

ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

December

Research Division

Fiscal Year 2013

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

This report analyzes the major revenues forecast by the Illinois Department of Revenue (IDOR) Research Division. It examines how actual revenues compare with the previous year and with current FY 2013 forecasts.

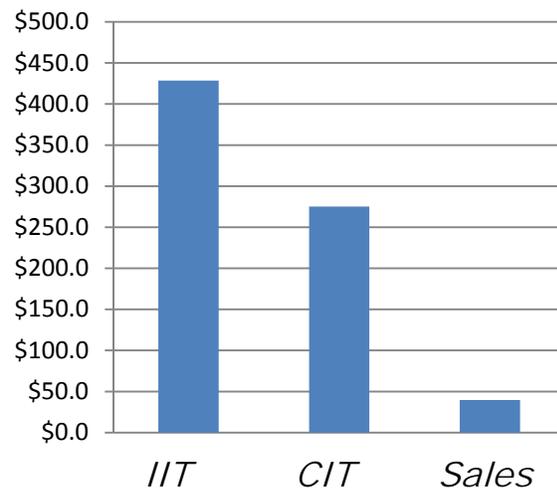
Fiscal Year 2013 revenue receipts through December for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$12,672.8 million. Those receipts are \$743.4 million above last year and \$250.8 million above current estimate.

Individual income tax receipts are \$7,578.4 million. The total is \$428.6 million above last year and \$60.8 million below the current estimate.

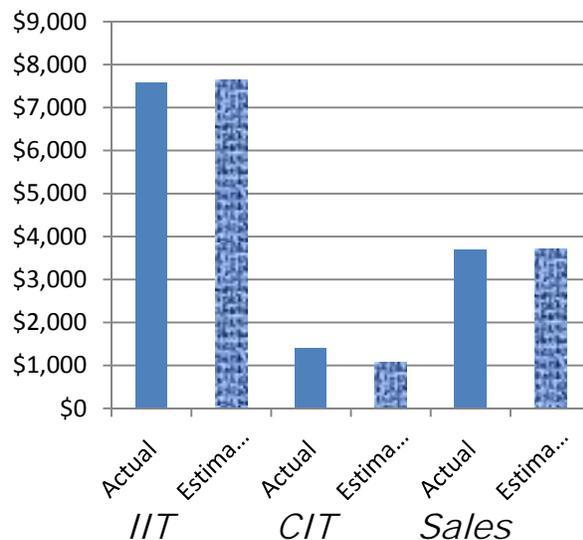
Corporate receipts are \$1,400.1 million. The total is \$275.2 million above last year and \$327.4 million above the current estimate.

Sales tax receipts are \$3,694.3 million. The total is \$39.6 million above last year and \$15.8 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.

➤ Individual Income Tax (IIT)

Halfway into the fiscal year, IIT receipts are coming in slightly below forecast. We must emphasize that the deviation of total receipts from our target is due basically to in-transit moneys (December collections that were deposited in January). Therefore, we remain confident that IIT revenues will meet the forecast for FY2013.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$7,578.4	\$7,639.2	-\$60.8	-0.8%
FY 2012	FY 2013	\$ Difference	% Difference
\$7,149.8	\$7,578.4	\$428.6	6.0%

Withholding receipts: Withholding receipts ended up 9.1 percent below our estimate for the month. This negative result; however, is due to payments that were collected in December but not deposited and accounted for until January. If we adjusted for that “in-transit” amount, December’s receipts would be above the estimate for the month.

Non-Withholding receipts: December non-withholding payments came in \$8.3 million or 5.9 percent above the forecast. Year-to-date receipts from non-withholding were 2.9 percent above the forecast and 32.8 percent over receipts from the last fiscal year. For the moment, we do not read much into this positive result for the reason that non-withholdings receipts during the first part of the fiscal year represent less than 25 percent of the whole year. The bulk of these payments will be received in the second part of the fiscal year.

Components Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Withholding	\$6,730.6	\$6,815.2	-\$84.6	-1.2%
Estimated and final	\$847.8	\$824.1	\$23.8	2.9%
Total	\$7,578.4	\$7,639.2	-\$60.8	-0.8%

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)

Corporate Income Tax receipts were \$1,400.1 million through the first six months of the fiscal year, 30.5 percent above forecast. Receipts have exceeded forecast for the last seven months in a row.

