

OFFICIAL

Quarterly and Monthly

REVENUE ESTIMATES

FY 2021-22

August 2021



Independent Fiscal Office

About the Independent Fiscal Office

The Independent Fiscal Office (IFO) provides revenue projections for use in the state budget process along with impartial and timely analysis of fiscal, economic and budgetary issues to assist Commonwealth residents and the General Assembly in their evaluation of policy decisions. In that capacity, the IFO does not support or oppose any policy it analyzes, and will disclose the methodologies, data sources and assumptions used in published reports and estimates.

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The Independent Fiscal Office was created
by the Act of Nov. 23, 2010 (P.L.1269, No.120).

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FY 2021-22 Monthly and Quarterly Estimates

This report provides monthly estimates for General Fund revenues and quarterly estimates for Motor License and Lottery Fund revenues for fiscal year (FY) 2021-22. The monthly and quarterly estimates are based on (1) the FY 2021-22 projections contained in the *Official Revenue Estimate* published by the Independent Fiscal Office (IFO) on June 22, 2021 and (2) adjustments to reflect the impact of statutory changes that were enacted with the state budget. The statutory changes are summarized in Table 1. Additional detail regarding the recent enactments can be found in the next section.

	FY 2021-22
Corporate Net Income	-\$44.5
Gross Receipts	-0.3
Insurance Premiums	-6.2
Bank Shares	-4.1
Sales Tax - Non-motor	-18.7
Tables Games	12.3
Personal Income - Withholding	-12.3
Personal Income - Annual	-20.3
Other Miscellaneous	<u>3,841.0</u>
Total	3,746.9

Note: Figures in dollar millions. Reflects the impact of Acts 24, 25 and 26 of 2021. Excludes the \$115.3 million transfer to the Tobacco Settlement Fund, as that transfer was already included in the IFO's June 22, 2021 official estimate.

Table 2
FY 2021-22 General Fund Monthly Estimates

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	Total
Total General Fund	\$2,609	\$2,503	\$3,452	\$2,581	\$6,373	\$3,282	\$3,149	\$2,178	\$4,978	\$4,514	\$2,772	\$3,526	\$41,915
Total Corporation Taxes	142	75	690	122	143	627	145	99	2,264	410	366	639	5,721
Corporate Net Income	121	69	673	114	138	616	109	82	512	358	340	634	3,766
Gross Receipts	3	4	6	7	3	5	4	6	997	4	1	8	1,047
Utility Property	0	0	2	0	0	0	0	0	0	15	23	0	41
Insurance Premiums	18	1	0	0	0	1	32	10	354	27	1	-11	432
Financial Institutions	1	1	8	1	1	5	1	2	401	5	1	8	435
Total Consumption Taxes	1,330	1,235	1,165	1,203	1,145	1,216	1,192	969	1,039	1,050	1,168	1,198	13,910
SUT - Non-Motor	1,088	939	875	925	867	920	976	747	778	887	874	908	10,781
SUT - Motor	153	155	143	144	132	128	123	104	141	151	158	144	1,677
Cigarette	43	96	100	88	93	102	51	77	74	-34	87	96	874
Other Tobacco Products	12	12	12	11	13	12	11	11	10	12	12	12	139
Malt Beverage	2	2	2	2	2	2	2	2	2	2	2	2	24
Liquor	32	33	32	32	39	53	29	30	35	32	35	34	416
Total Other Taxes	1,118	1,175	1,588	1,241	1,133	1,405	1,796	1,094	1,513	2,809	1,178	1,676	17,726
PIT - Withholding	873	902	946	858	896	1,101	984	878	1,191	912	876	1,020	11,436
PIT - Quarterly	50	45	439	80	22	95	597	25	50	429	30	390	2,252
PIT - Annual	25	29	32	112	26	24	28	39	153	1,275	46	40	1,830
Realty Transfer	37	74	60	67	62	67	58	38	55	49	57	61	683
Inheritance	105	110	92	107	102	105	102	94	115	117	126	133	1,307
Gaming	17	16	19	21	25	29	24	20	24	25	21	21	262
Minor and Repealed	11	0	1	-3	1	-14	2	1	-75	2	22	10	-43
Total Non-Tax Revenue	19	18	9	14	3,952	34	16	16	162	246	60	13	4,558
State Store Fund Transfers	0	0	0	0	100	0	0	0	85	0	0	0	185
Licenses and Fees	12	10	7	5	6	26	8	8	48	9	25	6	169
Treasury	2	2	1	1	1	0	0	1	1	1	1	2	12
Escheats	-6	-6	-11	-1	-4	-3	-5	-2	22	222	25	1	233
Other Miscellaneous	4	5	5	3	3,843	4	8	4	0	7	2	11	3,896
Fines, Penalties & Interest	7	7	6	6	6	7	5	5	6	7	8	-5	63

Note: Figures in dollar millions. Due to rounding, detail may not sum to total.

