

# Revenue and Economic Update

Independent Fiscal Office | October 2019

On August 8th, the Independent Fiscal Office (IFO) released monthly revenue projections for fiscal year (FY) 2019-20. General Fund revenues for the month of October exceeded estimate by \$143.7 million (5.7 percent) and by \$229.8 million (2.3 percent) for the fiscal year-to-date (FYTD). The monthly overage was mainly due to stronger than expected sales and use tax (SUT), personal income tax (PIT) and corporate net income tax (CNIT) collections.

October SUT collections were \$41.0 million over estimate (4.1 percent) due almost entirely to higher than anticipated non-motor revenue, which grew at a rate of 8.9 percent from the prior year. Motor vehicle SUT collections came in near estimate. FYTD SUT collections are \$36.3 million lower than predicted (0.9 percent) due to the unanticipated, one-time transfer that occurred in July of -\$115.3 million.

PIT collections for the month surpassed the forecast by \$29.1 million (2.6 percent), primarily driven by an overage in both annual and quarterly payments (\$15.5 million and \$12.6 million, respectively). Withholding collections nearly hit estimate. FYTD PIT collections continue to outpace projections by \$99.7 million (2.4 percent) mainly due to strong quarterly

(for tax year 2019) and annual (for tax year 2018) payments.

Monthly CNIT collections exceeded projections by \$28.7 million (25.5 percent). The overage can be credited to final payments which came in \$36.2 million above estimate. CNIT FYTD collections are surpassing the forecast by \$73.8 million (8.8 percent). Almost all of the FYTD overage is related to final payments for tax year 2018.

October non-tax revenues outpaced projections by \$30.0 million. The primary drivers of the overage were escheats collections (\$22.0 million) and licenses and fees (\$7.7 million). Monthly licenses and fees collections were over estimate as a result of an unexpected sports wagering application fee of \$10 million. FYTD non-tax revenues are surpassing estimate by \$54.3 million (78.2 percent), predominantly due to escheats collections which are \$77.1 million above projections. The strength in escheats is related to both higher than expected collections and lower than anticipated claim payments. A portion of this gain is offset by licenses and fees collections which are \$20.2 million under estimate.

## FY 2019-20 Revenue Performance Through October

	October Collections			FY Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
<b>General Fund</b>	<b>\$2,670.0</b>	<b>\$2,526.3</b>	<b>\$143.7</b>	<b>\$10,377.0</b>	<b>\$10,147.2</b>	<b>\$229.8</b>
Corporate Net Income	141.1	112.4	28.7	908.1	834.3	73.8
SUT - Non-Motor	897.8	857.3	40.5	3,319.8	3,368.6	-48.8
SUT - Motor Vehicle	133.6	133.1	0.5	550.4	537.9	12.5
PIT - Withholding	963.3	962.3	1.0	3,471.7	3,465.3	6.4
PIT - Non-Withholding	198.1	170.0	28.1	814.4	721.1	93.3
Cigarette	98.4	92.9	5.5	353.4	356.5	-3.1
Inheritance	91.0	89.2	1.9	373.2	347.4	25.8
Other Taxes	117.3	109.7	7.6	462.3	446.6	15.7
Non-Tax	29.4	-0.5	30.0	123.8	69.5	54.3

Dollar amounts in millions. Estimate refers to IFO official estimate published in June 2019.

## MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Jul-19	Aug-19	Sept-19	Oct-19	Jul-19	Aug-19	Sept-19	Oct-19
Unemployment Rate <sup>1</sup>	3.7%	3.7%	3.5%	3.6%	3.9%	3.9%	4.0%	n.a.
Net Job Gains (000s) <sup>2</sup>	166.0	219.0	180.0	128.0	36.5	32.2	31.0	n.a.
Average Gasoline Price <sup>3</sup>	\$2.74	\$2.62	\$2.59	\$2.63	\$2.80	\$2.71	\$2.63	\$2.60
CPI-U All Items <sup>4</sup>	1.8%	1.7%	1.7%	n.a.	2.2%	2.3%	n.a.	n.a.
Retail Sales <sup>5</sup>	3.3%	3.7%	3.9%	n.a.	4.9%	4.4%	5.2%	6.4%
Consumer Sentiment Index <sup>6</sup>	98.4	89.8	93.2	95.5	n.a.	n.a.	n.a.	n.a.

## QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2018.4	2019.1	2019.2	2019.3	2018.4	2019.1	2019.2	2019.3
Gross Domestic Product <sup>7</sup>	1.1%	3.1%	2.0%	1.9%	2.5%	2.9%	n.a.	n.a.
Net Job Gains (000s) <sup>2</sup>	233.3	173.7	152.0	188.3	60.5	50.8	45.4	31.0
Personal Income <sup>8</sup>	4.9%	4.6%	4.9%	4.7%	5.7%	5.0%	5.3%	n.a.
Wages and Salaries <sup>9</sup>	4.0%	5.0%	5.4%	5.2%	3.2%	4.5%	5.0%	n.a.
CPI-U All Items <sup>4</sup>	2.2%	1.6%	1.8%	1.8%	1.3%	1.5%	2.0%	n.a.
FHFA House Price Index <sup>10</sup>	6.0%	5.4%	5.0%	n.a.	5.5%	5.5%	4.9%	n.a.

### Economic Trends

- Pennsylvania year-over-year net job gains continued to decelerate in September.
- Pennsylvania wage growth remains strong. Preliminary data for the third quarter (not shown) show similar trends.
- U.S. Real GDP growth decelerated slightly due to weak business investment.
- Pennsylvania retail sales showed exceptional strength in October. Some analysts believe this may be driven in part by a significant increase in home refinancings in recent months.

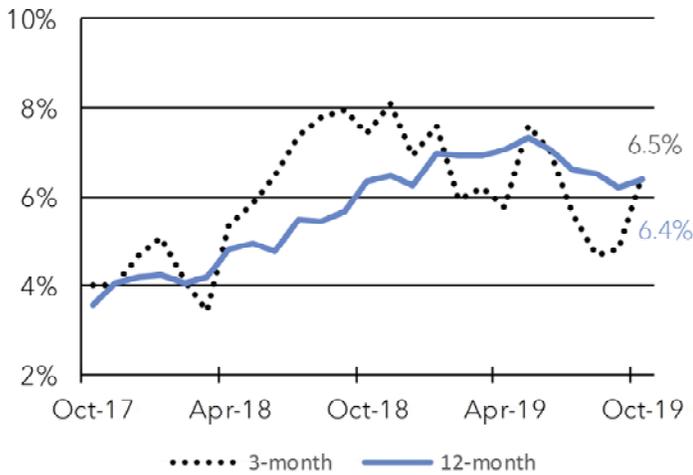
#### Sources and notes:

1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month or quarter. 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. Source: U.S. Bureau of Labor Statistics.
5. U.S.: Annual growth rate of advance retail sales based on latest three months of data. Excludes services. Source: U.S. Department of Commerce. PA: Annual growth rate of sales tax revenues based on latest three months of data. Source: PA Department of Revenue.
6. Source: UM—Survey of Consumers.
7. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
8. The year-over-year growth rate of personal income. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
10. Source: Federal Housing Finance Agency.