Year-to-Date Comparison (\$ millions)			
Actual	Estimate	\$ Difference	% Difference
\$1,400.1	\$1,072.7	\$327.4	30.5%
FY 2012	FY 2013	\$ Difference	% Difference
\$1,124.9	\$1,400.1	\$275.2	24.5%

While CIT receipts are up approximately 30 percent over forecast, we remain cautious about a revision for several reasons:

- Corporate profits are up 7 percent over the prior year rather than the 2.8 percent used in the forecast. This rate of growth is not anywhere near the large increase CIT receipts have shown.
- The recent changes in tax law – the tax rate increase, federal 100% expensing, and the suspension/cap of Net Operating Losses, may have changed firm’s timing in making payments. This would affect our ability to spread our forecast accurately throughout the year.
- A majority of the CIT receipts forecast for FY 2013 have not yet arrived. The forecast was for approximately 37 percent of total CIT receipts to have come in year-to-date. If there is a shift in the timing of payments related to tax law changes, we may see a decrease in final payments for tax year 2012 and initial estimated payments for tax year 2013 which would hit in March – June of 2013, the latter half of FY 2013.

We are working closely with our Information Technology department to develop a database that will allow us to determine the industries and types of businesses that are leading to the higher than anticipated results. This data will help us to determine whether the receipts growth will continue in the second half of FY 2013 or if it is the result of one-time factors.

➤ Sales & Use Tax

State sales and use tax receipts for the first half of fiscal year 2013 were 1.1 percent above the same period in fiscal year 2012 and 0.4 percent below our forecast year-to-date. Year-to-date growth has been concentrated mostly in sales and use tax receipts from motor vehicle sales.

Year-to-Date Comparison (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$3,694.3	\$3,710.1	-\$15.8	-0.4%
FY 2012	FY 2013	\$ Difference	% Difference
\$3,654.7	\$3,694.3	\$39.6	1.1%

The fiscal cliff deal passed by Congress included an extension of emergency unemployment insurance benefits but allowed the payroll tax cut to expire, meaning payroll taxes increased by two percentage points, to 6.2 percent from 4.2 percent, on all earned income up to \$113,700. Based on the average household income in Illinois, the average household will pay approximately \$1,000 more in federal tax per year. This higher tax, plus the associated decline in consumer confidence that we expect it to generate, will put downward pressure on state sales and use tax receipts. We expect the pattern of weak growth, which we have been experiencing for months, to continue.

December 2012 sales and use tax receipts, comprised mostly of receipts from sales that occurred in November, increased 3.3 percent over December 2011's receipts. For anyone looking for the receipt impact of December's holiday shopping, you will have to wait until the January report. Due to tax return filing schedules, there is generally a one month lag between when a sale occurs and when the Illinois Department of Revenue receives the tax from that particular sale. Hence, sales that occurred in December will affect January receipts. It's also worth noting that gift cards are not taxed until they are redeemed. This has the effect of delaying the tax impact of some holiday shopping. The International Council of Shopping Centers (ICSC) reports that gift card purchases accounted for 18 percent of holiday shopping in 2011 and are expected to be higher in 2012. Most gift cards are redeemed in the last week of December, but about 30 percent to 40 percent are not redeemed until January, according to the ICSC.

Year-to-Date Comparison (\$ millions)				
	FY 2012	FY 2013	\$ Difference	% Difference
Vehicles	\$473.4	\$512.6	\$39.2	8.3%
Motor fuel*	\$386.1	\$400.4	\$14.3	3.7%
All else	\$2,795.2	\$2,781.3	-\$13.9	-0.5%
Total	\$3,654.7	\$3,694.3	\$39.6	1.1%

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

Public Utilities Taxes

Telecommunications –

Receipts were \$248.5 million through December, down 3.5 percent (approximately \$9 million) from the forecast. Approximately \$2.0 million of this shortage can be explained by a higher than anticipated allocation percentage for the Simplified Municipal Telecom Tax, which is collected on the

same return as the Telecom Excise Tax and allocated before state receipts are accounted for.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Telecommunications	\$248.5	\$257.6	-\$ 9.0	-3.5%
Electricity	\$206.2	\$211.9	-\$ 5.7	-2.7%
Natural gas	\$ 28.0	\$43.4	-\$15.3	-35.4%
	FY 2012	FY 2013	\$ Difference	% Difference
Telecommunications	\$255.6	\$248.5	-\$ 7.1	- 2.8%
Electricity	\$206.3	\$206.2	\$ 0.0	0.0%
Natural gas	\$ 41.4	\$ 28.0	-\$13.4	-32.3%

Electricity – Receipts through December are 2.7 percent below forecast.

