

ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

June

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.

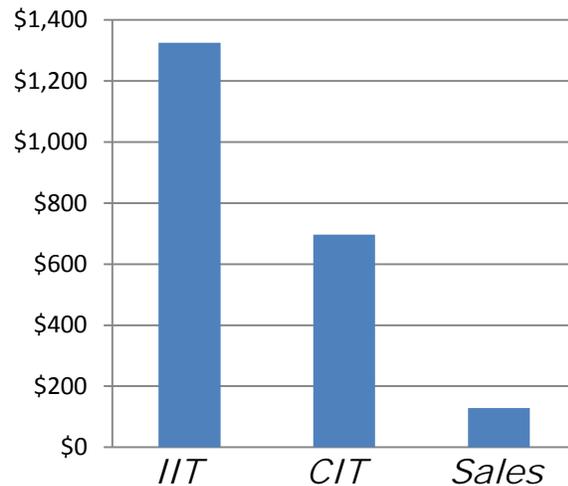
Fiscal year 2013 revenue receipts through June for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$29,357.4 million. Those receipts are \$2,149.0 million above last year and \$1,575.4 million above the current estimate.

Individual income tax receipts are \$18,323.8 million. The total is \$1,324.0 million above last year and \$964.8 million above the current estimate.

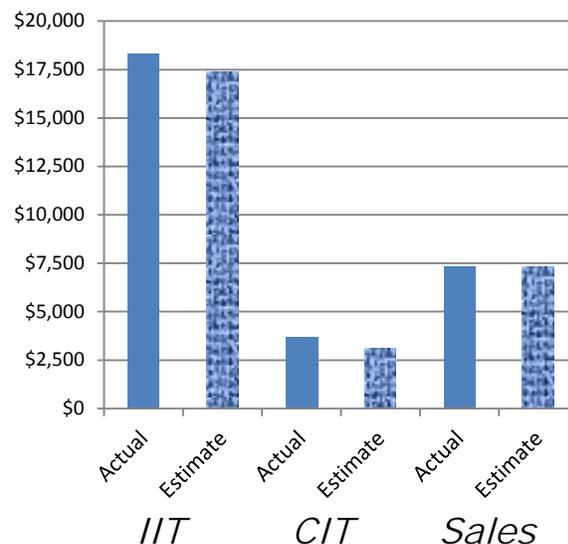
Corporate receipts are \$3,679.1 million. The total is \$696.1 million above last year and \$591.1 million above the current estimate.

Sales tax receipts are \$7,354.5 million. The total is \$128.9 million above last year and \$19.5 million above our current estimate.

**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)

Aided by April's surge, individual income tax for FY2013 performed remarkably well. Gross individual income-tax receipts totaled \$18,323.8 million, an increase of \$964.8 million or 5.6 percent over the fiscal year 2013 estimate presented in the Governor's Fiscal Year 2014 Operating Budget Book. This amount represents a 7.8 percent increase over the fiscal year 2012 receipts. Of

particular note is that 73 percent of the total growth occurred in non-withholding payments, such as quarterly estimated payments, final tax payments, and extension payments. As described in our April report, impending federal tax increases for 2013 caused taxpayers to strategically shift the timing of non-wage income in order to take advantage of lower federal income tax rates in 2012. The windfall from this behavioral change was a one-time event, reflecting income shifts from future years to 2012, and may reduce non-withholding payments in the near future.

Withholding receipts: For the year, withheld receipts were up 2.6 percent or \$353.4 million above fiscal year 2012. This 2.6 percent withholding increase, although in line with the 2.7 percent growth in wage and salary disbursement in Illinois, was well below the 3.9 percent improvement in the national wage and salary disbursement from July 1, 2012, through March 31, 2013, as reported by the U.S. Bureau of Economic Analysis. From July 2012 to May 2013, nationwide total non-farm employment grew at a 1.6 percent rate, while Illinois non-farm employment increased by 1.1 percent. The 9.1 percent Illinois unemployment rate in May also trails the national rate of 7.6 percent. These indicators suggest that the underlying Illinois economy is still struggling and that the Illinois labor market has been lagging behind the national trend.

