

# ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

June

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.

The fiscal year 2012 total for all major sources forecasted by the Illinois Department of Revenue was \$34,598.2 million. This was \$664.7 million, or 2.0 percent, above the revised budget.

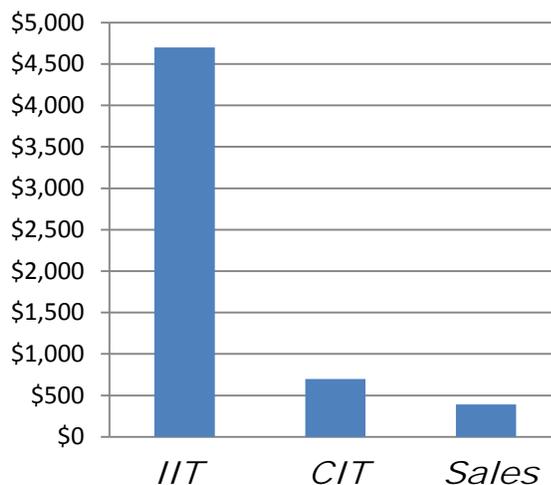
Fiscal Year 2012 receipts for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$27,208.3 million. Those receipts are \$5,787.8 million above last year and \$704.5 million above the current forecast.

Individual income tax receipts are \$16,999.8 million. The total is \$4,698.0 million above last year and \$493.6 million above the current forecast.

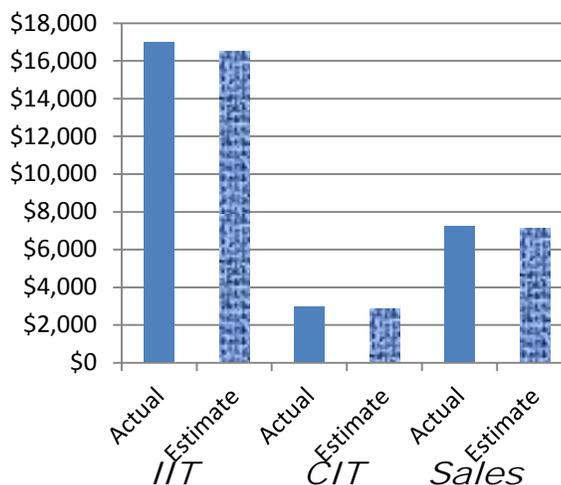
Corporate income tax receipts are \$2,983.0 million. The total is \$697.3 million above last year and \$130.3 million above the current forecast.

Sales tax receipts are \$7,225.6 million. The total is \$392.5 million above last year and \$80.6 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.

## ➤ Individual Income Tax (IIT)

FY 2012 receipts came in 3.0 percent above forecast.

**Withholding (WIT) receipts:** June's WIT receipts came in \$73.5 million above our \$1,032.4 million forecast. For the year as a whole, receipts were almost \$450 million above forecast.

Significant deviations between actual and forecast receipts started to occur in March. During the last four months of FY 2012 receipts were more than \$350 million above forecast.

### Year-to-Date (\$ millions)

Note: FY2011 includes amnesty-related payments

Actual	Forecast	\$ Difference	% Difference
\$16,999.8	\$16,506.2	\$493.6	3.0%
FY 2011	FY 2012	\$ Difference	% Difference
\$12,301.8	\$16,999.8	\$4,698.0	38.2 %

The following table exhibits the effect described above. During the first eight months of the fiscal year WIT actual and forecasted receipts deviated by only 1.0 percent. In the last four months, however, receipts exceeded our forecasts by \$354.7 million or 8.2 percent.

WIT receipts	FY12 Act.	FY12 Est.	\$ Chg.	% Chg.
First 8 months	\$9,101.8	\$9,007.4	\$94.3	1.0%
Last 4 months	\$4,660.4	\$4,305.7	\$354.7	8.2%
<b>Year-to-date</b>	<b>\$13,762.1</b>	<b>\$13,313.1</b>	<b>\$449.0</b>	<b>3.4%</b>

The specific causes for the higher than expected receipts in the last part of the fiscal year are still being researched. However, at this time we believe that there are at least three significant factors at work.

First, comparing actual FY 2012 wages and salaries (Global Insight data release June 2012) with our assumption at the time the FY 2012 budget was being developed indicates that actual wages and salaries received in FY 2012 were above expectations. FY 2012 wages and salaries grew 3.5 percent over FY 2011, while our underlying assumption for wages and salaries growth was 2.8 percent. We estimate that higher than anticipated wages and salaries explains close to 50 percent of the total deviation.

