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The monthly revenue report for May 2023 state tax collections was released today.

Note to readers: The monthly revenue estimates are based on the April 19, 2023 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 May totaled \$1,541.2 million, which is \$14.2 million (0.9%) above estimate based on the April 19, 2023 revenue forecast but \$191.2 million (11.0%) below revenue in May 2022.

Notably, better-than-expected collections from corporate adjusted gross income tax, gaming taxes and interest outweighed lower-than-expected collections from sales tax and individual income tax.

Differences relative to monthly estimates and prior year actuals will be influenced by various factors including payment timing, federal policy actions, and changes to law.

- Sales tax collections totaled \$853.6 million for May, which is \$19.3 million (2.2%) below the monthly estimate but \$6.8 million (0.8%) above revenue in May 2022.

Monthly collections attributable to sales tax excluding gasoline use tax were \$19.5 million below the monthly estimate but \$14.0 million (1.7%) above prior year actuals. The May performance of 1.7% year-over-year growth, which mostly reflects April economic activity, compares to -0.5% year-over-year growth in April and 5.9% year-over-year growth for the period of July through April.

Gasoline use tax monthly collections came in \$0.2 million above the monthly estimate but \$7.3 million (40.1%) below prior year actuals. Gasoline use tax collections are impacted by the lower statutory share of collections distributed to the General Fund in FY 2023 relative to FY 2022.

- Individual income tax collections totaled \$491.0 million for May, which is \$17.2 million (3.4%) below the monthly estimate and \$223.8 million (31.3%) below revenue in May 2022. Year-over-year comparisons are impacted by the reduction in the state individual income tax rate (effective January 1, 2023) and more.

Monthly collections related to tax withholdings came in \$44.5 million below the monthly estimate and \$44.4 million (5.3%) below the prior year actuals. The May performance of -5.3% year-over-year growth mostly reflects April economic activity.

For perspective, May withholdings tax collections are better interpreted relative to the current year monthly estimate because May 2022 was positively impacted by the five Fridays effect and May 2023 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, net of refunds, came in \$27.3 million above the monthly estimate but \$179.5 million (139.9%) below prior year actuals.

Differences relative to monthly estimates are likely as various factors may impact monthly revenue activity including payment and refund timing, late payments, and more.

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

- Corporate tax collections totaled \$61.2 million for May, which is \$11.2 million (22.4%) above the monthly estimate but \$36.2 million (37.2%) below revenue in May 2022.

Differences relative to monthly estimates are likely as various factors may impact monthly revenue activity including payment and refund timing, late payments, and more.

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 \$44.8 million for May, which is \$8.8 million (24.5%) above the monthly estimate and \$44.8 million above revenue in May 2022.

Following the passage of SEA 382-2022, reported riverboat wagering tax collections were reflective of riverboat wagering tax revenues generated in the prior month. Because of the timing of the law's passage, May 2022 collections were reported in June 2022 and no revenue was reported in May 2022.

- Racino wagering tax collections totaled \$12.5 million for May, which is \$1.1 million (9.5%) above the monthly estimate but \$0.7 million (5.2%) below revenue in May 2022.

Commentary

Year-to-date General Fund revenues totaled \$18,692.9 million, which is \$15.6 million (0.1%) above the April 2023 revenue forecast and \$3.6 million (0.0%) above revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$9,563.5 million, which is \$43.3 million (0.5%) below the April 2023 revenue forecast but \$464.5 million (5.1%) above collections through the same period in the prior fiscal year.

Year-to-date collections attributable to sales tax excluding gasoline use tax are \$49.2 million (0.5%) below the April 2023 revenue forecast but \$494.4 million (5.5%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$6,943.6 million, which is \$20.5 million (0.3%) below the April 2023 revenue forecast and \$519.3 million (7.0%) below collections through the same period in the prior fiscal year.

Year-to-date corporate tax collections totaled \$923.3 million, which is \$33.2 million (3.7%) above the April 2023 revenue forecast but \$224.4 million (19.6%) below collections through the same period in the prior fiscal year. Year-over-year comparisons are impacted by the repeal of the utility receipts tax and utility services use tax as well as other factors such as timing of payments and refunds, additional changes in law, and more.

Comparisons to estimates and prior-year actuals will be better interpreted over the April and June months since those months are the two highest revenue activity months.

As previously noted, monthly collections and comparisons relative to monthly estimates are better interpreted looking at the full fiscal year perspective. In addition to the factors mentioned throughout this commentary, various aspects to consider include federal policy actions, temporary and seasonal economic dynamics, interest rates, and more.