

ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

May

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.

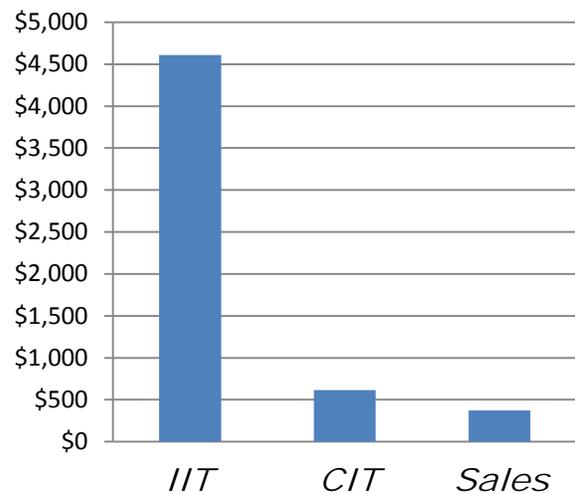
Fiscal Year 2012 revenue receipts through May for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$24,611.2 million. Those receipts are \$5,597.4 million above last year and \$486.1 million above the current forecast.

Individual income tax receipts are \$15,513.9 million. The total is \$4,607.3 million above last year and \$389.4 million above the current forecast.

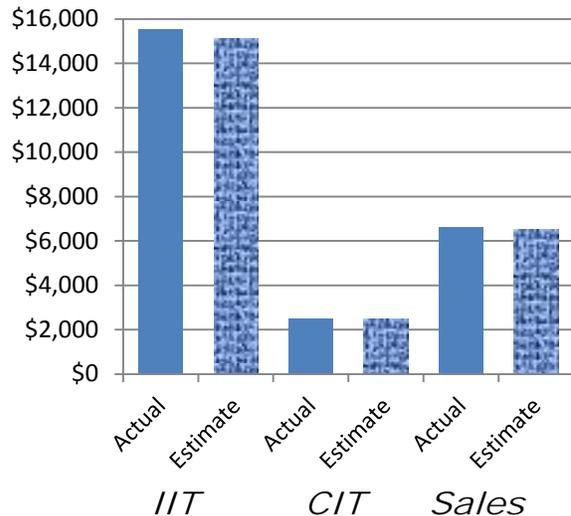
Corporate income tax receipts are \$2,498.0 million. The total is \$615.7 million above last year and \$26.6 million above the current forecast.

Sales tax receipts are \$6,599.3 million. The total is \$374.4 million above last year and \$70.1 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)**



FEATURE

On May 29, 2012, the Illinois General Assembly adopted Senate Bill 2194 raising the taxes on cigarettes and tobacco products. This legislation was part of an initiative put forth by Governor Pat Quinn to stabilize Illinois Medicaid system. The projected \$350 million in increased revenues for Fiscal Year 2013 plus the additional \$350 million in federal matching funds will bring the total to \$700 million earmarked for the Healthcare Provider Relief Fund. Provisions affecting cigarette and tobacco taxes include:

- Raises the Cigarette Tax and Cigarette Use Tax from 49 mills to 99 mills per cigarette effective June 24, 2012. This increases the tax from \$0.98 to \$1.98 on a pack of twenty cigarettes and from \$1.225 to \$2.475 on a pack of twenty-five cigarettes.
- Increases the Tobacco Products Tax Rate from 18 percent to 36 percent of wholesale price effective July 1, 2012.
- Changes the definition of cigarettes to include little cigars effective July 1, 2012.
- Requires retailers who own or rent roll-your-own cigarette machines to obtain a cigarette machine operator license and imposes a tax of \$0.099 on each cigarette (equal to the rate of manufactured packaged cigarettes) generated by the machines effective August 1, 2012.
- Defines “moist snuff” as any finely cut, ground, or powdered tobacco that is intended not to be smoked and imposes a weight based tax of \$0.30 an ounce effective January 1, 2013.

The possibility of stamp hoarding by distributors and retailers prompted the Illinois Department of Revenue to institute a policy limiting stamp purchases by distributors to their previous year’s sales. This policy was necessary in order to meet the \$350 million estimate, one of the key components of the Medicaid stabilization plan. Allocation adjustments to the policy were made in June to account for seasonal increases as well as expected increase in consumer demand prior to the effective date of June 24, 2012.

Unfortunately on June 14, 2012, several large distributors obtained a preliminary injunction in Sangamon County Circuit Court that prohibits the Department from implementing any policy limiting stamp purchases. On June 14th and June 15th over 40 million stamps, over and above what was used for the budget projections, were sold. At this time, it appears unlikely that we will meet the FY 2013 revenue estimate of \$350 million. We will be closely monitoring the situation.

