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The monthly revenue report of October 2011 state tax collections was released today.

Results

- Total revenue collections were \$1,089 million, \$41 million more than projected by the revenue forecast updated on April 15, 2011. Total collections were \$130 million above collections for the same period last year (+13.6%).
- Sales tax collections totaled \$542 million for the month, \$49 million (+9.8%) above collections for the same period last year.
- Individual income tax collections totaled \$396 million for the month, \$79 million (+25.0%) above collections for the same period last year. Payroll withholdings increased 19.5% compared to the same period last year.

Commentary

Through the first four months of FY 2012, actual revenues lead the most recent forecast (April 15, 2011) by \$107.4 million. Sales tax collections increased 9.8% in October 2011 over the prior year; however, October 2010 sales tax collections experienced the lowest growth rate (0.2%) of any month in FY 2011. Thus, viewed over the past two years, sales tax collections in October have been relatively consistent with other months.

The 25.0% growth in individual income tax collections was mostly attributable to a 19.5% increase in withholdings. However, the significant growth in payroll withholding is primarily a timing issue related to the number of payrolls in a given month compared to that same month in the prior year (e.g., 3 payrolls in a month compared to only 2). It is estimated that individual income tax growth would have been 5% to 10% (rather than 25%) if normalized for this impact. In addition, the total growth rate in state tax collections of 13.6% would likely have been 7% to 9% if normalized for this timing issue. It is anticipated that payroll withholding reported for November revenue collections will be considerably lower as this issue reverses itself.

In recent months, Global Insight, which provides economic forecasts to the State of Indiana, and most other economists have downgraded expectations of national economic growth. The impact of those economic forecasts will be updated with the official revenue forecast on December 14, 2011.