

Revenue and Economic Update

Independent Fiscal Office | January 2020

On August 8th, the Independent Fiscal Office (IFO) released monthly revenue projections for fiscal year (FY) 2019-20. General Fund collections for January fell below estimate by \$18.4 million (-0.6 percent). Fiscal-year-to-date (FYTD) collections are exceeding estimate by \$195.4 million (1.1 percent). The monthly shortfall was a result of lower than anticipated corporate net income tax (CNIT) and personal income tax (PIT) collections, which were partially offset by higher than expected sales and use tax (SUT) revenues.

CNIT collections of \$92.0 million for the month came in below projections by \$32.1 million (-25.8 percent) due to lower than expected final payments, which were \$40.3 million below estimate. Estimated payments for the month exceeded estimate by \$8.2 million. FYTD CNIT collections are \$32.1 million (2.0 percent) above estimate.

PIT collections for January were lower than predicted by \$49.3 million, due to a combination of withholding and quarterly payments, which were \$17.2 million (-1.6 percent) and \$38.8 million (-7.4 percent) below estimate, respectively. Annual payments came in \$6.7 million (34.2 percent) above projections for the month.

FYTD PIT collections surpass the forecast by \$20.7 million, driven by stronger than anticipated annual payments, which are \$59.1 million (25.4 percent) above estimate. This overage is partially offset by the lower than expected quarterly payments (-\$41.6 million, -3.4 percent).

Monthly SUT collections of \$1,079.3 million were \$25.0 million (2.4 percent) over estimate. Non-motor SUT collections surpassed estimate by \$24.1 million (2.6 percent) for January, while motor vehicle collections came in largely on target, at only \$0.9 million (0.7 percent) over estimate. FYTD SUT collections are short of estimate by \$13.6 million, due to non-motor collections.

Non-tax revenues came in above estimate by \$9.2 million for January, mainly due to escheats (\$11.8 million overage). FYTD non-tax revenues are exceeding estimate by \$71.0 million. Like the monthly overage, the FYTD differential is driven by escheat revenues which are \$99.5 million above projections. This overage is partially offset by the lower than projected licenses and fees revenues (-\$17.4 million).

FY 2019-20 Revenue Performance Through January

	January Collections			FY Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
General Fund	\$3,071.0	\$3,089.4	-\$18.4	\$18,712.0	\$18,516.6	\$195.4
Corporate Net Income	92.0	124.1	-32.1	1,664.3	1,632.2	32.1
SUT - Non-Motor	955.5	931.4	24.1	5,939.1	5,970.1	-31.0
SUT - Motor Vehicle	123.8	122.9	0.9	917.6	900.2	17.4
PIT - Withholding	1,058.7	1,075.9	-17.2	6,271.0	6,267.8	3.2
PIT - Non-Withholding	509.2	541.2	-32.0	1,480.5	1,463.0	17.5
Cigarette	64.6	58.0	6.6	618.7	616.5	2.2
Inheritance	92.8	82.9	10.0	648.5	599.7	48.9
Other Taxes	156.5	144.4	12.1	892.9	858.7	34.2
Non-Tax	17.9	8.7	9.2	279.4	208.5	71.0

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

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Oct-19	Nov-19	Dec-19	Jan-20	Oct-19	Nov-19	Dec-19	Jan-20
Unemployment Rate ¹	3.6%	3.5%	3.5%	n.a.	4.2%	4.3%	4.5%	n.a.
Net Job Gains (000s) ²	152.0	256.0	145.0	n.a.	34.5	39.4	38.0	n.a.
Average Gasoline Price ³	\$2.63	\$2.60	\$2.56	\$2.55	\$2.60	\$2.62	\$2.60	\$2.64
CPI-U All Items ⁴	1.8%	2.1%	2.3%	n.a.	1.9%	2.2%	2.4%	n.a.
Retail Sales ⁵	3.8%	3.5%	4.1%	n.a.	6.4%	5.1%	5.1%	5.1%
Consumer Sentiment Index ⁶	95.5	96.8	99.3	99.8	n.a.	n.a.	n.a.	n.a.

QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2019.1	2019.2	2019.3	2019.4	2019.1	2019.2	2019.3	2019.4
Gross Domestic Product ⁷	3.1%	2.0%	2.1%	2.1%	3.3%	1.7%	2.1%	n.a.
Net Job Gains (000s) ²	173.7	152.0	192.7	184.3	50.8	45.4	33.3	38.0
Personal Income ⁸	4.6%	4.7%	4.4%	4.3%	5.0%	5.1%	4.4%	n.a.
Wages and Salaries ⁹	5.0%	4.8%	4.6%	5.2%	4.6%	4.6%	4.3%	n.a.
CPI-U All Items ⁴	1.6%	1.8%	1.8%	2.0%	1.5%	2.0%	2.2%	2.2%
FHFA House Price Index ¹⁰	5.5%	5.2%	4.9%	n.a.	5.6%	5.1%	5.1%	n.a.

