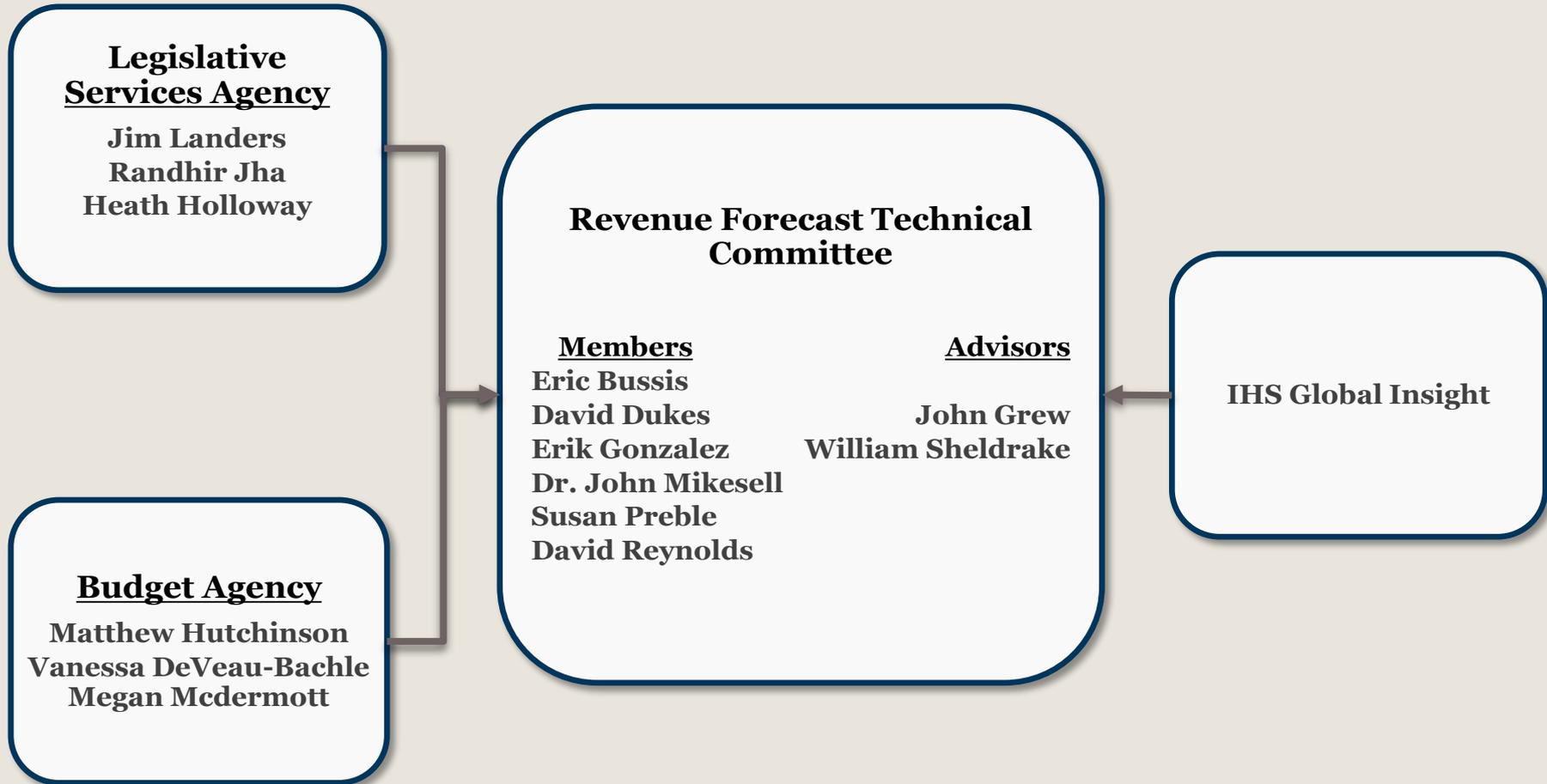


# General Fund Revenue Forecast

Fiscal Years 2015-2017  
Revenue Forecast Technical Committee

Presented to the State Budget Committee  
December 18, 2014

# Indiana Revenue Forecast



# Performance of Major Revenue Sources Year-To-Date Through November 30<sup>th</sup>

Sales Tax	1.4% Above Dec 13 Forecast Target 5.9% Above Same Period in FY 2014	
	4.8% Below Dec 13 Forecast Target 9.3% Above Same Period in FY 2014	Income Tax
Corporate Tax	3.2% Above Dec 13 Forecast Target 8.0% Below Same Period in FY 2014	
	16.3% Below Dec 13 Forecast Target 16.1% Below Same Period in FY 2014	Gaming Taxes

