

MONTHLY TRENDS

Report

December 2017 - INDEPENDENT FISCAL OFFICE -

In December, the Independent Fiscal Office (IFO) released revised monthly projections for the fiscal year (FY) 2017-18 revenue estimate published in June 2017.¹ The new release includes the incremental impact on General Fund revenues of (1) Acts 42, 43, 44 and 55 of 2017 and (2) a recent Supreme Court decision on net operating loss deductions.²

December collections were \$67 million (2.4%) above estimate primarily due to stronger than anticipated collections in personal income tax (PIT) estimated payments (\$80 million above estimate, 49.4%) and sales and use tax (SUT) - non-motor (\$33 million, 4.4%). This strength was partially offset by unexpected weakness in corporate net income tax (CNIT) remittances (-\$54 million, -10.7%).

Through the first half of FY 2017-18, total General Fund revenues were \$95 million (0.7 percent) above the IFO's revised official estimate. PIT (\$64 million, 1.1%), gross receipts (\$12 million, 45.7%), inheritance (\$24 million, 5.4%), and insurance premiums (\$11 million, 188.2%) revenues were higher than estimate for the first half of FY 2017-18. Gains in those revenue sources were partially offset by weaker than expected CNIT (-\$42 million, -3.3%) and escheats (-\$29 million, -133.2%) remittances.

Recently enacted federal tax legislation had a material impact on December revenues. For CNIT, it is likely that estimated payments reflect a shifting of income out of tax year 2017 into tax year 2018 due to the significant federal rate

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
Dec-17	\$2,816	\$2,790	\$26
Growth	7.6%	8.1%	-29.2%
FYTD	\$14,231	\$13,980	\$251
Growth	5.8%	5.1%	70.6%

Dollar amounts in millions. See final page for detail.

reduction. Firms may have also accelerated deductions in the opposite direction to reduce 2017 tax liability. The IFO projects a similar impact on the final payments that will be remitted in April and May.

For PIT, the December estimated payment was very strong as many taxpayers likely remitted payments early to qualify for the uncapped state and local tax deduction. It is also possible that some taxpayers overpaid their tax liability because the overpayments are currently deductible, but the same payments may not be deductible next year. Hence, this large revenue gain will likely be reversed through the remainder of the fiscal year.

FY 2017-18 REVENUE PERFORMANCE THROUGH DECEMBER

	Actual	Estimate	Diff. w/ Estimate		Diff. w/ Last Year	
			Dollar	Percent	Dollar	Percent
General Fund	\$14,231	\$14,135	\$95	0.7%	\$776	5.8%
Corp. Net Income	\$1,220	\$1,262	(\$42)	-3.3%	\$36	3.1%
Sales and Use	\$5,205	\$5,188	\$17	0.3%	\$224	4.5%
Personal Income	\$5,755	\$5,691	\$64	1.1%	\$321	5.9%
Other Taxes	\$1,800	\$1,733	\$67	3.9%	\$90	5.3%
Non-Tax	\$251	\$261	(\$10)	-3.9%	\$104	70.6%

Dollar amounts in millions. Estimate refers to IFO official revised estimate published in December 2017.

¹See *Official Monthly & Quarterly Revenue Estimates* for more information: http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE_FY17-18_Update.pdf.