Economic Trends

- The Pennsylvania unemployment rate has been on the rise since August 2019 and climbed to 4.5 percent in December, largely due to higher labor force participation. Net job gains held steady for the month.
- Pennsylvania taxable retail sales continue to exhibit unusually strong growth largely driven by increases related to expanded nexus under Act 43-2017 and the *Wayfair* decision.
- The U.S. CPI-U and Philadelphia metro CPI-U increased by 0.2 percentage points in December, to 2.3 percent and 2.4 percent respectively.

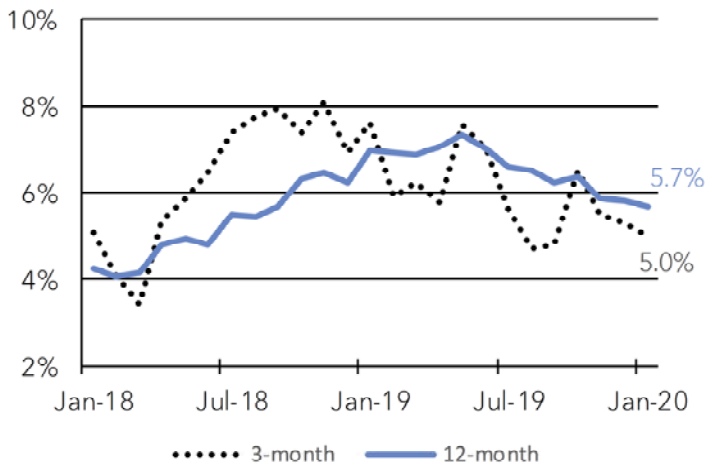
Sources and notes:

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.

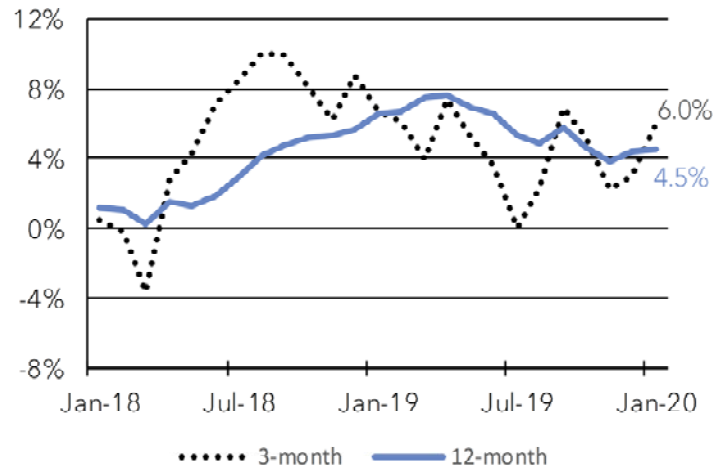
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