Non-Withholding receipts: Non-withholding payments increased by 30.0 percent or \$970.6 million over fiscal year 2012 and were the primary driving force behind the 7.8 percent increase in total IIT receipts over last fiscal year. Non-withholding receipts derive mostly from non-wage income sources such as business income, capital gains, and dividends, and the concentrated growth in non-withholding receipts in fiscal year 2013 results from the one-time windfall from the taxpayers' response to the tax-rate increases for 2013. As a result, fiscal year 2013 non-withholding receipts accounted for 23 percent of total IIT receipts, while historically they represented slightly less than 20 percent.

FY2013 Comparison (Millions)

Actual	Forecast	\$ Difference	% Difference
\$18,323.8	\$17,359.0	\$964.8	5.6%
FY2013	FY2012	\$ Difference	% Difference
\$18,323.8	\$16,999.8	\$1,324.0	7.8%

Income-Tax Components Actuals (\$ millions)

	FY2013	FY2012	\$ Difference	% Difference
Withholding	\$14,115.5	\$13,762.1	\$353.4	2.6%
Non-Withholding	4,208.3	3,237.7	970.6	30.0%
Total	\$18,323.8	\$16,999.8	\$1,324.0	7.8%

Payment totals match the Comptroller's receipts. Withholding and non-withholding 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)

CIT receipts were \$518.8 million in June, 7.0 percent higher than receipts of \$484.8 million in June 2012. Fiscal year 2013 CIT receipts were \$3,679.1 million, 23.3 percent above fiscal year 2012 receipts.

Year-to-Date (\$ millions)			
Actual	Estimate	\$ Difference	% Difference
\$3,679.1	\$3,088.0	\$591.1	19.1%
FY 2012	FY 2013	\$ Difference	% Difference
\$2,983.0	\$3,679.1	\$696.1	23.3%

The strong growth in CIT receipts was driven by underlying corporate profit growth and a few one-time factors. The April surprise, which was related to taxpayers' response to changes in federal tax law, contributed to the growth in CIT receipts. April CIT receipts came in at \$824.3 million, \$190.6 million above forecast for the month. In addition, capping the use of the Net Operating Loss (NOL) Deduction could have resulted in the state capturing more of the strong profits growth than in prior years, since the cap limits NOL deductions to a maximum of \$100,000. The \$100,000 cap on NOLs expires for tax years ending before December 31, 2014. This will have a negative impact on receipts in fiscal year 2015 and beyond.

➤ Sales & Use Tax

Final state sales and use tax receipts for fiscal year 2013 were 1.8 percent above fiscal year 2012 and just 0.3 percent above our forecast, which we developed nearly 18 months ago. The 1.8 percent growth was barely above the 1.6 percent rate of inflation (Consumer Price Index, All Urban Consumers) and well below the average annual growth of 3.2 percent set between 1986 and 2012.

Year-to-Date Comparison (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$7,354.5	\$7,335.0	\$19.5	0.3%
FY 2012	FY 2013	\$ Difference	% Difference
\$7,225.6	\$7,354.5	\$128.9	1.8%

The prior two fiscal years had very strong growth thanks to pent-up demand that accrued during the cutbacks of the last recession. As this pent-up demand started to fade at the end of fiscal year 2012, we knew 2013's sales and use tax receipts would more closely reflect the current economic conditions, especially changes in employment and wages. Modest gains by both helped keep sales and use tax

Year-to-Date Comparison (\$ millions)				
	FY 2012	FY 2013	\$ Difference	% Difference
Vehicles	\$976.9	\$1,058.8	\$81.9	8.4%
Motor fuel*	\$784.0	\$778.6	-\$5.4	-0.7%
All else	\$5,464.7	\$5,517.1	\$52.3	1.0%
Total	\$7,225.6	\$7,354.5	\$128.9	1.8%

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

growth low in fiscal year 2013. Illinois wage and salary disbursements for the first three quarters of fiscal year 2013 increased 2.7 percent, while average Illinois non-farm employment for the first eleven months of fiscal year 2013 increased 1.1 percent.

Several other factors also helped limit growth. Consumer confidence suffered at several points during fiscal year 2013, the most important of which was in response to the federal government's "fiscal cliff" negotiations and occurred during the holiday shopping period. In addition, the expiration of the payroll tax cut in January 2013 reduced disposable income for millions of consumers, reducing the amount of money that they had to spend and their willingness to spend it. The payroll tax increase reduced the median Illinois household's income by about \$90 per month.

