

Revenue and Economic Update

Independent Fiscal Office | February 2020

In August 2019, the Independent Fiscal Office (IFO) released monthly revenue projections for fiscal year (FY) 2019-20. For February, General Fund revenues exceeded the estimate by \$102.9 million (5.0 percent) and by \$298.4 million (1.4 percent) for the fiscal-year-to-date (FYTD). The monthly outcome was a result of stronger than expected collections in corporate net income tax (CNIT), gross receipts tax (GRT) and personal income tax (PIT). The \$36.1 million February GRT surplus was largely due to firms making early payments for the March due date.

CNIT collections were \$83.7 million for February, which was \$12.9 million (18.2 percent) above estimate. The monthly performance was a product of higher than anticipated final payments (\$7.3 million, 15.2 percent) and estimated payments (\$5.6 million, 24.4 percent). FYTD CNIT collections are also exceeding estimate (\$44.9 million, 2.6 percent) as estimated payments outperform projections by \$57.4 million and final payments fall below by \$12.5 million.

Monthly sales and use tax (SUT) collections reached \$811.8 million, surpassing the estimate by \$11.4 million (1.4 percent). The surplus was due to strength in both non-motor and motor vehicle tax revenue sources.

FYTD SUT collections are falling short of the forecast by \$2.1 million. The result is due to a shortfall in non-motor vehicle collections (-\$25.6 million, -0.4 percent) that is offset by an overage in motor vehicle collections (\$23.5 million, 2.4 percent).

February PIT collections surpassed the estimate by \$34.8 million (3.8 percent). The result was primarily driven by an overage in withholding (\$22.4 million) and annual payments (\$12.2 million). Quarterly payments came in as expected. FYTD PIT collections are exceeding the forecast by \$55.4 million (0.6 percent). The surplus is caused by the combination of higher than anticipated annual and withholding payments and reduced by lower than expected quarterly payments.

Non-tax revenues were \$6.2 million below estimate (-54.8 percent) for February, mainly due to lower than anticipated payments for licenses and fees (-\$10.3 million). The IFO's licenses and fees estimate for February included \$8.0 million for a fee associated with gaming expansion. This payment has not yet been received. FYTD non-tax revenues are \$64.7 million (29.5 percent) above estimate. The overage is driven by stronger than expected escheats revenues.

FY 2019-20 Revenue Performance Through February

	February Collections			FY Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
General Fund	\$2,167.5	\$2,064.6	\$102.9	\$20,879.6	\$20,581.2	\$298.4
Corporate Net Income	83.7	70.8	12.9	1,747.9	1,703.0	44.9
SUT - Non-Motor	709.7	704.4	5.3	6,648.9	6,674.5	-25.6
SUT - Motor Vehicle	102.1	96.0	6.1	1,019.7	996.2	23.5
PIT - Withholding	876.1	853.7	22.4	7,147.1	7,121.5	25.6
PIT - Non-Withholding	63.9	51.6	12.3	1,544.4	1,514.6	29.8
Cigarette	80.0	80.6	-0.6	698.7	697.1	1.6
Inheritance	102.9	77.4	25.5	751.4	677.0	74.4
Other Taxes	144.0	118.8	25.2	1,037.0	977.5	59.5
Non-Tax	5.1	11.4	-6.2	284.5	219.8	64.7

Note: Dollar amounts in millions. Estimate refers to the IFO official estimate published in June 2019.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Nov-19	Dec-19	Jan-20	Feb-20	Nov-19	Dec-19	Jan-20	Feb-20
Unemployment Rate ¹	3.5%	3.5%	3.6%	n.a.	4.3%	4.5%	n.a.	n.a.
Net Job Gains (000s) ²	261.0	147.0	225.0	n.a.	39.4	38.0	n.a.	n.a.
Average Gasoline Price ³	\$2.60	\$2.56	\$2.55	\$2.44	\$2.62	\$2.60	\$2.64	\$2.53
CPI-U All Items ⁴	2.1%	2.3%	2.5%	n.a.	2.2%	2.4%	n.a.	n.a.
Retail Sales ⁵	3.5%	4.0%	4.4%	n.a.	5.1%	5.1%	5.1%	6.5%
Consumer Sentiment Index ⁶	96.8	99.3	99.8	101.0	n.a.	n.a.	n.a.	n.a.

QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2019.1	2019.2	2019.3	2019.4	2019.1	2019.2	2019.3	2019.4
Gross Domestic Product ⁷	3.1%	2.0%	2.1%	2.1%	3.3%	1.7%	2.1%	n.a.
Net Job Gains (000s) ²	139.0	159.0	203.0	197.7	50.8	45.4	33.3	38.0
Personal Income ⁸	4.6%	4.7%	4.2%	4.1%	5.0%	5.1%	4.4%	n.a.
Wages and Salaries ⁹	5.0%	4.8%	4.1%	4.5%	4.6%	4.6%	4.3%	n.a.
CPI-U All Items ⁴	1.6%	1.8%	1.8%	2.0%	1.5%	2.0%	2.2%	2.2%
FHFA House Price Index ¹⁰	5.5%	5.3%	5.1%	5.1%	5.6%	5.1%	5.1%	4.9%

Economic Trends

- Pennsylvania net job gains showed a slight increase in the fourth quarter after declining in the second and third quarters.
- U.S. and Pennsylvania average gas prices dropped this month to the lowest levels since the beginning of 2019.
- Pennsylvania taxable retail sales continue to show unusually strong growth, climbing to 6.5% in February.
- U.S. inflation accelerated in the fourth quarter.

