

ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

November

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.

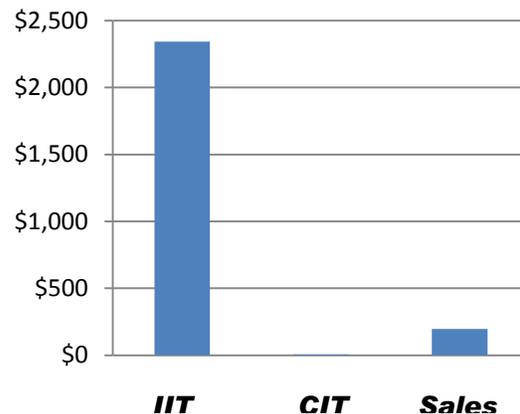
Fiscal Year 2012 revenue receipts through November for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$9,610.6 million. Those receipts are \$2,545.5 million above last year and \$49.1 million above the current forecast.

Individual income tax receipts are \$5,895.4 million. The total is \$2,341.7 million above last year and \$42.4 million below the current forecast.

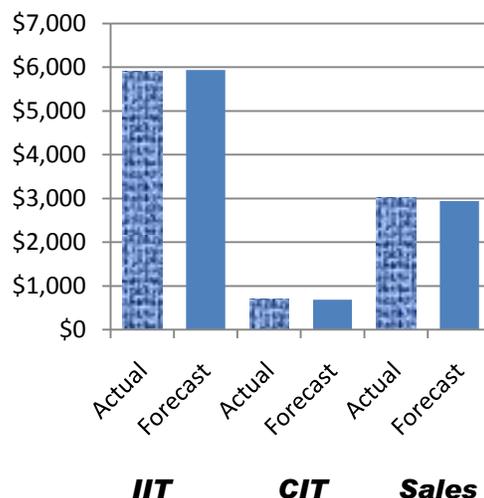
Corporate income tax receipts are \$695.1 million. The total is \$7.2 million above last year (an amnesty year) and \$13.5 million above the current forecast.

Sales tax receipts are \$3,020.1 million. The total is \$196.6 million above last year and \$78.0 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

The state is still seeing the effects of the Tax Amnesty that ran in October and November of 2010. The 2010 amnesty generated \$717 million in total tax collections (both state and local money) – most of it received last November, December and January. Amnesty had two effects:

- It inflated receipts in November and December of 2010 and in January of 2011.
- It moved into the amnesty period receipts that would otherwise have been collected later in FY 2011 or in future years.

Inflated receipts during amnesty period

The effects of amnesty in looking at year-over-year receipts are best illustrated with sales tax. State sales tax receipts were \$674.7 million in November of 2010 and \$602.1 million in November of 2011. What appears to be a 10 percent decline in receipts is explained by the \$122.5 million in sales tax amnesty receipts received in November of 2010. The same amnesty related bump occurred with income tax, but it is masked by the tax rate increase that occurred on January 1, 2011.

Our research office staff accounted for this one-time bump when making the FY 2012 revenue forecasts.

Reduced post-amnesty tax receipts

The state saw significant payments during this period, many from taxpayers who sought to take advantage of the penalty and interest waivers (and to avoid the double penalty and interest after the amnesty period). Because taxpayers came forward and paid during the amnesty period, typical post-amnesty period receipts from audits, delinquent collection activity, and billings were reduced because the payments had already been made. This is a difficult number to quantify precisely, because it involves predicting taxpayer behavior.

We estimate that the amnesty program caused the shift into the amnesty period of approximately

- \$165 million from the second half of fiscal year 2011;
- \$150 million from fiscal year 2012; and,
- \$390 million from fiscal year 2013 and beyond.

When making the FY 2012 revenue forecasts, we assumed a portion of the reduction would be made up because auditors, collectors, and litigators would be freed to work on other cases.

TECHNICAL NOTE

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

➤ Individual Income Tax (IIT)

Note that one-time amnesty-related payments totaling \$40.9 million were deposited across November (\$35.3 million), December (\$4.6 million), and January (\$1.0 million) of last year. The distorting impact on year-over-year comparisons is masked due to the impact of the TY 2011 tax increase.