One especially bright spot was sales and use tax from motor vehicle sales, which increased 8.4 percent. The growth in this component alone explains 64 percent of the overall growth in state sales and use tax receipts. Motor vehicle sales were helped by consumers' need to replace aging vehicles and by historically low financing rates. The average age of cars and light trucks in the United States reached 11 years in calendar year 2012. It was just 8 years in 1995 and about 10 years in 2008. The finance rate on consumer installment loans for new vehicles in fiscal year 2013, about 4.8 percent, was the lowest in over 30 years.

➤ Public Utilities Taxes

Telecommunications –

General Revenue Fund receipts were \$491.4 million in fiscal year 2013, or \$33.6 million below forecast. Fiscal year 2013 receipts came in lower than forecast for two reasons. First, the taxable base of telecommunication services shrank faster than expected. Internet access products, such as cell phone data plans, are the fastest growing component of

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Telecommunications	\$491.4	\$525.0	-\$33.6	- 6.4%
Electricity	\$397.8	\$409.0	-\$11.2	- 2.7%
Natural gas	\$143.8	\$167.0	-\$23.2	-13.9%
	FY 2012	FY 2013	\$ Difference	% Difference
Telecommunications	\$459.6	\$491.4	\$31.8	6.9%
Electricity	\$390.0	\$397.8	\$7.8	2.0%
Natural gas	\$145.2	\$43.8	- \$1.4	-0.9%

telecommunications services but are pre-empted from state taxation by federal law. Second, the diversion percentage to local governments for the Simplified Municipal Telecom Tax was higher than expected.

Fiscal year 2013 receipts were higher than fiscal year 2012 receipts by \$31.8 million, or 6.9 percent. However, fiscal year 2012 receipts were artificially lower by \$67.0 million because of revenue diverted in the last few months of the fiscal year to address under-allocations to municipal governments for the Simplified Municipal Telecom Tax.

Electricity – Fiscal year 2013 receipts finished the year at \$397.8 million, 2.7 percent below forecast but 2.0 percent higher than fiscal year 2012 receipts.

Natural Gas – Receipts were \$143.8 million in fiscal year 2013, which was \$23.2 million (13.9 percent) below forecast. The main factor behind the lower-than-expected performance was unusually warm weather in 2012. This weather depressed receipts in the second half of fiscal year 2012 and the first half of fiscal year 2013. Year-to-year natural gas receipts declined by \$1.4 million between fiscal year 2012 and fiscal year 2013.

➤ Cigarette Taxes

Fiscal year 2013 cigarette tax receipts of \$810.3 million were 2.8 percent above our revised forecast of \$788 million. The downward revision from the original forecast of \$853 million was to account for tax stamp hoarding by distributors prior to

last year's tax increase. The department attempted to limit stamp purchases to prevent hoarding, but a court injunction forced the department to remove all restrictions.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds	\$810.3	\$788.0	\$22.3	2.8%
General Revenue Fund	\$350.4	\$355.0	-\$4.6	-1.3%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds	\$577.4	\$810.3	\$232.9	40.3%
General Revenue Fund	\$354.5	\$350.4	-\$4.1	-1.2%

There were numerous statutory changes that affected receipts during fiscal year 2013. P.A. 97-0688 increased the per-pack cigarette tax from \$0.98 to \$1.98, expanded the definition of cigarette to include little cigars, and required retailers operating roll-your-own cigarette machines to obtain a cigarette machine operators license and to tax the cigarettes produced at the same rate as commercially manufactured cigarettes.

➤ Tobacco Products Tax

Fiscal year 2013 tobacco products tax receipts of \$43.0 million were 7.5 percent above our forecast of \$40.0 million.

There were numerous statutory changes that affected receipts during fiscal year 2013. P.A. 97-0688 increased the tobacco products tax rate from 18 percent of the wholesale price to 36 percent of the wholesale price, moved little cigars from the tobacco products tax to the cigarette tax, and taxed "moist snuff" on a weight basis of \$0.30 per ounce.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$43.0	\$40.0	\$3.0	7.5%
FY 2012	FY 2013	\$ Difference	% Difference
\$29.0	\$43.0	\$14.0	48.3%

➤ Estate Tax

Estate tax receipts ended the fiscal year \$67.4 million above the forecast for all funds.

