it is not surprising that the Association reported that median home sale prices continued their downward trend, dropping 1.7 percent from a year ago.³ For the real estate market to experience sustained improvement, we need to see reductions in the percentage of homes that are underwater with accompanying reductions in foreclosure filings and auctions. The job sector also needs to improve as continuing high rates of unemployment means potential buyers are removed from the market decreasing the demand for housing. Considering these factors, the outlook is for only a modest improvement in the coming months for RETT receipts.

¹ CoreLogic, “Negative Equity Report”, Retrieved 9-06-2012;

http://www.corelogic.com/aboutus/researchtrends/asset_upload_file912_15196.pdf

² Woodstock Institute, “Completed foreclosures skyrocket in Chicago area”, Retrieved 9-12-2012,

<http://www.woodstockinst.org/blog/blog/completed-foreclosures-skyrocket-in-chicago-area/>

³ Illinois Association of Realtors, “July home sales report” Retrieved 9-06-2012, <http://www.illinoisrealtor.org/node/3025>

➤ Individual Income Tax (IIT)

The second month of FY 2013 was above forecast. Both withholdings and non-withholdings contributed to this result. July receipts were slightly below estimate: taking both months together, we are 1.2 percent above year-to-date expectations, as the first table indicates.

Withholding receipts: Receipts ended 3.1 percent above the August forecast. Taking into account July's results that were below expectations, the year-to-date result falls right on target as the second table of this section indicates.

Non-withholding receipts: Receipts came in 17.9 percent, or \$7.5 million, above the monthly estimate. Most of the above expectations revenue came in the form of final payments. Added to July's positive result, year-to-date Non-WIT receipts are 33.5 percent above estimate.

At this moment, we are waiting for additional economic data before revising the 2013 IIT forecast if needed. After the first quarter of fiscal year 2013, when we will have received the first estimated payment of the fiscal year, we will revisit the FY 2013 IIT forecast.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$2,344.3	\$2,316.7	\$27.6	1.2%
FY 2012	FY 2013	\$ Difference	% Difference
\$2,231.6	\$2,344.3	\$112.7	5.1%

Components Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Withholding	\$2,226.7	\$2,228.6	-\$1.9	-0.1%
Estimated and final	\$117.6	\$88.1	\$29.5	33.5%
Total	\$2,344.3	\$2,316.7	\$27.6	1.2%

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)

FY 2013 CIT receipts continue to exceed our forecast. Year-to-date revenues are 50.0 percent higher than budgeted, continuing a trend of strong growth going back to the last few months of FY 2012. The number of estimated payments made in August 2012 is up 11.8 percent over August 2011, and the average estimated payment increased 25.0 percent.

We will wait until the first estimated payment from calendar year filers (who constitute a majority of CIT taxpayers) is received in September 2012 and then meet with the Governor's Council of Economic Advisors group to review current economic indicators and forecasts to ascertain whether or not a revision is warranted.

Year-to-Date Comparison (\$ millions)			
Actual	Estimate	\$ Difference	% Difference
\$154.6	\$103.1	\$51.5	50.0%
FY 2012	FY 2013	\$ Difference	% Difference
\$115.6	\$154.6	\$39.0	33.7%

➤ Sales & Use Tax

After the first two months of fiscal year 2013, state sales and use tax receipts were 0.7 percent below the same period in fiscal year 2012 and 2.7 percent below forecast. August receipts alone were 3.0 percent (\$18 million) below last August, making this month the first negative month for state sales and use tax since September 2010.

Lower motor fuel prices in July (tax returns and most payments for July sales are due in August) contributed to the negative result, but most of the decline was due to falling receipts in the All Else component. The 1.6 percent drop in the All Else component is in contrast to what happened at the national level, where July retail sales excluding motor vehicles and gasoline stations increased approximately 3.0 percent over last July.

We will be able to take a closer look at what drove this deviation when detailed sales tax return information is available in December. As stated in last month's report, we intend to monitor receipts over the first quarter of fiscal year 2013 before considering whether a forecast revision is warranted.

Year-to-Date Comparison (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$1,198.2	\$1,231.4	-\$33.2	-2.7%
FY 2012	FY 2013	\$ Difference	% Difference
\$1,206.7	\$1,198.2	-\$8.5	-0.7%

Year-to-Date Comparison (\$ millions)				
	FY 2012	FY 2013	\$ Difference	% Difference
Vehicles	\$165.6	\$181.5	\$15.9	9.6%
Motor fuel*	\$142.1	\$132.0	-\$10.1	-7.1%
All else	\$899.0	\$884.7	-\$14.3	-1.6%
	\$1,206.7	\$1,198.2	-\$8.5	-0.7%

**Estimated. IDOR does not have actual data on sales/use tax from motor fuel.*

➤ Public Utilities Taxes

Telecommunications –

August Telecom receipts came in at \$52.6 million, well above the monthly forecast of \$34.9 million. Year-to-date receipts are up \$8.3 million, 10.7% above forecast. We continue to monitor Telecom closely for potential revisions to the FY 2013 forecast.

