



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 December 2020 state tax collections was released today.

Note to readers: The monthly revenue estimates are based on the December 16, 2020 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 federal and state policy actions.

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 December totaled \$1,457.8 million, which is \$4.9 million (0.3%) above estimate based on the December 16, 2020 revenue forecast but \$73.6 million (4.8%) below revenue in December 2019.

Total monthly General Fund revenues are better interpreted relative to the current year monthly estimate in December due to individual income taxes, specifically withholdings, being relatively inflated in December 2019 because of the 5 Fridays effect. The following section on individual income taxes provides more details.

Regarding the monthly performance, slightly better than expected monthly collections from sales tax, individual income taxes and corporate adjusted gross income tax outweighed lower than expected monthly collections in gaming taxes and other revenues.

As of the end of November 2020, General Fund revenues were \$901.2 million above the December 2019 forecast mostly due to nearly \$900 million of income tax payments estimated to have been deferred from FY 2020 to FY2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15. Additionally, an estimated \$50 million of individual income tax payments, attributable to taxes due in FY 2020 for recent federal policy actions on unemployment insurance benefits, were collected in August of FY 2021.

The December 16, 2020 forecast has considered the revenue developments from July 2020 to December 2020, and the December monthly revenue report reflects these revised monthly estimates based on the latest assumptions available at the time of the release of the forecast.

- Sales tax collections totaled \$718.2 million for December, which is \$4.0 million (0.6%) above the monthly estimate and \$31.2 million (4.5%) above revenue in December 2019.

Monthly collections attributable to sales tax excluding gasoline use tax were \$7.3 million above the current year monthly estimate and \$36.9 million above prior year actuals. The December performance continues to show a positive trend relative to prior year actuals, following an 8 percent year-over year growth for the period of July to November. December monthly collections, which mostly reflect November economic activity, grew by about 5.5 percent. In comparison, relative to prior year actuals, monthly collections grew by about 15.7 percent in July, 7.8 percent in August, 2.5 percent in September, 8.5 percent in October and 8.6 percent in November.

Overall, monthly fluctuations from July 2020 to December 2020 may have been influenced by unusual factors including the phased reopening of the economy in June, positive trend in financial market performance, and recent federal policy actions on assistance programs, economic impact payments, interest rates and more. For instance, national data on retail sales across various sub-categories show higher than expected year-over-year growth from June to November.

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 fiscal year-to-date tax collections, some data on revenue collections attributable to compliance from marketplace facilitators suggest robust year-over-year growth.

On gasoline use tax, lower than expected gasoline consumption and gasoline use tax rates continued to weigh on gasoline use tax collections, as has been seen since March 2020. Additionally, monthly collections to the General Fund are also lower than prior year actuals because the statutory share of total gasoline use tax collections distributed to the General Fund in FY 2021 is lower than in FY 2020.

- Individual income tax collections totaled \$452.3 million for December, which is \$3.4 million (0.8%) above the monthly estimate but \$59.9 million (11.7%) below revenue in December 2019.

Monthly collections related to tax withholdings came in \$6.4 million above the monthly estimate and \$71.9 million below prior year actuals. Other monthly individual income tax collections, net of refunds, came in \$3.0 million below the monthly estimate and \$12.0 million above prior year actuals.

December withholdings tax collections are better interpreted relative to the current year monthly estimate because December 2019 was positively impacted

by the 5 Fridays effect and December 2020 was not. Historically, the number of Fridays affects the timing of payments from month to month and the revenue impact has typically been between 10 to 20 percent greater whenever a month has one more Friday than the more common four Fridays in a month.

- Corporate tax collections totaled \$161.2 million for December, which is \$2.9 million (1.8%) above the monthly estimate but \$16.0 million (9.0%) below revenue in December 2019.

Collections attributable to corporate adjusted gross income tax came in \$5.1 million above the current year monthly estimate and \$2.6 million above prior year actuals. As the fiscal year-to-date trend shows, both payments and refunds continue to trend above prior year actuals.

Additionally, monthly collections attributable to utility receipt tax have come in \$2.0 million below the current year monthly estimate and \$18.3 million below prior year actuals. The difference compared to prior year actuals is due to the timing of refunds.

- Riverboat wagering collections totaled \$19.2 million for December, which is \$2.2 million (10.1%) below the monthly estimate and \$6.5 million (25.2%) below revenue in December 2019.

Racino wagering collections totaled \$7.1 million for December, which is \$2.2 million (24.1%) below the monthly estimate and \$1.5 million (17.4%) below revenue in December 2019.

Commentary

Year-to-date sales tax collections totaled \$4.360.0 million, which is \$7.9 million (0.2%) above the December 2020 revenue forecast and \$261.2 million (6.4%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$3,476.8 million, which is \$2.1 million (0.1%) above the December 2020 revenue forecast and \$742.2 million (27.1%) above collections through the same period in the prior fiscal year.

Year-to-date corporate tax collections totaled \$584.0 million, which is \$3.3 million (0.6%) above the December 2020 revenue forecast and \$167.7 million (40.3%) above collections through the same period in the prior fiscal year.

Overall, monthly collections for the period of July through December were atypically impacted by deferred and late payments initially attributable to FY 2020 and may have been influenced by unusual factors including the phased reopening of the economy in

June as well as recent changes in federal policy actions on unemployment insurance benefits, economic impact payments, interest rates and more.

As a larger share of total General Fund revenue forecasted for Fiscal Year 2021 is still to be collected between January and June, fiscal year-to-date revenues should be interpreted within the context of the full fiscal year forecast. For instance, with most income tax payments due in April, income tax collections will be better interpreted after April 2021.

Going into the rest of the fiscal year, significant fluctuations are expected and deviations from monthly estimates are likely as the rapidly changing economic outlook and federal policy actions will most likely impact monthly collections.