



# STATE OF INDIANA

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The monthly revenue report for May 2020 state tax collections was released today.

### Results

- General Fund revenues for May totaled \$952.4 million, which is \$233.3 million (19.7%) below estimate based on the December 20, 2019 revenue forecast and \$187.4 million (16.4%) below revenue in May 2019.

Year-to-date General Fund collections totaled \$13,587.0 million, which is \$1,163.7 million (7.9%) below the December 2019 revised revenue forecast and \$774.8 million (5.4%) below collections through the same period in the prior fiscal year.

Overall, lower than expected tax collections across all categories combined to drive revenues below current year estimates and prior year actuals both on a monthly and fiscal year-to-date basis.

While May tax collections mostly reflect April economic dynamics and continued stay-at-home orders, June will most likely be impacted by the rapidly changing economic outlook, the easing of stay-at-home restrictions and the deferral of payments to July.

Note: The monthly revenue estimates are based on the December 20, 2019 revenue forecast and include the estimated impact of legislative actions taken by the General Assembly in the 2019 legislative session. The monthly revenue estimates do not include any developments since December 2019.

- Sales tax collections totaled \$583.4 million for May, which is \$102.2 million (14.9%) below the monthly estimate and \$88.3 million (13.1%) below revenue in May 2019. Notably, the recent stay-at-home orders, effective in March, both statewide and beyond, likely affected various taxable activities. In particular, sales tax (excluding gasoline use tax) collections were \$74.4 million below prior year actuals and gasoline use tax collections were \$13.7 million below the monthly estimate.

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 an uptick in May. On gasoline use tax, gasoline consumption and gasoline use tax rates were lower than monthly estimates and prior year actuals. Gasoline use tax collections are better interpreted relative to

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current year monthly estimates as the share of total gasoline use tax collections distributed to the General Fund has decreased from last fiscal year.

- Individual income tax collections totaled \$336.1 million for May, which is \$62.8 million (15.7%) below the monthly estimate and \$36.8 million (9.9%) below revenue in May 2019. While tax collections from withholdings came in below the monthly estimate and prior year actuals, refunds came in below the monthly estimate and some payments were made ahead of the July 15<sup>th</sup> deadline.

Withholding tax collections came in \$82.0 million below the monthly estimate and \$46.4 million below prior year actuals. Other individual income tax collections, mostly attributable to final and estimated payments net of refunds, came in \$19.1 million above the monthly estimate and \$9.5 million above prior year actuals.

- Corporate tax collections totaled \$7.9 million for May, which is \$10.4 million (56.7%) below the monthly estimate and \$10.8 million (57.7%) below revenue in May 2019. Corporate adjusted gross income tax collections came in \$8.2 million below the monthly estimate and \$11.3 million below prior year actuals. Additionally, corporate refunds continue to come in lower than current year estimates both on a monthly and fiscal year to date basis.

Similarly to individual income tax collections, deviations from monthly estimates and monthly fluctuations in corporate tax collections will continue to be impacted by the extension of due dates to July 15.

- Riverboat wagering collections totaled \$0.0 million for May, which is \$36.3 million (100%) below the monthly estimate and \$36.4 million (100%) below revenue in May 2019.

Racino wagering collections totaled \$0.0 million for May, which is \$13.1 million (100%) below the monthly estimate and \$11.6 million (100%) below revenue in May 2019.

May monthly tax collections related to riverboats and racinos were affected by the statewide closures effective since March. Future tax collections will be influenced by the timing of casino openings and economic conditions.

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Commentary

Year-to-date sales tax collections totaled \$7,345.8 million, which is \$158.7 million (2.1%) below the December 2019 revenue forecast but \$106.4 million (1.5%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$4,776.1 million, which is \$782.4 million (14.1%) below the December 2019 revenue forecast and \$676.3 million (12.4%) below collections through the same period in the prior fiscal year.

Year-to-date corporate tax collections totaled \$539.1 million, which is \$109.0 million (16.8%) below the December 2019 revenue forecast and \$118.6 million (18.0%) below collections through the same period in the prior fiscal year.

Going into June, significant fluctuations are expected and deviations from monthly estimates are likely as the rapidly changing economic outlook will most likely impact monthly collections. Additional uncertainty will persist over the coming months, particularly with individual income tax and corporate taxes, with the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15.