TECHNICAL NOTE

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

➤ Individual Income Tax (IIT)

With just one month remaining of the fiscal year, total FY 2012 receipts are coming in well above the estimate. As indicated in previous reports most of this positive result is due to higher than anticipated withholding receipts in March and April.

Withholding receipts: May withholding receipts exceeded the forecast by 3.5 percent. While continuing to exceed expectations, growth in withholding receipts has slowed compared with March and April.

Year-to-Date (\$ millions)			
Note: FY2011 includes amnesty-related payments			
Actual	Forecast	\$ Difference	% Difference
\$15,513.9	\$15,124.5	\$389.4	2.6%
FY 2011	FY 2012	\$ Difference	% Difference
\$10,906.6	\$15,513.9	\$4,607.3	42.2 %

Non-withholding receipts: May's Non-WIT receipts came in 36.3 percent, or \$81.7 million, above the monthly estimate. Estimated payments for the month came in at the forecast level, while final payments exceeded expectations. Thanks to this positive May result, year-to-date Non-WIT receipts turned positive. We believe that non-withholdings will end the year close to forecast.

Components Year-to-Date (\$ millions)				
Note: FY2011 includes amnesty-related payments				
	Actual	Forecast	\$ Difference	% Difference
Withholding	\$12,656.2	\$12,280.7	\$375.5	3.1%
Estimated and final	\$2,857.7	\$2,843.8	\$13.9	0.5%
Total	\$15,513.9	\$15,124.5	\$389.4	2.6%

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 for May were \$143.4 million, compared with an estimate of \$150.1 million. With one month of the fiscal year remaining, receipts are coming in 1.1 percent above forecast.

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

Actual	Forecast	\$ Difference	% Difference
\$2,498.0	\$2,471.5	\$26.6	1.1%
FY 2011	FY 2012	\$ Difference	% Difference
\$1,882.3	\$2,498.0	\$615.7	32.7%

➤ 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 8.9 percent. For the month of May alone, state sales/use tax receipts were up 4.9 percent (\$28.0 million) compared to May 2011. Year-to-date receipts at the end of May were \$70.1 million (1.1 percent) above budget. This means that state sales/use tax receipts will finally be back to prerecession levels by the end of FY 2012. The next monthly report (June) will include a brief look back at the collapse and recovery of state sales/use tax spanning the last recession and its aftermath.

The University of Michigan Consumer Sentiment index rose to 79.3, up nearly 3 points from April. The survey used to produce the index found that positive sentiment related to declining motor fuel prices was helping to offset troubles related to stock market losses and problems in Europe. The survey found an improvement in the opinion of current conditions but a decline in consumer expectations, which could lead to weaker consumer spending going forward.

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

Actual	Forecast	\$ Difference	% Difference
\$6,599.3	\$6,529.1	\$70.1	1.1%
FY 2011	FY 2012	\$ Difference	% Difference
\$6,224.8	\$6,599.3	\$374.4	6.0%

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

	FY 2011	FY 2012	\$ Difference	% Difference
Vehicles	\$833.8	\$886.4	\$52.5	6.3%
Motor fuel*	\$643.6	\$739.9	\$96.3	15.0%
All else	\$4,583.5	\$4,973.0	\$389.5	8.5%
	\$6,061.0	\$6,599.3	\$538.3	8.9%

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

➤ Estate Tax

Year-to-date FY 2012 estate tax receipts through May are 9.9 percent over our forecast.

The Illinois estate tax is paid to the county treasurer in which the decedent resided. The county treasurer then remits the tax to the Illinois Treasurer.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$214.1	\$194.8	\$19.3	9.9%
FY 2011	FY 2012	\$ Difference	% Difference
\$121.0	\$214.1	\$93.1	76.9%

➤ Cigarette Taxes

Fiscal Year 2012 receipts for the cigarette tax for May were stronger than expected, in part because higher than normal demand for stamps by distributors in anticipation of the cigarette tax rate increase. Year-to-date numbers through May are now 1.7 percent ahead of forecast. This trend is expected to continue until June 24, 2012 when the cigarette tax rate increase goes into effect.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$481.6	\$473.4	\$8.2	1.7%
General Revenue Fund	\$324.4	\$325.4	-\$1.0	-0.3%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$504.4	\$481.6	-\$22.8	-4.5%
General Revenue Fund	\$325.0	\$324.4	-\$0.6	-0.2%

➤ Tobacco Products Tax

Long Term Care Fund

Fiscal Year 2012 year-to-date receipts through May track forecasts and continue to outpace the prior year's revenues by \$1.4 million (5.6 percent).

