



State of Indiana

State Budget Agency
State House Room 212
Indianapolis, IN 46204
317-232-5610

Eric J. Holcomb, Governor

Joseph M. Habig, Acting Director

The Office of the Chief Economist & Tax Analysis Hari Razafindramanana released the monthly revenue report for state tax collections for the month of May 2024.

Note to readers: The monthly revenue estimates are based on the December 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 2024 began on July 1, 2023 and ends June 30, 2024.

Monthly Results

- General Fund revenues for May totaled \$1,588.0 million, which is \$126.6 million (8.7%) above the estimate based on the December 19, 2023 revenue forecast and \$46.7 million (3.0%) above revenue in May 2023.

Notably, higher-than-expected collections from individual and corporate income tax and interest outweighed lower-than-expected collections in sales 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 \$850.5 million for May, which is \$13.1 million (1.5%) below the monthly estimate and \$3.1 million (0.4%) below revenue in May 2023.

Comparisons relative to prior year actuals are impacted by HEA 1001-2023 which removed the allocation of gasoline use tax collections to the General Fund, beginning in FY 2024.

Monthly collections attributable to sales tax (excluding gasoline use tax) were \$13.1 million below the monthly estimate but \$7.7 million (0.9%) above the prior year actuals. The May performance of 0.9% year-over-year growth, which mostly reflects April economic activity, compares to year-over-year growth of 1.2%, 1.1%, and -3.1%, over the three preceding months.

Year-over-year differences and fluctuations from month-to-month are expected as outlined by the evolving economic, seasonal, and policy dynamics presented in the December 2023 revenue forecast.

Beginning in FY 2024, gasoline use tax is no longer allocated to the General Fund. As a result, gasoline use tax monthly collections came in \$10.9 million (100.0%) below prior year actuals.

- Individual income tax collections totaled \$549.0 million for May, which is \$65.5 million (13.5%) above the monthly estimate and \$58.0 million (11.8%) above revenue in May 2023.

Year-over-year comparisons are impacted by the reduction in the state individual income tax rate (effective January 1, 2023), and payment timing as a result of changes in tax requirements associated with the pass-through entity tax, and more.

Monthly collections related to tax withholdings came in \$20.3 million below the monthly estimate but \$16.1 million (2.0%) above the prior year actuals. Excluding unusual timing factors, withholdings were 8.5% above prior year actuals.

Other monthly individual income tax collections, net of refunds, came in \$85.8 million above the monthly estimate and \$41.9 million (13.6%) above prior year actuals.

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 \$46.3 million for May, which is \$33.9 million (273.4%) above the monthly estimate but \$14.8 million (24.3%) below revenue in May 2023.

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 \$41.5 million for May, which is \$1.0 million (2.3%) above the monthly estimate but \$3.3 million (7.4%) below revenue in May 2023.
- Racino wagering tax collections totaled \$12.0 million for May, which is \$0.8 million (7.5%) above the monthly estimate but \$0.5 million (4.0%) below revenue in May 2023.

Year-to-Date Commentary

Year-to-date General Fund revenues totaled \$19,086.8 million, which is \$149.9 million (0.8%) above the December 2023 revenue forecast and \$393.9 million (2.1%) above revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$9,468.9 million, which is \$88.7 million (0.9%) below the December 2023 revenue forecast and \$94.6 million (1.0%) below collections through the same period in the prior fiscal year. The negative year-over-year growth is partly affected by the gasoline use tax (which was part of FY 2023 sales tax collections) no longer being distributed to the General Fund beginning in FY 2024.

Sales tax collections excluding gasoline use tax are projected to grow by 1.3% year-over-year for FY 2024 compared to 5.2% in FY 2023, 9.9% in FY 2022, and 13.9% in FY 2021.

Year-to-date individual income tax collections totaled \$7,347.0 million, which is \$152.4 million (2.1%) above the December 2023 revenue forecast and \$403.3 million (5.8%) above collections through the same period in the prior fiscal year. Year-over-year comparisons are impacted by the reduction in the state individual income tax rate (effective January 1, 2023), changes in tax requirements associated with the pass-through entity tax, and more.

For perspective, individual income tax collections were \$400 million above the year-to-date estimate at the end of March, so the current year-to-date performance could be a sign that collections are normalizing following unusual payment patterns stemming from recent changes to tax law during the 2023 legislative session. June will be both an important month for tax year 2024 estimated payments as well as a further test of whether collections are normalizing.

Year-to-date corporate tax collections totaled \$764.1 million, which is \$61.9 million (7.5%) below the December 2023 revenue forecast and \$159.2 million (17.2%) 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.

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.