November individual income tax receipts came in 2.7 percent below our forecast for the month. With this monthly result, IIT receipts are 0.7 percent below our year-to-date forecast. The tax rate increase accounts for much of the 65.9 percent growth since last year.

Our outlook for the rest of the fiscal year calls for modest growth in IIT receipts, reflecting of a weak labor market.

Withholdings receipts were 3.1 percent below our forecast for the month, mainly because of “higher than average in-transit” payments. These “in transit” funds were collected in November but not deposited until December. Year-to-date withholdings receipts, which are a better indicator of performance, are a 0.1 percent below forecast.

Non-Withholdings receipts were 14.6 percent above our forecast for November, leaving year-to-date receipts 6.0 percent below our forecast. These receipts, comprised of four estimated payments and a final payment made with the returns are highly. Eighty percent of non-withholding has yet to be paid, so it is too early to draw conclusions about the performance of non-withholdings for this fiscal year.

Year-to-Date (\$ millions)		Note: FY2011 includes amnesty-related payments (\$ millions)	
Actual	Forecast	\$ Difference	% Difference
\$5,895.4	\$5,937.8	-\$42.4	-0.7%
FY 2011	FY 2012	\$ Difference	% Difference
\$3,553.7	\$5,895.4	\$2,341.7	65.9%

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

	Actual	Forecast	\$ Difference	% Difference
Withholding	\$5,350.0	\$5,357.4	-\$7.5	-0.1%
Estimated and final	\$545.4	\$580.3	-\$34.9	-6.0%
Total	\$5,895.4	\$5,937.8	-\$42.4	-0.7%

Payment totals match the Comptroller's receipts. 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)

Note that one-time amnesty-related payments totaling \$302.2 million were deposited across November (\$251.7 million), December (\$27.2 million), and January (\$23.3 million) of last year. The distorting impact on year-over-year comparisons is masked by the impact of the FY 2011 tax increase

CIT has several key receipt months. For calendar year filers estimated payments are due in April, June, September and December and final payments are due in March. The next significant month for CIT receipts will be in December. Receipts continue to come in at forecast.

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

Actual	Forecast	\$ Difference	% Difference
\$695.1	\$681.7	\$13.5	2.0%
FY 2011	FY 2012	\$ Difference	% Difference
\$687.9	\$695.1	\$7.2	1.1%

➤ Sales Tax

Note that 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. These one-time payments will therefore affect year-over-year comparisons going forward. A year-to-date comparison with FY 2011 net of last year's amnesty-related payments can be found in the component table below. 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 special, one-time receipts.

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

Actual	Forecast	\$ Difference	% Difference
\$3,020.1	\$2,942.1	\$78.0	2.7%
FY 2011	FY 2012	\$ Difference	% Difference
\$2,823.5	\$3,020.1	\$196.6	7.0%

State sales/use tax receipts continue to post strong year-over-year growth, increasing 9.0 percent in November FY 2012 compared to November FY 2011 *net of amnesty-related payments*. We expect this growth to moderate considerably in the second half of FY 2012. If we include the amnesty-related payments in November FY 2011's total, receipts in November FY 2012 decreased 10.8 percent.

For anyone looking for the impact of "Black Friday" shopping on receipts, you will have to wait until the December 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 November will affect December receipts.

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

	FY 2011	FY 2012	\$ Difference	% Difference
Vehicles	\$376.0	\$397.9	\$21.9	5.8%
Motor fuel*	\$275.0	\$350.9	\$75.9	27.6%
All else	\$2,050.0	\$2,271.3	\$221.3	10.8%
Total	\$2,701.0	\$3,020.1	\$319.1	11.8%

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

➤ Tobacco Products Tax

Long Term Care Fund

Tobacco Products tax receipts exceed our forecast by \$2.6 million for the first five months of the fiscal year.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$12.6	\$10.0	\$2.6	25.6%
FY 2011	FY 2012	\$ Difference	% Difference
\$11.6	\$12.6	\$1.0	8.3%

➤ Cigarette Taxes

Cigarette tax receipts for November exceeded our forecast by \$10.8 million. After the first five months of the fiscal year we are back on track to meet the forecast.