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$26.4	\$26.5	-\$0.1	-0.4%
FY 2011	FY 2012	\$ Difference	% Difference
\$25.0	\$26.4	\$1.4	5.6%

➤ 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*	\$253.5	\$247.5	\$6.0	2.4%
General Revenue Fund	\$149.3	\$147.4	\$1.9	1.3%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$245.1	\$253.5	\$8.4	3.4%
General Revenue Fund	\$143.7	\$149.3	\$5.6	3.9%

➤ Hotel Operator's Occupation Tax (HOOT)

Fiscal Year 2012 year-to-date HOOT receipts through May are in line with forecast.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$191.8	\$191.1	\$0.7	0.4%
General Revenue Fund	\$33.8	\$34.6	-\$0.8	-2.3%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$173.8	\$191.8	\$18.0	10.4%
General Revenue Fund	\$26.3	\$33.8	\$7.5	28.5%

➤ Motor Fuel Taxes

Year-to-Date (\$ millions)		IFTA	
Actual	Forecast	\$ Difference	% Difference
\$66.9	\$73.1	-\$6.2	-8.5%
FY 2011	FY 2012	\$ Difference	% Difference
\$74.8	\$66.9	-\$7.9	-10.6%

Year-to-Date (\$ millions)		Regular MFT	
Actual	Forecast	\$ Difference	% Difference
\$1,047.8	\$1,065.4	-\$17.5	-1.6%
FY 2011	FY 2012	\$ Difference	% Difference
\$979.5	\$1,047.8	\$68.4	7.0%

Year-to-Date (\$ millions)		UST	
Actual	Forecast	\$ Difference	% Difference
\$63.5	\$62.3	\$1.2	2.0%
FY 2011	FY 2012	\$ Difference	% Difference
\$59.2	\$63.5	\$4.3	7.3%

Combined motor fuel taxes year to date are 5.8 percent above the same period in FY 2011 and 1.8 percent below forecast. However, note that the year-to-date comparison with FY 2011 is skewed upward by delayed tax payments that shifted some receipts from May 2011 to June 2011. Adjusting for this one-time issue puts combined motor fuel taxes year to date 2.3 percent below the same period in FY 2011.

➤ Public Utilities Taxes

Telecommunications – 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). Some receipts that were forecast to go into the General Revenue Funds (GRFs) have been deposited into that fund instead. As a result, GRF receipts will be below forecast for the remainder of this fiscal year.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Telecommunications	\$428.0	\$465.9	-\$37.9	-8.1%
Electricity	\$364.4	\$374.2	-\$9.8	-2.6%
Natural gas	\$139.4	\$151.7	-\$12.3	-8.1%
	\$931.8	\$991.8	-\$60.0	-6.0%
	FY 2011	FY 2012	\$ Difference	% Difference
Telecommunications	\$529.7	\$428.0	-\$101.7	-19.2%
Electricity	\$376.8	\$364.4	-\$12.4	-3.3%
Natural gas	\$146.1	\$139.4	-\$6.7	-4.6%
	\$1,052.6	\$931.8	-\$120.8	-11.5%

Electricity – Receipts remain slightly below forecast. Year-to-date receipts are \$364.4 million, 2.6% lower than expected.

Natural gas –Year-to-date receipts are \$12.3 million below forecast. As natural gas is the primary fuel used to heat Illinois homes, warmer-than-normal weather has resulted in reduced receipts.

May 2012 receipts were \$16.4 million, \$2.5 million (13.2%) lower than May 2011. Approximately \$4.8 million of the \$6.7 million of the difference between forecasted and actual receipts has come about during April and May, showing the impact of warmer weather on revenues.

➤ Real Estate Transfer Tax (RETT)

As reported in the April report, beginning in January of 2012, a portion of the Real Estate Transfer Tax receipts were reported as Rental Housing Support Program surcharges. For the months of January 2012 through April 2012, \$4.5 million in receipts were incorrectly posted to the Rental Housing Support Fund. The correction was posted to May receipts which revealed year-to-date Real Estate Transfer Tax receipts running 9.4 percent ahead of Fiscal Year 2011 and 8.5 percent ahead of forecast.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$37.1	\$34.2	\$2.9	8.5%
FY 2011	FY 2012	\$ Difference	% Difference
\$33.9	\$37.1	\$3.2	9.4%

