

Quarterly Revenue Review

Fiscal Year 2014-15

January to March 2015

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 first quarter of 2015 were \$173 million above estimate.¹ Table 1 shows that corporate net income tax collections were \$158 million above estimate, sales and use tax deposits were \$20 million below estimate and personal income tax revenues were \$31 million above estimate. All other General Fund revenues were \$4 million above estimate.²

For the fiscal year through March, General Fund revenues were \$470 million above estimate. Corporate net income collections \$290 million above estimate, sales and use tax deposits were \$49 million above estimate and personal income tax revenues were \$30 million above estimate. All other revenues were \$101 million above

Table 1
General Fund Snapshot
(\$ millions)

Revenue Source	First Quarter - 2015			Fiscal Year-to-Date		
	Actual ^a	Estimate ^b	Difference ^c	Actual ^a	Estimate ^b	Difference ^c
Total General Fund	\$8,412	\$8,239	\$173	\$21,711	\$21,242	\$470
Corporate Net Income	671	513	158	1,898	1,608	290
Sales and Use	2,189	2,209	-20	6,991	6,942	49
Personal Income	2,901	2,869	31	8,115	8,084	30
All Other	2,651	2,647	4	4,708	4,607	101

^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 first quarter of calendar year 2015 is the third 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.

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 \$158 million for the quarter. Estimated payments were above estimate by \$13 million, while final payments exceeded estimate by \$145 million.

For the fiscal year, collections were \$290 million above estimate. Estimated payments exceeded estimate by \$51 million, and the remainder of the overage, or \$239 million, was attributable to final payments.

Corporate Net Income Tax Growth Rates				
	Quarter		FYTD	
	Actual	Proj.	Actual	Proj.
Estimated	0.9%	-3.1%	9.1%	4.7%
Final	<u>57.2</u>	<u>-8.0</u>	<u>29.9</u>	<u>-18.8</u>
Total	24.1	-5.1	15.3	-2.3

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

Sales and Use Tax

Sales and use tax deposits were \$20 million below estimate for the quarter. Nonmotor vehicle collections were \$29 million below estimate. Motor vehicle collections were \$9 million above estimate.

Sales and Use Tax Growth Rates				
	Quarter		FYTD	
	Actual	Proj.	Actual	Proj.
Nonmotor	3.1%	4.6%	3.8%	3.8%
Motor	<u>7.7</u>	<u>4.4</u>	<u>9.2</u>	<u>3.5</u>
Total	3.6	4.6	4.5	3.8

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

For the fiscal year, deposits were \$49 million above estimate. Nonmotor vehicle collections were \$2 million below estimate and motor

vehicle collections were \$51 million above estimate.

Personal Income Tax

Personal income tax revenues exceeded estimate by \$31 million for the quarter. Employer withholding remittances were \$19 million above estimate. Quarterly estimated payments were \$4 million below estimate. Annual payments were \$17 million above estimate.

For the fiscal year, revenues were \$30 million above estimate. Employer withholding was \$19 million above estimate. Quarterly estimated payments and annual payments were \$1 million and \$10 million above estimate, respectively.

Personal Income Tax Growth Rates				
	Quarter		FYTD	
	Actual	Proj.	Actual	Proj.
Withhold.	-0.1%	-0.9%	3.8%	3.5%
Quarterly	6.8	7.9	6.8	6.7
Annual	<u>15.1</u>	<u>1.3</u>	<u>4.7</u>	<u>1.0</u>
Total	1.5	0.4	4.2	3.8

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

Other General Fund

Other General Fund deposits were \$4 million above estimate for the quarter. The gross receipts tax was \$25 million below estimate. Insurance premium and financial institution taxes were \$11 million and \$18 million below estimate, respectively. Minor and repealed and nontax revenues were above estimate by \$24 million and \$49 million, respectively.

For the fiscal year, other General Fund revenues were \$101 million above estimate. Fiscal year-to-date revenues include an unexpected \$100 million inheritance tax payment.