# Forecast Overview

## Economic Forecast

- Revised downward somewhat
- Remains stable and still showing slow recovery

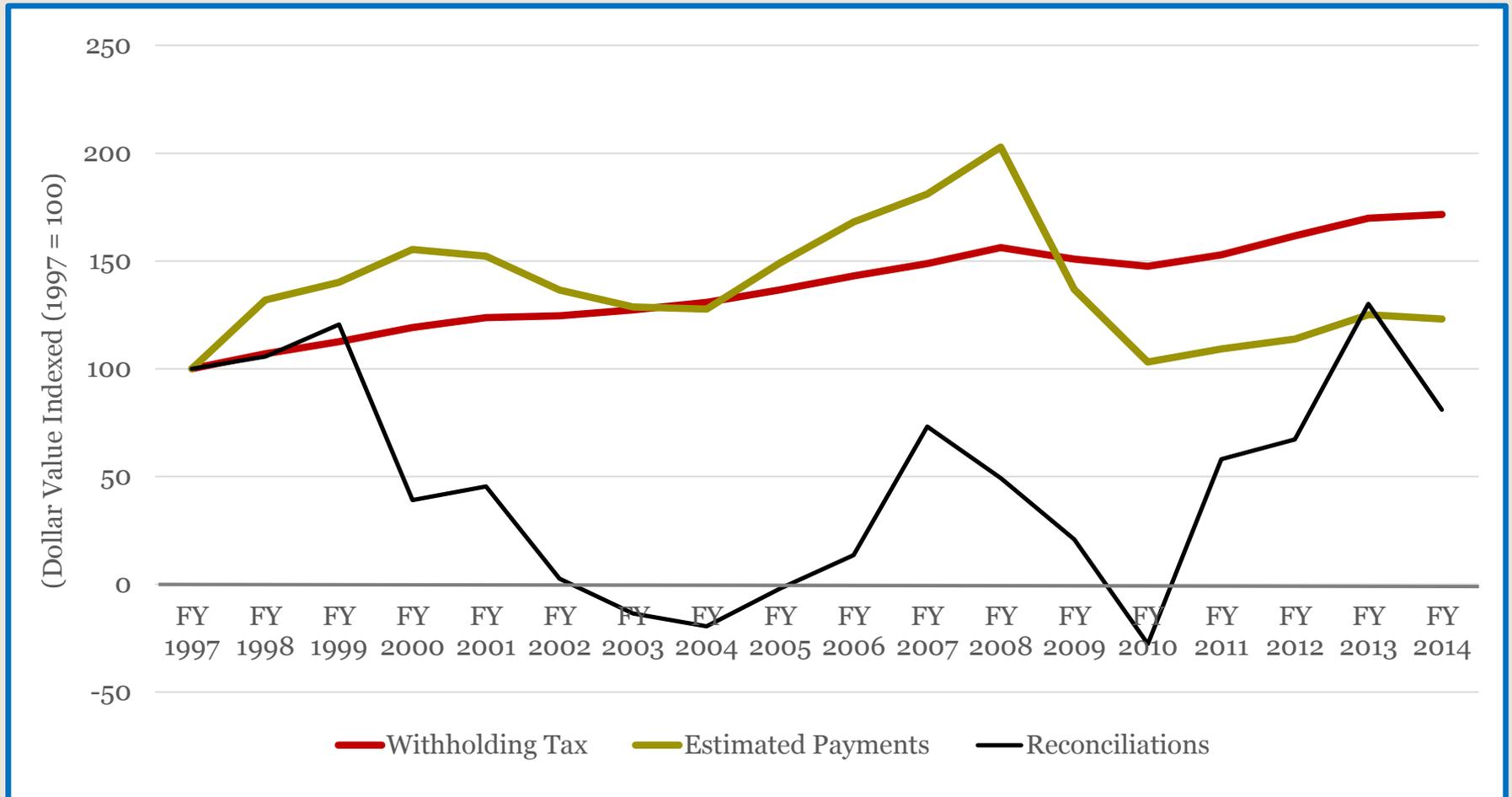
## Revenue Forecast

- Sales and Income Tax Models modified
- Corporate, Gaming, Cigarette, and Alcohol Tax Models unchanged

## Incorporation of Impacts of Recent Legislative Changes

- Ongoing FIT rate reduction
  - 8.0% in CY 2014 to 6.5% in CY 2017
- Ongoing Corporate Tax rate reduction
  - 7.0% in FY 2015 to 6.25% in FY 2017
- Individual Income Tax rate reduction
  - 3.4% in CY 2014 to 3.23% in CY 2017
- Free Play Deduction for casino/racino Wagering Taxes
- Lower casino Wagering Tax rate for smaller casinos

# Components of Individual Income Tax



Data Source: Indiana Department of State Revenue

# Changes in the Individual Income Tax Model

## Total Income Tax Estimators

### December 2013

#### Estimated Tax Payments

S&P 500 Index	GDP
---------------	-----

#### Withholdings and Reconciliations

S&P 500 Index	Personal Income
---------------	-----------------

### December 2014

#### Estimated Tax Payments

Proprietors Income	1-Year Lag of Estimated Payments
--------------------	----------------------------------