Second, internal data indicates that some of the unanticipated growth in WIT is due to very high growth in the manufacturing and business services sectors during March and April. Much of this unanticipated jump appears to be one time and leads us to conclude that bonuses paid in the manufacturing and business services sectors were higher than anticipated.

Finally, taxpayers adjusted their W-4 forms to have more of their income withheld. An analysis of state workers' payroll data suggests that the combined increase in the number of exemptions claimed by taxpayers as well as the increase in the amount withheld out of every paycheck explains around 25 percent of the difference between forecast and actual receipts. These two effects will put additional pressure on state refunds liability during the 2012 tax season.

**Non-withholding (Non-WIT) receipts:** June's receipts came in \$30.7 million above the forecast of \$349.3 million. Non-WIT receipts ended the fiscal year 1.4 percent, or \$44.6 million, above forecast.

Non-WIT receipts	FY12 Act.	FY12 Est.	\$ Chg.	% Chg.
Quarter 1	\$432.4	\$481.4	-\$49.0	-10.2%
Quarter 2	\$206.1	\$234.5	-\$28.4	-12.1%
Quarter 3	\$667.0	\$645.4	\$21.6	3.3%
Quarter 4	\$1,932.2	\$1,831.7	\$100.5	5.5%
<b>Year-to-date</b>	<b>\$3,237.7</b>	<b>\$3,193.1</b>	<b>\$44.6</b>	<b>1.4%</b>

*Individual Income Tax (IIT) - continued from previous page*

<b>Components Year-to-Date (\$ millions)</b>				
<b>Note: FY2011 includes amnesty-related payments</b>				
	<b>Actual</b>	<b>Forecast</b>	<b>\$ Difference</b>	<b>% Difference</b>
Withholding	\$13,762.1	\$13,313.1	\$449.0	3.4%
Estimated and final	\$3,237.7	\$3,193.1	\$44.6	1.4%
<b>Total</b>	<b>\$16,999.8</b>	<b>\$16,506.2</b>	<b>\$493.6</b>	<b>3.0%</b>

*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)**

For the first 11 months of the year, receipts came in largely as expected. Through the end of May, receipts were within 1.1 percent of forecast.

However, a much stronger than anticipated June translated into FY 2012 receipts coming in \$130.3 million over forecast.

June receipts were \$484.8 million, compared to a forecast of \$381.2 million. More than fifty percent of the higher-than-anticipated receipts were a result of the department receiving approximately 1,000 more estimated payments in June than we had anticipated. The average June estimated payment was also higher than expected.

<b>Year-to-Date comparison (\$ millions)</b>			
<b>Note: FY2011 includes amnesty-related payments</b>			
<b>Actual</b>	<b>Forecast</b>	<b>\$ Difference</b>	<b>% Difference</b>
\$2,983.0	\$2,852.7	\$130.3	4.6%
<b>FY 2011</b>	<b>FY 2012</b>	<b>\$ Difference</b>	<b>% Difference</b>
\$2,285.7	\$2,983.0	\$697.3	30.5%

This positive deviation was completely unexpected for a variety of reasons. Most importantly, forecasts for growth in corporate profits have been declining, and this led us to forecast June estimated payments at a lower level than estimated payments received earlier in the fiscal year and for the same period in FY 2011. In addition, over the last few years, firms have been less likely to overestimate when filing their estimated payments.

We will continue to analyzing FY 2012 performance in upcoming months to determine if we should make adjustments to the current FY 2013 forecast.