Motor License Fund Overview

The \$735 million in revenues deposited into the Motor License Fund during the first quarter of 2015 were \$98 million above estimate. For the fiscal year, revenues of \$1,901 million were \$82 million above estimate. Table 2 provides additional detail.

Collections for the Liquid Fuels Taxes category totaled \$427 million in the fourth quarter, \$54 million above estimate. For the fiscal year, collections of \$1,171 million were \$52 million above estimate.

Motor Licenses and Fees receipts were \$236 million for the quarter, \$7 million below estimate. For the fiscal year, receipts of \$646 million were \$19 million below estimate.

Other Motor Receipts were \$72 million for the quarter, roughly \$51 million above estimate. For the fiscal year, receipts of \$84 million were \$48 million above estimate.

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

	First Quarter - 2015			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total Motor License Fund</u>	<u>\$734.7</u>	<u>\$636.3</u>	<u>\$98.4</u>	<u>\$1,901.0</u>	<u>\$1,819.4</u>	<u>\$81.6</u>
<u>Liquid Fuels Taxes</u>	<u>426.9</u>	<u>372.6</u>	<u>54.3</u>	<u>1,170.9</u>	<u>1,118.5</u>	<u>52.4</u>
Liquid Fuels	3.8	0.0	3.8	4.5	0.0	4.5
Fuels	0.0	0.0	0.0	0.0	0.0	0.0
<u>Total - OCF</u>	<u>406.3</u>	<u>362.7</u>	<u>43.6</u>	<u>1,108.7</u>	<u>1,083.8</u>	<u>24.9</u>
Oil Company Franchise	176.3	186.2	-9.9	520.0	524.4	-4.4
Act 89 OCF - Liquid Fuels	191.6	138.4	53.2	469.6	440.4	29.2
Act 89 OCF - Fuels	38.4	38.1	0.3	119.1	119.0	0.1
Other Liquid Fuels Taxes	16.8	9.9	6.9	57.7	34.7	23.0
<u>Motor Licenses and Fees</u>	<u>236.0</u>	<u>243.1</u>	<u>-7.1</u>	<u>645.5</u>	<u>664.2</u>	<u>-18.7</u>
<u>Other Motor Receipts</u>	<u>71.9</u>	<u>20.6</u>	<u>51.3</u>	<u>84.5</u>	<u>36.7</u>	<u>47.8</u>

Lottery Fund Overview

Lottery Fund gross ticket sales and miscellaneous revenues were \$972 million for the first quarter of 2015. Those revenues were \$43 million higher than the prior year and above estimate by \$4 million. For the fiscal year, gross ticket sales and miscellaneous revenues of \$3,029 million were \$11 million higher than the prior year and \$44 million below estimate. Table 3 provides additional detail.

Fourth quarter sales of instant games totaled \$644 million, about \$42 million above the prior year and \$1 million above estimate. For the fiscal year, instant games sales of \$1,928 million were \$122 million above the prior year and \$24 million above estimate.

Sales of jackpot games (Powerball, Powerplay, Mega Millions and Megaplier) were \$124 million in the first quarter, about \$12 million above the prior year and \$7 million above estimate. For the fiscal year, jackpot games sales of \$298 million were \$68 million below the prior year and \$52 million below estimate.

Sales of all other games totaled \$204 million, about \$11 million below the prior year and \$3 million below estimate. For the fiscal year, all other games sales of \$639 million were \$39 million below the prior year and \$12 million below estimate.

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

	First Quarter - 2015			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total Lottery Fund Revenue</u> ^a	<u>\$972.5</u>	<u>\$968.1</u>	<u>\$4.4</u>	<u>\$3,029.1</u>	<u>\$3,072.7</u>	<u>-\$43.6</u>
<u>Gross Ticket Sales</u>	<u>972.0</u>	<u>967.4</u>	<u>4.6</u>	<u>2,865.0</u>	<u>2,904.5</u>	<u>-39.5</u>
Instant Games	643.7	642.8	0.9	1,927.8	1,903.6	24.2
Jackpot Games	124.0	116.8	7.2	298.4	350.4	-52.0
All Others	204.4	207.8	-3.4	638.9	650.5	-11.6
<u>Miscellaneous Revenues</u>	<u>0.4</u>	<u>0.7</u>	<u>-0.3</u>	<u>164.1</u>	<u>168.2</u>	<u>-4.1</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)