Table 3
FY 2021-22 Motor License Fund Quarterly Estimates

	2021 Q3 Jul-Sep	2021 Q4 Oct-Dec	2022 Q1 Jan-Mar	2022 Q2 Apr-Jun	FY 2021-22 Estimate
Total Motor License Fund	\$712.7	\$651.3	\$651.0	\$818.7	\$2,833.7
Liquid Fuels Taxes	454.7	424.5	384.4	474.3	1,737.9
Motor Carriers/IFTA	29.0	32.6	24.7	38.2	124.5
Alternative Fuels	3.2	3.3	4.2	3.5	14.2
Oil Company Franchise	248.0	245.8	226.8	229.2	949.8
Act 89 OFT - Liquid Fuels	137.3	105.2	94.1	167.6	504.2
Act 89 OFT - Fuels	37.2	37.6	34.6	35.8	145.2
Motor Licenses and Fees	254.0	227.2	262.9	341.5	1,085.6
Special Hauling Permits	8.6	7.9	6.5	8.4	31.4
Registration Other States/IRP	32.1	41.4	44.9	48.4	166.8
Operators' Licenses	16.6	16.6	19.2	18.4	70.8
Real ID	1.3	2.2	0.5	3.5	7.5
Vehicle Registration & Titling	195.0	158.6	191.4	260.5	805.5
Miscellaneous	0.4	0.5	0.4	2.3	3.6
Other Motor Receipts	4.0	-0.4	3.7	2.9	10.2
Treasury	2.0	1.5	1.4	1.1	6.0
Transportation	0.4	0.4	0.4	0.3	1.5
General Services	0.1	0.1	0.1	0.1	0.4
Vehicle Fines & Clearing Acct.	1.5	-2.4	1.8	1.4	2.3

Note: Figures in dollar millions. Due to rounding, detail may not sum to total.

Table 4
FY 2021-22 Lottery Fund Quarterly Estimates

	2021 Q3 Jul-Sep	2021 Q4 Oct-Dec	2022 Q1 Jan-Mar	2022 Q2 Apr-Jun	FY 2021-22 Estimate
Lottery Fund Revenues	\$587.9	\$527.4	\$463.8	\$468.7	\$2,047.8
Gross Ticket Sales	1,507.4	1,561.4	1,475.3	1,491.4	6,035.5
Field Paid Prizes & Commissions	-1,034.1	-1,034.2	-1,011.7	-1,022.9	-4,102.9
Miscellaneous Revenues	114.6	0.2	0.2	0.2	115.2
Gross Ticket Sales	1,507.4	1,561.4	1,475.3	1,491.4	6,035.5
Instant Tickets	942.6	986.5	922.0	932.3	3,783.4
Multi-State Lotto Games	100.4	100.4	98.3	99.3	398.4
In-State Lotto	69.1	69.3	67.8	68.6	274.8
Numbers Games	154.8	155.0	151.5	153.3	614.6
iLottery	224.9	225.0	220.0	222.5	892.4
Keno, Xpress Sports and Raffle	15.6	25.2	15.7	15.4	71.9
Miscellaneous Revenues	114.6	0.2	0.2	0.2	115.2
Gaming Fund Transfers	114.5	0.0	0.0	0.0	114.5
Other Miscellaneous Revenue	0.1	0.2	0.2	0.2	0.7

Note: Figures in dollar millions. Due to rounding, detail may not sum to total.

Analysis of Statutes Affecting Revenues

The *Official Revenue Estimate* for FY 2021-22 published by the IFO on June 22, 2021 excludes the impact from statutory changes (Acts 24, 25 and 26 of 2021) enacted in conjunction with the state budget. This section briefly summarizes the recently enacted provisions that affect projections of unrestricted General Fund revenues. The descriptions that follow do not include every statutory change, and certain provisions (e.g., some with no or minimal revenue impact) may have been omitted.

Corporate Net Income Tax

Qualified Manufacturing Innovation and Reinvestment Deduction (Act 25)

The act provides that the qualified manufacturing innovation and reinvestment deduction shall be applied after the apportionment of multi-state income to Pennsylvania. Effective for tax years beginning January 1, 2021.

Prior Law

The deduction was previously applied prior to apportionment of multi-state income to Pennsylvania.

Fiscal Analysis

This provision is projected to reduce FY 2021-22 corporate net income tax revenues by \$23.9 million.

Sales and Use Tax

Flight Simulators (Act 25)

The act provides a sales and use tax (SUT) exemption for purchases of flight simulators, as well as training materials and software (including upgrades) used in helicopters or flight simulators. This provision is effective in 60 days.

Prior Law

The sale, lease and repair of helicopters and component parts were already exempt from SUT.

