

IFO Revenue Estimate – General Fund Snapshot

June 15, 2016

This snapshot summarizes the Independent Fiscal Office’s (IFO) revised revenue estimate for FY15-16 and its official revenue estimate for FY16-17. The full report (available on the IFO [website](#)) contains additional detail, including a brief discussion of the economic outlook.

The revised General Fund revenue estimate of \$31.0 billion for FY15-16 represents an increase of \$406 million (1.3 percent) compared to FY14-15. Revenues for FY16-17 are projected to be \$31.7 billion, a \$662 million (2.1 percent) increase from the prior fiscal year. The FY16-17 estimate includes projected revenues from recent statutory changes to the Liquor Code.

Compared to the IFO’s May 3 release, the FY15-16 and FY16-17 baseline estimates (excluding the Liquor Code changes) declined by \$23 million and \$31 million, respectively, for a two-year reduction of \$54 million. Relative to the FY15-16 estimate certified by the governor in December, this estimate is \$127 million higher.

The economic forecast was revised to reflect recent trends in personal income tax withholding. Collections for this revenue source underperformed through the first five months of the calendar year, reducing the expected growth rate for the remainder of 2016 and 2017.

Highlights of the FY16-17 forecast include:

Corporate Net Income Tax – Revenues are projected to increase by 2.8 percent based on moderate growth rates for domestic, non-financial corporate profits in 2016 and 2017.

Personal Income Tax – Withholding revenues are projected to grow by 2.9 percent, based on restrained wage growth and a technical factor that results in one fewer withholding due date compared to the prior fiscal year. Non-withholding revenues are projected to outpace wage growth.

Non-Tax Revenues – Receipts are projected to decline due to (1) the absence of the non-recurring transfers received in FY15-16 and (2) a return to prior collection patterns for escheats as the temporary effects of the 2014 statutory changes diminish.

Liquor Code Amendments – The estimate includes \$106 million attributable to Act 39 of 2016, which made extensive changes to the Liquor Code. The changes include expanded wine permits, flexible pricing, auction of expired licenses, issuance of casino liquor licenses and various other provisions. The estimate incorporates tax revenue increases of \$21 million, additional transfers from the State Stores Fund to the General Fund of \$70 million and other non-tax collections of \$15 million.

General Fund Snapshot

Revenue Source	FY15-16	Growth	FY16-17	Growth
<u>General Fund - Total</u>	<u>\$30,999</u>	<u>1.3%</u>	<u>\$31,661</u>	<u>2.1%</u>
Corporate Net Income	2,843	1.1%	2,921	2.8%
<u>Sales and Use - Total</u>	<u>9,842</u>	<u>3.7%</u>	<u>10,188</u>	<u>3.5%</u>
Non-Motor	8,493	4.0%	8,807	3.7%
Motor Vehicle	1,349	1.7%	1,382	2.4%
<u>Personal Income - Total</u>	<u>12,561</u>	<u>3.7%</u>	<u>13,014</u>	<u>3.6%</u>
Withholding	9,397	3.6%	9,671	2.9%
Quarterly	1,821	10.9%	1,874	2.9%
Annual	1,344	-3.6%	1,470	9.4%
Other Tax Revenue	5,095	0.3%	4,960	-2.6%
Non-Tax Revenue	658	-40.2%	578	-12.3%

Note: dollar amounts in millions. Detail may not sum to total due to rounding.