	First Quarter - 2015			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total General Fund</u>	<u>\$8,411.6</u>	<u>\$8,238.8</u>	<u>\$172.8</u>	<u>\$21,711.2</u>	<u>\$21,241.6</u>	<u>\$469.6</u>
<u>Total Tax Revenue</u>	<u>8,228.7</u>	<u>8,104.6</u>	<u>124.1</u>	<u>21,151.4</u>	<u>20,672.9</u>	<u>478.5</u>
<u>Total Corporation Taxes</u>	<u>2,563.0</u>	<u>2,463.0</u>	<u>100.0</u>	<u>3,990.2</u>	<u>3,716.7</u>	<u>273.5</u>
Corporate Net Income	671.3	513.4	157.9	1,898.2	1,608.4	289.8
Capital Stock & Franchise	51.5	48.7	2.8	149.7	166.2	-16.5
Gross Receipts	1,201.6	1,226.8	-25.2	1,238.0	1,254.0	-16.0
Utility Property	0.0	0.4	-0.4	2.1	3.0	-0.9
Insurance Premiums	391.1	401.7	-10.6	394.6	404.6	-10.0
Financial Institutions	253.4	271.8	-18.4	280.9	279.5	1.4
Other Selective Business ^a	-5.8	0.2	-6.0	26.9	1.0	25.9
<u>Total Consumption Taxes</u>	<u>2,459.2</u>	<u>2,496.9</u>	<u>-37.7</u>	<u>7,940.8</u>	<u>7,913.8</u>	<u>27.0</u>
<u>Sales and Use</u>	<u>2,188.7</u>	<u>2,208.8</u>	<u>-20.1</u>	<u>6,990.9</u>	<u>6,942.1</u>	<u>48.8</u>
Nonmotor	1,901.0	1,929.8	-28.8	6,025.9	6,027.7	-1.8
Motor Vehicle	287.8	279.0	8.8	965.0	914.4	50.6
Cigarette	189.9	206.5	-16.6	678.9	699.8	-20.9
Malt Beverage	5.3	5.3	0.0	17.7	18.3	-0.6
Liquor	75.3	76.3	-1.0	253.2	253.6	-0.4
<u>Total Other Taxes</u>	<u>3,206.5</u>	<u>3,144.7</u>	<u>61.8</u>	<u>9,220.4</u>	<u>9,042.4</u>	<u>178.0</u>
<u>Personal Income</u>	<u>2,900.7</u>	<u>2,869.4</u>	<u>31.3</u>	<u>8,114.5</u>	<u>8,084.3</u>	<u>30.2</u>
Withholding	2,330.1	2,311.5	18.6	6,832.1	6,812.7	19.4
Quarterly	427.5	431.9	-4.4	998.8	998.0	0.8
Annuals	143.2	126.0	17.2	283.6	273.6	10.0
Realty Transfer	86.4	80.2	6.2	302.4	295.0	7.4
Inheritance	217.8	218.6	-0.8	739.4	638.6	100.8
Table Games	25.3	23.7	1.6	71.6	69.2	2.4
Minor and Repealed ^b	-23.7	-47.2	23.5	-7.5	-44.7	37.2
<u>Total Nontax Revenue</u>	<u>183.0</u>	<u>134.2</u>	<u>48.8</u>	<u>559.8</u>	<u>568.7</u>	<u>-8.9</u>
Liquor Store Profits	80.0	0.0	80.0	80.0	80.0	0.0
Licenses, Fees and Misc.	83.5	116.4	-32.9	416.2	425.7	-9.5
Fines, Penalties and Interest	19.5	17.8	1.7	63.6	63.0	0.6

^a Includes undistributed clearing account.

^b Includes tavern games.