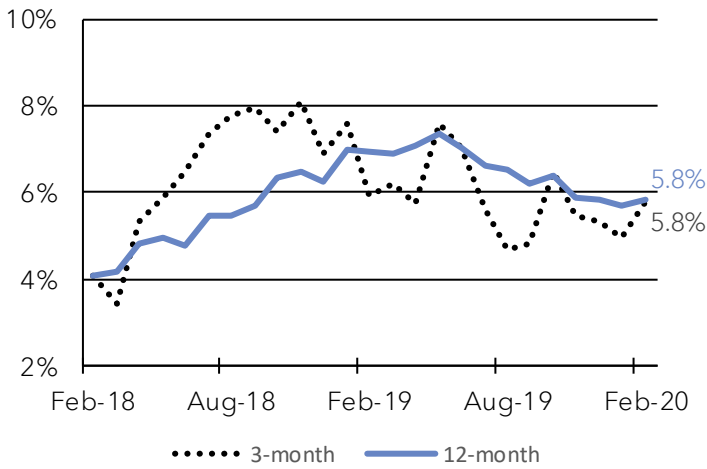
Sources and notes:

1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month or quarter. PA: Average year-over-year increase in payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics—Survey of Establishments.
3. Average price for one gallon of regular gasoline. Source: U.S. Energy Information Administration.
4. Annual change in average price level for U.S. and PA-NJ-DE-MD. Source: U.S. Bureau of Labor Statistics.
5. U.S.: Annual growth rate of advance retail sales based on latest three months of data. Excludes services. Source: U.S. Department of Commerce. PA: Annual growth rate of sales tax revenues based on latest three months of data. Source: PA Department of Revenue.
6. Source: UM—Survey of Consumers.
7. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
8. The year-over-year growth rate of personal income. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
10. Source: Federal Housing Finance Agency.

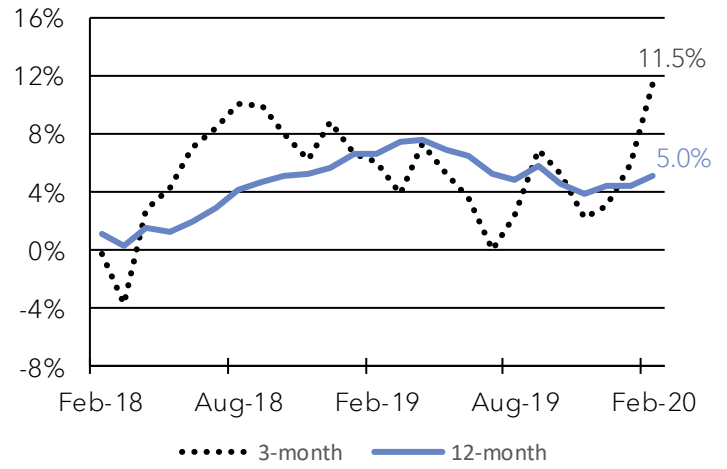
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