## ➤ Sales Tax

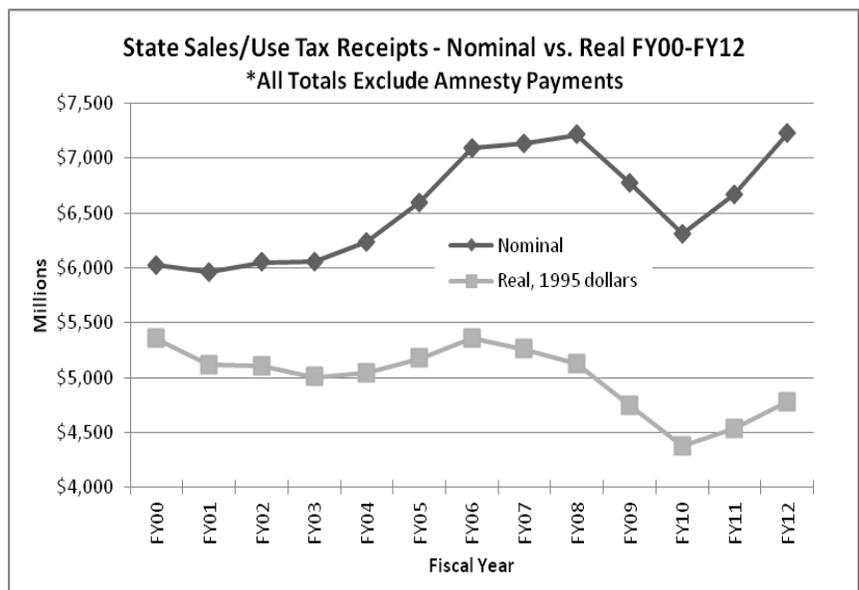
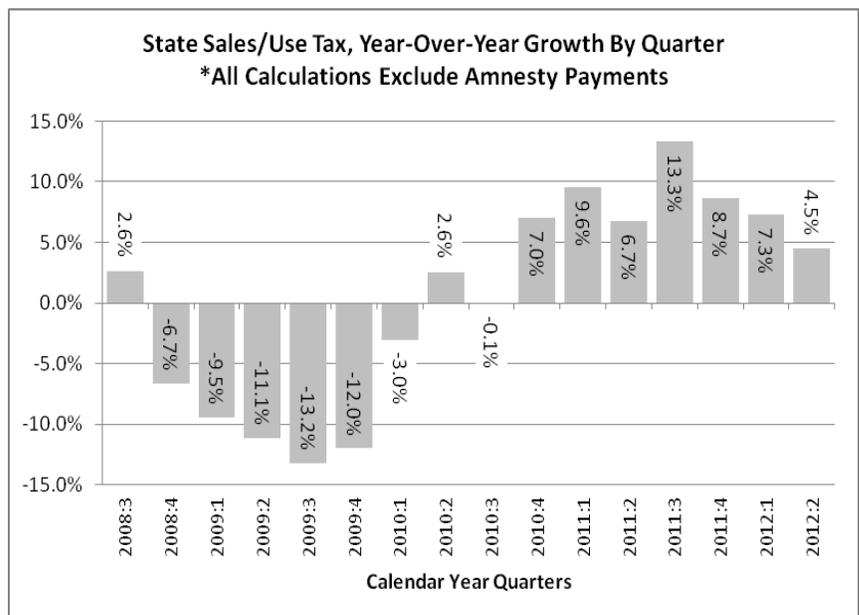
Final state sales/use receipts for fiscal year 2012 were \$7,225.6 million. This means that state sales/use tax receipts are finally back to levels reached prior to the declines of the last recession, which officially spanned December 2007 to June 2009.

The prior peak of \$7,214.6 million occurred in FY 2008. As households and businesses slashed taxable spending during the recession, receipts plunged by nearly a billion dollars in just two years, hitting bottom at \$6,308.0 million in fiscal year 2010. The severe and prolonged cuts in taxable spending created a large amount of pent-up demand that sustained receipts growth far in excess of income growth during the recovery. The first graph at right illustrates this bust and boom pattern of state sales/use tax over the last few years. The positive impact of this pent-up demand has mostly faded, setting the stage for more modest growth moving into FY 2013.

It is worth noting that state sales/use tax receipts have recovered only if we talk about *nominal* receipts, *i.e.* receipts that are not adjusted to control for price inflation. In terms of *real* receipts, fiscal year 2012 was still far below the pre-recession peak, as illustrated in the second graph at right. This means that some of the recovery has simply been the result of higher prices. Households and businesses are still consuming fewer taxable goods than before the recession. While this is partially indicative of the economy's post-recession sluggishness, it is also indicative of changing consumption patterns that have been developing for many years, namely the shift in consumption away from goods and toward services, which are not taxed in Illinois.

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

Actual	Forecast	\$ Difference	% Difference
\$7,225.6	\$7,145.0	\$80.6	1.1%
FY 2011	FY 2012	\$ Difference	% Difference
\$6,833.0	\$7,225.6	\$392.5	5.7%



**(Sales Tax continued from previous page)**

The component table below shows that final growth in FY 2012, excluding FY 2011's amnesty related payments, was 8.3 percent. 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.

