

OFFICIAL

QUARTERLY AND MONTHLY

REVENUE

ESTIMATES

FISCAL YEAR 2022-23



AUGUST
2022

INDEPENDENT FISCAL OFFICE

Independent Fiscal Office

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FY 2022-23 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) 2022-23. The monthly and quarterly estimates are based on the FY 2022-23 projections contained in the *Official Revenue Estimate* published by the Independent Fiscal Office (IFO) on June 23, 2022 adjusted to reflect (1) the impact of statutory changes that were enacted with the state budget and (2) the extension of the moratorium on federal student loan repayments and the forgiveness of up to \$20,000 in federal student loan debt announced on August 24, 2022. The adjustments are summarized in Table 1 and additional detail can be found in the next section. A comparison of the IFO’s revenue estimate to the official estimate certified by the administration (Table 5) is included on the last page.

FY 2022-23	
Corporate Net Income	-\$89.7
Insurance Premiums	-8.2
Bank Shares	-16.2
Mutual Thrift Institutions	-0.9
Sales Tax - Non-motor	100.2
Table Games	-5.0
Personal Income - Withholding	-69.4
Personal Income - Estimated	-4.5
Personal Income - Annual	<u>-53.6</u>
Total	-147.3

Note: Figures in dollar millions. Reflects (1) the impact of Acts 53, 54 and 55 of 2022 and (2) the extension of the moratorium on federal student loan repayments and up to \$20,000 in debt forgiveness announced on August 24, 2022. Excludes the \$115.3 million transfer to the Tobacco Settlement Fund and the \$353.4 million change in the deposit of Gaming Tax revenues, as those were already included as assumptions in the IFO's June 23, 2022 official estimate.

Table 2
FY 2022-23 General Fund Monthly Estimates

	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	Total
Total General Fund	\$2,638	\$2,761	\$3,796	\$2,848	\$2,883	\$3,612	\$3,533	\$2,421	\$5,696	\$5,221	\$3,377	\$3,401	\$42,187
Total Corporation Taxes	179	116	889	167	177	872	201	121	2,694	649	484	348	6,897
Corporate Net Income	160	110	870	160	170	855	155	80	575	550	449	758	4,892
Gross Receipts	3	4	7	5	5	10	2	15	984	4	2	5	1,045
Utility Property	0	1	1	0	0	0	0	0	0	8	30	0	40
Insurance Premiums	15	1	0	0	0	1	42	23	734	80	2	-423	475
Financial Institutions	1	2	11	2	1	7	1	4	401	7	1	8	444
Total Consumption Taxes	1,280	1,224	1,218	1,264	1,211	1,269	1,293	1,043	1,104	1,151	1,302	1,314	14,673
SUT - Non-Motor	1,072	960	949	1,003	965	997	1,092	847	863	996	1,033	1,053	11,831
SUT - Motor	119	120	118	123	98	110	104	75	116	137	130	114	1,365
Cigarette	37	95	100	86	91	95	50	73	76	-36	85	93	845
Other Tobacco Products	14	14	14	13	15	14	13	13	12	14	14	15	164
Malt Beverage	2	2	2	2	2	2	2	2	1	2	2	2	24
Liquor	36	34	35	37	41	51	31	33	36	37	38	37	445
Total Other Taxes	1,158	1,404	1,673	1,392	1,383	1,438	2,012	1,240	1,725	3,160	1,556	1,713	19,853
PIT - Withholding	895	1,140	921	986	1,117	1,086	1,098	1,001	1,374	954	1,196	987	12,754
PIT - Quarterly	45	35	509	70	25	110	665	30	45	485	25	440	2,484
PIT - Annual	31	26	31	136	21	31	26	36	175	1,491	78	51	2,129
Realty Transfer	36	72	70	66	66	76	72	46	64	70	70	73	781
Inheritance	111	111	115	114	114	118	115	104	130	127	134	121	1,415
Gaming	29	21	27	24	41	31	35	23	29	32	32	25	348
Minor and Repealed	11	0	1	-4	0	-15	3	0	-92	2	22	16	-58
Total Non-Tax Revenue	22	16	15	24	112	33	28	17	174	262	35	27	764
State Store Fund Transfers	0	0	0	0	100	0	0	0	85	0	0	0	185
Licenses and Fees	10	8	11	6	6	25	16	7	44	14	5	5	158
Treasury	2	2	2	1	1	1	1	1	0	1	2	3	16
Escheats	-6	-9	-11	7	-4	-5	-5	-1	39	232	20	3	258
Other Miscellaneous	10	8	7	4	2	6	11	5	0	9	3	20	84
Fines, Penalties & Interest	6	7	7	6	6	6	5	5	6	6	7	-5	63

