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The monthly revenue report for April 2021 state tax collections was released today.

Note to readers: The monthly revenue estimates are based on the April 15, 2021 revenue forecast which considers revenue developments and the economic outlook presented on that date. This includes previously discussed changes in tax deadlines, payment timing, as well as assumptions related to federal and state policy actions leading up to the release of the forecast.

Information on the latest forecast is available at <https://www.in.gov/sba/2837.htm>

Fiscal Year 2021 begins on July 1, 2020 and ends June 30, 2021.

Results

- General Fund revenues for April totaled \$2,230.4 million, which is \$92.9 million (4.3%) above estimate based on the April 15, 2021 revenue forecast and \$996.2 million (80.7%) above revenue in April 2020.

Notably, monthly collections from sales tax, individual income tax, corporate adjusted gross income tax, and gaming taxes came in above monthly estimates and prior year actuals.

Year-over-year comparisons from April to June are particularly impacted by the different economic developments and federal policy actions associated with the onset of the pandemic since 2020 as well as the different tax payment schedules in FY 2020 and FY 2021 relative to the alignment of Indiana's tax filing and payment due dates with the federal deferral.

Overall, significant fluctuations are expected and large differences relative to prior year actuals are likely as the rapidly changing economic outlook and recent federal policy actions will most likely impact monthly collections. For instance, the extension of Indiana's tax filing and payment due date for individuals for the 2020 tax year from April 15, 2021 to May 17, 2021 will affect the timing of individual income tax payments and refunds.

The April 15, 2021 forecast has considered the revenue developments from July 2020 to March 2021, and the April monthly revenue report reflects the associated revised monthly estimates based on the latest assumptions available at the time of the release of the forecast.

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- Sales tax collections totaled \$872.3 million for April, which is \$42.1 million (5.1%) above the monthly estimate and \$265.9 million (43.8%) above revenue in April 2020.

Monthly collections attributable to sales tax excluding gasoline use tax were \$46.2 million above the monthly estimate and \$262.1 million above prior year actuals. The April performance, which mostly reflects March economic activity, shows a considerable uptick in growth relative to prior year actuals (44.1%) as April 2020 collections saw a particularly negative impact from the onset of the pandemic. Fiscal year-to-date collections are 11.3 percent above the same period a year ago.

Overall, monthly fluctuations from July 2020 to April 2021 are most likely influenced by unusual factors including the changing restrictions related to the pandemic, developments on the vaccine front, and recent federal policy actions on assistance programs, economic impact payments, interest rates, and more.

While it is difficult to identify the specific impact of the state enforcement of the recent changes in the taxation of remote sales on the year-to-date tax collections, some data on revenue collections attributable to compliance from marketplace facilitators continues to suggest robust year-over-year growth.

Gasoline use tax monthly collections came \$4.1 million below the monthly estimate but \$3.8 million above prior year actuals. Year-over-year comparisons are impacted by the onset of the pandemic in 2020 as well as the lower statutory share of total gasoline use tax collections distributed to the General Fund in FY 2021 relative to FY 2020.

- Individual income tax collections totaled \$940.3 million for April, which is \$17.4 million (1.9%) above the monthly estimate and \$463.1 million (97.1%) above revenue in April 2020.

As aforementioned, year-over year comparisons are impacted by the different tax payment schedules in FY 2020 and FY 2021 relative to the alignment of Indiana's tax filing and payment due dates with the federal deferral.

Monthly collections related to tax withholdings came in \$5.9 million below the monthly estimate and \$165.1 million above prior year actuals. Other monthly individual income tax collections, net of refunds, came in \$23.2 million above the monthly estimate and \$301.6 million above prior year actuals.

April withholdings tax collections, which mostly reflects March economic activity, shows a considerable uptick in growth relative to prior year actuals (22.4%) and prior months as April 2020 collections saw a particularly negative impact from the onset of the pandemic.

Other individual income tax collections, which include final and estimated payments as well as refunds, were most likely impacted by timing factors associated with the extension of Indiana's tax filing and payment due date for individuals for the 2020 tax year from April 15, 2021, to May 17, 2021. Additionally, the later opening of tax season in February 2021 instead of January 2021 has also impacted the timing of payments and refunds since January.

While it is too early to adequately interpret the trend in individual income tax collections prior to the May 17, 2021 tax deadline for the 2020 tax year, April estimated payments for the 2021 tax year came in about \$50 million above FY 2019 actuals.

Overall, April individual income tax collections should be interpreted within the context of the April-May period and the full fiscal year forecast. Historical data suggests that a large portion of returns, refunds, and payments that would historically be processed in April around the typical April 15 deadline will affect tax collections in May.

- Corporate tax collections totaled \$286.7 million for April, which is \$32.7 million (12.9%) above the monthly estimate and \$212.5 million (286.5%) above revenue in April 2020.

Collections attributable to corporate adjusted gross income tax came in \$46.7 million above the monthly estimate and \$206.7 million above prior year actuals. With estimated payments and final payments due in April, payments came in above the monthly estimate and prior year actuals, whereas refunds came in below prior year actuals.

As mentioned above with individual income taxes, year-over year comparisons in corporate tax collections are impacted by the different tax payment schedules in FY 2020 and FY 2021 relative to the alignment of Indiana's tax filing and payment due dates with the federal deferral.

Corporate tax collections will be better interpreted within the context of the April-June period as timing factors related to payments and refunds may impact monthly fluctuations.

- Riverboat wagering collections totaled \$39.4 million for April, which is \$8.1 million (25.8%) above the monthly estimate and \$39.4 million above revenue in April 2020 (no taxes were collected due to public health emergency closures).

Racino wagering collections totaled \$15.0 million for April, which is \$4.5 million (43.3%) above the monthly estimate and \$15.0 million above revenue in April 2020 (no taxes were collected due to public health emergency closures).

Commentary

Year-to-date General Fund revenues totaled \$15,105.3 million, which is \$99.1 million (0.7%) above the April 2021 revenue forecast and \$2,470.7 million (19.6%) above revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$7,434.3 million, which is \$59.4 million (0.8%) above the April 2021 revenue forecast and \$672.0 million (9.9%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$5,926.7 million, which is \$24.1 million (0.4%) above the April 2021 revenue forecast and \$1,486.8 million (33.5%) above collections through the same period in the prior fiscal year.

Year-to-date corporate tax collections totaled \$917.3 million, which is \$26.2 million (2.9%) above the April 2021 revenue forecast and \$386.2 million (72.7%) above collections through the same period in the prior fiscal year.

As previously noted, monthly collections for the period of July through April were atypically impacted by more than \$900 million in deferred and late payments initially attributable to FY 2020 and may have been influenced by unusual factors including the changing restrictions related to the pandemic, developments on the vaccine front, as well as recent changes in federal policy actions on unemployment insurance benefits, economic impact payments, interest rates, federal tax processing schedules, and more.

Going into the rest of the fiscal year, monthly collections and the year-to-date trend should be interpreted within the context of the full fiscal year forecast as significant fluctuations are expected, and deviations from monthly estimates are likely.

In addition to the rapidly changing economic outlook and federal policy actions, timing related aspects such as the later opening of tax season in February 2021 instead of January 2021, and the extension of Indiana's tax filing and payment due date for individuals for the 2020 tax year from April 15, 2021 to May 17, 2021 will affect monthly tax collections.