Year-to-Date (\$ millions)	*Includes the General Revenue Fund			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$219.8	\$220.4	-\$0.6	-0.3%
General Revenue Fund	\$147.0	\$147.9	-\$0.9	-0.6%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$226.0	\$219.8	-\$6.2	-2.7%
General Revenue Fund	\$147.5	\$147.0	-\$0.5	-0.3%

➤ Liquor Tax

Liquor tax receipts for the first five months of FY 2012 were very close to the year-to-date forecast, posting modest growth over the same period in FY 2011.

Year-to-Date (\$ millions)	*Includes the General Revenue Fund			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$117.7	\$116.4	\$1.3	1.1%
General Revenue Fund	\$69.3	\$69.3	\$0.0	-0.1%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$114.6	\$117.7	\$3.0	2.7%
General Revenue Fund	\$67.3	\$69.3	\$2.0	3.0%

➤ Hotel Operator's Occupation Tax (HOOT)

Hotel tax receipts continued to exceed forecast for November. Information regarding Average Daily Rates and Hotel Occupancy are not yet available for the second quarter of this year – limiting our ability to explain this higher than anticipated growth in receipts.

Year-to-Date (\$ millions)		*Includes the General Revenue Fund		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$107.0	\$100.4	\$6.6	6.6%
General Revenue Fund	\$16.9	\$15.1	\$1.7	11.3%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$92.4	\$107.0	\$14.5	15.7%
General Revenue Fund	\$10.8	\$16.9	\$6.0	55.4%

➤ Estate Tax

Year-to-date FY 2012 estate tax receipts are up \$19.8 million from our forecast and down \$58.7 million from FY 2011.

FY 2012 estate tax receipts were expected to return to pre-repeal levels starting in November 2011. Estate tax receipts for November are forecast at \$21.8 million. Actual receipts for November totaled \$42.5 million.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$49.3	\$29.5	\$19.8	67.1%
FY 2011	FY 2012	\$ Difference	% Difference
\$108.0	\$49.3	-\$58.7	-54.4%

➤ Motor Fuel Taxes

The year-to-date receipts are on-track with the current forecast.

Year-to-Date (\$ millions)		Regular MFT	
Actual	Forecast	\$ Difference	% Difference
\$488.1	\$486.8	\$1.4	0.3%
FY 2011	FY 2012	\$ Difference	% Difference
\$501.4	\$488.1	-\$13.3	-2.6%

Year-to-Date (\$ millions)		UST	
Actual	Forecast	\$ Difference	% Difference
\$29.7	\$29.6	\$0.1	0.3%
FY 2011	FY 2012	\$ Difference	% Difference
\$30.3	\$29.7	-\$0.6	-2.1%

Year-to-Date (\$ millions)		IFTA	
Actual	Forecast	\$ Difference	% Difference
\$31.8	\$31.4	\$0.4	1.3%
FY 2011	FY 2012	\$ Difference	% Difference
\$30.7	\$31.8	\$1.1	3.7%

➤ Public Utilities Taxes

Telecommunications:

