

Quarterly Revenue Review

Fiscal Year 2014-15

October to December 2014

Introduction

The Independent Fiscal Office (IFO) produces this report to facilitate comparison of its quarterly revenue estimates with actual revenue collections. The report also provides context for the variances between estimates and actual collections.

The revenue estimates in this report are taken from *Fiscal Year 2014-15 Quarterly Revenue Estimates* published by the IFO. That document is available at www.ifo.state.pa.us. The scope of this report does not include any analysis of the FY 2014-15 revenue estimate certified by the Governor.

General Fund Overview

General Fund revenues for the fourth quarter of 2014 were \$289 million above estimate.¹ Table 1 shows that corporate net income tax collections were \$58 million above estimate, sales and use tax deposits were \$27 million above estimate and personal income tax revenues were \$17 million above estimate. All other General Fund revenues were \$187 million above estimate.²

For the fiscal year through December, General Fund revenues were \$297 million above estimate. Corporate net income and sales and use tax revenues were above estimate by \$132 million and \$69 million, respectively. Personal income tax revenues essentially met the projection, falling \$1 million below estimate. All

Table 1
General Fund Snapshot
(\$ millions)

Revenue Source	Fourth Quarter - 2014			Fiscal Year-to-Date		
	Actual ^a	Estimate ^b	Difference ^c	Actual ^a	Estimate ^b	Difference ^c
Total General Fund	\$6,685	\$6,396	\$289	\$13,300	\$13,003	\$297
Corporate Net Income	657	599	58	1,227	1,095	132
Sales and Use	2,373	2,346	27	4,802	4,733	69
Personal Income	2,650	2,633	17	5,214	5,215	-1
All Other	1,006	819	187	2,057	1,960	97

^a The Commonwealth's revenue accounting system.

^b *Fiscal Year 2014-15 Quarterly Revenue Estimates*, Independent Fiscal Office, August 14, 2014.

^c Computations are based on the unrounded values. Detail may not sum to the total due to rounding.

¹ For consistency, references to quarters in this report are based on the calendar quarter. The fourth quarter of calendar year 2014 is the second quarter of FY 2014-15.

² See the [Revenue Trends Report](#) published by the Independent Fiscal Office for more detail on revenue growth rates by month, fiscal year and the most recent three or twelve-month periods.

other revenues were \$97 million above estimate. Additional detail on specific revenue sources can be found in Table 4. The following text provides a brief discussion for the major revenue sources.

Corporate Net Income Tax

Corporate net income tax collections exceeded estimate by \$58 million for the quarter. Estimated payments were above estimate by \$3 million, while final payments exceeded estimate by \$55 million.

For the fiscal year, collections were \$132 million above estimate. Estimated payments exceeded estimate by \$38 million, and the remainder of the overage, or \$94 million, was attributable to final payments.

Corporate Net Income Tax Growth Rates				
	Quarter		FYTD	
	Actual	Proj.	Actual	Proj.
Estimated	6.0%	5.4%	12.2%	7.7%
Final	<u>1.1</u>	<u>-30.6</u>	<u>7.3</u>	<u>-27.8</u>
Total	4.7	-4.6	11.0	-0.9

FYTD – fiscal-year-to-date. Proj. – projected.

Sales and Use Tax

Sales and use tax deposits exceeded estimate by \$27 million for the quarter. Nonmotor vehicle collections were \$12 million above estimate. Motor vehicle collections were about \$16 million above estimate.

Sales and Use Tax Growth Rates				
	Quarter		FYTD	
	Actual	Proj.	Actual	Proj.
Nonmotor	3.7%	3.1%	4.1%	3.5%
Motor	<u>8.5</u>	<u>3.0</u>	<u>9.9</u>	<u>3.1</u>
Total	4.3	3.1	4.9	3.4

FYTD – fiscal-year-to-date. Proj. – projected.

For the fiscal year, deposits were \$69 million above estimate. Nonmotor vehicle collections

were \$27 million above estimate and motor vehicle collections were \$42 million above estimate.

Personal Income Tax

Personal income tax revenues exceeded estimate by \$17 million for the quarter. Employer withholding remittances were \$2 million above estimate. Quarterly estimated payments were \$17 million above estimate. Annual payments were \$2 million below estimate.

For the fiscal year, revenues were \$1 million below estimate. Employer withholding and quarterly estimated payments were \$1 million and \$5 million above estimate, respectively. Annual payments were \$7 million below estimate.