Natural gas – Receipts are \$28.0 million year-to-date, 35.4 percent (\$15.3 million) below forecast.

Year-to-date, large taxpayers have used a net \$9.6 million in credit for overpayments to meet their current tax liabilities. This accounts for approximately 63 percent of our forecast underperformance.

➤ Cigarette Taxes

Year-to-date receipts through December are consistent with the revised forecast, made after PA097-0688 became law.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds *	\$360.6	\$426.2	-\$65.6	-15.4%
General Revenue Fund	\$174.3	\$177.5	-\$ 3.2	-1.8%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds *	\$256.9	\$360.6	\$103.7	40.4%
General Revenue Fund	\$177.0	\$174.3	-\$ 2.7	-1.5%

➤ Tobacco Products Tax

Year-to-date receipts are slightly ahead of forecast.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$24.4	\$23.2	\$1.2	5.2%
FY 2012	FY 2013	\$ Difference	% Difference
\$14.9	\$24.4	\$9.5	63.8%

➤ Estate Tax

Year-to-date receipts are still ahead of forecast due to the change in reporting of July receipts from counties to the Illinois State Treasurer.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$155.8	\$121.2	\$34.6	28.5%
FY 2012	FY 2013	\$ Difference	% Difference
\$81.6	\$155.8	\$74.2	90.9%

➤ Liquor Tax

Receipts for the first half of fiscal year 2013 increased 1.8 percent compared to the same period last year and were 2.0 percent above our forecast year-to-date.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds	\$145.6	\$142.7	\$2.8	2.0%
General Revenue Fund	\$85.7	\$84.0	\$1.7	2.0%
All Funds*	\$143.0	\$145.6	\$2.5	1.8%
General Revenue Fund	\$84.2	\$85.7	\$1.5	1.8%

➤ Hotel Operator's Occupation Tax (HOOT)

For all funds, year-to-date receipts are right on forecast.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$131.2	\$131.2	\$0.0	0.0%
General Revenue Fund	\$20.6	\$20.9 ¹	-\$0.3	-1.4%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$128.5	\$131.2	\$2.7	2.1%
General Revenue Fund	\$20.2	\$20.6	\$0.4	2.0%

➤ Motor Fuel Taxes

Year-to-Date (\$ millions)		IFTA	
Actual	Forecast	\$ Difference	% Difference
\$36.4	\$42.1	-\$5.7	-13.5%
FY 2012	FY 2013	\$ Difference	% Difference
\$41.0	\$36.4	-\$4.6	-11.2%

Year-to-Date (\$ millions)		Regular MFT	
Actual	Forecast	\$ Difference	% Difference
\$578.2	\$598.9	-\$20.8	-3.5%
FY 2012	FY 2013	\$ Difference	% Difference
\$583.2	\$578.2	-\$5.1	-0.9%

Year-to-Date (\$ millions)		UST	
Actual	Forecast	\$ Difference	% Difference
\$35.0	\$36.0	-\$1.0	-2.9%
FY 2012	FY 2013	\$ Difference	% Difference
\$35.0	\$35.0	-\$0.1	-0.2%

Combined motor fuel tax receipts (regular MFT, IFTA, and UST) for the first half of fiscal year 2013 were 1.5 percent (-\$9.8 million) below the same period last year and 4.1 percent (-\$27.5 million) below our forecast year-to-date.

¹ Forecast allocation for General Revenue Fund adjusted from previous estimated figures.

➤ **Real Estate Transfer Tax (RETT)**

Year-to-date receipts are coming in very close to forecast.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$23.4	\$23.6	-\$0.2	-0.8%
FY 2012	FY 2013	\$ Difference	% Difference
\$21.2	\$23.4	\$2.2	10.4%