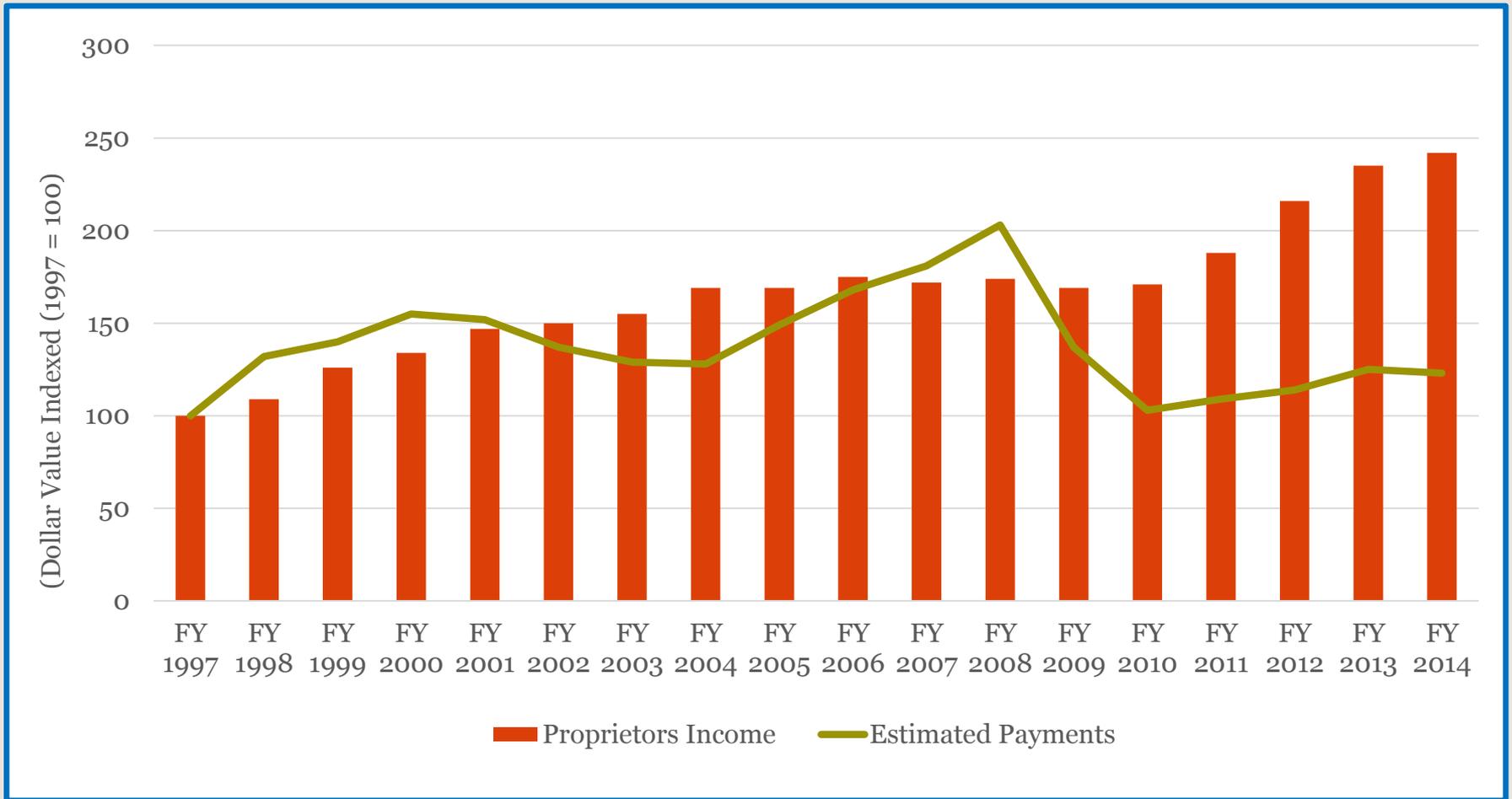
#### Withholdings

Wages & Salaries	Gross State Product
Extra Pay Period in Quarter	

#### Reconciliations

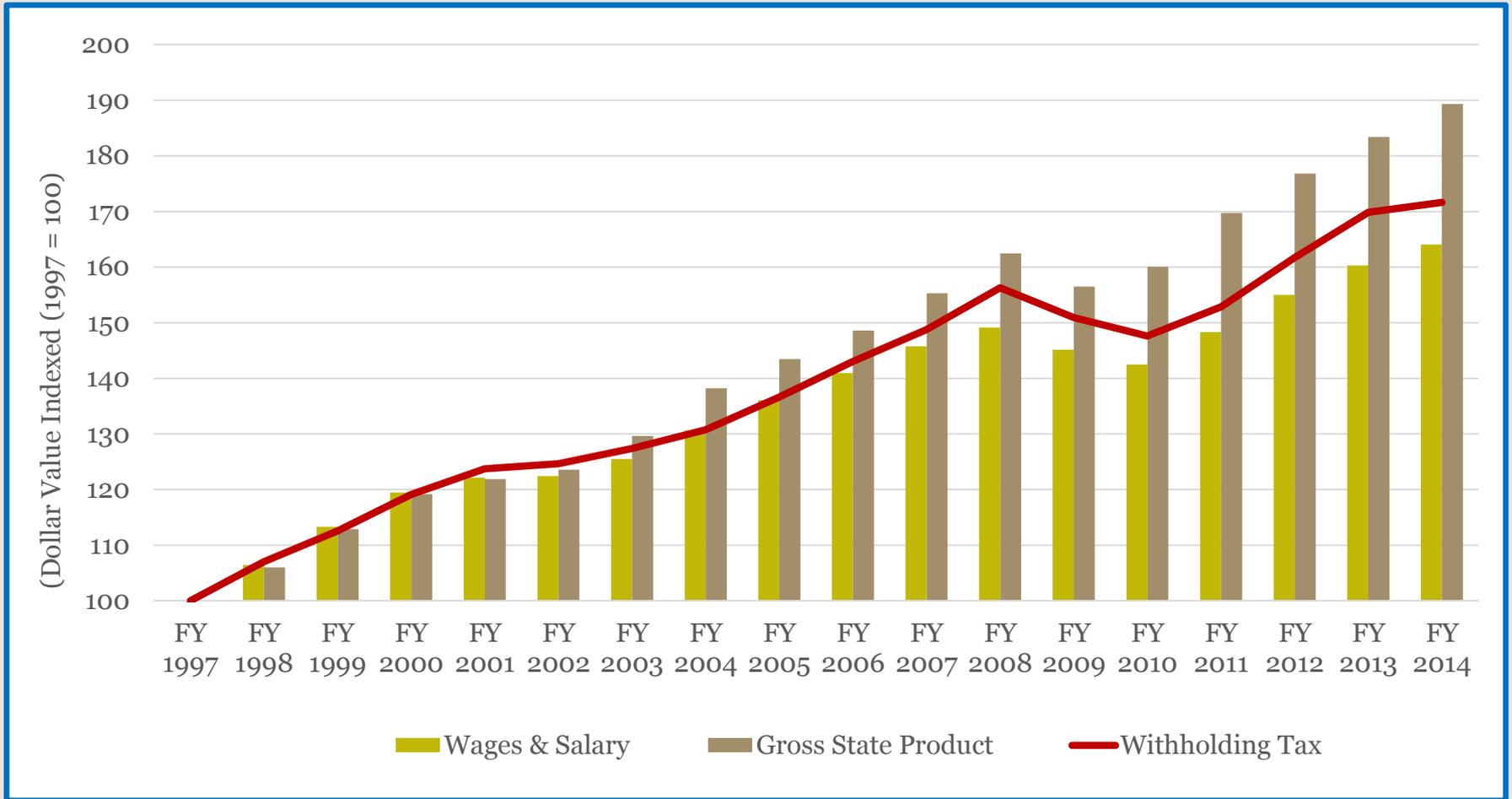
Fiscal Year Average
---------------------

# Proprietors Income vs Estimated Payments



Data Source: Indiana Department of State Revenue

# Indiana Withholdings vs. Wages and Salaries/Gross State Product



Data Source: Indiana Department of State Revenue

# Changes in the Sales Tax Model

## Sales Tax Revenue Estimators

December 2013

Personal Income Net of  
Transfer Payments

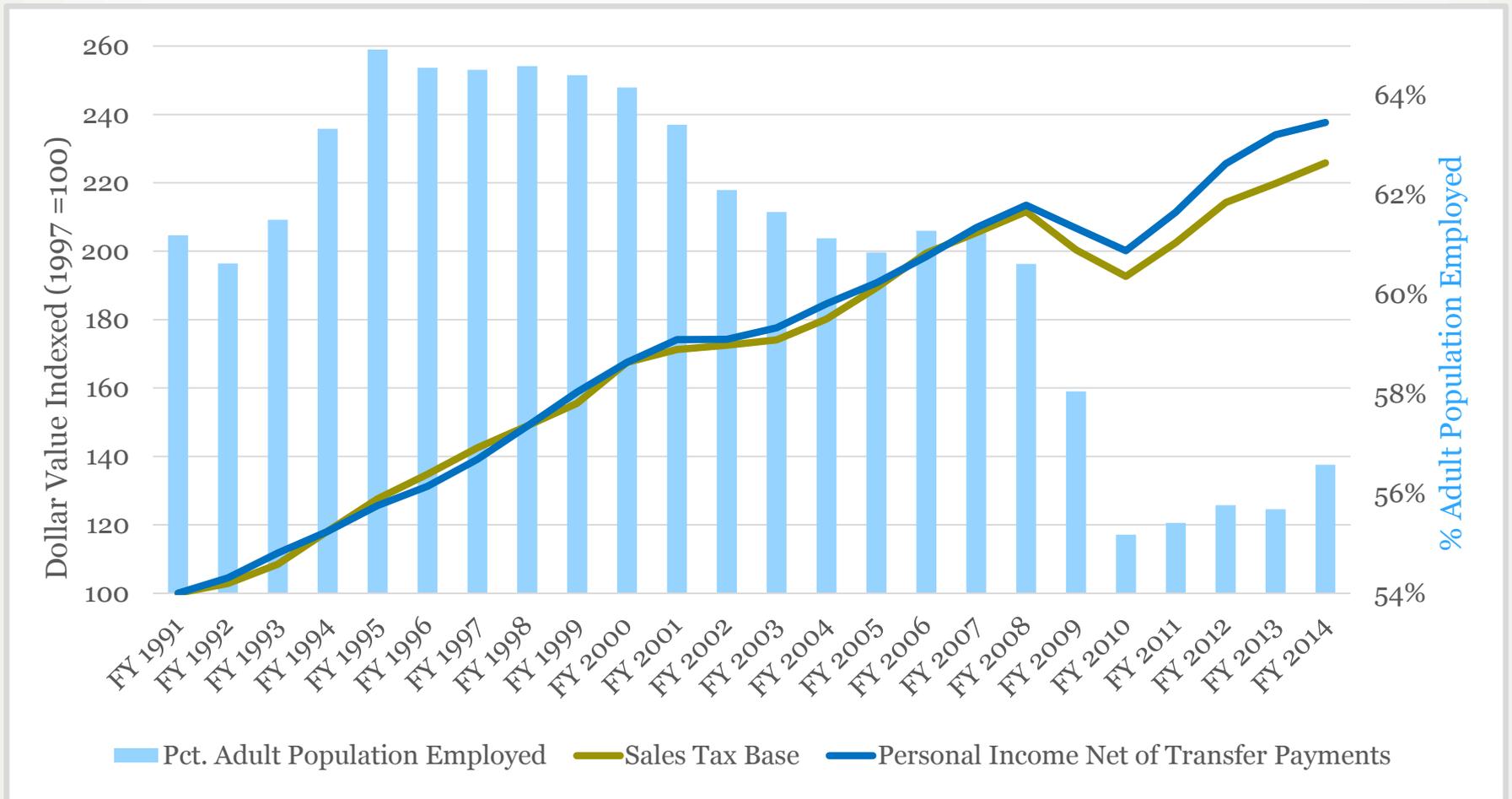
Indiana Labor Force  
Participation Rate