<b>Year-to-Date comparison</b> (\$ millions)				
<b>Note: FY2011 excludes amnesty-related</b>				
	<b>FY 2011</b>	<b>FY 2012</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>Vehicles</b>	\$814.6	\$873.4	\$58.8	7.2%
<b>Motor fuel*</b>	\$714.1	\$789.5	\$75.4	10.6%
<b>All else</b>	\$5,140.5	\$5,562.7	\$422.2	8.2%
	<b>\$6,669.2</b>	<b>\$7,225.6</b>	<b>\$556.4</b>	<b>8.3%</b>

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

➤ **Estate Tax**

Fiscal year 2012 receipts came in 9.2 percent over forecast.

<b>Year-to-Date</b> (\$ millions)			
<b>Actual</b>	<b>Forecast</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>\$234.8</b>	<b>\$215.1</b>	<b>\$19.7</b>	<b>9.2%</b>
<b>FY 2011</b>	<b>FY 2012</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>\$122.2</b>	<b>\$234.8</b>	<b>\$112.6</b>	<b>92.1%</b>

## ➤ Cigarette Taxes

As reported in our May Report, several large distributors obtained a temporary restraining order (TRO) in Sangamon County Circuit Court on June 14, 2012, that prohibited the Illinois Department of Revenue from limiting stamp purchases. The TRO was dissolved on June 21, but not before

distributors' stamp purchases pushed June receipts up to \$98.5 million. This represents a 106 percent increase over average June receipts of \$47.9 million for the period of 2008-2010. June 2011 was excluded from this calculation as receipts were atypically high (\$56.4 million), while July 2011 receipts were atypically low (\$35.2 million compared to a three year average from 2008 to 2010 of \$52.7 million). While fiscal year 2012 receipts came in 10.2 percent above forecast because of the TRO, July and August receipts (the first two months of FY 2013) will suffer.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds	\$577.4	\$524.0	\$53.4	10.2%
General Revenue Fund	\$354.0	\$355.0	-\$1.0	-0.3%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds	\$560.8	\$577.4	\$16.6	3.0%
General Revenue Fund	\$354.5	\$354.0	-\$0.5	-0.1%

## ➤ Tobacco Products Tax

### *Long Term Care Fund*

Fiscal year 2012 receipts came in at the forecasted level.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$29.0	\$29.0	\$0.0	0.0%
FY 2011	FY 2012	\$ Difference	% Difference
\$27.4	\$29.0	\$1.6	5.8%

## ➤ Liquor Tax

Liquor tax receipts ended FY 2012 solidly above FY 2011 and modestly above forecast.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds	\$279.3	\$272.0	\$7.3	2.7%
General Revenue Fund	\$164.4	\$162.0	\$2.4	1.5%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$268.3	279.3	\$11.0	4.1%
General Revenue Fund	\$157.4	\$164.4	\$7.1	4.5%

## ➤ Hotel Operator's Occupation Tax (HOOT)

While FY 2012 receipts fell just shy of forecast, total receipts were up 8.5 percent above FY 2011. Chicago Convention and Tourism Bureau reported that Chicago's hotel occupancy rate for June was 92.3 percent, up 3.2 percentage points from June 2011. For the first half of 2012, occupancy was up 4.2 percentage points to 66.2 percent when compared to the same period in 2011. At this rate of improvement, occupancy for calendar year 2012 is expected to reach peak levels of around 75 percent.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$207.9	\$210.0	-\$2.1	-1.0%
General Revenue Fund	\$ 39.8	\$ 42.8	-\$2.9	-6.9%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$191.7	\$207.9	\$16.2	8.5%
General Revenue Fund	\$ 33.0	\$ 39.8	\$ 6.8	20.6%

## ➤ Motor Fuel Taxes

Year-to-Date (\$ millions)		IFTA	
Actual	Forecast	\$ Difference	% Difference
\$75.1	\$83.0	-\$7.9	-9.5%
FY 2011	FY 2012	\$ Difference	% Difference
\$84.9	\$75.1	-\$9.8	-11.5%

Year-to-Date (\$ millions)		Regular MFT	
Actual	Forecast	\$ Difference	% Difference
\$1,145.3	\$1,162.0	-\$16.7	-1.4%
FY 2011	FY 2012	\$ Difference	% Difference
\$1,157.2	\$1,145.3	-\$11.9	-1.0%

Year-to-Date (\$ millions)		UST	
Actual	Forecast	\$ Difference	% Difference
\$69.5	\$70.0	-\$0.5	-0.7%
FY 2011	FY 2012	\$ Difference	% Difference
\$71.1	\$69.5	-\$1.6	-2.2%

