



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 November 2020 state tax collections was released today.

Note to readers: 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, prior to the onset of the pandemic. The monthly revenue estimates have not been adjusted for any developments since December 2019.

In addition, the reader is reminded that income tax payments with due dates starting April 15 through June 30 were extended through executive orders to July 15, 2020 within FY 2021.

Fiscal Year 2021 begins on July 1, 2020 and ends June 30, 2021.

The next revenue forecast is scheduled to be released in December 2020.

Results

- General Fund revenues for November totaled \$1,233.1 million, which is \$0.0 million (0.0%) from estimate based on the December 20, 2019 revenue forecast but \$112.8 million (10.1%) above revenue in November 2019.

Notably, better than expected collections from sales tax and corporate adjusted gross income tax were offset by lower than expected collections in individual income tax, gaming, interest, insurance and miscellaneous revenues.

While General Fund revenues are currently \$901.2 million above the December 2019 forecast on a fiscal year-to-date basis, it is estimated that approximately \$900 million of income taxes received in FY 2021 were initially due in FY 2020 and were deferred to FY 2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15. Additionally, an estimated \$50 million of individual income tax payments, attributable to taxes due in FY 2020 for recent federal policy actions on unemployment insurance benefits, were collected in August of FY 2021.

Seventeen months into the FY 2020-2021 biennium (from July 2019 through November 2020), General Fund revenues are \$515.2 million below estimates for that period based on the December 2019 Forecast.

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- Sales tax collections totaled \$703.9 million for November, which is \$26.8 million (4.0%) above the monthly estimate and \$46.6 million (7.1%) above revenue in November 2019.

Monthly collections attributable to sales tax excluding gasoline use tax continued to come in above the monthly estimate, following better than expected collections from July to October. November monthly collections, which mostly reflect October economic activity, grew by about 8.5 percent. In comparison, relative to prior year actuals, monthly collections grew by about 6 percent in July, 5 percent in August, 2 percent in September and 8.5 percent in October.

Overall, the period of July 2020 to November 2020 may have been influenced by unusual factors including the phased reopening of the economy in June, better than expected financial market performance as well as recent federal policy actions on assistance programs, economic impact payments, interest rates and more. For instance, national data on retail sales across various sub-categories show higher than expected year-over-year growth from June to October.

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 better than expected year-over-year growth.

On gasoline use tax, lower than expected gasoline consumption and gasoline use tax rates continued to weigh on gasoline use tax collections, as has been seen since March. Additionally, monthly collections to the General Fund are also lower than prior year because the statutory share of total gasoline use tax collections distributed to the General Fund in FY 2020 is lower than in FY 2019.

- Individual income tax collections totaled \$464.8 million for November, which is \$22.3 million (4.6%) below the monthly estimate but \$93.5 million (25.2%) above revenue in November 2019.

Notably, collections related to tax withholdings came in \$19.1 million below the monthly estimate and \$111.1 million above prior year actuals. Other individual income tax collection, net of refunds, came in \$3.2 million below the monthly estimate and \$17.5 million below prior year actuals. November withholdings tax collections are better interpreted relative to the current year monthly estimate because November 2020 was positively impacted by the 5 Fridays effect and November 2019 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 one more Friday than the more common four Fridays in a month.

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- Corporate tax collections totaled \$6.7 million for November, which is \$5.8 million (638.6%) above the monthly estimate but \$13.7 million (67.1%) below revenue in November 2019.

In particular, collections attributable to corporate adjusted gross income tax came in \$8.3 million above the monthly estimate and \$11.4M below prior year actuals. As the fiscal year-to-date trend also shows, payments came in above the monthly estimate and prior year actuals whereas corporate refunds came in above the monthly estimate and prior year actuals.

- Riverboat wagering collections totaled \$19.3 million for November, which is \$0.2 million (1.2%) below the monthly estimate and \$2.9 million (13.2%) below revenue in November 2019.

Racino wagering collections totaled \$8.1 million for November, which is \$1.2 million (13.4%) below the monthly estimate and \$0.4 million (4.2%) below revenue in November 2019.

With the reopening of casinos in June and recent legislative changes impacting Indiana gaming activity, wagering tax collections will be better interpreted in the coming months relative to the full fiscal year outlook. Overall, monthly collections have come in below monthly estimates and prior year actuals since March 2020.

Commentary

Year-to-date sales tax collections totaled \$3,641.8 million, which is \$131.0 million (3.7%) above the December 2019 revenue forecast and \$230.0 million (6.7%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$3,024.5 million, which is \$612.0 million (25.4%) above the December 2019 revenue forecast and \$802.1 million (36.1%) above collections through the same period in the prior fiscal year. About \$700M of individual income tax payments are estimated to have been deferred from FY 2020 to FY 2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15. Additionally, about \$50 million of individual income tax payments, attributable to taxes due in FY 2020 for recent federal policy actions on unemployment insurance benefits, were collected in August of FY 2021

Year-to-date corporate tax collections totaled \$422.8 million, which is \$224.7 million (113.4%) above the December 2019 revenue forecast and \$183.7 million (76.8%) above collections through the same period in the prior fiscal year. About \$200 million of corporate tax payments are estimated to have been deferred from FY 2020 to FY 2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15.

Overall, monthly collections for the period of July through November were atypically impacted by deferred and late payments initially attributable to FY 2020 and may have been influenced by unusual factors including the phased reopening of the economy in June as well as recent changes in federal policy actions on unemployment insurance benefits, economic impact payments, interest rates and more. For instance, most of the income tax collections deferred from FY 2020 to FY 2021, due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15, are attributable to tax year 2019 and income earned prior to March 2020.

As most of the General Fund revenues come in between December and June, trends between revenue actuals and estimates will be better interpreted in the coming months within the context of the longer trend for FY 2021. Going into the rest of the fiscal year, significant fluctuations are expected and deviations from monthly estimates are likely as the rapidly changing economic outlook and federal policy actions will most likely impact monthly collections. The next revenue forecast is scheduled to be released in December 2020.