Personal Income Tax Growth Rates				
	Quarter		FYTD	
	Actual	Proj.	Actual	Proj.
Withhold.	7.9%	7.8%	5.9%	5.9%
Quarterly	18.3	7.9	6.8	5.9
Annual	<u>-1.3</u>	<u>0.7</u>	<u>-4.1</u>	<u>0.8</u>
Total	8.2	7.6	5.7	5.7

FYTD – fiscal-year-to-date. Proj. – projected.

Other General Fund

Other General Fund deposits were \$187 million above estimate for the quarter. Most of this overage occurred because of an unexpected \$100 million inheritance tax payment. Nontax revenues contributed an additional \$37 million to the overage. Miscellaneous clearing accounts for corporate collections and receipts from delinquent notices received \$40 million which was not included in the estimates.

For the fiscal year, other General Fund revenues were \$97 million above estimate. The estimate includes an expected \$80 million transfer of liquor store profits that has not yet occurred.

Motor License Fund Overview

The \$516 million in revenues deposited into the Motor License Fund during the fourth quarter of 2014 were \$44 million below estimate. For the fiscal year, revenues of \$1,166 million were \$17 million below estimate. Table 2 provides additional detail.

Collections for the Liquid Fuels Taxes category totaled \$370 million in the fourth quarter, \$10 million above estimate. For the fiscal year, collections of \$744 million were \$2 million below estimate.

Motor Licenses and Fees receipts were \$142 million for the quarter, \$50 million below estimate. For the fiscal year, receipts of \$410 million were \$11 million below estimate.

Other Motor Receipts were \$4 million for the quarter, roughly \$4 million below estimate. For the fiscal year, receipts of \$13 million were \$3 million below estimate.

Table 2
Motor License Fund - Comparison of Estimates and Reported Collections
 (\$ millions)

	Fourth Quarter - 2014			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total Motor License Fund</u>	<u>\$516.2</u>	<u>\$560.1</u>	<u>-\$43.9</u>	<u>\$1,166.3</u>	<u>\$1,183.1</u>	<u>-\$16.8</u>
<u>Liquid Fuels Taxes</u>	<u>370.1</u>	<u>360.1</u>	<u>10.0</u>	<u>744.1</u>	<u>745.9</u>	<u>-1.8</u>
Liquid Fuels	0.4	0.0	0.4	0.7	0.0	0.7
Fuels	0.0	0.0	0.0	0.0	0.0	0.0
<u>Total - OCF</u>	<u>348.1</u>	<u>348.2</u>	<u>-0.1</u>	<u>702.5</u>	<u>721.1</u>	<u>-18.6</u>
Oil Company Franchise	171.5	167.9	3.6	343.7	338.2	5.5
Act 89 OCF - Liquid Fuels	135.6	139.4	-3.8	278.0	302.0	-24.0
Act 89 OCF - Fuels	41.0	40.9	0.1	80.7	80.9	-0.2
Other Liquid Fuels Taxes	21.6	11.9	9.7	40.9	24.8	16.1
<u>Motor Licenses and Fees</u>	<u>141.8</u>	<u>192.0</u>	<u>-50.2</u>	<u>409.6</u>	<u>421.1</u>	<u>-11.5</u>
<u>Other Motor Receipts</u>	<u>4.3</u>	<u>8.0</u>	<u>-3.7</u>	<u>12.6</u>	<u>16.1</u>	<u>-3.5</u>

Lottery Fund Overview

Lottery Fund gross ticket sales and miscellaneous revenues were \$969 million for the fourth quarter of 2014. These revenues were \$15 million less than the prior year and below estimate by \$36 million. For the fiscal year, gross ticket sales and miscellaneous revenues of \$2,057 million were \$32 million lower than the prior year and \$48 million below estimate. Table 3 provides additional detail.

Fourth quarter sales of instant games totaled \$655 million, about \$21 million above the prior year and \$9 million below estimate. For the fiscal year, instant games sales of \$1,284 million were \$80 million above the prior year and \$23 million above estimate.

Sales of jackpot games (Powerball, Powerplay, Mega Millions and Megaplier) were \$95 million in the fourth quarter, about \$23 million below the prior year and \$22 million below estimate. For the fiscal year, jackpot games sales of \$174 million were \$80 million below the prior year and \$59 million below estimate.

Sales of all other games totaled \$218 million, about \$13 million below the prior year and \$5 million below estimate. For the fiscal year, all other games sales of \$435 million were \$28 million below the prior year and \$8 million below estimate.