²It also adjusts monthly projections for the earlier-than-anticipated revenues from (1) a state stores fund transfer (\$100 million) and (2) a slots license fee (\$50 million) that were received in November, but had originally been projected to occur later in the fiscal year.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Sep-17	Oct-17	Nov-17	Dec-17	Sep-17	Oct-17	Nov-17	Dec-17
Unemployment Rate ¹	4.2%	4.1%	4.1%	4.1%	4.8%	4.7%	4.6%	n.a.
Net Job Gains (000s) ²	18.0	231.0	252.0	148.0	69.9	68.6	67.5	n.a.
Average Gasoline Price ³	\$2.65	\$2.51	\$2.56	\$2.48	\$2.77	\$2.58	\$2.64	\$2.58
Consumer Price Index ⁴	2.2%	2.0%	2.2%	n.a.	1.1%	0.8%	n.a.	n.a.
Retail Sales ⁵	4.1%	4.5%	5.2%	n.a.	3.7%	3.3%	3.7%	4.7%
Consumer Sentiment Index ⁶	95.1	100.7	98.5	95.9	n.a.	n.a.	n.a.	n.a.
New Building Permits ⁷	8.6%	9.2%	10.4%	n.a.	25.7%	10.7%	3.9%	n.a.

QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2016.4	2017.1	2017.2	2017.3	2016.4	2017.1	2017.2	2017.3
Gross Domestic Product ⁸	1.8%	1.2%	3.1%	3.2%	-0.5%	0.3%	2.5%	n.a.
Personal Income ⁹	1.6%	3.1%	2.7%	2.6%	1.2%	3.0%	2.5%	2.0%
Wages and Salaries ¹⁰	1.0%	3.4%	2.5%	2.4%	-0.4%	2.8%	1.9%	1.3%
FHFA House Price Index ¹¹	6.4%	6.5%	6.9%	6.5%	4.5%	4.3%	4.6%	4.3%
Student Loan Debt ¹²	\$4,920	\$5,030	\$5,020	\$5,060	\$5,690	\$5,840	\$5,810	\$5,870
Industrial Electricity Sales ¹³	-0.6%	-4.1%	-2.4%	-3.6%	1.7%	-0.4%	2.0%	-0.6%

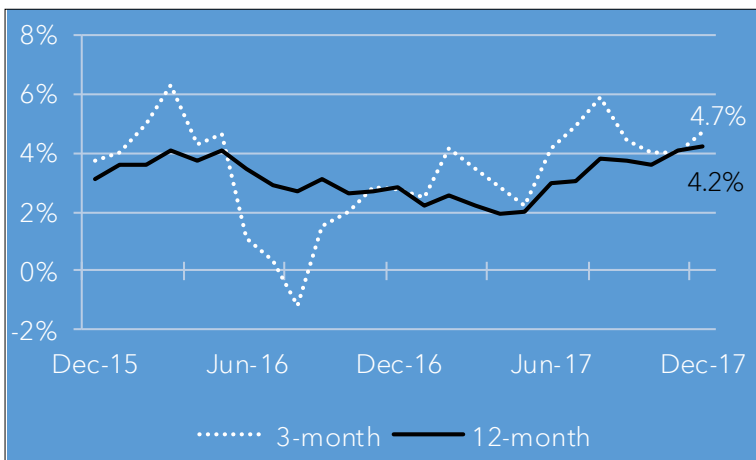
Notes:

1. Source: U.S. Bureau of Labor Statistics–Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month. 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. Data for PA-NJ-DE-MD only published on a bi-monthly basis. For non-release months, values are an interpolation. Source: U.S. Bureau of Labor Statistics.
5. U.S.: Annual growth rate of advance retail sales based on latest three months of data. Includes purchases of gas and motor vehicles. Excludes services. Source: U.S. Dept. of Commerce. PA: Annual growth rate of sales tax revenues based on latest three months of data. Excludes transfers to or from the Enhanced Revenue Collection Account. Source: PA Dept. of Revenue.
6. A diffusion index that reflects consumer optimism. Source: UM–Survey of Consumers.
7. Annual growth of new, privately owned single-housing units authorized for construction based on latest three months of data. Source: U.S. Census Bureau.
8. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
9. The annual growth rate of personal income. Includes any inflationary gains. Source: U.S. Bureau of Economic Analysis.
10. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
11. The annual growth rate of an index that measures the average price change of residential homes with mortgages purchased or securitized by Fannie Mae or Freddie Mac. Source: Federal Housing Finance Agency.
12. Per capita levels. Levels represent total student loan debt divided by number of consumers with a credit report. For Q4 2016, Pennsylvania has 10.9 million consumers (includes children). Source: Federal Reserve Bank of New York.
13. The annual growth rate in megawatt-hours of electricity sold to industrial customers. Source: U.S. EIA.