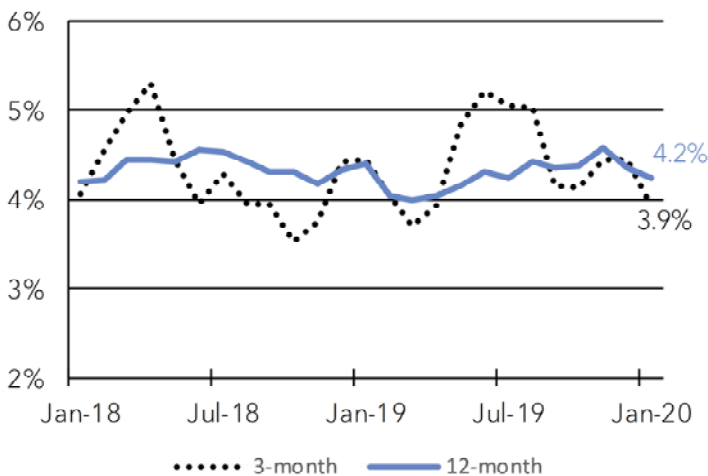
Sales and Use Tax – Non-Motor



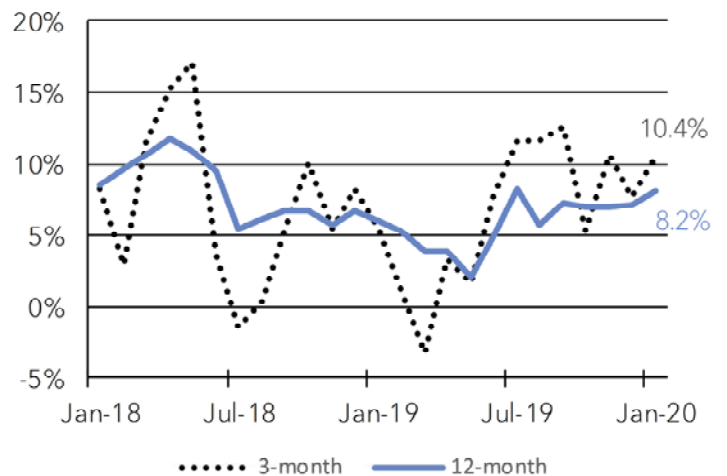
Sales and Use Tax – Motor



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 fell for the month as a very strong October was replaced by a weaker January. The 12-month non-motor SUT growth rate continues to hold steady.
- The 3-month motor vehicle SUT growth rate ticked upward, driven by a strong January, while the 12-month rate is unchanged.
- The 3-month and 12-month withholding growth rates fell for the month, as the January adjusted growth rate fell below 3 percent for the first time since February 2019.
- An unusually high year-over-year January growth rate drives an increase in the 3-month and 12-month realty transfer growth rates.

GENERAL FUND REVENUES SUMMARY

Revenue Source	January 2020	January 2019	FYTD 2019-20	FYTD 2018-19	Monthly Growth	FYTD Growth
Total General Fund	\$3,071.0	\$2,885.0	\$18,712.0	\$18,155.1	6.4%	3.1%
Total Tax Revenue	3,053.1	2,866.2	18,432.6	17,780.8	6.5	3.7
Total Corporation Taxes	134.0	143.1	1,785.2	1,800.5	-6.4	-0.9
Accelerated Deposits	(2.3)	0.5	1.9	0.9	n.a.	n.a.
Corporate Net Income	92.0	95.8	1,664.3	1,650.7	-3.9	0.8
Gross Receipts	3.3	1.4	37.0	56.7	130.5	-34.8
Utility Property	0.0	0.0	1.9	1.4	0.9	35.3
Insurance Premiums	38.8	30.3	58.6	53.8	28.0	8.9
Financial Institution	2.1	15.1	21.5	36.9	-86.1	-41.7
Total Consumption Taxes	1,184.4	1,103.4	7,804.0	7,610.7	7.3	2.5
Sales and Use - Total	1,079.3	1,002.1	6,856.7	6,629.8	7.7	3.4
Non-Motor	955.5	886.7	5,939.1	5,758.4	7.8	3.1
Motor Vehicle	123.8	115.3	917.6	871.4	7.3	5.3
Cigarette	64.6	62.2	618.7	661.0	3.8	-6.4
Other Tobacco Products	10.5	10.1	76.8	75.8	3.7	1.3
Malt Beverage	1.9	1.8	13.8	13.9	7.4	-1.2
Liquor	28.1	27.3	238.0	230.2	3.1	3.4
Total Other Taxes	1,734.7	1,619.7	8,843.4	8,369.5	7.1	5.7
Personal Income - Total	1,567.8	1,483.4	7,751.5	7,367.7	5.7	5.2
Withholding	1,058.7	1,010.8	6,271.0	6,057.8	4.7	3.5
Quarterly	482.7	449.6	1,189.1	1,079.1	7.4	10.2
Annual	26.4	23.0	291.4	230.8	14.9	26.2
Realty Transfer	49.5	42.9	330.4	319.8	15.3	3.3
Inheritance	92.8	80.2	648.5	597.9	15.8	8.5
Gaming	20.8	11.6	106.1	71.6	80.4	48.2
Minor and Repealed	3.8	1.7	6.9	12.6	128.5	-44.8
Total Non-Tax Revenue	17.9	18.8	279.4	374.3	-4.6	-25.3
State Store Fund Transfers	0.0	0.0	100.0	100.0	0.0	0.0
Lic., Fees & Miscellaneous	12.0	11.9	129.4	222.9	1.1	-42.0
Licenses and Fees	14.3	22.3	84.1	224.1	-35.9	-62.5
Miscellaneous	(2.2)	(10.4)	45.3	(1.2)	78.3	n.a.
Treasury	0.9	1.4	22.2	54.6	-36.0	-59.4
Escheats	(4.6)	(26.8)	2.0	(107.9)	82.7	101.9
Other Miscellaneous	1.5	15.1	21.0	52.0	-90.1	-59.6
Fines, Penalties & Interest	5.9	6.8	50.0	51.4	-14.5	-2.6

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