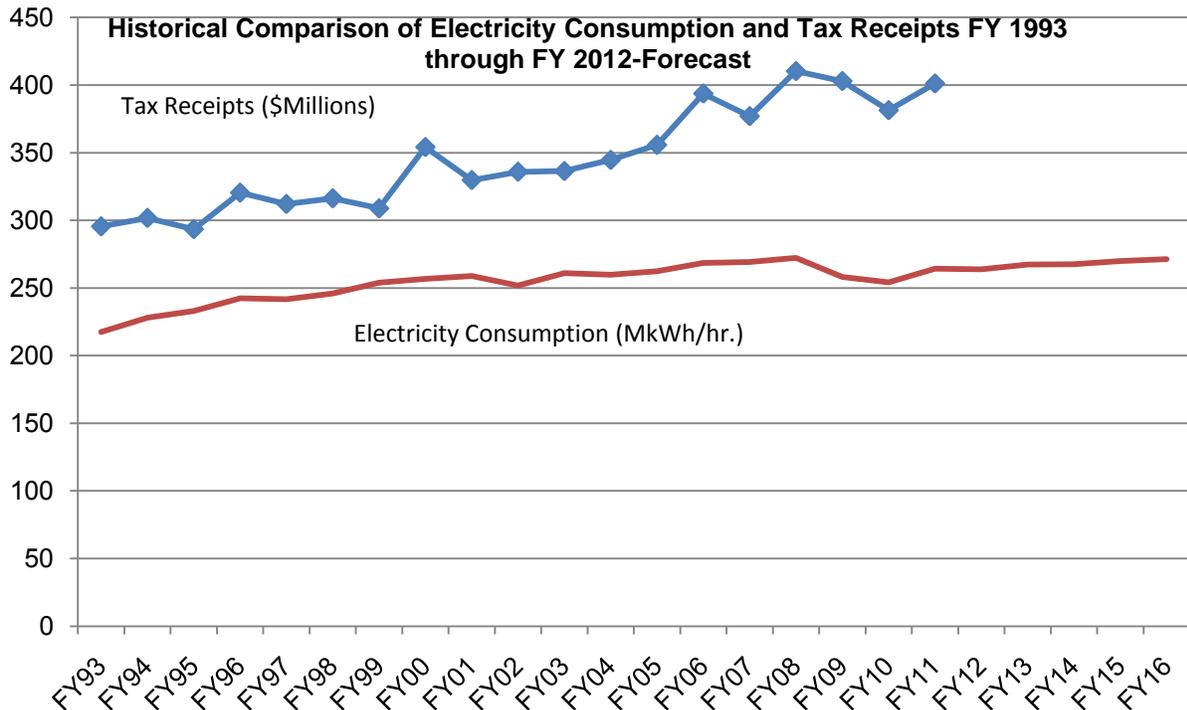
Through the first five months of FY 2012 (July through November) receipts are running slightly above forecast.

Electricity: FY 2012 year-to-date receipts are running at a pace 4.2 percent above the forecast. However, we still expect annual receipts to come in at the \$409 million FY 2012 forecast level for several reasons. First, FY 2008's \$410 million was the highest-ever receipts total experienced. Secondly, the Energy Information

Administration's (EIA) forecast of FY 2012 energy consumption is slightly below the actual annual consumption level in FY 2008. This is shown in the graph below.

Year-to-Date (\$ millions)

	Actual	Forecast	\$ Difference	% Difference
Telecommunications	\$214.8	\$211.0	\$3.8	1.8%
Electricity	\$182.1	\$171.1	\$11.0	6.5%
Natural gas	\$28.9	\$33.9	-\$5.1	-14.9%
	\$425.8	\$416.0	\$9.8	2.4%
	FY 2011	FY 2012	\$ Difference	% Difference
Telecommunications	\$229.5	\$214.8	-\$14.7	-6.4%
Electricity	\$174.8	\$182.1	\$7.3	4.2 %
Natural gas	\$25.9	\$28.9	\$3.0	11.7%
	\$430.2	\$425.8	-\$4.4	-1.0%



Natural Gas: Through the first five months of the fiscal year, year-to-date FY 2012 revenues are coming in below forecast. However, considering that the peak-demand heating months are in the second half of the fiscal year, we continue to believe that we will come in at the forecast level of \$164 million.

➤ Lottery

Common School Fund (CSF) Transfers

Lottery ticket sales have increased 12.7 percent fiscal year- to-date through the week ending December 3rd. Instant ticket sales are the catalyst of sales growth, increasing 23.9 percent over the same time period last year. Traditional lotto style online ticket sales have declined 1.3 percent this fiscal year. Online tickets produce more net revenue to the state per dollar of sales than instant games. Even though instant ticket sales are growing quickly, the increase in returns to the state is less than the growth in sales because instant games are less profitable.

