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The monthly revenue report for October 2022 state tax collections was released today.

Note to readers: The monthly revenue estimates are based on the December 16, 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 2023 began on July 1, 2022 and ends June 30, 2023.

Results

- General Fund revenues for October totaled \$1,654.1 million, which is \$184.7 million (12.6%) above estimate based on the December 16, 2021 revenue forecast and \$283.5 million (20.7%) above revenue in October 2021.

Notably, better-than-expected collections from sales tax, individual income tax and corporate taxes are driving revenues above the monthly estimate and prior year actuals.

Due to a delay in income tax payment processing, approximately \$64 million of individual income tax collections and \$6 million of corporate tax collections were reported in October instead of September. Excluding this processing delay, General Fund revenues for October would have totaled \$1,583.5 million, which would be \$114.1 million (7.8%) above monthly estimate and \$212.9 million (15.5%) above revenue in October 2021.

Differences relative to monthly estimates and prior year actuals will be influenced by various factors including payment timing, federal policy actions, and legislative acts passed since the December 2021 forecast.

- Sales tax collections totaled \$861.2 million for October, which is \$36.3 million (4.4%) above the monthly estimate and \$67.0 million (8.4%) above revenue in October 2021.

Monthly collections attributable to sales tax excluding gasoline use tax were \$34.0 million above the monthly estimate and \$69.0 million (8.8%) above prior year actuals. The October performance, which mostly reflects September

economic activity, shows continued momentum in growth relative to prior year actuals.

Gasoline use tax monthly collections came in \$2.3 million above the monthly estimate but \$2.0 million (13.7%) below prior year actuals. Notably, the gasoline use tax rate was above the monthly estimate and prior year actuals.

- Individual income tax collections totaled \$687.3 million for October, which is \$121.4 million (21.4%) above the monthly estimate and \$221.7 million (47.6%) above revenue in October 2021.

Monthly collections related to tax withholdings came in \$35.6 million above the monthly estimate and \$173.2 million (25.3%) above prior year actuals. Other monthly individual income tax collections, net of refunds, came in \$85.7 million above the monthly estimate and \$48.5 million (22.2%) above prior year actuals.

For perspective, October withholdings tax collections are better interpreted relative to the current year monthly estimate because October 2022 was positively impacted by the five Fridays effect and October 2021 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 the fifth Friday compared to the more common four Fridays in a month.

Other monthly individual income tax collections were positively impacted by approximately \$64 million of individual income tax collections that were reported in October instead of September due to a delay in income tax payment processing. Excluding this payment delay, total individual income tax collections would have totaled \$623.0 million for October, which is \$57.1 million (10.1%) above the monthly estimate and \$157.5 million (33.8%) above revenue in October 2021.

With important quarterly payment due dates, September, January, April, and June are the most important revenue months for individual income taxes.

- Corporate tax collections totaled \$30.3 million for October, which is \$22.4 million (282.0%) above the monthly estimate but \$4.7 million (13.5%) below revenue in October 2021.

Monthly collections attributable to corporate adjusted gross income tax were \$24.8 million above the monthly estimate but \$2.8 million (8.7%) below prior year actuals. Utility receipts tax and utility services use tax collections (tax repeal on July 1, 2022) came in \$2.4 million below the monthly estimate and \$1.9 million below prior year actuals.

Approximately \$6 million of corporate tax collections were reported in October instead of September due to a delay in income tax payment processing. Excluding this payment delay, corporate tax collections would have totaled \$23.9 million for October, which is \$16.0 million (201.7%) above the monthly estimate but \$11.1 million (31.7%) below revenue in October 2021.

With important quarterly payment due dates, September, December, April, and June are the most important revenue months for corporate taxes.

- Riverboat wagering tax collections totaled \$18.5 million for October, which is \$3.0 million (13.8%) below the monthly estimate and \$8.2 million (30.6%) below revenue in October 2021.

Racino wagering tax collections totaled \$10.0 million for October, which is \$0.4 million (3.5%) below the monthly estimate but \$0.4 million (4.5%) above revenue in October 2021.

As previously mentioned, timing changes in the reporting of collections from gaming taxes (SEA 382-2022) will affect the first few months of the fiscal year. The timing impact is not expected to affect the full fiscal year forecast.

Commentary

Year-to-date General Fund revenues totaled \$6,565.3 million, which is \$302.9 million (4.8%) above the December 2021 revenue forecast and \$575.0 million (9.6%) above revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$3,491.7 million, which is \$105.7 million (3.1%) above the December 2021 revenue forecast and \$230.3 million (7.1%) above collections through the same period in the prior fiscal year.

Year-to-date collections attributable to sales tax excluding gasoline use tax are \$89.6 million (2.7%) above the December 2021 revenue forecast and \$231.1 million (7.2%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$2,405.6 million, which is \$124.9 million (5.5%) above the December 2021 revenue forecast and \$331.3 million (16.0%) above collections through the same period in the prior fiscal year.

Year-to-date corporate tax collections totaled \$307.3 million, which is \$7.8 million (2.5%) below the December 2021 revenue forecast and \$55.9 million (15.4%) below collections through the same period in the prior fiscal year. Lower year-to-date tax collections from the utility receipts tax and utility services use tax (tax repeal on July 1, 2022) outweighed better-than-expected year-to-date corporate adjusted gross income tax collections.

Comparisons to estimates and prior year actuals will be better interpreted over the coming months as most revenue activity occurs between December and June.

As previously noted, monthly collections will be influenced by various factors including payment timing, federal policy actions, and legislative acts passed since the December 2021 forecast.