



STATE OF INDIANA

Eric J. Holcomb
Governor

STATE BUDGET AGENCY

212 State House
Indianapolis, Indiana 46204-2796
317-232-5610

Zachary Q. Jackson
Director

The monthly revenue report for August 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 2022 began on July 1, 2021 and ends June 30, 2022.

Results

- General Fund revenues for August totaled \$1,376.2 million, which is \$103.0 million (8.1%) above estimate based on the April 15, 2021 revenue forecast and \$16.0 million (1.2%) above revenue in August 2020.

Notably, monthly collections from sales tax, individual income tax, and corporate adjusted gross income tax came in above monthly estimates and are driving this month's better than expected performance.

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

Prior year tax collections were atypically impacted by approximately \$80 million of late individual income tax payments that were initially due before August 2020. Those payments were attributable to federal policy actions on unemployment insurance benefits at the time.

Overall, August is a relatively lower revenue activity month and revenues will be better interpreted across several months as payment timing can influence monthly differences relative to estimates and prior year actuals. Monthly fluctuations are expected going forward as tax collections are influenced by seasonal factors as well as changing dynamics compared to FY 2021 relative to the pandemic and evolving federal policy actions on assistance programs, economic impact payments, interest rates, and more.

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- Sales tax collections totaled \$805.5 million for August, which is \$50.1 million (6.6%) above the monthly estimate and \$71.2 million (9.7%) above revenue in August 2020.

Monthly collections attributable to sales tax excluding gasoline use tax were \$49.3 million above the monthly estimate and \$69.3 million above prior year actuals. The August performance, which mostly reflects July economic activity, shows continued momentum in growth relative to prior year actuals (9.6%). July 2020 was impacted by unusual factors such as the changing restrictions related to the pandemic.

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 \$0.8 million above the monthly estimate and \$1.9 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 \$503.3 million for August, which is \$27.8 million (5.8%) above the monthly estimate but \$65.0 million (11.4%) below revenue in August 2020.

Monthly collections related to tax withholdings came in \$24.1 million above the monthly estimate and \$32.4 million below prior year actuals. Other monthly individual income tax collections, net of refunds, came in \$3.6 million above the monthly estimate and \$32.7 million below prior year actuals.

Prior year withholdings tax collections were atypically impacted by approximately \$80 million of late payments that were initially due before August 2020. Those payments were attributable to federal policy actions on unemployment insurance benefits at the time. Excluding this factor, monthly withholdings tax collections are above prior year actuals.

As there are no significant due dates for estimated payments and final payments this August, individual income tax collections should be interpreted over the next few months. With important quarterly due dates, September, January, April, and June are the most important revenue months for individual income taxes.

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- Corporate tax collections totaled \$11.9 million for August, which is \$21.3 million (227.1%) above the monthly estimate but \$0.05 million (0.4%) below revenue in August 2020.

Notably, collections attributable to corporate adjusted gross income tax came in \$20 million above the monthly estimate and \$0.9 million below prior year actuals.

While August is a relatively lower revenue activity month, payments attributable to corporate adjusted gross income tax were above monthly estimate and refunds were lower than estimate.

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 2021 relative to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15, 2020.

As there are no significant due dates for estimated payments and final payments this August, corporate tax collections should be interpreted over the next few months. With important quarterly due dates, September, December, April, and June are the most important revenue months for corporate taxes.

- Riverboat wagering collections totaled \$7.4 million for August, which is \$1.6 million (28.2%) above the monthly estimate and \$2.4 million (47.4%) above revenue in August 2020.

Racino wagering collections totaled \$10.8 million for August, which is \$0.7 million (6.7%) above the monthly estimate and \$1.3 million (14.3%) above revenue in August 2020.

With the changing restrictions related to the pandemic since 2020 and recent legislative changes impacting Indiana gaming activity, gaming collections will be better interpreted in the coming months relative to the full fiscal year outlook.

Commentary

Year-to-date General Fund revenues totaled \$2,711.2 million, which is \$168.2 million (6.6%) above the April 2021 revenue forecast but \$648.3 million (19.3%) below revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$1,635.9 million, which is \$88.1 million (5.7%) above the April 2021 revenue forecast and \$137.9 million (9.2%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$922.5 million, which is \$28.0 million (3.1%) above the April 2021 revenue forecast but \$667.2 million (42.0%)

below collections through the same period in the prior fiscal year. Prior fiscal year collections were impacted by approximately \$700 million of payments initially due in FY 2020 but collected in FY 2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15, 2020.

Year-to-date corporate tax collections totaled \$55.4 million, which is \$50.2 million (950.4%) above the April 2021 revenue forecast but \$126.9 million (69.6%) below collections through the same period in the prior fiscal year. Prior fiscal year collections were impacted by approximately \$200 million of payments initially due in FY 2020 but collected in FY 2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15, 2020.

Comparisons to estimates and prior year actuals will be better interpreted over the coming months as most of the important tax payment due dates and seasonally higher economic activity months are ahead. For perspective, the period of December to June historically represents about 63 percent of the full fiscal year tax collections.

Overall, 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.

As previously noted, monthly collections will be influenced by multiple factors including federal tax deadlines, tax payment timing, 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.