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

Table 3
FY 2022-23 Motor License Fund Quarterly Estimates

	2022 Q3	2022 Q4	2023 Q1	2023 Q2	FY 2022-23
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Estimate
Total Motor License Fund	\$724.8	\$692.4	\$671.9	\$795.0	\$2,884.1
Liquid Fuels Taxes	450.9	445.5	411.4	456.5	1,764.3
Motor Carriers/IFTA	30.7	34.5	34.2	35.6	135.0
Alternative Fuels	3.6	3.7	4.2	3.8	15.3
Oil Company Franchise	253.2	250.8	233.5	224.7	962.2
Act 89 OFT - Liquid Fuels	125.0	117.9	102.7	156.7	502.3
Act 89 OFT - Fuels	38.4	38.6	36.8	35.7	149.5
Motor Licenses and Fees	270.0	247.6	257.4	335.6	1,110.6
Special Hauling Permits	9.0	8.2	7.1	8.8	33.1
Registration Other States/IRP	32.7	42.0	41.7	59.7	176.1
Operators' Licenses	18.5	16.9	18.9	17.2	71.5
Real ID	1.9	4.3	0.4	3.4	10.0
Vehicle Registration & Titling	207.4	175.6	188.9	244.1	816.0
Miscellaneous	0.5	0.6	0.4	2.4	3.9
Other Motor Receipts	3.9	-0.7	3.1	2.9	9.2
Treasury	1.2	1.0	1.2	1.4	4.8
Transportation	0.6	0.5	0.5	0.0	1.6
General Services	0.1	0.1	0.1	0.2	0.5
Vehicle Fines & Clearing Acct.	2.0	-2.3	1.3	1.3	2.3

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

Table 4
FY 2022-23 Lottery Fund Quarterly Estimates

	2022 Q3	2022 Q4	2023 Q1	2023 Q2	FY 2022-23
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Estimate
Lottery Fund Revenues	\$552.3	\$483.3	\$477.2	\$475.0	\$1,987.8
Gross Ticket Sales	1,453.4	1,514.2	1,496.1	1,486.9	5,950.6
Field Paid Prizes & Commissions	-990.0	-1,031.0	-1,019.0	-1,012.0	-4,052.0
Miscellaneous Revenues	88.9	0.1	0.1	0.1	89.2
Gross Ticket Sales	1,453.4	1,514.2	1,496.1	1,486.9	5,950.6
Instant Tickets	909.4	960.1	959.3	952.5	3,781.3
Multi-State Lotto Games	98.2	98.2	96.1	97.3	389.8
In-State Lotto	67.8	67.8	66.3	67.0	268.9
Numbers Games	161.0	161.0	157.6	159.3	638.9
iLottery	202.5	202.6	202.6	196.5	804.2
Keno, Xpress Sports and Raffle	14.5	24.5	14.2	14.3	67.5
Miscellaneous Revenues	88.9	0.1	0.1	0.1	89.2
Gaming Fund Transfers	88.8	0.0	0.0	0.0	88.8
Other Miscellaneous Revenue	0.1	0.1	0.1	0.1	0.4

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 2022-23 published by the IFO on June 23, 2022 excludes the impact from statutory changes (Acts 53, 54 and 55 of 2022) 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) are omitted.

Corporate Net Income Tax

Rate Reduction (Act 53)

The act provides for a reduction in the corporate net income tax (CNIT) rate from 9.99% to 8.99% for tax years beginning after December 31, 2022, to 8.49% for tax years beginning after December 31, 2023, and additional reductions of 0.5% annually until the rate reaches 4.99% for tax year 2031. This provision is projected to reduce FY 2022-23 CNIT revenues by \$110.3 million.