Combined motor fuel taxes ended FY 2012 1.8 percent below (-\$23.2 million) FY 2011 and 1.9 percent below (-\$25.1 million) forecast. Most of the observed decline was tied to lower than anticipated consumption of taxable motor fuels. Consumption was down primarily because motor fuel prices during much of FY 2012 were higher than forecast. These higher prices induced drivers to drive less. At this point, we believe the shortage associated with the International Fuel Tax Agreement (IFTA) has more to do with accounting among IFTA member states than with lower consumption. Under IFTA, each member state receives a tax payment that is net of whatever tax is owed to other states. Changes in this net state-to-state calculation during FY 2012 drove much of the observed decline in IFTA.

## ➤ Public Utilities Taxes

**Telecommunications** – Telecom receipts were coming in as forecast until the end of calendar year 2011, when IDOR’s Financial Accounting and Local Government Allocations Divisions recognized an insufficient balance in the Municipal Telecommunications Tax Fund (Fund 719). Approximately \$67.0 million that was forecast to go into the General Revenue Funds (GRFs) have been deposited into Fund 719 instead. Without this allocation change, GRF receipts would have been slightly above forecast for the year.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Telecommunications	\$459.6	\$509.0	-\$49.4	-9.7%
Electricity	\$390.0	\$409.0	-\$19.0	-4.6%
Natural gas	\$145.1	\$164.0	-\$18.9	-11.5%
	<b>\$994.7</b>	<b>\$1,082.0</b>	<b>-\$87.3</b>	<b>-8.1%</b>
	FY 2011	FY 2012	\$ Difference	% Difference
Telecommunications	\$586.9	\$459.6	-\$127.3	-21.7%
Electricity	\$401.2	\$390.0	-\$11.2	-2.8%
Natural gas	\$159.1	\$145.1	-\$14.0	-8.8%
	<b>\$1,147.2</b>	<b>\$994.7</b>	<b>-\$152.5</b>	<b>-13.3%</b>

**Electricity** – Receipts finished the year at \$390.0 million, 4.6% lower than expected.

**Natural gas** – Natural gas receipts closed the year at \$145.1 million, \$14 million below forecast. Warmer-than-normal weather during the winter and spring has resulted in lower receipts, as natural gas is the primary fuel used to heat Illinois homes.

## ➤ Real Estate Transfer Tax (RETT)

Fiscal year 2012 receipts came in slightly ahead of forecast. May’s New Residential Construction Report released by the U.S. Department of Commerce provides further evidence of a continued modest recovery in the housing market. While overall housing starts were 4.8 percent below April’s figure, most of the decrease was attributed to the 24.2 percent decline in the apartment construction sector which is commonly known for its volatility. Housing starts for single family homes actually increased by 3.2 percent. There is optimism that housing starts will increase in upcoming months as building permits rose 7.9 percent above April’s figure.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
<b>\$42.0</b>	<b>\$40.0</b>	<b>\$2.0</b>	<b>5.0%</b>
FY 2011	FY 2012	\$ Difference	% Difference
<b>\$38.0</b>	<b>\$42.0</b>	<b>\$4.0</b>	<b>10.5%</b>

### Illinois Department of Revenue, Research Division

**Director of Research:** Natalie Davila      **Research Analysts:** Andy Chupick      Michael Pijan  
 Patrick Heath      Hector Vielma  
 John Horbas