December 2014

Personal Income Net of  
Transfer Payments

Pct. Adult Population  
Employed

# Sales Tax Base vs. Personal Income Net of Transfer Payments



# Riverboat and Racino Taxes

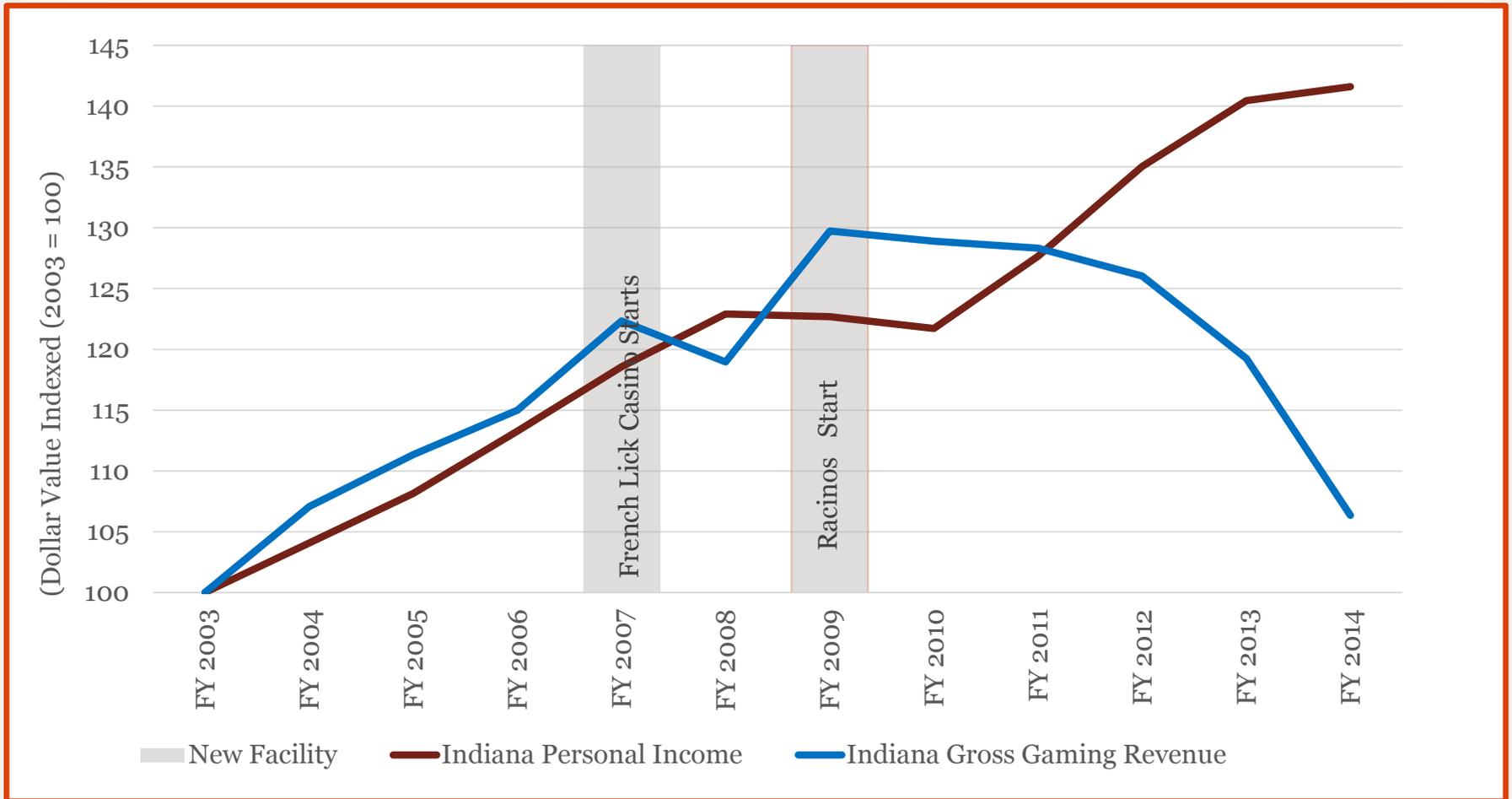
## Competition, competition, and more competition

- Continuing Significant Competitive Impacts of Des Plaines (IL) Casino, Ohio Casinos, and Southwest Michigan Tribal Casinos
- Increasing competition from Illinois Video Gaming Terminals

## Legislative changes incorporated into Forecast

- Racino Tax Base Change
- Free Play Deduction
- Lower Riverboat Wagering Tax Rate for Smaller Scale Riverboats

# Indiana Personal Income vs. Indiana Gross Gaming Revenue



# Shifting Sands

Continued poor labor  
market recovery

Current recovery  
exceeding historic  
average recovery period

Loosening of credit  
markets/improvement  
in household finances

Continued uncertainty  
relating to federal  
budget policy

Changing energy costs

# December 2014 Forecast Results

# Total Tax Revenue Estimates

December 18, 2014, Revenue Forecast

<b>Sales Tax</b> (in millions)				
<b>Fiscal Year</b>	<b>Dec-13 Forecast</b>	<b>Dec-14 Forecast</b>	<b>Difference (\$) Dec 2013 to Dec-14</b>	<b>Difference (%) Dec 2013 to Dec-14</b>
2015	\$7,242.9	\$7,256.7	\$13.8	0.2%
2016		\$7,551.4		
2017		\$7,904.6		