Year-to-Date (\$ millions)

Actual	Forecast	\$ Difference	% Difference
\$239.0	\$240.9	-\$1.9	-0.8%

FY 2011	FY 2012	\$ Difference	% Difference
\$236.0	\$239.0	\$3.0	1.3%

➤ Riverboat Gaming

Education Assistance Fund and General Revenue Fund Transfers

Adjusted Gross Receipts (AGR) at River's Casino in Des Plaines continues to perform very well but at the expense Harrah's Joliet, Elgin Grand Victoria, and Aurora Hollywood. AGR at all three of these casinos declined in November compared with a year ago by, respectively -13.7 percent, -24.6 percent and -8.1 percent respectively. Joliet Hollywood also declined slightly, but the difference (-3.8%) is too small to directly attribute to River's. Of the original nine Illinois casinos, only East St. Louis Casino Queen and Rock Island experienced growing AGR in November. Total AGR in Illinois increased 21.0 percent compared with one year ago.

Year-to-Date (\$ millions)

Actual	Forecast	\$ Difference	% Difference
\$226.5	260.2	-\$33.7	-13.0%

FY 2011	FY 2012	\$ Difference	% Difference
\$163.0	\$226.5	\$63.5	39.0%

Total statewide casino admissions also increased 21.8 percent for the month compared with a year ago.

Even though AGR and admissions are substantially higher than a year ago, Education Assistance Fund (EAF) transfers are not as high as one might expect. A statutory provision requires the Illinois Gaming Board set aside an amount equal to 15 percent of AGR from the Rivers Casino for payment to the Horse Racing Equity Fund. The Illinois Gaming Board has been accruing for this payment which reduces the amount of money available for transfer to the EAF.

Also, the new tax year for casinos begins January 1, 2012 which means all casinos will revert to the tax schedule that has them paying only 15 percent on their first \$25 million in AGR. These provisions will substantially depress transfers in the early part of the calendar year 2012.

➤ Real Estate Transfer Tax (RETT)

Through the first five months of the fiscal year, the year-to-date FY 2012 revenues are running at a pace of 11.2 percent above last year's receipts and modestly above forecast.

According to the Illinois Association of Realtors (IAR), statewide home sales in October were up 15.3 percent from last October, but the median price was down 10.3 percent for the same period. This trend that has been exhibited throughout the fiscal year, with nearly 70.0 percent of all homes sold being under \$200,000.

Year-to-Date (\$ millions)

Actual	Forecast	\$ Difference	% Difference
\$17.6	\$16.9	\$0.6	3.8%
FY 2011	FY 2012	\$ Difference	% Difference
\$15.8	\$17.6	\$1.8	11.2%