Table 3
Lottery Fund - Comparison of Estimates and Reported Collections
 (\$ millions)

	Fourth Quarter - 2014			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total Lottery Fund Revenue</u> ^a	<u>\$968.7</u>	<u>\$1,004.8</u>	<u>-\$36.1</u>	<u>\$2,056.6</u>	<u>\$2,104.6</u>	<u>-\$48.0</u>
<u>Gross Ticket Sales</u>	<u>968.3</u>	<u>1,004.0</u>	<u>-35.7</u>	<u>1,893.0</u>	<u>1,937.1</u>	<u>-44.1</u>
Instant Games	655.4	664.4	-9.0	1,284.1	1,260.8	23.3
Jackpot Games	94.9	116.8	-21.9	174.4	233.6	-59.2
All Others	217.9	222.8	-4.9	434.5	442.7	-8.2
<u>Miscellaneous Revenues</u>	<u>0.4</u>	<u>0.8</u>	<u>-0.4</u>	<u>163.7</u>	<u>167.5</u>	<u>-3.8</u>

^a Quarterly and fiscal year-to-date amounts are not adjusted for field paid prizes and commissions.

Table 4
GENERAL FUND DETAIL
Comparison of Estimates and Reported Collections
(\$ millions)

	Fourth Quarter - 2014			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total General Fund</u>	<u>\$6,685.3</u>	<u>\$6,396.3</u>	<u>\$289.0</u>	<u>\$13,299.5</u>	<u>\$13,002.8</u>	<u>\$296.7</u>
<u>Total Tax Revenue</u>	<u>6,588.2</u>	<u>6,336.5</u>	<u>251.7</u>	<u>12,922.7</u>	<u>12,568.3</u>	<u>354.4</u>
<u>Total Corporation Taxes</u>	<u>760.8</u>	<u>673.7</u>	<u>87.1</u>	<u>1,427.2</u>	<u>1,253.7</u>	<u>173.5</u>
Corporate Net Income	656.7	598.6	58.1	1,226.9	1,095.0	131.9
Capital Stock & Franchise	42.8	55.2	-12.4	98.2	117.5	-19.3
Gross Receipts	19.8	14.0	5.8	36.4	27.2	9.2
Utility Property	0.2	0.3	-0.1	2.1	2.6	-0.5
Insurance Premiums	1.6	0.8	0.8	3.5	2.9	0.6
Financial Institutions	11.2	4.4	6.8	27.5	7.7	19.8
Other Selective Business ^a	28.4	0.4	28.0	32.7	0.8	31.9
<u>Total Consumption Taxes</u>	<u>2,727.6</u>	<u>2,704.0</u>	<u>23.6</u>	<u>5,481.6</u>	<u>5,416.9</u>	<u>64.7</u>
<u>Sales and Use</u>	<u>2,373.1</u>	<u>2,345.9</u>	<u>27.2</u>	<u>4,802.2</u>	<u>4,733.3</u>	<u>68.9</u>
Nonmotor	2,062.5	2,050.9	11.6	4,125.0	4,097.9	27.1
Motor Vehicle	310.5	295.0	15.5	677.2	635.4	41.8
Cigarette	248.9	252.4	-3.5	489.0	493.3	-4.3
Malt Beverage	5.6	5.9	-0.3	12.5	13.0	-0.5
Liquor	100.1	99.8	0.3	177.9	177.3	0.6
<u>Total Other Taxes</u>	<u>3,099.7</u>	<u>2,958.8</u>	<u>140.9</u>	<u>6,013.9</u>	<u>5,897.7</u>	<u>116.2</u>
<u>Personal Income</u>	<u>2,649.8</u>	<u>2,633.1</u>	<u>16.7</u>	<u>5,213.8</u>	<u>5,214.9</u>	<u>-1.1</u>
Withholding	2,368.3	2,366.5	1.8	4,502.1	4,501.2	0.9
Quarterly	188.4	171.7	16.7	571.3	566.1	5.2
Annuals	93.1	94.9	-1.8	140.4	147.6	-7.2
Realty Transfer	102.3	94.3	8.0	216.0	214.8	1.2
Inheritance	309.1	207.8	101.3	521.7	420.0	101.7
Table Games	23.2	22.2	1.0	46.3	45.5	0.8
Minor and Repealed ^b	15.3	1.4	13.9	16.1	2.5	13.6
<u>Total Nontax Revenue</u>	<u>97.1</u>	<u>59.8</u>	<u>37.3</u>	<u>376.8</u>	<u>434.5</u>	<u>-57.7</u>
Liquor Store Profits	0.0	0.0	0.0	0.0	80.0	-80.0
Licenses, Fees and Misc.	75.7	38.5	37.2	332.7	309.3	23.4
Fines, Penalties and Interest	21.4	21.3	0.1	44.1	45.2	-1.1

^a Includes undistributed clearing account.

^b Includes tavern games and the delinquent notice clearing account.