



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 February 2021 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 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 February totaled \$1,022.7 million, which is \$147.6 million (16.9%) above estimate based on the December 16, 2020 revenue forecast and \$100.0 million (10.8%) above revenue in February 2020.

Notably, monthly collections from sales tax and individual income tax came in above monthly estimates and prior year actuals. With the later opening of tax season by the federal government in February 2021 compared to late January in 2020, individual income tax refunds were more than \$130 million below the monthly estimate and about \$125 million below prior year actuals.

Overall, significant fluctuations are expected and deviations from monthly estimates and prior year actuals are likely as the rapidly changing economic outlook and federal policy actions will most likely impact monthly collections.

With April and June being the months with the highest revenue activity, monthly fluctuations and the fiscal year to date trend should be interpreted within the context of the full fiscal year forecast.

- Sales tax collections totaled \$695.2 million for February, which is \$62.4 million (9.9%) above the monthly estimate and \$62.0 million (9.8%) above revenue in February 2020.

Monthly collections attributable to sales tax excluding gasoline use tax were \$61.6 million above the monthly estimate and \$68.9 million above prior year actuals. The February performance, which mostly reflects January economic activity, continues to show a positive trend relative to prior year actuals (11.2%), following a 7.6 percent year-over year growth for the period of July to January.

Overall, monthly fluctuations from July 2020 to February 2021 may have been influenced by unusual factors including the changing restrictions related to the pandemic and recent federal policy actions on assistance programs, economic impact payments, interest rates and more. National level data suggests that federal policy actions passed in late December 2020 impacted incomes and the overall economy at the end of December 2020.

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.

Gasoline use tax monthly collections came in line with monthly estimates but below prior year actuals. Notably, gasoline consumption and gasoline use tax rates continued to trend below prior year, 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 \$278.4 million for February, which is \$90.6 million (48.3%) above the monthly estimate and \$85.5 million (44.4%) above revenue in February 2020.

Monthly collections related to tax withholdings came in \$36.8 million below the monthly estimate and \$33.7 million below prior year actuals. Other monthly individual income tax collections, net of refunds, came in \$127.5 million above the monthly estimate and \$119.2 million above prior year actuals.

While refunds are historically high in February, the later opening of tax season by the federal government in February 2021 compared to late January in 2020 most likely impacted the amount of refunds issued. Individual income tax refunds were more than a \$130 million below the monthly estimate and about \$125 million below prior year actuals.

As more returns are processed, refunds could increase above monthly estimates starting in March and converge back towards the projected trend on a fiscal year-to-date basis. Overall, fiscal year-to-date collections over the coming months and particularly between April and June will provide a better perspective as the timing of payments and refunds becomes less of a factor.

- Corporate tax collections totaled negative \$26.2 million for February, which is \$1.0 million (4.0%) below the monthly estimate and \$15.0 million (134.3%) below revenue in February 2020.

Collections attributable to corporate adjusted gross income tax came in \$2.9 million below the monthly estimate and \$29.8 million below prior year actuals. While February sees a relatively smaller amount of payment activity compared to other months, payments came in above monthly estimate but below prior year actuals whereas refunds came in above monthly estimate and prior year actuals.

As mentioned above with individual income taxes, corporate taxes will be better interpreted in the coming months as a large portion of revenue and refund activity happens between April and June.

- Riverboat wagering collections totaled \$21.4 million for February, which is \$4.7 million (17.9%) below the monthly estimate and \$14.0 million (39.6%) below revenue in February 2020.

Racino wagering collections totaled \$8.7 million for February, which is \$2.5 million (22.1%) below the monthly estimate and \$3.8 million (30.5%) below revenue in February 2020.

Commentary

Year-to-date General Fund revenues totaled \$11,713.7 million, which \$396.9 million (3.5%) above the December 2020 revenue forecast and \$1,410.8 million (13.7%) above revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$5,915.4 million, which is \$127.3 million (2.2%) above the December 2020 revenue forecast and \$361.8 million (6.5%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$4,600.0 million, which is \$241.6 million (5.5%) above the December 2020 revenue forecast and \$1,023.4 million (28.6%) above collections through the same period in the prior fiscal year.

Year-to-date corporate tax collections totaled \$587.3 million, which is \$42.5 million (7.8%) above the December 2020 revenue forecast and \$155.2 million (35.9%) above collections through the same period in the prior fiscal year.

As previously noted, monthly collections for the period of July through February 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 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, federal tax processing schedules and more.

With April and June being the months with the highest revenue activity, monthly fluctuations and the fiscal year to date trend 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.