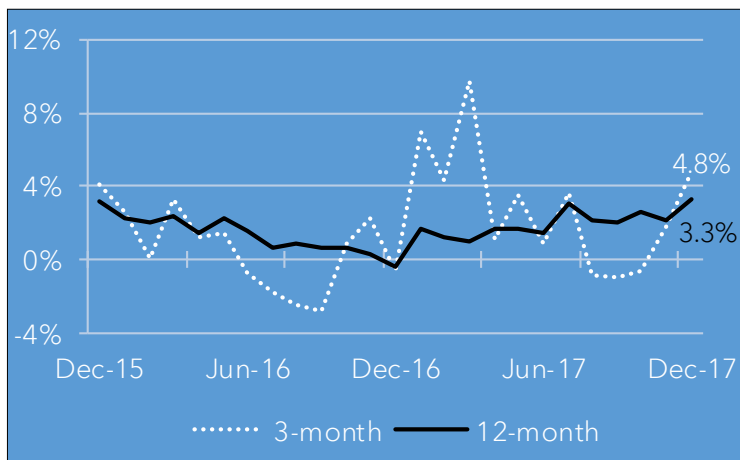
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

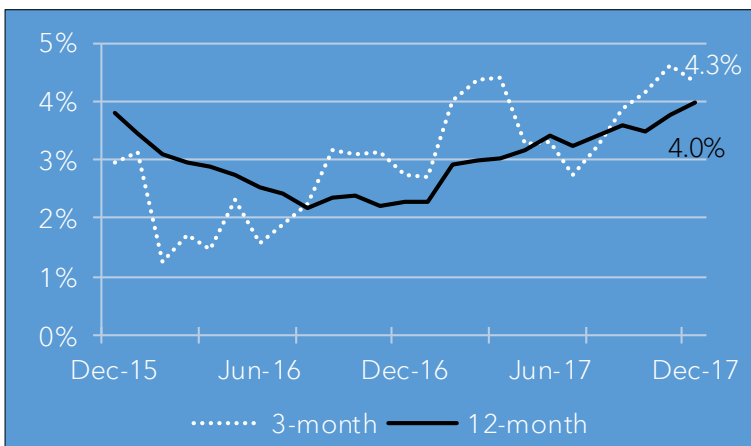
Sales and Use Tax – Non-Motor



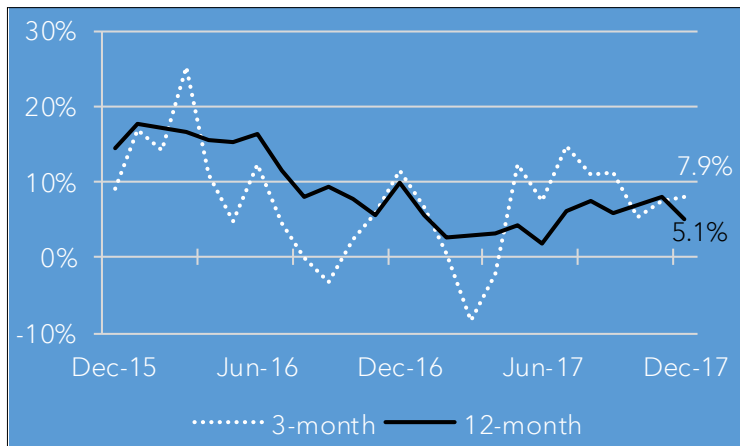
Sales and Use Tax – Motor



Personal Income Tax – Withholding



Realty Transfer Tax



Note: Three- and twelve-month annual growth rates are rolling averages relative to the previous fiscal year.