Illinois Department of Revenue, Research Division

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

Revenue Source Receipts	December FY2012	December 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)	\$1,254.4	\$1,340.8	\$7,149.8	\$7,578.4	\$428.6	6.0%	\$7,639.2	-\$60.8	-0.8%	\$10,219.4	\$9,429.8	\$12,301.8	\$16,999.8	\$16,922.4
Corporate Income Tax (CIT)	\$429.7	\$517.2	\$1,124.9	\$1,400.1	\$275.2	24.5%	\$1,072.7	\$327.4	30.5%	\$2,072.5	\$1,648.9	\$2,285.7	\$2,983.0	\$2,921.0
Sales Tax (GRFs)	\$634.6	\$655.3	\$3,654.7	\$3,694.3	\$39.6	1.1%	\$3,710.1	-\$15.8	-0.4%	\$6,772.8	\$6,308.0	\$6,833.0	\$7,225.6	\$7,335.0
Public Utilities (GRFs)	\$77.5	\$81.6	\$503.3	\$482.8	-\$20.5	-4.1%	\$512.9	-\$30.0	-5.9%	\$1,167.8	\$1,089.2	\$1,147.2	\$994.7	\$1,101.0
Telecommunications	\$40.8	\$40.7	\$255.6	\$248.5	-\$7.1	-2.8%	\$257.6	-\$9.0	-3.5%	\$593.3	\$549.5	\$586.9	\$459.6	\$525.0
Electricity	\$24.1	\$29.0	\$206.3	\$206.2	\$0.0	0.0%	\$211.9	-\$5.7	-2.7%	\$402.9	\$381.4	\$401.2	\$390.0	\$409.0
Gas	\$12.5	\$11.8	\$41.4	\$28.0	-\$13.4	-32.3%	\$43.4	-\$15.3	-35.4%	\$171.5	\$158.3	\$159.1	\$145.2	\$167.0
Estate Tax (GRFs)	\$32.3	\$21.1	\$81.6	\$155.8	\$74.2	90.9%	\$121.2	\$34.6	28.5%	\$287.7	\$243.4	\$122.2	\$234.8	\$242.0
Cigarette (All Funds)	\$37.1	\$61.1	\$256.9	\$360.6	\$103.7	40.4%	\$426.2	-\$65.6	-15.4%	\$564.0	\$557.8	\$560.8	\$577.4	\$853.0
Tobacco Products	\$2.3	\$3.9	\$14.9	\$24.4	\$9.5	63.8%	\$23.2	\$1.2	5.2%	\$21.4	\$24.0	\$27.4	\$29.0	\$40.0
Regular Motor Fuel Tax	\$95.3	\$93.1	\$583.2	\$578.2	-\$5.1	-0.9%	\$598.9	-\$20.8	-3.5%	\$1,248.6	\$1,165.4	\$1,157.6	\$1,145.3	\$1,176.0
Motor Fuel - IFTA	\$9.2	\$6.6	\$41.0	\$36.4	-\$4.6	-11.2%	\$42.1	-\$5.7	-13.5%	\$144.0	\$103.0	\$84.9	\$75.1	\$77.0
Ug. Storage Tank	\$5.3	\$5.7	\$35.0	\$35.0	-\$0.1	-0.2%	\$36.0	-\$1.0	-2.9%	\$74.8	\$70.8	\$71.2	\$69.5	\$71.0
Liquor (GRF)	\$14.9	\$14.5	\$84.2	\$85.7	\$1.5	1.8%	\$84.0	\$1.7	2.0%	\$157.6	\$158.5	\$157.4	\$164.4	\$163.0
Insurance Tax (GRFs)	\$62.4	\$68.8	\$147.9	\$157.7	\$9.9	6.7%	\$126.7	\$31.1	24.5%	\$334.3	\$322.4	\$316.1	\$344.6	\$285.0
Franchise Tax (Corp Division)	\$13.1	\$14.7	\$100.0	\$107.3	\$7.2	7.2%	\$105.0	\$2.2	2.1%	\$201.5	\$208.0	\$207.3	\$191.6	\$203.0
Real Estate Transfer Tax	\$3.6	\$3.0	\$21.2	\$23.4	\$2.2	10.4%	\$23.6	-\$0.2	-0.8%	\$45.6	\$40.3	\$38.0	\$42.0	\$43.0
Private Vehicle Use (GRFs)	\$1.9	\$2.0	\$14.7	\$13.9	-\$0.8	-5.3%	\$16.2	-\$2.3	-14.1%	\$27.3	\$30.2	\$30.3	\$28.7	\$29.0
Hotel Tax (All Funds)	\$21.6	\$23.6	\$128.5	\$131.2	\$2.7	2.1%	\$131.2	\$0.0	0.0%	\$203.3	\$173.1	\$191.7	\$207.9	\$216.0