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The monthly revenue report for March 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 March totaled \$1,462.9 million, which is \$167.9 million (13.0%) above estimate based on the December 16, 2021 revenue forecast and \$301.7 million (26.0%) above revenue in March 2021.

Notably, better than expected collections from sales, individual income, corporate, and gaming taxes, as well as miscellaneous revenues came in above monthly estimates and are driving this month's better than expected performance.

Monthly fluctuations are influenced by refunds, payment timing, and seasonal factors. Year-over-year comparisons to FY 2021 must be considered 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 \$732.8 million for March, which is \$20.8 million (2.9%) above the monthly estimate and \$86.2 million (13.3%) above revenue in March 2021.

Monthly collections attributable to sales tax excluding gasoline use tax were \$20.6 million above the monthly estimate and \$84.3 million (13.3%) above prior year actuals. The March performance, which mostly reflects February economic activity, shows continued momentum in growth relative to prior year actuals.

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 \$0.2 million over the monthly estimate and \$2.0 million (17.4%) 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 \$537.2 million for March, which is \$78.5 million (17.1%) above the monthly estimate and \$150.7 million (39.0%) above revenue in March 2021.

Monthly collections related to tax withholdings came in \$18.3 million above the monthly estimate and \$92.6 million (12.4%) above prior year actuals. Other monthly individual income tax collections, net of refunds, came in \$60.2 million above the monthly estimate and \$58.2 million (16.2%) above prior year actuals.

The combination of higher-than-expected non-withholding payments, IT-6WTH payments (partnerships' non-resident withholdings) and lower-than-expected refunds in March drives most of the difference between actuals and monthly estimates. Due to the timing of refunds and payments, individual income tax collections are historically better interpreted looking at the January to April perspective.

With important quarterly payment due dates, April and June are the most important months remaining this fiscal year for individual income taxes.

- Corporate tax collections totaled \$61.3 million for March, which is \$33.6 million (121.8%) above the monthly estimate and \$17.9 million (41.3%) above revenue in March 2021.

The combination of higher-than-expected payments and lower-than-expected refunds in March drives most of the difference between actuals and monthly estimates. Due to the timing of refunds and payments, 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, April and June are the most important months remaining this fiscal year for corporate taxes.

- Riverboat wagering collections totaled \$55.0 million for March, which is \$14.6 million (36.1%) above the monthly estimate and \$23.7 million (75.7%) above revenue in March 2021. Due to payment timing, a significant portion of the payments initially projected to be collected in February were posted in March.

- Racino wagering collections totaled \$13.2 million for March, which is \$1.1 million (7.6%) below the monthly estimate but \$0.5 million (3.8%) above revenue in March 2021.

Commentary

Year-to-date General Fund revenues totaled \$13,627.3 million, which is \$368.5 million (2.8%) above the December 2021 revenue forecast and \$752.4 million (5.8%) above revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$7,367.6 million, which is \$4.3 million (0.1%) above the December 2021 revenue forecast and \$805.6 million (12.3%) above collections through the same period in the prior fiscal year.

Year-to-date collections attributable to sales tax excluding gasoline use tax are \$1.9 million (0.0%) above the December 2021 revenue forecast and \$776.4 million (12.0%) above collections through the same period in the prior fiscal year. Year-to-date collections attributable to gasoline use tax are \$2.3 million above the December 2021 revenue forecast and \$29.2 million (29.9%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$4,766.8 million, which is \$242.8 million (5.4%) above the December 2021 revenue forecast but \$219.6 million (4.4%) 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 \$698.0 million, which is \$102.6 million (17.2%) above the December 2021 revenue forecast and \$67.4 million (10.7%) 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 35% of the total General Fund revenue forecasted for Fiscal Year 2022 is projected to be collected between April 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.