



# STATE OF INDIANA

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## STATE BUDGET AGENCY

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The monthly revenue report for October 2017 state tax collections was released today.

### Results

- General Fund revenues for October totaled \$1,164.7 million, which is \$29.5 million (2.5%) below estimate based on the April 12, 2017 forecast but \$0.9 million (0.1%) above revenue in October 2016.
- Sales tax collections totaled \$635.9 million for October, which is \$6.4 million (1.0%) above the monthly estimate and \$13.8 million (2.2%) above revenue in October 2016.
- Individual income tax collections totaled \$472.5 million for October, which is \$1.9 million (0.4%) above the monthly estimate and \$8.9 million (1.9%) above revenue in October 2016.
- Corporate tax collections totaled (\$10.5) million for October, which is \$37.9 million (138.4%) below the monthly estimate and \$27.6 million (161.5%) below revenue in October 2016.
- Riverboat wagering collections totaled \$18.7 million for October, which is \$1.8 million (8.7%) below the monthly estimate and \$1.6 million (7.8%) below revenue in October 2016.
- Racino wagering collections totaled \$7.1 million for October, which is \$1.3 million (16.0%) below the monthly estimate and \$0.5 million (7.0%) below revenue in October 2016.

### Commentary

Year-to-date General Fund collections totaled \$4,754.7 million, which is \$136.5 million (2.8%) below the April 2017 revenue forecast and \$8.0 million (0.2%) below collections through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$2,556.3 million, which is \$4.6 million (0.2%) below the April 2017 forecast but \$56.0 million (2.2%) above collections through the same period in the prior fiscal year.

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Year-to-date individual income tax collections totaled \$1,815.1 million, which is \$5.7 million (0.3%) below the April 2017 forecast but \$48.7 million (2.8%) above collections through the same period in the prior fiscal year.

Year-to-date corporate tax collections totaled \$112.7 million, which is \$126.5 million (52.9%) below the April 2017 forecast and \$94.7 million (45.7%) below collections through the same period in the prior fiscal year.

Corporate income tax collections experience great variability from month to month. Factors that contribute include timing of when corporations file their return, how quickly returns and refunds are processed by the Department of Revenue, the amount of refunds claimed by corporations, amongst many other factors related to a corporations' tax strategy.

Corporate refunds are up by \$52.3M, or 81.5% compared to the same period last fiscal year. Some of this increased refund activity is the result of the Department of Revenue processing refunds from prior tax periods faster. The State Budget Agency continues to work with the Department of Revenue to understand the increase in refunds in this fiscal year compared to prior years.

Conversely, corporate adjusted gross income is meeting forecast targets, indicating overall corporate income is trending along projected revenue. However with larger refunds as noted earlier, overall corporate tax revenue is less than projected.

Another factor contributing to lower corporate collections is the result of a business process change by the Department of Revenue, which will call for an adjustment to the December 2017 base forecast for Individual Income and Corporate Income. This business process relates to withholding taxes due for nonresident shareholders and partners. Historically, these taxes were captured under the Corporate Income tax category. However, the business process change began transferring this revenue to Individual Income from the corporate tax category, to account for nonresident shareholder and partner withholdings.

Finally, corporate taxes (excluding the June 2018 estimate for the Financials Institutions Tax) are more heavily weighted in the last part of the fiscal year compared to the first six months of the fiscal year. The State Budget Agency expects to make up some ground in the last half of the fiscal year, though this is highly dependent on refund activity and nonresident shareholder and partner transfers that will occur between now and the end of the fiscal year.