Fiscal Analysis

This provision is projected to reduce FY 2021-22 SUT revenues by \$2.6 million.

Multipurpose Agricultural Vehicles (Act 25)

The act provides an SUT exemption for purchases of multipurpose agricultural vehicles used for farming. This provision is effective January 1, 2022.

Prior Law

None.

Fiscal Analysis

This provision is projected to reduce FY 2021-22 SUT revenues by \$0.8 million.

Breastfeeding Supplies (Act 25)

The act provides an SUT exemption for supplies that are manufactured for the purpose of initiating, supporting or sustaining breast feeding. This provision is effective January 1, 2022.

Prior Law

None.

Fiscal Analysis

This provision is projected to reduce FY 2021-22 SUT revenues by \$1.3 million.

Computer Data Centers (Act 25)

The act provides an SUT exemption for computer data center equipment purchased for installation in a computer data center. This provision is effective January 1, 2022.

Prior Law

The new exemption replaces an existing refund provision for purchases of computer data center equipment.

Fiscal Analysis

This provision is projected to reduce FY 2021-22 SUT revenues by \$14.0 million, which will be partially offset by lower refunds.

Cigarette Tax

Transfer to the Tobacco Settlement Fund (Act 24)

The act requires a one-time transfer from cigarette tax to the Tobacco Settlement Fund for the repayment of the Tobacco Revenue Bond debt service. This transfer will occur by April 30, 2022. The provision takes effect July 1, 2021.

Prior Law

This transfer is consistent with prior fiscal years.

Fiscal Analysis

This provision is projected to reduce FY 2021-22 cigarette tax revenues by \$115.3 million and was included as an assumption in the IFO's *Official Revenue Estimate* released on June 22, 2021.

Table Games Tax

Table Games Tax (Act 25)

The act makes the additional 2.0% tax on gross table game revenue permanent. This change is effective June 30, 2021.

Prior Law

Act 84 of 2016 imposed an additional 2.0% tax on gross table game revenue. This increase was scheduled to expire on June 30, 2019, but was extended to August 1, 2021 under Act 13 of 2019.

Fiscal Analysis

This provision is projected to increase FY 2021-22 table games tax revenues by \$12.3 million.

Personal Income Tax

Transfer to the Environmental Stewardship Fund

The act requires a transfer of \$12.289 million from personal income tax (PIT) to the Environmental Stewardship Fund. This provision is effective July 1, 2021.

Prior Law

For FY 2020-21, the transfer from PIT to the Environmental Stewardship Fund was \$13.8 million.

Fiscal Analysis

This provision is projected to reduce FY 2020-21 PIT withholding revenues by \$12.3 million.

Other Miscellaneous

Federal Coronavirus State Fiscal Recovery Funds (Act 24)

The act provides that federal money from the Coronavirus State Fiscal Recovery Fund in excess of the amount appropriated in 2021 shall be transferred to the General Fund. The provision takes effect July 1, 2021.

Prior Law

None.

Fiscal Analysis

This provision is projected to increase FY 2021-22 miscellaneous revenues by \$3.84 billion.

Various Taxes

Mixed-Use Development Tax Credit (Act 25)

The act increases the annual cap on the tax credit to \$4.5 million effective for fiscal years beginning after June 30, 2021.

Prior Law

Under prior law, the annual cap was \$3.0 million.

Fiscal Analysis

For FY 2021-22, the analysis projects that the provision will reduce General Fund revenues by \$1.5 million: CNIT (\$0.6 million), gross receipts tax (\$0.3 million), insurance premiums tax (\$0.2 million), bank shares tax (\$0.1 million) and PIT annual (\$0.3 million).

Pennsylvania Housing Tax Credit (Act 25)

The act provides that a maximum of \$10 million may be awarded annually beginning in FY 2021-22.

Prior Law

The Pennsylvania Housing Tax Credit was created by Act 107 of 2020, but funding for the program was not initially provided.

Fiscal Analysis

For FY 2021-22, the analysis projects that the provision will reduce General Fund revenues by \$10.0 million: CNIT (\$4.0 million), insurance premiums tax (\$1.0 million), bank shares tax (\$1.0 million) and PIT annual (\$4.0 million).

Educational Improvement Tax Credit (Act 26)

The act increases the amount available for award through the Educational Improvement Tax Credit (EITC) program to \$225 million annually, with no less than \$175 million allocated to scholarship organizations. These changes are effective June 30, 2021.

Prior Law

Under prior law, only \$185 million was available annually for award through the EITC program, with \$135 million allocated to scholarship organizations.

Fiscal Analysis

For FY 2021-22, the analysis projects that the provision will reduce General Fund revenues by \$40.0 million: CNIT (\$16.0 million), insurance premiums tax (\$5.0 million), bank shares tax (\$3.0 million) and PIT annual (\$16.0 million).