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

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

Revenue Source Receipts	June FY2011	June 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)	\$1,395.2	\$1,485.9	\$12,301.8	\$16,999.8	\$4,698.0	38.2%	\$16,506.2	\$493.6	3.0%	\$11,187.2	\$10,219.4	\$9,429.8	\$12,301.8	\$16,506.2
Corporate Income Tax (CIT)	\$403.4	\$484.8	\$2,285.7	\$2,983.0	\$697.3	30.5%	\$2,852.7	\$130.3	4.6%	\$2,200.9	\$2,072.5	\$1,648.9	\$2,285.7	\$2,852.7
Sales Tax (GRFs)	\$608.2	\$626.3	\$6,833.0	\$7,225.6	\$392.5	5.7%	\$7,145.0	\$80.6	1.1%	\$7,214.6	\$6,772.8	\$6,308.0	\$6,833.0	\$7,145.0
Public Utilities (GRFs)	\$100.8	\$62.9	\$1,147.2	\$994.7	-\$152.5	-13.3%	\$1,082.0	-\$87.3	-8.1%	\$1,157.1	\$1,167.8	\$1,089.2	\$1,147.2	\$1,082.0
Telecommunications	\$57.1	\$31.6	\$586.9	\$459.6	-\$127.3	-21.7%	\$509.0	-\$49.4	-9.7%	\$578.9	\$593.3	\$549.5	\$586.9	\$509.0
Electricity	\$30.8	\$25.6	\$401.2	\$390.0	-\$11.2	-2.8%	\$409.0	-\$19.0	-4.6%	\$410.3	\$402.9	\$381.4	\$401.2	\$409.0
Gas	\$12.9	\$5.7	\$159.1	\$145.1	-\$14.0	-8.8%	\$164.0	-\$18.9	-11.5%	\$168.0	\$171.5	\$158.3	\$159.1	\$164.0
Lottery (GRFs)	\$66.8	\$67.7	\$631.9	\$639.9	\$8.0	1.3%	\$639.9	\$0.0	0.0%	\$657.0	\$625.0	\$625.0	\$631.9	\$639.9
Riverboat Gaming (GRFs)	\$25.5	\$27.7	\$324.2	\$412.6	\$88.4	27.3%	\$412.1	\$0.5	0.1%	\$564.0	\$430.0	\$430.5	\$324.2	\$412.1
Estate Tax (GRFs)	\$12	\$20.7	\$122.2	\$234.8	\$112.6	92.1%	\$215.1	\$19.7	9.2%	\$372.8	\$287.7	\$243.4	\$122.2	\$215.1
Cigarette (All Funds)	\$56.4	\$95.8	\$560.8	\$577.4	\$16.6	3.0%	\$524.0	\$53.4	10.2%	\$592.2	\$564.0	\$557.8	\$560.8	\$524.0
Tobacco Products	\$2.4	\$2.6	\$27.4	\$29.0	\$1.6	5.8%	\$29.0	\$0.0	0.0%	\$21.2	\$21.4	\$24.0	\$27.4	\$29.0
PP Replacement Tax	\$212.7	\$180.2	\$1,334.2	\$1,237.6	-\$96.6	-7.2%	\$1,180.6	\$57.0	4.8%	\$1,486.2	\$1,263.6	\$1,012.6	\$1,334.2	\$1,180.6
Regular Motor Fuel Tax	\$177.7	\$97.4	\$1,157.2	\$1,145.3	-\$11.9	-1.0%	\$1,162.0	-\$16.7	-1.4%	\$1,117.1	\$1,248.6	\$1,165.4	\$1,157.6	\$1,162.0
Motor Fuel - IFTA	\$10.1	\$8.2	\$84.9	\$75.1	-\$9.8	-11.5%	\$83.0	-\$7.9	-9.5%	\$146.5	\$144.0	\$103.0	\$84.9	\$83.0
Ug. Storage Tank	\$11.9	\$6.0	\$71.1	\$69.5	-\$1.6	-2.2%	\$70.0	-\$0.5	-0.7%	\$71.1	\$74.8	\$70.8	\$71.2	\$70.0
Liquor (GRF)	\$13.6	\$15.2	\$157.4	\$164.4	\$7.1	4.5%	\$162.0	\$2.4	1.5%	\$158.1	\$157.6	\$158.5	\$157.4	\$162.0
Insurance Tax (GRFs)	\$61.9	\$63.6	\$316.1	\$344.6	\$28.5	9.0%	\$302.0	\$42.6	14.1%	\$294.6	\$334.3	\$322.4	\$316.1	\$302.0
Franchise Tax (Corp Division)	\$16.3	\$12.2	\$207.3	\$191.6	-\$15.7	-7.6%	\$204.0	-\$12.4	-6.1%	\$225.2	\$201.5	\$208.0	\$207.3	\$204.0
Real Estate Transfer Tax	\$4.1	\$4.9	\$38.0	\$42.0	\$4.0	10.5%	\$40.0	\$2.0	5.0%	\$76.8	\$45.6	\$40.3	\$38.0	\$40.0
Private Vehicle Use (GRFs)	\$3.0	\$2.3	\$30.3	\$28.7	-\$1.6	-5.3%	\$32.0	-\$3.3	-10.3%	\$32.0	\$27.3	\$30.2	\$30.3	\$32.0
Hotel Tax (All Funds)	\$18.0	\$16.1	\$191.7	\$207.9	\$16.2	8.5%	\$210.0	-\$2.1	-1.0%	\$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