



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 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 2022 began on July 1, 2021 and ends June 30, 2022.

Results

- General Fund revenues for February totaled \$1,135.3 million, which is \$136.1 million (13.6%) above estimate based on the December 16, 2021 revenue forecast and \$112.6 million (11.0%) above revenue in February 2021.

Notably, better than expected collections from individual income tax and corporate taxes outweighed lower than expected collections in sales tax, gaming taxes, and others.

Monthly fluctuations and year-over-year comparisons are influenced by refunds and payment timing, seasonal factors as well as changing dynamics compared to FY 2021 relative to the pandemic, tax deadlines, and evolving federal policy actions on assistance programs, economic impact payments, interest rates, and more.

- Sales tax collections totaled \$761.5 million for February, which is \$8.3 million (1.1%) below the monthly estimate but \$66.3 million (9.5%) above revenue in February 2021.

Monthly collections attributable to sales tax excluding gasoline use tax were \$7.7 million below the monthly estimate but \$64.5 million above prior year actuals. The February performance, which mostly reflects January economic activity, shows continued momentum in growth relative to prior year actuals (9.4%).

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, estimates on revenue collections attributable to compliance from marketplace facilitators continue to suggest robust year-over-year growth.

Gasoline use tax monthly collections came in \$0.6 million below the monthly estimate and \$1.8 million above prior year actuals. Despite lower taxable gallons and the lower statutory share of collections distributed to the General Fund in FY 2022 relative to FY 2021, the gasoline use tax rate was above prior year actuals.

- Individual income tax collections totaled \$284.2 million for February, which is \$112.3 million (65.4%) above the monthly estimate and \$5.9 million (2.1%) above revenue in February 2021.

Monthly collections related to tax withholdings came in \$8.8 million above the monthly estimate and \$64.8 million above prior year actuals. Other monthly individual income tax collections, net of refunds, came in \$103.5 million above the monthly estimate and \$58.9 million below prior year actuals.

Lower than expected refunds in February drive most of the difference between actuals and monthly estimate. Due to refunds and payment timing, individual income tax collections are historically better interpreted looking at the January to April perspective.

February withholdings tax collections are better interpreted relative to the current year monthly estimate because February 2022 was not impacted by the 5 Fridays effect while February 2021 was. 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.

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 \$14.7 million for February, which is \$47.2 million (145.4%) above the monthly estimate and \$41.0 million (156.3%) above revenue in February 2021.

Monthly collections attributable to corporate adjusted gross income tax came in \$45.9 million above the monthly estimate and \$41.5 million above prior year actuals.

Lower than expected refunds in February drive most of the difference between actuals and the monthly estimate. Due to refunds and payment timing, corporate tax collections are historically better interpreted looking at the longer-term perspective going into the end of the fiscal year.

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

- Riverboat wagering collections totaled \$22.0 million for February, which is \$10.2 million (31.7%) below the monthly estimate but \$0.6 million (2.6%) above revenue in February 2021. Due to payment timing, a significant portion of the payments initially projected to be collected in February will instead be posted in March. Collections are projected to come back in line with fiscal year-to-date estimates after March.
- Racino wagering collections totaled \$12.0 million for February, which is \$0.9 million (6.8%) below the monthly estimate but \$3.3 million (37.9%) above revenue in February 2021.

Commentary

Year-to-date General Fund revenues totaled \$12,164.4 million, which is \$200.6 million (1.7%) above the December 2021 revenue forecast and \$450.7 million (3.8%) above revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$6,634.7 million, which is \$16.6 million (0.2%) below the December 2021 revenue forecast but \$719.3 million (12.2%) above collections through the same period in the prior fiscal year. Year-to-date collections attributable to sales tax excluding gasoline use tax are \$18.7 million below the December 2021 revenue forecast but \$692.1 million (11.9%) above collections through the same period in the prior fiscal year. Year-to-date collections attributable to gasoline use tax are \$2.1 million above the December 2021 revenue forecast and \$27.2 million (31.5%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$4,229.6 million, which is \$164.3 million (4.0%) above the December 2021 revenue forecast but \$370.4 million (8.1%) 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 \$636.7 million, which is \$69.0 million (12.2%) above the December 2021 revenue forecast and \$49.4 million (8.4%) above 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 several important tax payment due dates and seasonally higher

economic activity months are ahead. For perspective, about 45% of the total General Fund revenue forecasted for Fiscal Year 2022 is projected to be collected between February and June.

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 temporary and seasonal economic dynamics, tax payment timing, changing restrictions related to the pandemic, developments on the vaccine front, as well as changes in federal policy actions on unemployment insurance benefits, economic impact payments, interest rates, and more.