Illinois Department of Revenue, Research Division

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

Revenue Source Receipts	May FY2011	May 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)	\$1,296.8	\$1,399.9	\$10,906.6	\$15,513.9	\$4,607.3	42.2%	\$15,124.5	\$389.4	2.6%		\$11,187.2	\$10,219.4	\$9,429.8	\$12,301.8	\$16,506.2
Corporate Income Tax (CIT)	\$98.9	\$143.4	\$1,882.3	\$2,498.0	\$615.7	32.7%	\$2,471.5	\$26.6	1.1%		\$2,200.9	\$2,072.5	\$1,648.9	\$2,285.7	\$2,852.7
Sales Tax (GRFs)	\$568.5	\$596.4	\$6,224.8	\$6,599.3	\$374.4	6.0%	\$6,529.1	\$70.1	1.1%		\$7,214.6	\$6,772.8	\$6,308.0	\$6,833.0	\$7,145.0
Public Utilities (GRFs)	\$84.7	\$72.4	\$1,052.6	\$931.8	-\$120.8	-11.5%	\$991.8	-\$60.0	-6.0%		\$1,157.1	\$1,167.8	\$1,089.2	\$1,147.2	\$1,082.0
Telecommunications	\$38.3	\$26.4	\$529.7	\$428.0	-\$101.7	-19.2%	\$465.9	-\$37.9	-8.1%		\$578.9	\$593.3	\$549.5	\$586.9	\$509.0
Electricity	\$27.5	\$29.6	\$376.8	\$364.4	-\$12.4	-3.3%	\$374.2	-\$9.8	-2.6%		\$410.3	\$402.9	\$381.4	\$401.2	\$409.0
Gas	\$18.9	\$16.4	\$146.1	\$139.4	-\$6.7	-4.6%	\$151.7	-\$12.3	-8.1%		\$168.0	\$171.5	\$158.3	\$159.1	\$164.0
Lottery (GRFs)	\$58.3	\$59.1	\$565.0	\$572.2	\$7.2	1.3%	\$572.2	\$0.0	0.0%		\$657.0	\$625.0	\$625.0	\$631.9	\$639.9
Riverboat Gaming (GRFs)	\$21.3	\$21.5	\$298.7	\$384.9	\$86.3	28.9%	\$384.5	\$0.4	0.1%		\$564.0	\$430.0	\$430.5	\$324.2	\$412.1
Estate Tax (GRFs)	\$1.8	\$18.6	\$121.0	\$214.1	\$93.1	76.9%	\$194.8	\$19.3	9.9%		\$372.8	\$287.7	\$243.4	\$122.2	\$215.1
Cigarette (All Funds)	\$41.2	\$53.8	\$504.4	\$481.6	-\$22.8	-4.5%	\$473.4	\$8.2	1.7%		\$592.2	\$564.0	\$557.8	\$560.8	\$524.0
Tobacco Products	\$2.3	\$2.3	\$25.0	\$26.4	\$1.4	5.6%	\$26.5	-\$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	\$8.4	\$96.8	\$979.5	\$1,047.8	\$68.4	7.0%	\$1,065.4	-\$17.5	-1.6%		\$1,117.1	\$1,263.6	\$1,165.4	\$1,157.6	\$1,162.0
Motor Fuel - IFTA	\$5.9	\$6.7	\$74.8	\$66.9	-\$7.9	-10.6%	\$73.1	-\$6.2	-8.5%		\$146.5	\$144.0	\$103.0	\$84.9	\$83.0
Ug. Storage Tank	\$0.6	\$5.3	\$59.2	\$63.5	\$4.3	7.3%	\$62.3	\$1.2	2.0%		\$71.1	\$74.8	\$70.8	\$71.2	\$70.0
Liquor (GRF)	\$11.6	\$12.4	\$143.7	\$149.3	\$5.6	3.9%	\$147.4	\$1.9	1.3%		\$158.1	\$157.6	\$158.5	\$157.4	\$162.0
Insurance Tax (GRFs)	\$1.5	\$5.1	\$254.2	\$281.0	\$26.8	10.5%	\$247.3	\$33.7	13.6%		\$294.6	\$334.3	\$322.4	\$316.1	\$302.0
Franchise Tax (Corp Divisi	\$15.2	\$17.5	\$191.0	\$179.3	-\$11.7	-6.1%	\$188.5	-\$9.3	-4.9%		\$225.2	\$201.5	\$208.0	\$207.3	\$204.0
Real Estate Transfer Tax	\$2.5	\$8.7	\$33.9	\$37.1	\$3.2	9.4%	\$34.2	\$2.9	8.5%		\$76.8	\$45.6	\$40.3	\$38.0	\$40.0
Private Vehicle Use (GRFs)	\$2.3	\$2.7	\$27.2	\$26.4	-\$0.9	-3.2%	\$28.9	-\$2.6	-8.8%		\$32.0	\$27.3	\$30.2	\$30.3	\$32.0
Hotel Tax (All Funds)	\$12.7	\$17.8	\$173.8	\$191.8	\$18.0	10.4%	\$191.1	\$0.7	0.4%		\$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.