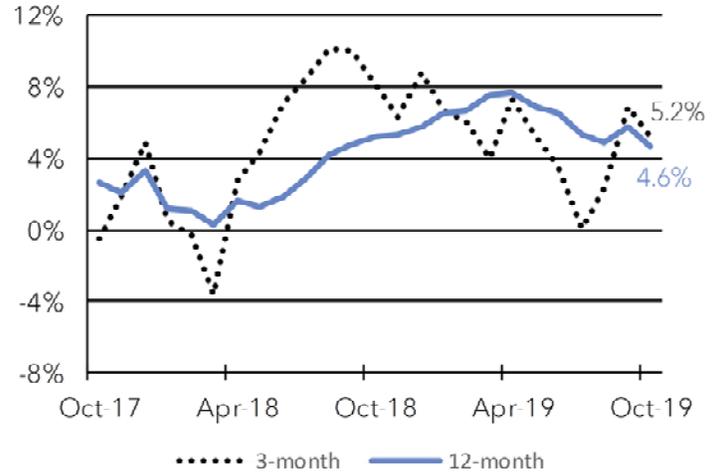
# SELECT GENERAL FUND TAX REVENUES

## ANNUAL GROWTH RATES

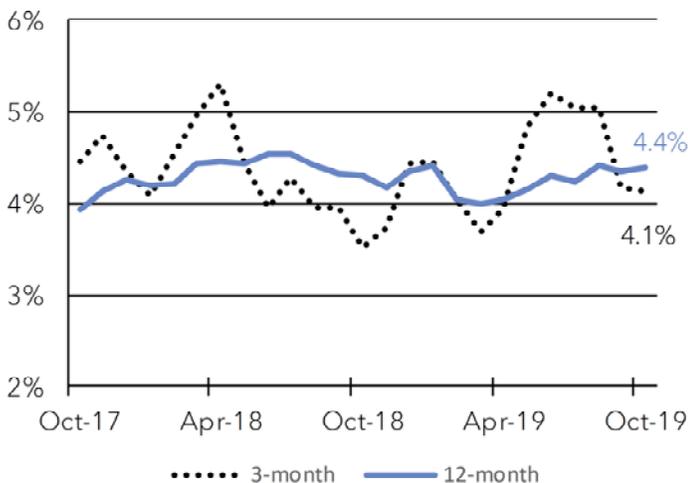
### Sales and Use Tax – Non-Motor



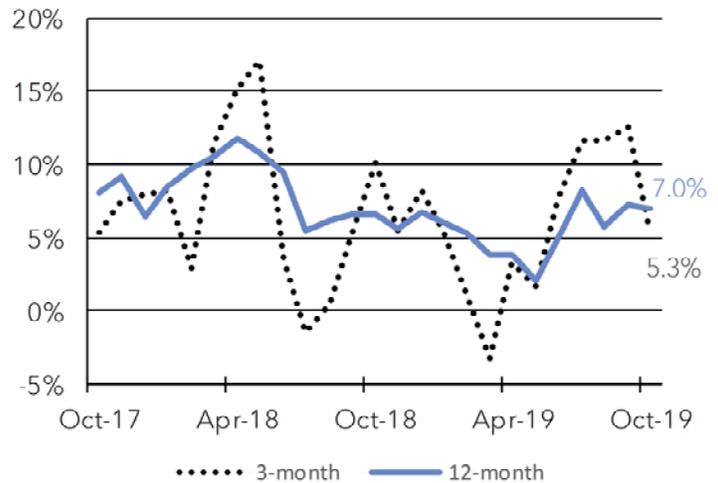
### Sales and Use Tax – Motor



### Personal Income Tax – Withholding



### Realty Transfer Tax



### Revenue Trends

- The non-motor SUT growth rate excludes a \$115.3 million one-time transfer that occurred in July 2019.
- The 3-month non-motor SUT growth rate ticked up this month after leveling off in September. The 12-month trend is holding steady, as revenue gains from the taxation of internet sales are fully incorporated into the year-over-year comparisons.
- The 3-month motor vehicle SUT growth rate dropped this month due to a weak October that partially offset the very strong collections in September. The 12-month growth continues to decelerate consistent with analysts expectations for minimal growth in car and truck sales for the rest of the year.
- The 3-month and the 12-month PIT withholding growth rates remain virtually unchanged from September.
- The 3-month realty transfer growth rate fell after an exceptionally strong July was replaced with a normal October. The 12-month trend held steady in October.