Market Sourcing and Economic Nexus (Act 53)

The act provides consistency between the sourcing of tangible and intangible property for CNIT and reinforces the 2019 Corporation Tax Bulletin issued by the Department of Revenue by (1) sourcing certain intangible property to where the benefit is received instead of where the activity is performed and (2) codifying Corporation Tax Bulletin 2019-04 related to nexus for purposes of CNIT. These provisions are effective for tax years beginning after December 31, 2022 and are projected to increase FY 2022-23 CNIT revenues by \$38.4 million.

Sales and Use Tax

Person-to-Person Car Sharing (Act 53)

The act provides consistency between traditional vehicle rentals and those rented via a peer-to-peer agreements by specifying that peer-to-peer car sharing is also subject to sales and use tax (SUT). This provision is effective January 1, 2023 and is projected to increase FY 2022-23 non-motor SUT revenues by \$0.2 million.

Cigarette Tax

Transfer to the Tobacco Settlement Fund (Act 54)

Consistent with prior years, the act requires a one-time transfer from cigarette tax to the Tobacco Settlement Fund (TSF) for the repayment of the Tobacco Revenue Bond debt service. This transfer will occur by April 30, 2023. The provision takes effect immediately and is projected to reduce FY 2022-23 cigarette tax revenues by \$115.3 million. The transfer to the TSF was included as an assumption in the IFO's *Official Revenue Estimate* released on June 23, 2022. Therefore, no adjustment to the estimate is required.

Table Games Tax

Table Games Tax (Act 53)

Under prior law, table games revenue would be deposited into the Property Tax Relief Fund if the balance of the Budget Stabilization Reserve Fund (BSRF) exceeds \$750.0 million on the last day of the prior fiscal year. Act 53 provides that all table games taxes will be deposited into the General Fund regardless of the BSRF balance. This change is effective July 1, 2022 and is projected to increase FY 2022-23 table games tax revenues by \$353.4 million. This change was included as an assumption in the IFO's *Official Revenue Estimate* released on June 23, 2022. Therefore, no adjustment to the estimate is required.

Transfer to the Sports Tourism and Marketing Account (Act 54)

The act requires a transfer of 5% of sports wagering tax, or \$2.5 million whichever is greater, to the Sports Tourism and Marketing Account. The transfer may not exceed \$5.0 million and applies to FY 2022-23 only. The provision is effective immediately and is projected to reduce FY 2022-23 table games tax revenues by \$5.0 million.

Personal Income Tax

Section 179 Expense Deductions (Act 53)

The act conforms with federal law regarding treatment of deductible expenses related to Internal Revenue Code (IRC) § 179 property. This provision applies to property placed into service in tax years beginning after December 31, 2022 and is projected to reduce FY 2022-23 PIT estimated revenues by \$3.0 million.

Section 1031 Like-Kind Exchanges (Act 53)

The act conforms with federal law regarding the exchange of real property held for productive use or investment under IRC § 1031. This provision applies to property placed into service in tax years beginning after December 31, 2022 and is projected to reduce FY 2022-23 PIT estimated revenues by \$1.5 million.

Pennsylvania Child and Dependent Care Enhancement Program (Act 53)

The act provides for a new refundable PIT credit for eligible taxpayers who receive the federal child and dependent care tax credit. The credit is equal to (1) 30% of the expenses incurred and claimed for purposes of the federal credit or (2) \$3,000 for one qualifying individual or \$6,000 for two or more qualifying individuals, whichever is less, multiplied by the applicable percentage. The applicable percentage is determined by the taxpayer's federal adjusted gross income and ranges from 20% to 35%. The credit is effective for tax years beginning after December 31, 2021. Based on 2019 data published by the Internal Revenue Service for the state of Pennsylvania, this provision is projected to reduce FY 2022-23 PIT withholding revenues by \$12.1 million and increase PIT refunds by \$36.4 million.

Transfer to the Environmental Stewardship Fund (Act 54)

Consistent with prior years, the act requires a transfer of \$12.3 million from PIT to the Environmental Stewardship Fund. This provision takes effect immediately and reduces FY 2022-23 PIT withholding revenues by \$12.3 million.

Transfer to the Election Integrity Restricted Account (Act 54)

The act requires a transfer of \$45.0 million from PIT to the Election Integrity Restricted Account no later than August 1, 2022 and each August 1 thereafter. This provision takes effect immediately and reduces FY 2022-23 PIT withholding revenues by \$45.0 million.