Despite the increase in the estate-tax exemption from \$2.0 million in 2011 to \$3.5 million in 2012, total receipts for fiscal year 2013 increased \$74.5 million, or 31.7 percent, over fiscal year

2012 receipts. However, this increase in revenue was due to two factors that unfortunately will not recur: the one-time remittance of \$41.8 million from all counties in July resulting from P.A.097-0732, and a few wealthy estates unexpectedly remitting a combined \$30 million in May 2013. This \$71.8 million in one-time receipts was partially offset by a slight reduction in overall receipts due to the higher exemption. Without these one-time receipts, the estate tax would have generated \$237.6 million in fiscal year 2013, \$4.4 million below the forecast.

FY2013 Year-to-Date (millions)				
	Actual	Forecast	\$ Difference	% Difference
All Funds	\$309.4	\$242.0	\$67.4	27.8%
General Revenue Fund	\$293.3	\$227.5	\$65.8	28.9%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds	\$234.9	\$309.4	\$74.5	31.7%
General Revenue Fund	\$220.8	\$293.3	\$72.5	32.8%

➤ Liquor Tax

Final receipts for fiscal year 2013 increased 0.2 percent compared to last year and were 0.7 percent below our forecast.

Year-to-Date (\$ millions)	*Includes General Revenue Fund			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$279.9	\$282.0	-\$2.1	-0.7%
General Revenue Fund	\$164.8	\$166.0	-\$1.2	-0.7%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$279.3	\$279.9	\$0.7	0.2%
General Revenue Fund	\$164.4	\$164.8	\$0.4	0.2%

➤ Hotel Operators' Occupation Tax (HOOT)

Fiscal year 2013 HOOT receipts of \$221.0 million were slightly above our forecast of \$216.0 million.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$221.0	\$216.0	\$5.0	2.3%
General Revenue Fund	\$44.8	\$43.3	\$1.5	3.5%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$207.9	\$221.0	\$13.1	6.3%
General Revenue Fund	\$39.8	\$44.8	\$5.0	12.6%

➤ Motor Fuel Taxes

Year-to-Date (\$ millions)		IFTA	
Actual	Forecast	\$ Difference	% Difference
\$67.6	\$67.6	\$0.0	0.0%
FY 2012	FY 2013	\$ Difference	% Difference
\$75.1	\$67.6	-\$7.5	-10.0%

Year-to-Date (\$ millions)		Regular MFT	
Actual	Forecast	\$ Difference	% Difference
\$1,123.3	\$1,140.2	-\$16.9	-1.5%
FY 2012	FY 2013	\$ Difference	% Difference
\$1,145.3	\$1,123.3	-\$22.0	-1.9%

Year-to-Date (\$ millions)		UST	
Actual	Forecast	\$ Difference	% Difference
\$68.6	\$69.2	-\$0.5	-0.7%
FY 2012	FY 2013	\$ Difference	% Difference
\$69.5	\$68.6	-\$0.9	-1.3%

Combined motor fuel tax receipts (regular MFT, IFTA, and UST) for fiscal year 2013 were 2.4 percent (\$30.4 million) below last year and 1.4 percent (\$17.5 million) below our revised forecast.

➤ Real Estate Transfer Tax (RETT)

Fiscal year 2013 RETT receipts finished the year 25.6 percent above our forecast and 28.6 percent above fiscal year 2012 receipts.

Fiscal year 2013's final receipt total of \$54 million was nearly 54 percent below the fiscal year 2006 high of \$116.6 million and is more in line with fiscal

year 2000 receipts of \$57.7 million. The strong turnaround in fiscal year 2013 receipts can be attributed to improved real estate market conditions, especially in the non-distressed housing market.