Electricity – Receipts for August were \$41.1 million, \$3.9 million above forecast for the month. Year-to-date Electricity Tax receipts are running 4.5 percent above forecast. August receipts reflect June activity, thus including June’s record-breaking heat and higher air conditioning usage.

Natural Gas – Natural Gas receipts were \$2.4 million in August, \$2.2 million below forecast. Year-to-date receipts are 43.9 percent below forecast. At this time, we assume this deviation from forecast is related to warmer than normal weather in May and not a change in the underlying performance of the revenue stream.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Telecommunications	\$86.0	\$77.7	\$8.3	10.7%
Electricity	\$73.8	\$70.7	\$3.1	4.4%
Natural gas	\$6.8	\$12.1	-\$5.3	-43.9%

	FY 2012	FY 2013	\$ Difference	% Difference
Telecommunications	\$90.3	\$86.0	-\$4.3	-4.8%
Electricity	\$75.1	\$73.8	-\$1.3	-1.7%
Natural gas	\$12.5	\$6.8	-\$5.8	-46.0%

➤ Cigarette Taxes

Fiscal Year 2013 year-to-date receipts through August continue to reflect the effect of substantially higher than normal distributor stamp purchases prior to the tax increase.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds	\$75.9	\$136.2	-\$60.3	-44.3%
General Revenue Fund	\$33.6	\$59.2	-\$25.6	-43.2%

	FY 2012	FY 2013	\$ Difference	% Difference
All Funds	\$79.8	\$75.9	-\$3.9	-4.9%
General Revenue Fund	\$58.4	\$33.6	-\$24.8	-42.5%

➤ Tobacco Products Tax

August is the first month that receipts for the Tobacco Products Tax reflect the change in tax rate from 18 to 36 percent of wholesale price. Fiscal Year 2013 year-to-date receipts through August are slightly above forecast.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$7.2	\$7.0	\$0.2	2.9%

FY 2012	FY 2013	\$ Difference	% Difference
\$5.3	\$7.2	\$1.9	35.8%

➤ Estate Tax

Fiscal Year 2013 year-to-date receipts reflect the fact that counties have been reporting estate taxes with a one-month lag while reporting to the Illinois Treasurer occurs in real time (for more detail see July report). As a result, year-to-date receipts represent three months of payments.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$75.4	\$40.4	\$35.0	86.6%
FY 2012	FY 2013	\$ Difference	% Difference
\$3.3	\$75.4	\$72.1	2,184.8%

➤ Liquor Tax

Receipts for the first two months of fiscal year 2013 were 1.8 percent lower than the first two months last year and 2.2 percent below forecast. Liquor tax receipts often exhibit month to month volatility, so it is best to evaluate liquor tax receipts on a quarterly basis.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds	\$48.9	\$50.0	-\$1.1	-2.2%
General Revenue Fund	\$28.8	\$29.5	-\$0.7	-2.3%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$49.8	\$48.9	-\$0.9	-1.8%
General Revenue Fund	\$29.3	\$28.8	-\$0.5	-1.8%

➤ Hotel Operator's Occupation Tax (HOOT)

Fiscal Year 2013 year-to-date receipts through August slightly ahead of forecast.

Chicago Convention and Tourism Bureau reported that Chicago's hotel occupancy rate for July was 83.5 percent, down 2.7 percentage points from July 2011. However, the Average Daily Rate (ADR) had climbed to \$178.99 from July 2011's rate of \$169.22.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$46.3	\$45.3	\$1.0	2.2%
General Revenue Fund	\$7.8	\$8.5	-\$0.7	-8.2%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$45.7	\$46.3	\$0.6	1.3%
General Revenue Fund	\$8.1	\$7.8	-\$0.3	-3.7%

➤ Motor Fuel Taxes

Year-to-Date (\$ millions)		IFTA	
Actual	Forecast	\$ Difference	% Difference
\$10.4	\$13.2	-\$2.8	-20.9%
FY 2012	FY 2013	\$ Difference	% Difference
\$12.9	\$10.4	-\$2.4	-18.8%

Year-to-Date (\$ millions)		Regular MFT	
Actual	Forecast	\$ Difference	% Difference
\$194.3	\$198.4	-\$4.0	-2.0%
FY 2012	FY 2013	\$ Difference	% Difference
\$193.2	\$194.3	\$1.2	0.6%

Year-to-Date (\$ millions)		UST	
Actual	Forecast	\$ Difference	% Difference
\$12.0	\$11.9	\$0.0	0.0%
FY 2012	FY 2013	\$ Difference	% Difference
\$11.6	\$12.0	\$0.3	2.7%

Combined motor fuel tax receipts (regular MFT, IFTA, and UST) for the first two months of fiscal year 2013 were 0.4 percent (\$0.9 million) below the same period last year and 3.0 percent (\$6.7 million) below forecast.