Various Taxes

Research and Development Tax Credit (Act 53)

The act increases the annual cap on the tax credit from \$55 million to \$60 million effective July 1, 2022. For FY 2022-23, the analysis projects that the provision will reduce CNIT revenues by \$1.6 million.

Film Production Tax Credit (Act 53)

The act increases the annual cap on the tax credit from \$70 million to \$100 million effective July 1, 2022. For FY 2022-23, the analysis projects that the provision will reduce General Fund revenues by \$1.0 million: CNIT (\$0.5 million) and bank shares tax (\$0.5 million).

Entertainment Economic Enhancement Program Tax Credit (Act 53)

The act increases the annual cap on the tax credit from \$8 million to \$24 million effective July 1, 2022. For FY 2022-23, the analysis projects that the provision will reduce insurance premiums tax revenues by \$1.9 million.

Waterfront Development Tax Credit (Act 53)

The act increases the annual cap on the tax credit from \$1.5 million to \$5 million effective July 1, 2022. For FY 2022-23, the analysis projects that the provision will reduce General Fund revenues by \$2.5 million: CNIT (\$0.5 million), insurance premiums tax (\$0.1 million), bank shares tax (\$0.6 million) and PIT annual (\$1.3 million).

Airport Land Development Zones (Act 53)

The act creates the Airport Land Development Zone Program to encourage and promote the creation of new jobs on land and building owned by airports within the Commonwealth. The new program is modeled after Keystone Special Development Zone Program. For FY 2022-23, the analysis projects that the new program will reduce General Fund revenues by \$1.8 million: CNIT (\$1.1 million), bank shares tax (\$0.2 million) and PIT annual (\$0.5 million).

Educational Tax Credits (Act 55)

The act increases the amount available for award through the Educational Tax Credit (ETC) program from \$280 million to \$405 million annually, with no less than \$263 million (previously \$175 million) allocated to scholarship organizations. These changes take effect immediately. For FY 2022-23, the analysis projects that the provision will reduce General Fund revenues by \$87.9 million: CNIT (\$14.1 million), insurance premiums tax (\$6.2 million), bank shares tax (\$14.9 million), mutual thrift institutions tax (\$0.9 million) and PIT annual (\$51.8 million).

Federal Student Loan Debt and Repayments

On August 24, 2022 the Biden administration extended the student loan repayment moratorium for the seventh time (twice under the prior administration) through December 31, 2022, and forgave up to \$10,000 of student loan debt for individual borrowers who meet income thresholds (\$125,000 single, \$250,000 married). (The amount of forgiveness increases to \$20,000 for individuals who receive Pell Grants and make less than \$125,000 per year.) The monthly distributions include \$110 million in additional SUT collections to reflect this change in federal policy since release of the official estimate in June. Data show that the policy will impact 1.8 million Pennsylvania borrowers and could eliminate up to \$22 billion in debt. The adjustment assumes that forgiven loans will not be subject to state income tax.

**Table 5
Estimate Comparison**

	IFO	Certified	Diff.
Total General Fund	\$42,187	\$43,580	-\$1,393
Total Corporation Taxes	6,897	6,892	5
Corporate Net Income	4,892	4,900	-8
Gross Receipts	1,045	1,013	31
Utility Property	40	40	0
Insurance Premiums	475	494	-19
Financial Institutions	444	444	0
Total Consumption Taxes	14,673	15,281	-608
SUT - Non-Motor	11,831	12,484	-653
SUT - Motor	1,365	1,331	34
Cigarette	845	842	3
Other Tobacco Products	164	163	1
Malt Beverage	24	22	2
Liquor	445	439	6
Total Other Taxes	19,853	20,632	-779
PIT - Withholding	12,754	12,596	158
PIT - Quarterly	2,484	3,321	-836
PIT - Annual	2,129	2,247	-119
Realty Transfer	781	760	21
Inheritance	1,415	1,462	-47
Gaming	348	317	31
Minor and Repealed	-58	-71	14
Total Non-Tax Revenue	764	776	-11
State Store Fund Transfers	185	185	0
Licenses and Fees	158	151	7
Treasury	16	20	-4
Escheats	258	278	-20
Other Miscellaneous	84	80	4
Fines, Penalties & Interest	63	62	1

Note: Figures in dollar millions. Due to rounding, detail may not sum to total. The "certified" estimate is the administration's certified Official estimate.