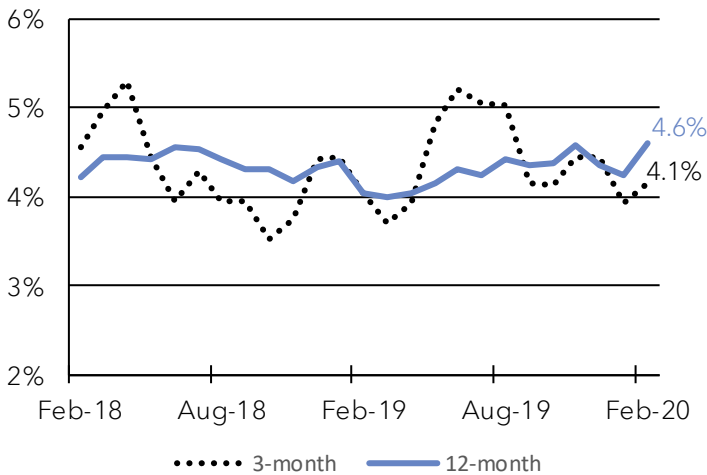
Sales and Use Tax – Non-Motor



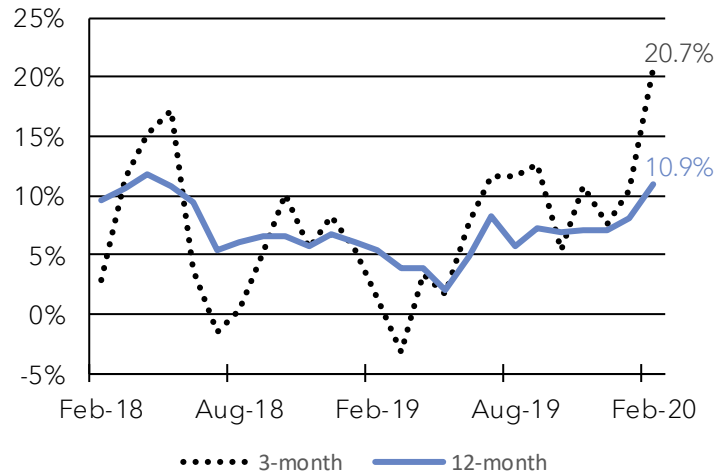
Sales and Use Tax – Motor



Personal Income Tax – Withholding



Realty Transfer Tax



Revenue Trends

- The non-motor SUT growth rate excludes a \$115.3 million one-time transfer that occurred in July 2019.
- The 3-month motor vehicle SUT growth increased dramatically in February due to base growth of 10.7% for the month, which was supported by an extra deposit day.
- The 3-month and 12-month PIT withholding growth rates ticked upward this month due to a strong February growth rate replacing a weaker rate in the average.
- The 3-month realty transfer growth rate spiked in February due to a base increase of 49.7% in monthly collections. This increase was due in part to an extra deposit day.

GENERAL FUND REVENUES SUMMARY

Revenue Source	February 2020	February 2019	FYTD 2019-20	FYTD 2018-19	Monthly Growth	FYTD Growth
Total General Fund	\$2,167.5	\$2,041.7	\$20,879.6	\$20,196.7	6.2%	3.4%
Total Tax Revenue	2,162.4	2,011.0	20,595.0	19,791.8	7.5	4.1
Total Corporation Taxes	136.5	116.4	1,921.6	1,916.9	17.2	0.2
Accelerated Deposits	0.9	9.6	2.8	10.5	n.a.	n.a.
Corporate Net Income	83.7	88.9	1,747.9	1,739.6	-5.9	0.5
Gross Receipts	40.8	5.9	77.8	62.5	598.0	24.5
Utility Property	0.0	0.0	1.9	1.4	-30.1	35.0
Insurance Premiums	9.9	11.3	68.6	65.1	-11.8	5.3
Financial Institution	1.1	0.8	22.6	37.8	29.4	-40.1
Total Consumption Taxes	934.5	886.7	8,738.6	8,497.4	5.4	2.8
Sales and Use - Total	811.8	760.3	7,668.6	7,390.1	6.8	3.8
Non-Motor	709.7	668.1	6,648.9	6,426.4	6.2	3.5
Motor Vehicle	102.1	92.2	1,019.7	963.6	10.7	5.8
Cigarette	80.0	86.6	698.7	747.6	-7.6	-6.5
Other Tobacco Products	10.5	10.7	87.3	86.5	-1.8	0.9
Malt Beverage	1.6	1.8	15.4	15.7	-7.8	-1.9
Liquor	30.6	27.4	268.7	257.6	11.9	4.3
Total Other Taxes	1,091.4	1,007.9	9,934.8	9,377.4	8.3	5.9
Personal Income - Total	940.1	888.7	8,691.5	8,256.4	5.8	5.3
Withholding	876.1	832.5	7,147.1	6,890.3	5.2	3.7
Quarterly	23.0	24.3	1,212.1	1,103.4	-5.1	9.9
Annual	40.9	31.9	332.3	262.8	28.1	26.5
Realty Transfer	36.1	24.1	366.5	343.9	49.7	6.6
Inheritance	102.9	79.1	751.4	677.0	30.0	11.0
Gaming	12.6	11.9	118.6	83.5	5.5	42.1
Minor and Repealed	(0.2)	4.0	6.8	16.6	-104.5	-59.3
Total Non-Tax Revenue	5.1	30.7	284.5	405.0	-83.3	-29.7
State Store Fund Transfers	0.0	0.0	100.0	100.0	0.0	0.0
Lic., Fees & Miscellaneous	(1.7)	24.0	127.7	246.9	-107.2	-48.3
Licenses and Fees	2.6	22.2	86.7	246.4	-88.5	-64.8
Miscellaneous	(4.3)	1.7	41.0	0.5	-344.8	n.a.
Treasury	0.6	1.8	22.8	56.4	-66.5	-59.6
Escheats	(6.3)	(6.0)	(4.2)	(113.9)	-4.8	96.3
Other Miscellaneous	1.4	6.0	22.5	58.0	-76.4	-61.3
Fines, Penalties & Interest	6.9	6.7	56.9	58.0	2.5	-2.0

Note: Dollar amounts in millions. Growth rates computed from same time period in previous year and use the unrounded amounts.