Technical Notes

- The graphs above correct for (1) transfers to the Commonwealth Financing Authority, Enhanced Revenue Collection Account and Housing Affordability and Rehabilitation Enhancement Fund and (2) issues related to fluctuating payment due dates.
- The non-tax revenue year-over-year growth rate (next page) was impacted by (1) a \$100 million state stores fund transfer that occurred at a later date in the prior fiscal year and (2) a new \$50 million slots license fee.
- December 2017 gross receipts (next page) was impacted by several payments attributable to previous tax years.

GENERAL FUND REVENUES SUMMARY

Revenue Source	DEC 2017	DEC 2016	FYTD 2017-18	FYTD 2016-17	Monthly Growth	FYTD Growth
Total General Fund	\$2,816.5	\$2,618.4	\$14,230.6	\$13,454.8	7.6%	5.8%
Total Tax Revenue	2,790.1	2,581.1	13,979.9	13,307.8	8.1	5.1
Total Corporation Taxes	487.9	468.9	1,300.8	1,244.5	4.0	4.5
Accelerated Deposits	0.3	0.9	0.5	1.5	-69.3	-69.5
Corporate Net Income	450.9	452.5	1,220.0	1,183.8	-0.3	3.1
Gross Receipts	25.4	7.7	37.3	32.5	231.5	14.9
Utility Property	0.2	0.0	1.5	2.3	n.a.	-34.9
Insurance Premiums	6.1	1.3	17.0	4.3	358.4	294.5
Financial Institutions	5.0	6.6	24.5	20.2	-23.8	21.6
Total Consumption Taxes	1,073.5	1,012.1	6,116.2	5,845.5	6.1	4.6
Sales and Use	894.9	840.8	5,205.0	4,980.7	6.4	4.5
Non-Motor	789.0	739.3	4,513.8	4,301.7	6.7	4.9
Motor Vehicle	105.8	101.5	691.2	679.0	4.3	1.8
Cigarette	119.5	118.4	641.5	653.3	1.0	-1.8
Other Tobacco Products	10.2	4.5	59.8	5.4	126.9	n.a.
Malt Beverage	1.9	1.8	12.7	12.8	8.0	-0.5
Liquor	47.0	46.7	197.2	193.3	0.7	2.0
Total Other Taxes	1,228.6	1,100.0	6,562.9	6,217.8	11.7	5.6
Personal Income	1,094.0	962.4	5,755.4	5,433.9	13.7	5.9
Withholding	835.6	798.8	4,866.2	4,660.9	4.6	4.4
Quarterly	240.6	150.2	726.9	628.2	60.2	15.7
Annual	17.8	13.4	162.3	144.7	32.5	12.1
Realty Transfer	43.7	44.9	264.5	244.2	-2.7	8.3
Inheritance	72.7	84.5	477.2	453.0	-14.0	5.4
Gaming	11.0	10.9	60.4	58.6	0.3	3.0
Minor and Repealed	7.3	(2.7)	5.4	28.1	370.4	-80.7
Total Non-Tax Revenue	26.4	37.2	250.7	147.0	-29.2	70.6
State Stores Fund Transfers	0.0	0.0	100.0	0.0	n.a.	n.a.
Licenses, Fees & Miscellaneous	17.4	30.0	104.7	100.9	-42.0	3.8
Licenses and Fees	27.1	22.9	108.3	54.4	18.6	99.1
Miscellaneous	(9.8)	7.1	(3.6)	46.5	-238.0	-107.7
Treasury	2.1	0.9	11.3	9.7	126.4	17.2
Escheats	(24.6)	(12.8)	(51.1)	(27.3)	-92.2	-87.1
Other Miscellaneous	12.7	18.9	36.2	64.1	-32.7	-43.6
Fines, Penalties & Interest	9.0	7.3	46.0	46.1	23.4	-0.2

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