Year-to-Date (\$ millions)			
Actual \$54.0	Forecast \$43.0	\$ Difference \$11.0	% Difference 25.6%
FY 2012 \$42.0	FY 2013 \$54.0	\$ Difference \$12.0	% Difference 28.6%

Illinois Department of Revenue, Research Division

Research Analysts: Andy Chupick Joanna Koh
Patrick Heath Michael Pijan
John Horbas Hector Vielma

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

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

Revenue Source Receipts (millions)	June FY2012	June 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 2011 Total	FY 2012 Total	FY 2013 Estimate
Individual Income Tax (IIT)	\$1,485.9	\$1,553.1	\$16,999.8	\$18,323.8	\$1,324.0	7.8%	\$17,359.0	\$964.8	5.6%	\$12,301.8	\$16,999.8	\$17,359.0
Corporate Income Tax (CIT)	\$484.8	\$518.8	\$2,983.0	\$3,679.1	\$696.1	23.3%	\$3,088.0	\$591.1	19.1%	\$2,285.7	\$2,983.0	\$3,088.0
Sales Tax (GRFs)	\$626.3	\$658.9	\$7,225.6	\$7,354.5	\$128.9	1.8%	\$7,335.0	\$19.5	0.3%	\$6,833.0	\$7,225.6	\$7,335.0
Public Utilities (GRFs)	\$63.0	\$76.8	\$994.7	\$1,033.0	\$38.2	3.8%	\$1,101.0	-\$68.0	-6.2%	\$1,147.2	\$994.7	\$1,101.0
Telecommunications	\$31.6	\$37.2	\$459.6	\$491.4	\$31.8	6.9%	\$525.0	-\$33.6	-6.4%	\$586.9	\$459.6	\$525.0
Electricity	\$25.6	\$28.0	\$390.0	\$397.8	\$7.8	2.0%	\$409.0	-\$11.2	-2.7%	\$401.2	\$390.0	\$409.0
Gas	\$5.8	\$11.6	\$145.2	\$143.8	-\$1.4	-0.9%	\$167.0	-\$23.2	-13.9%	\$159.1	\$145.2	\$167.0
Estate Tax (GRFs)	\$19.5	\$20.0	\$220.8	\$293.3	\$72.5	32.8%	\$227.5	\$65.8	28.9%	\$122.2	\$234.8	\$227.5
Cigarette (All Funds)	\$95.8	\$86.5	\$577.4	\$810.3	\$232.9	40.3%	\$788.0	\$22.3	2.8%	\$560.8	\$577.4	\$788.0
Tobacco Products	\$2.6	\$3.4	\$29.0	\$43.0	\$14.0	48.3%	\$40.0	\$3.0	7.5%	\$27.4	\$29.0	\$40.0
Regular Motor Fuel Tax	\$97.5	\$93.7	\$1,145.3	\$1,123.3	-\$22.0	-1.9%	\$1,140.2	-\$16.9	-1.5%	\$1,157.6	\$1,145.3	\$1,140.0
Motor Fuel - IFTA	\$8.2	\$5.1	\$75.1	\$67.6	-\$7.5	-10.0%	\$67.6	\$0.0	0.0%	\$84.9	\$75.1	\$68.0
Ug. Storage Tank	\$6.0	\$4.4	\$69.5	\$68.6	-\$0.9	-1.3%	\$69.2	-\$0.5	-0.7%	\$71.2	\$69.5	\$69.0
Liquor (GRF)	\$15.2	\$15.3	\$164.4	\$164.8	\$0.4	0.2%	\$166.0	-\$1.2	-0.7%	\$157.4	\$164.4	\$166.0
Insurance Tax (GRFs)	\$63.6	\$63.9	\$344.6	\$333.9	-\$10.7	-3.1%	\$315.0	\$18.9	6.0%	\$316.1	\$344.6	\$315.0
Franchise Tax (Corp Division)	\$12.2	\$12.1	\$191.6	\$204.6	\$13.0	6.8%	\$203.1	\$1.4	0.7%	\$207.3	\$191.6	\$203.0
Real Estate Transfer Tax	\$4.9	\$5.2	\$42.0	\$54.0	\$12.0	28.6%	\$43.0	\$11.0	25.6%	\$38.0	\$42.0	\$43.0
Private Vehicle Use (GRFs)	\$2.3	\$2.3	\$28.7	\$25.3	-\$3.4	-11.8%	\$27.0	-\$1.7	-6.3%	\$30.3	\$28.7	\$27.0
Hotel Tax (All Funds)	\$16.1	\$20.1	\$207.9	\$221.0	\$13.1	6.3%	\$216.0	\$5.0	2.3%	\$191.7	\$207.9	\$216.0