➤ Real Estate Transfer Tax (RETT)

Fiscal Year 2013 year-to-date receipts are running only slightly ahead of 2012 and below forecast.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$8.2	\$9.3	-\$1.1	-11.8%
FY 2012	FY 2013	\$ Difference	% Difference
\$7.9	\$8.2	\$0.3	3.8%

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

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

Revenue Source Receipts	August FY2012	August FY2013	FY 2012 YTD	FY 2013 YTD	YTD FY 2013 vs. YTD FY 2012		FY 2013 YTD Forecasts	YTD FY 2013 vs. YTD Forecasts		FY 2009 Total	FY 2010 Total	FY 2011 Total	FY 2012 Total	FY 2013 Estimate
Individual Income Tax (IIT)	\$1,144.2	\$1,177.1	\$2,231.6	\$2,344.3	\$112.7	5.1%	\$2,316.7	\$27.6	1.2%	\$10,219.4	\$9,429.8	\$12,301.8	\$16,999.8	\$16,922.4
Corporate Income Tax (CIT)	\$53.9	\$67.8	\$115.6	\$154.6	\$39.0	33.7%	\$103.1	\$51.5	50.0%	\$2,072.5	\$1,648.9	\$2,285.7	\$2,983.0	\$2,921.0
Sales Tax (GRFs)	\$600.9	\$582.9	\$1,206.7	\$1,198.2	-\$8.5	-0.7%	\$1,231.4	-\$33.2	-2.7%	\$6,772.8	\$6,308.0	\$6,833.0	\$7,225.6	\$7,335.0
Public Utilities (GRFs)	\$96.5	\$96.1	\$177.9	\$166.6	-\$11.3	-6.4%	\$160.5	\$6.1	3.8%	\$1,167.8	\$1,089.2	\$1,147.2	\$994.7	\$1,101.0
Telecommunications	\$47.5	\$52.6	\$90.3	\$86.0	-\$4.3	-4.8%	\$77.7	\$8.3	10.7%	\$593.3	\$549.5	\$586.9	\$459.6	\$525.0
Electricity	\$42.6	\$41.1	\$75.1	\$73.8	-\$1.3	-1.7%	\$70.7	\$3.1	4.4%	\$402.9	\$381.4	\$401.2	\$390.0	\$409.0
Gas	\$6.4	\$2.4	\$12.5	\$6.8	-\$5.8	-46.0%	\$12.1	-\$5.3	-43.9%	\$171.5	\$158.3	\$159.1	\$145.2	\$167.0
Estate Tax (GRFs)	\$1.5	\$23.9	\$3.3	\$75.4	\$72.1	2184.8%	\$40.4	\$35.0	86.6%	\$287.7	\$243.4	\$122.2	\$234.8	\$242.0
Cigarette (All Funds)	\$45.4	\$47.3	\$79.8	\$75.9	-\$3.9	-4.9%	\$136.2	-\$60.3	-44.3%	\$564.0	\$557.8	\$560.8	\$577.4	\$853.0
Tobacco Products	\$2.6	\$4.3	\$5.3	\$7.2	\$1.9	35.8%	\$7.0	\$0.2	2.9%	\$21.4	\$24.0	\$27.4	\$29.0	\$40.0
Regular Motor Fuel Tax	\$96.8	\$96.3	\$193.2	\$194.3	\$1.2	0.6%	\$198.4	-\$4.0	-2.0%	\$1,248.6	\$1,165.4	\$1,157.6	\$1,145.3	\$1,176.0
Motor Fuel - IFTA	\$7.6	\$7.3	\$12.9	\$10.4	-\$2.4	-18.8%	\$13.2	-\$2.8	-20.9%	\$144.0	\$103.0	\$84.9	\$75.1	\$77.0
Ug. Storage Tank	\$5.8	\$6.1	\$11.6	\$12.0	\$0.3	2.7%	\$11.9	\$0.0	0.0%	\$74.8	\$70.8	\$71.2	\$69.5	\$71.0
Liquor (GRF)	\$11.7	\$11.7	\$29.3	\$28.8	-\$0.5	-1.8%	\$29.5	-\$0.7	-2.3%	\$157.6	\$158.5	\$157.4	\$164.4	\$163.0
Insurance Tax (GRFs)	\$14.4	\$18.9	\$18.3	\$22.2	\$3.9	21.4%	\$18.6	\$3.6	19.2%	\$334.3	\$322.4	\$316.1	\$344.6	\$285.0
Franchise Tax (Corp Division)	\$12.7	\$18.4	\$25.9	\$31.6	\$5.6	21.8%	\$28.0	\$3.5	12.6%	\$201.5	\$208.0	\$207.3	\$191.6	\$203.0
Real Estate Transfer Tax	\$3.7	\$3.9	\$7.9	\$8.2	\$0.3	3.8%	\$9.3	-\$1.1	-11.8%	\$45.6	\$40.3	\$38.0	\$42.0	\$43.0
Private Vehicle Use (GRFs)	\$3.3	\$3.2	\$5.7	\$5.4	-\$0.3	-5.9%	\$5.2	\$0.2	3.3%	\$27.3	\$30.2	\$30.3	\$28.7	\$29.0
Hotel Tax (All Funds)	\$24.0	\$26.3	\$45.7	\$46.3	\$0.6	1.3%	\$45.3	\$1.0	2.2%	\$203.3	\$173.1	\$191.7	\$207.9	\$216.0