<b>Individual Income Tax</b> (in millions)				
<b>Fiscal Year</b>	<b>Dec-13 Forecast</b>	<b>Dec-14 Forecast</b>	<b>Difference (\$) Dec 2013 to Dec-14</b>	<b>Difference (%) Dec 2013 to Dec-14</b>
2015	\$5,279.6	\$5,121.2	-\$158.4	-3.0%
2016		\$5,173.2		
2017		\$5,314.8		

<b>Corporate Income Tax</b> (in millions)				
<b>Fiscal Year</b>	<b>Dec-13 Forecast</b>	<b>Dec-14 Forecast</b>	<b>Difference (\$) Dec 2013 to Dec-14</b>	<b>Difference (%) Dec 2013 to Dec-14</b>
2015	\$920.5	\$977.8	\$57.3	6.2%
2016		\$1,008.7		
2017		\$992.5		

# Total Tax Revenue Estimates

December 18, 2014, Revenue Forecast

<b>Gaming Taxes</b> (in millions)				
<b>Fiscal Year</b>	<b>Dec-13 Forecast</b>	<b>Dec-14 Forecast</b>	<b>Difference (\$) Dec 2013 to Dec-14</b>	<b>Difference (%) Dec 2013 to Dec-14</b>
2015	\$490.1	\$440.5	-\$49.6	-10.1%
2016		\$421.0		
2017		\$417.5		

<b>Other Taxes (Includes FIT, Excise, CVET Recapture)</b> (in millions)				
<b>Fiscal Year</b>	<b>Dec-13 Forecast</b>	<b>Dec-14 Forecast</b>	<b>Difference (\$) Dec 2013 to Dec-14</b>	<b>Difference (%) Dec 2013 to Dec-14</b>
2015	\$925.6	\$933.5	\$7.9	0.9%
2016		\$935.9		
2017		\$943.1		

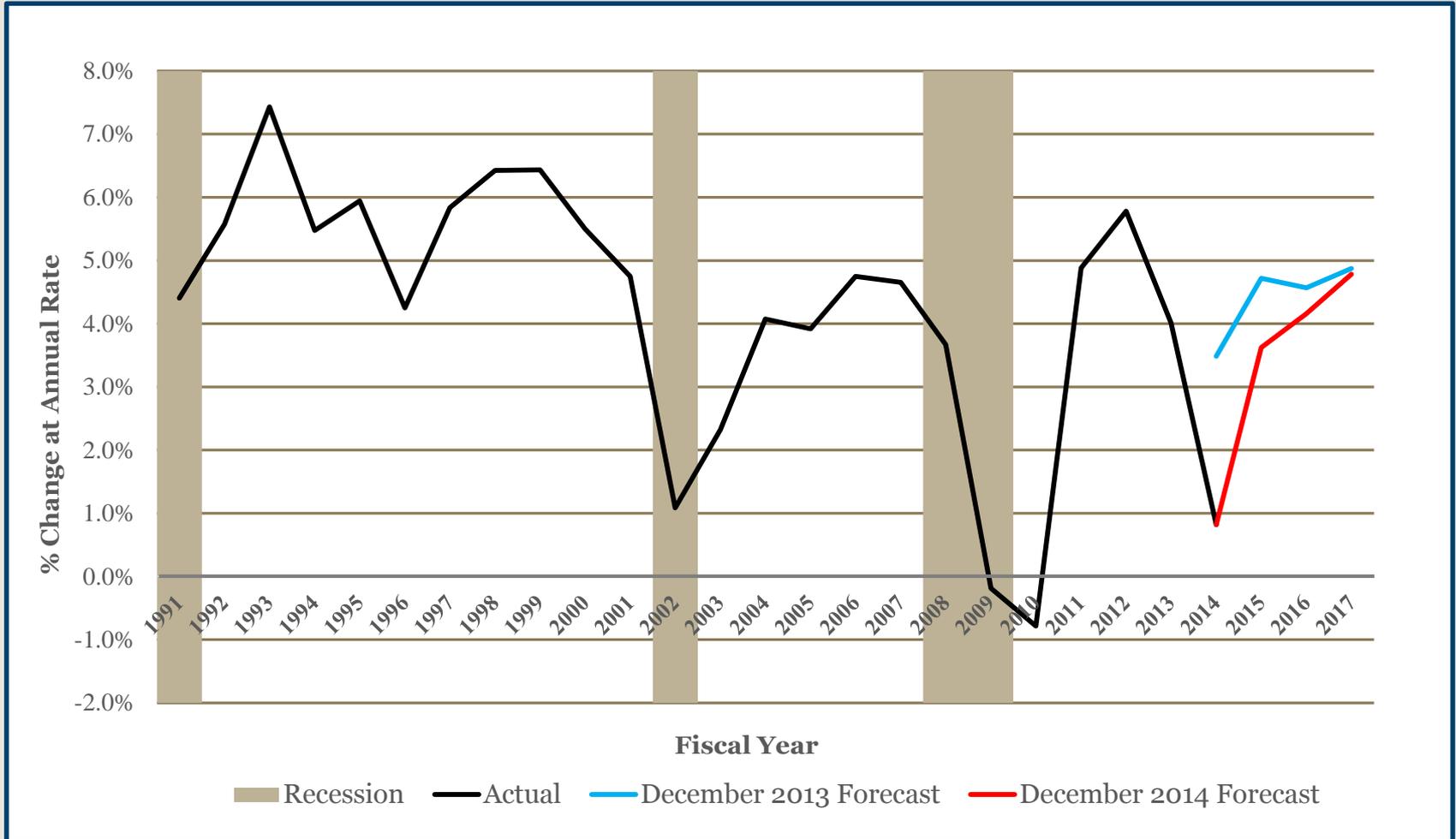
<b>Total General Fund Taxes</b> (in millions)				
<b>Fiscal Year</b>	<b>Dec-13 Forecast</b>	<b>Dec-14 Forecast</b>	<b>Difference (\$) Dec 2013 to Dec-14</b>	<b>Difference (%) Dec 2013 to Dec-14</b>
2015	\$14,858.7	\$14,729.7	-\$129.0	-0.9%
2016		\$15,090.2		
2017		\$15,572.5		

**Total General Fund Revenue Forecast**  
**Fiscal Years 2015, 2016 & 2017**  
**December 18, 2014**  
**(In Millions of Dollars)**