# GENERAL FUND REVENUES SUMMARY

Revenue Source	October 2019	October 2018	FYTD 2019-20	FYTD 2018-19	Monthly Growth	FYTD Growth
<b>Total General Fund</b>	<b>\$2,670.0</b>	<b>\$2,474.5</b>	<b>\$10,377.0</b>	<b>\$10,028.2</b>	<b>7.9%</b>	<b>3.5%</b>
<b>Total Tax Revenue</b>	<b>2,640.6</b>	<b>2,444.8</b>	<b>10,253.2</b>	<b>9,924.2</b>	<b>8.0</b>	<b>3.3</b>
<b>Total Corporation Taxes</b>	<b>145.2</b>	<b>111.2</b>	<b>958.3</b>	<b>941.5</b>	<b>30.6</b>	<b>1.8</b>
Accelerated Deposits	(1.2)	0.5	0.8	(0.2)	n.a.	n.a.
Corporate Net Income	141.1	98.6	908.1	871.1	43.1	4.2
Gross Receipts	3.7	9.3	16.4	33.2	-59.9	-50.5
Utility Property	0.3	0.1	1.9	1.2	414.4	52.0
Insurance Premiums	0.2	0.1	18.6	22.0	120.0	-15.2
Financial Institution	1.0	2.7	12.3	14.1	-64.3	-12.2
<b>Total Consumption Taxes</b>	<b>1,174.5</b>	<b>1,099.7</b>	<b>4,401.0</b>	<b>4,332.2</b>	<b>6.8</b>	<b>1.6</b>
Sales and Use - Total	1,031.4	959.4	3,870.2	3,782.2	7.5	2.3
Non-Motor	897.8	824.5	3,319.8	3,257.4	8.9	1.9
Motor Vehicle	133.6	134.9	550.4	524.8	-0.9	4.9
Cigarette	98.4	98.3	353.4	380.4	0.1	-7.1
Other Tobacco Products	10.5	9.7	45.0	41.6	7.9	8.3
Malt Beverage	1.8	1.8	8.1	8.6	2.6	-5.9
Liquor	32.4	30.5	124.2	119.5	6.3	4.0
<b>Total Other Taxes</b>	<b>1,320.9</b>	<b>1,233.9</b>	<b>4,894.0</b>	<b>4,650.5</b>	<b>7.1</b>	<b>5.2</b>
Personal Income - Total	1,161.4	1,088.3	4,286.1	4,077.1	6.7	5.1
Withholding	963.3	927.1	3,471.7	3,376.5	3.9	2.8
Quarterly	72.8	62.6	597.3	532.8	16.3	12.1
Annual	125.3	98.7	217.0	167.9	27.0	29.3
Realty Transfer	54.3	51.0	178.7	182.4	6.6	-2.0
Inheritance	91.0	90.3	373.2	348.9	0.8	7.0
Gaming	16.6	9.2	54.7	39.1	81.0	39.8
Minor and Repealed	(2.4)	(4.9)	1.4	2.9	51.2	-53.0
<b>Total Non-Tax Revenue</b>	<b>29.4</b>	<b>29.7</b>	<b>123.8</b>	<b>104.0</b>	<b>-1.1</b>	<b>19.0</b>
State Store Fund Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Lic., Fees & Miscellaneous	21.5	22.4	93.4	72.8	-3.9	28.3
Licenses and Fees	13.7	36.1	39.2	68.5	-61.9	-42.8
Miscellaneous	7.7	(13.7)	54.2	4.3	156.4	n.a.
Treasury	2.1	1.9	17.7	49.3	11.0	-64.1
Escheats	3.7	(24.9)	22.6	(76.7)	115.0	129.4
Other Miscellaneous	1.9	9.2	13.9	31.7	-79.4	-56.1
Fines, Penalties & Interest	7.9	7.4	30.4	31.2	7.4	-2.5

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