Illinois Department of Revenue, Research Division

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Revenue Source Receipts	Nov FY2011	Nov FY2012	FY 2011 YTD	FY 2012 YTD	YTD FY 2012 vs. YTD FY 2011		FY 2012 YTD Forecasts	YTD FY 2012 vs. YTD Forecast			FY 2008 Total	FY 2009 Total	FY 2010 Total	FY 2011 Total	FY 2012 Forecast
Individual Income (IIT)	\$710.5	\$1,098.7	\$3,553.7	\$5,895.4	\$2,341.7	65.9%	\$5,937.8	-\$42.4	-0.7%		\$11,187.2	\$10,219.4	\$9,429.8	\$12,301.8	\$16,506.2
Corporate Income CIT)	\$293.2	\$42.8	\$687.9	\$695.1	\$7.2	1.1%	\$681.7	\$13.5	2.0%		\$2,200.9	\$2,072.5	\$1,648.9	\$2,285.7	\$2,852.7
Sales (General Funds only)	\$674.7	\$602.1	\$2,823.5	\$3,020.1	\$196.6	7.0%	\$2,942.1	\$78.0	2.7%		\$7,214.6	\$6,772.8	\$6,308.0	\$6,833.0	\$6,910.0
Public Utilities	\$82.3	\$86.5	\$430.2	\$425.8	-\$4.4	-1.0%	\$416.0	\$9.8	2.4%		\$1,157.1	\$1,167.8	\$1,089.2	\$1,147.2	\$1,082.0
Telecom	\$45.8	\$42.1	\$229.5	\$214.8	-\$14.7	-6.4%	\$211.0	\$3.8	1.8%		\$578.9	\$593.3	\$549.5	\$586.9	\$509.0
Electricity	\$29.5	\$35.8	\$174.8	\$182.1	\$7.3	4.2%	\$171.1	\$11.0	6.5%		\$410.3	\$402.9	\$381.4	\$401.1	\$409.0
Gas	\$7.0	\$8.6	\$25.9	\$28.9	\$3.0	11.7%	\$33.9	-\$5.1	-14.9%		\$168.0	\$171.5	\$158.3	\$159.1	\$164.0
Lottery	\$45.8	\$54.7	\$236.0	\$239.0	\$3.0	1.3%	\$240.9	-\$1.9	-0.8%		\$657.0	\$625.0	\$625.0	\$631.9	\$645.0
Riverboat Gaming	\$43.5	\$28.2	\$163.0	\$226.5	\$63.5	39.0%	\$260.2	-\$33.7	-13.0%		\$564.0	\$430.0	\$430.5	\$324.2	\$451.0
Estate Tax	\$1.2	\$42.5	\$108.0	\$49.3	-\$58.7	-54.4%	\$29.5	\$19.8	67.1%		\$372.8	\$287.7	\$243.4	\$122.2	\$182.1
Cigarette (All Funds)	\$40.7	\$53.3	\$226.0	\$219.8	-\$6.2	-2.7%	\$220.4	-\$0.6	-0.3%		\$592.2	\$564.0	\$557.8	\$560.8	\$532.0
Tobacco Products	\$2.2	\$2.4	\$11.6	\$12.6	\$1.0	8.3%	\$10.0	\$2.6	25.6%		\$21.2	\$21.4	\$24.0	\$27.4	\$24.0
PP Replacement Tax	\$152.5	\$18.1	\$375.5	\$273.1	-\$102.4	-27.3%	\$280.9	-\$7.8	-2.8%		\$1,486.2	\$1,263.6	\$1,012.6	\$1,334.2	\$1,201.3
Regular Motor Fuel Tax	\$98.8	\$97.5	\$501.4	\$488.1	-\$13.3	-2.6%	\$486.8	\$1.4	0.3%		\$1,117.1	\$1,263.6	\$1,165.4	\$1,157.6	\$1,160.0
Motor Fuel - IFTA	\$6.7	\$7.9	\$30.7	\$31.8	\$1.1	3.7%	\$31.4	\$0.4	1.3%		\$146.5	\$144.0	\$103.0	\$84.9	\$83.0
Ug. Storage Tank	\$5.9	\$6.2	\$30.3	\$29.7	-\$0.6	-2.1%	\$29.6	\$0.1	0.3%		\$71.1	\$74.8	\$70.8	\$71.2	\$68.0
Liquor (GRF only)	\$12.8	\$12.9	\$67.3	\$69.3	\$2.0	3.0%	\$69.3	\$0.0	-0.1%		\$158.1	\$157.6	\$158.5	\$157.4	\$162.0
Insurance Tax	\$1.2	\$2.7	\$85.2	\$85.5	\$0.3	0.3%	\$87.2	-\$1.7	-2.0%		\$294.6	\$334.3	\$322.4	\$316.1	\$316.1
Franchise Tax & Fees	\$15.2	\$18.8	\$89.4	\$87.0	-\$2.4	-2.7%	\$89.2	-\$2.2	-2.4%		\$225.2	\$201.5	\$208.0	\$207.3	\$204.0
Real Estate Transfer Tax	\$2.1	\$2.4	\$15.8	\$17.6	\$1.8	11.2%	\$16.9	\$0.6	3.8%		\$76.8	\$45.6	\$40.3	\$38.0	\$35.0
Private Vehicle Use (GRF only)	\$3.1	\$2.7	\$13.1	\$12.8	-\$0.3	-2.2%	\$14.2	-\$1.4	-9.8%		\$32.0	\$27.3	\$30.2	\$30.3	\$32.0
Hotel (All Funds)	\$17.0	\$22.8	\$92.4	\$107.0	\$14.5	15.7%	\$100.4	\$6.6	6.6%		\$219.2	\$203.3	\$173.1	\$191.7	\$209.0

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