	Actual 2014	Prior Forecast 2015	Updated Forecast 2015	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2014	Forecast 2016	Percent Growth Over 2015	Forecast 2017	Percent Growth Over 2016
<b>Major Taxes</b>										
Sales & Use	6,925.9	7,242.9	7,256.7	13.8	0.2%	4.8%	7,551.4	4.1%	7,904.6	4.7%
Individual AGI	4,898.8	5,279.6	5,121.2	-158.4	-3.0%	4.5%	5,173.2	1.0%	5,314.8	2.7%
Corporate - AGI, URT, USUT, FIT	1,054.4	920.5	977.8	57.3	6.2%	-7.3%	1,008.7	3.2%	992.5	-1.6%
Riverboat Wagering	363.3	383.1	329.3	-53.8	-14.0%	-9.4%	312.3	-5.2%	309.8	-0.8%
Racino Wagering	110.7	107.0	111.2	4.2	4.0%	0.4%	108.7	-2.3%	107.7	-0.9%
<b>Subtotal Major Taxes</b>	<b>13,353.1</b>	<b>13,933.1</b>	<b>13,796.2</b>	<b>-136.9</b>	<b>-1.0%</b>	<b>3.3%</b>	<b>14,154.3</b>	<b>2.6%</b>	<b>14,629.4</b>	<b>3.4%</b>
<b>Other Revenue</b>										
Cigarette	257.6	266.3	252.5	-13.8	-5.2%	-2.0%	248.5	-1.6%	246.8	-0.7%
Insurance	218.5	192.2	224.8	32.6	16.9%	2.9%	231.2	2.9%	237.9	2.9%
Inheritance	87.7	0.0	0.0	0.0	n/a	-100.0%	0.0	n/a	0.0	n/a
Alcoholic Beverages	17.1	18.3	17.1	-1.2	-6.6%	0.0%	17.9	4.7%	19.3	7.8%
Riverboat Admissions	12.4	13.1	11.1	-2.0	-15.3%	-10.4%	10.9	-1.8%	11.0	0.9%
Interest	16.5	20.0	17.4	-2.6	-12.8%	5.8%	18.1	4.0%	18.9	4.0%
MV, CVET & FIT Recapture	250.6	229.1	230.8	1.6	0.7%	-7.9%	229.3	-0.6%	229.3	0.0%
Miscellaneous Revenue	188.8	186.6	179.9	-6.7	-3.6%	-4.7%	179.9	0.0%	179.9	0.0%
<b>Subtotal Other Revenue</b>	<b>1,049.1</b>	<b>925.6</b>	<b>933.5</b>	<b>7.9</b>	<b>0.9%</b>	<b>-11.0%</b>	<b>935.9</b>	<b>0.3%</b>	<b>943.1</b>	<b>0.8%</b>
<b>Total General Fund</b>	<b>14,402.2</b>	<b>14,858.7</b>	<b>14,729.7</b>	<b>-129.0</b>	<b>-0.9%</b>	<b>2.3%</b>	<b>15,090.2</b>	<b>2.4%</b>	<b>15,572.5</b>	<b>3.2%</b>

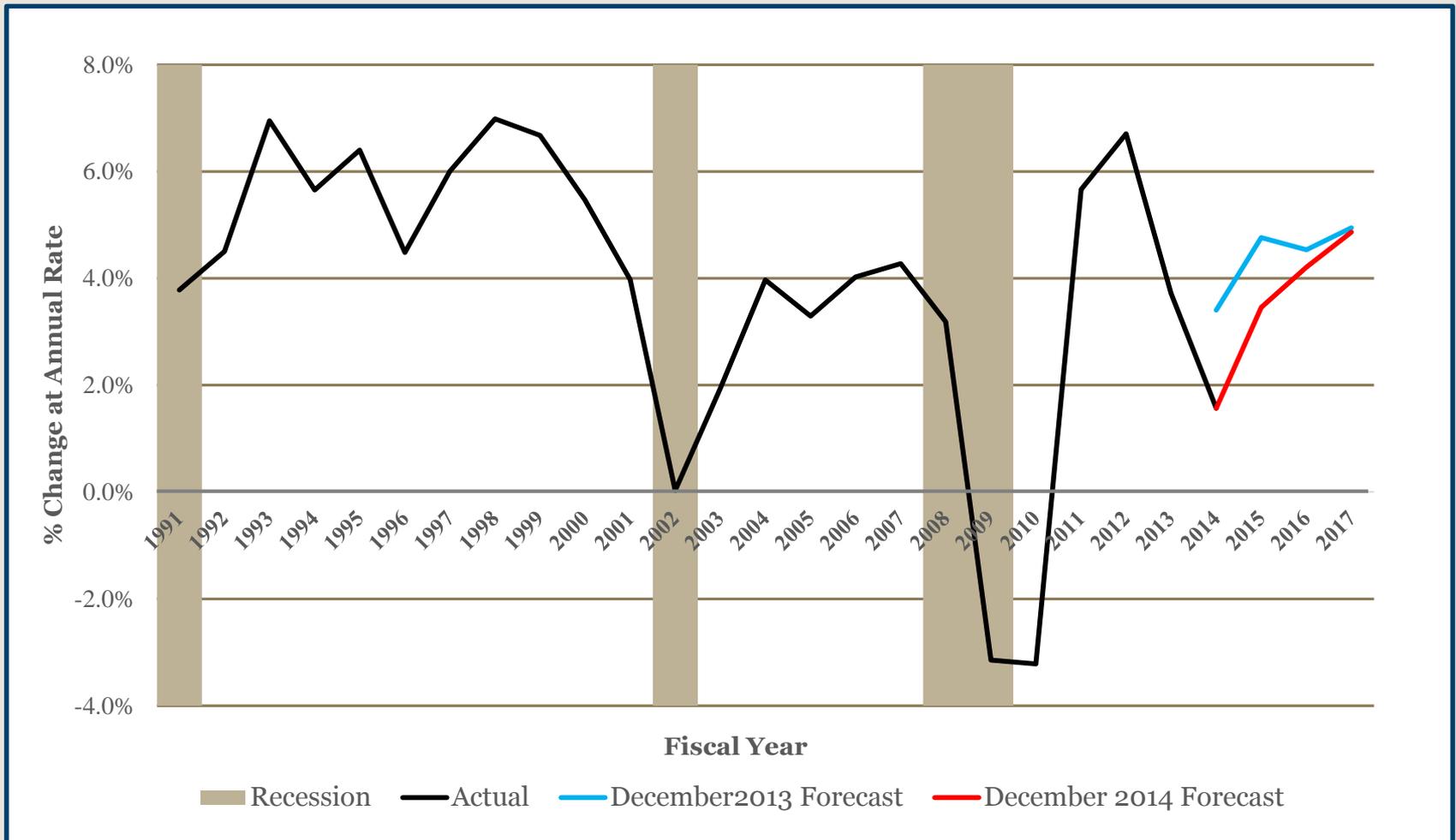
Appendices for  
December 2014 Revenue Forecast

# Indiana Personal Income (IPI)



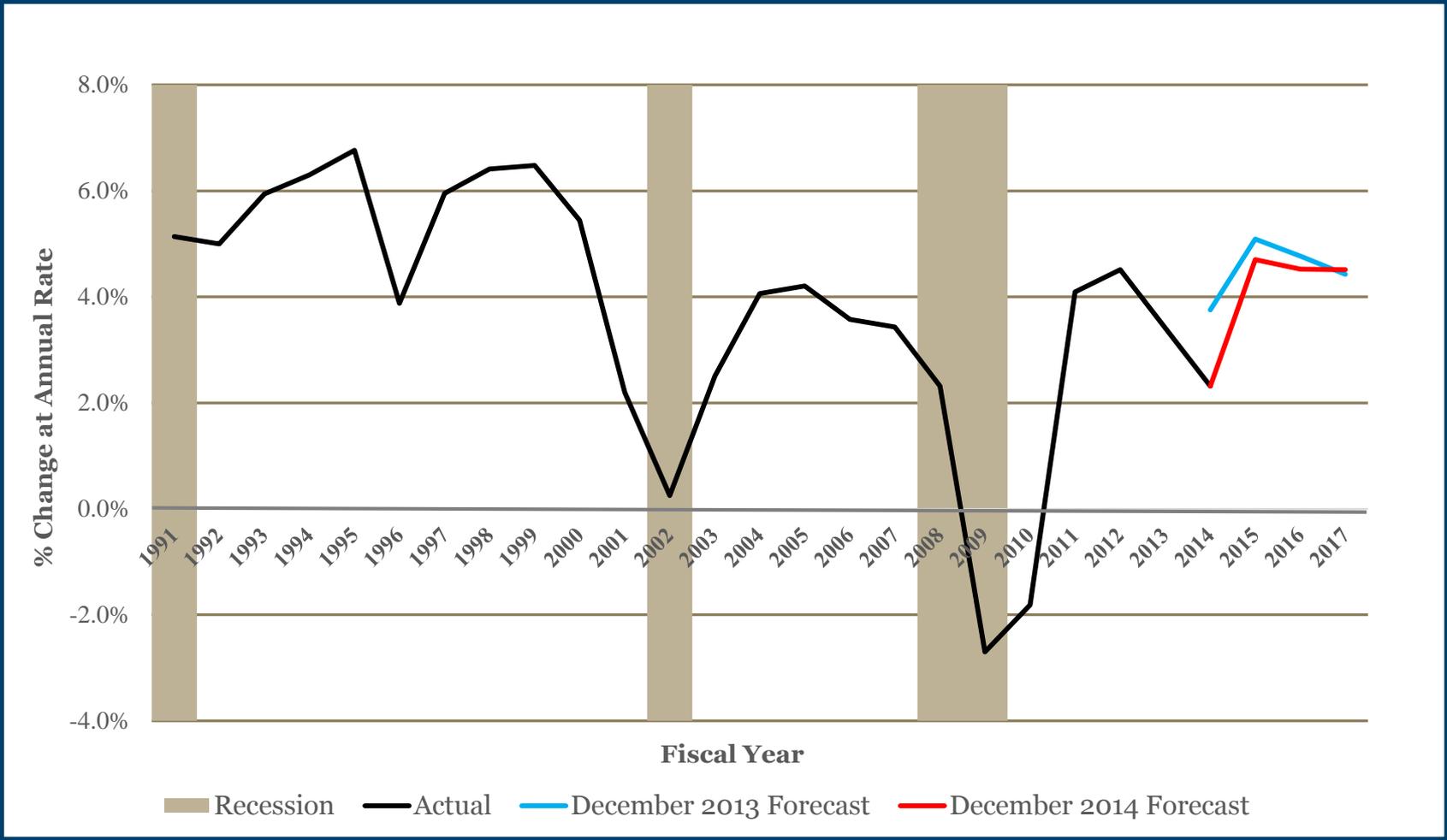
Data Source: IHS Global Insight

# Indiana Personal Income Net of Transfer Payments



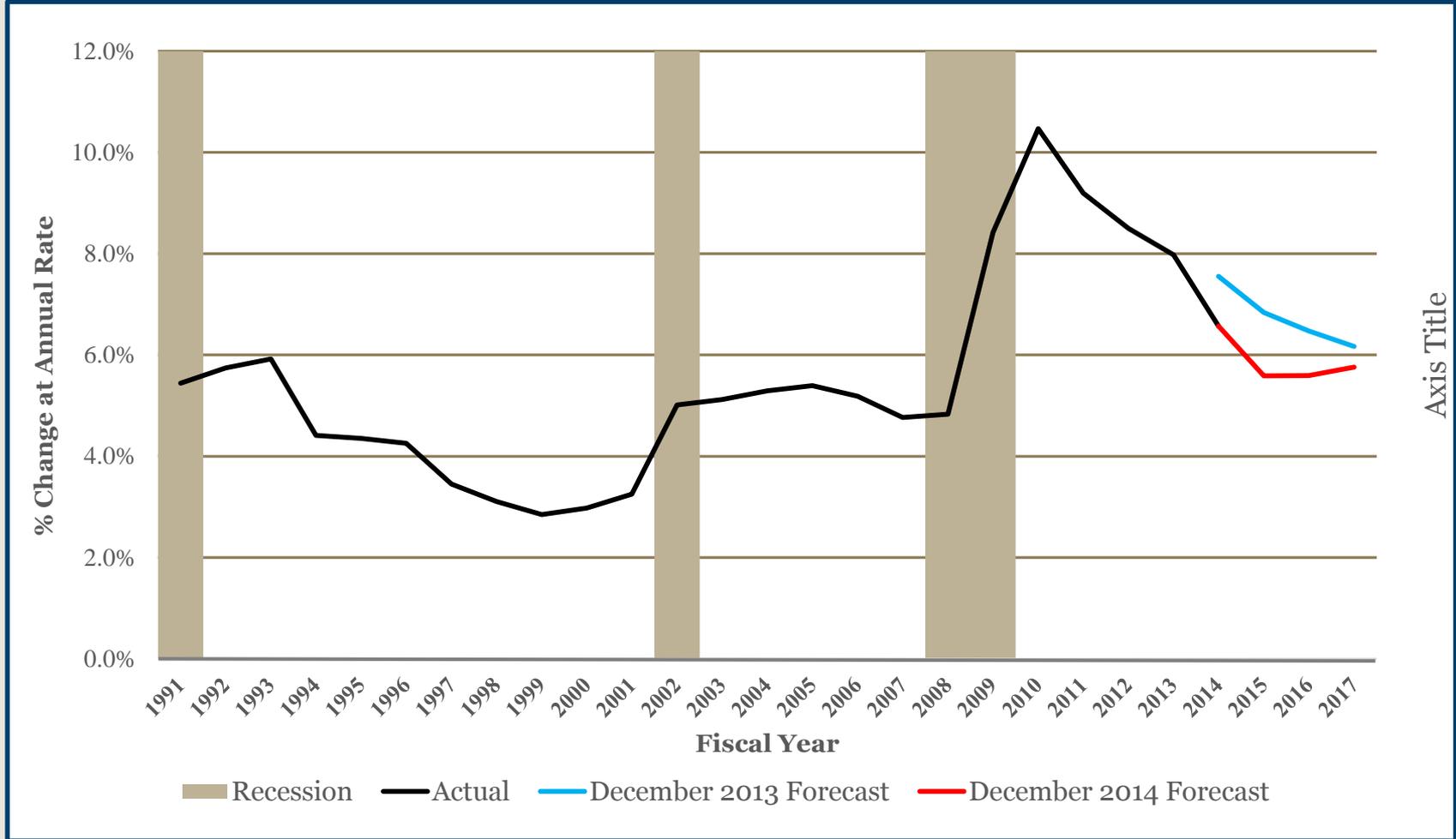
Data Source: IHS Global Insight

# Indiana Wages & Salary



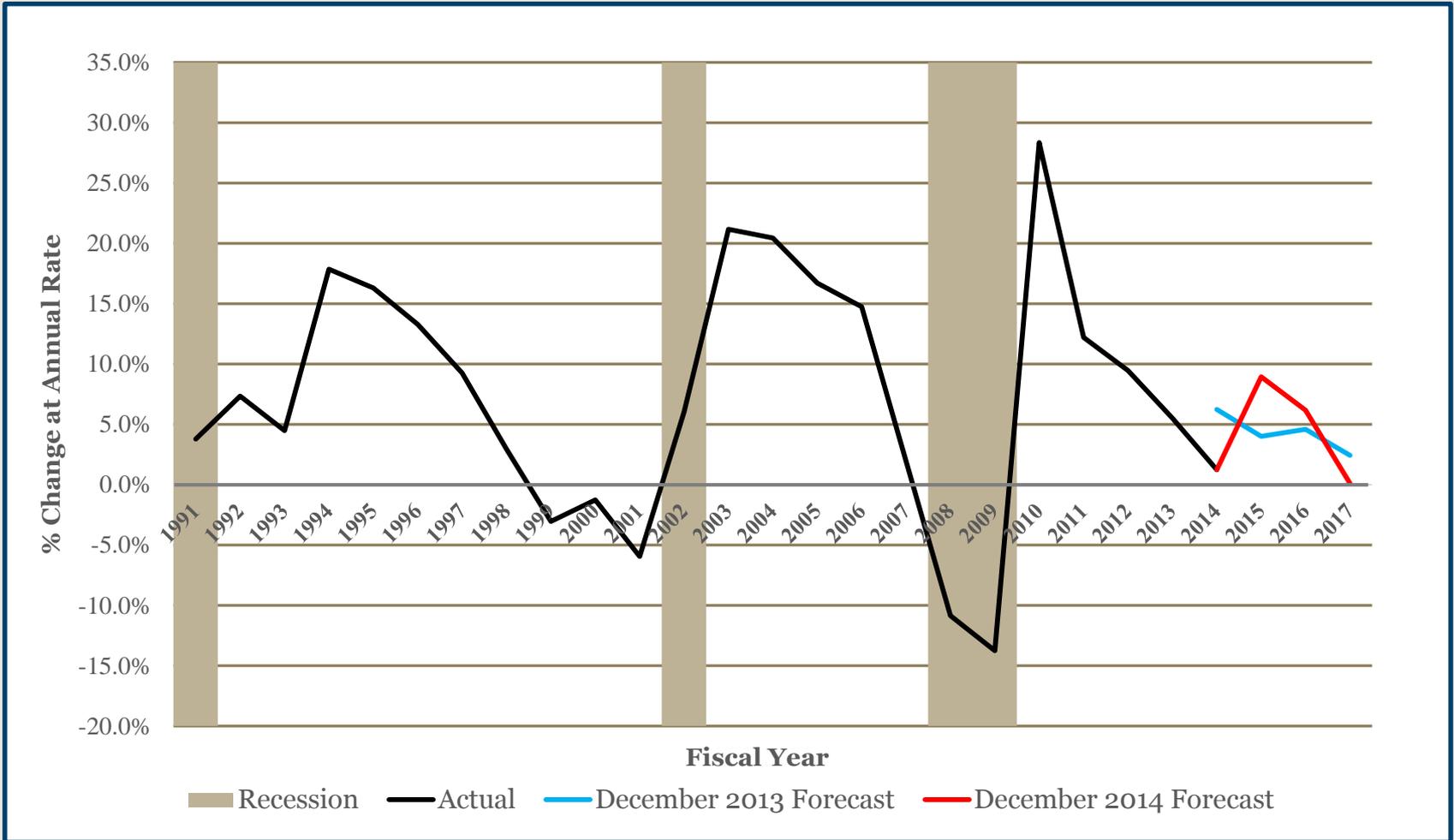
Data Source: IHS Global Insight

# Indiana Unemployment Rate



Data Source: IHS Global Insight

# U.S. Corporate Profits



Data Source: IHS Global Insight

# Economic Variables

## FY 2014, FY 2015, FY 2016, FY 2017

Indicator	Estimate Year	December 2013 Forecast	December 2014 Forecast*		Difference (%) Dec 2013 to Dec 2014
Nominal Indiana Personal Income (in millions)	2014*	262,079	254,993	actual	-2.70%
	2015	274,445	264,227		-3.72%
	2016	286,981	275,218		-4.10%
	2017	300,964	288,384		-4.18%
Nominal Indiana Personal Income Net of Transfer Payments (in millions)	2014*	209,452	206,332	actual	-1.49%
	2015	219,431	213,464		-2.72%
	2016	229,383	222,450		-3.02%
	2017	240,731	233,268		-3.10%
Nominal Indiana Wages & Salary (in millions)	2014*	131,532	129,409	actual	-1.61%
	2015	138,230	135,497		-1.98%
	2016	144,827	141,624		-2.21%
	2017	151,238	148,014		-2.13%
Indiana Unemployment Rate	2014*	7.6%	6.6%	actual	-13.16%
	2015	6.8%	5.6%		-17.65%
	2016	6.5%	5.6%		-13.85%
	2017	6.2%	5.8%		-6.45%
U.S. Corporate Profits (in billions)	2014*	2,169	2,083	actual	-3.97%
	2015	2,256	2,269		0.57%
	2016	2,360	2,409		2.09%
	2017	2,418	2,412		-0.23%