



October 18, 2018 Release

General Fund Revenue

September
Fiscal Year 2018-19





Revenue Digest

September 2018

General Fund revenue increased 8.3 percent during the month of September 2018 from September 2017. The monthly revenue gain is attributable to the biennial collection of insurance agent's licenses, a large increase in Corporation Income tax declarations, and a strong showing in a variety of Other Revenues due to comparisons with one year ago when the Department of Revenue transitioned to a new computer system. Revenues through September 2018 have grown 8.8 percent year-to-date.

Revenue Category	Month-to-Date Growth (percent change)	Year-to-Date Growth (percent change)
Sales and Use Tax	5.7	5.0
Individual Income Tax	-0.6	4.8
Corporate Income Tax	43.8	68.4
Corporate License Tax	-18.1	-32.6
Other Revenues	42.1	32.8
Total General Fund	8.3	8.8

- Sales and Use tax revenue increased 5.7 percent for the month of September resulting in year-to-date growth of 5.0 percent. The retail sales tax posted its best monthly mark since this past holiday season nine months ago following the national trend in retail sales. The cumulative Sales and Use tax revenue growth through September 2018 is running ahead of the 3.7 percent revenue forecast for FY2018-19.
- The Individual Income tax revenue decreased 0.6 percent during the month of September mainly from a scheduled transfer of revenue out of Individual Income tax withholdings and an artificially large number of Individual Income tax refunds. These two events combined for an unusually weak Individual income tax performance in September 2018. Specifically, a \$7.1 million transfer out of the Individual Income tax withholdings to the Department of Commerce for the State Rural Infrastructure Fund occurred in September 2018. This same transfer occurred last year in August 2017. Also, the Department of Revenue transitioned to a new Individual Income tax computer system in September 2017. During that month, the number of Individual Income tax refunds processed and paid to taxpayers during the month of September 2017 were constrained. This resulted in an unusually large refund comparison in September 2018 causing the Individual Income tax revenue category to be understated. Total Individual Income tax revenue growth is 4.8 percent year-to-date through September 2018 and is well above the 0.4 percent revenue forecast for FY2018-19.





- Corporate Income tax revenue increased 43.8 percent in September 2018 primarily from an increase in Corporation Income tax declaration payments of \$21.6 million. The Corporation Income tax has increased 68.4 percent through the first quarter of FY2018-19, primarily from the settlement of a single audit payment for \$11.4 million received in August and stronger than expected tax declarations in September.
- Other Revenues were also largely affected by the transition and implementation of a new computer system at the Department of Revenue in September 2017 that caused many of the Other Revenue categories to be artificially understated a year ago. This caused artificially large comparisons in September 2018. These large monthly swings in Other Revenues should ameliorate in coming months. Other Revenues increased 42.1 percent in September 2018 from one year ago and have increased 32.8 percent year-to-date from a variety of sources and timing of receipts. The licensure of insurance agents and brokers are paid every two years with the majority of the licenses coming due in odd-numbered fiscal years. This timing pattern results in unusual growth rates when comparing one fiscal year to another fiscal year. This was the case this fiscal year with Insurance Tax revenue up 35.0 percent through the first quarter of the fiscal year. Other Revenues have also benefitted from continued strong Interest Earnings on state General Fund investments, the documentary stamp tax (real estate deed tax), and the bank tax.

Summary

Through the first three months of FY2018-19, General Fund revenues have increased 8.8 percent and are trending above the growth rate of 1.5 percent needed to meet the estimate for FY2018-19. Pursuant to Section 11-9-890, total General Fund revenue collections through the first quarter of FY2018-19 have exceeded the quarterly revenue estimate. At this time, no adjustments are warranted.

The current Board of Economic Advisors' (BEA) revenue forecast is based upon an employment growth rate of 1.8 percent and a personal income growth rate of 4.25 percent in FY2018-19. Revised state personal income figures released in September exhibited more strength than in previous income estimates supporting that the economy somewhat stronger than previously believed. The BEA will meet with its Regional Advisory Committee in October 2018 to receive input concerning the health of the state economy and tax revenues from a group of business leaders and academics. The BEA will then adopt and release a revised General Fund revenue forecast for FY2018-19 and a preliminary General Fund revenue forecast for FY2019-20 in November 2018.





Table 1

September

General Fund Revenue	FY 2017-18	FY 2018-19	\$ Change	% Change
Sales and Use Tax	\$247,402,936	\$261,414,789	\$14,011,853	5.7
Individual Income Tax	489,239,805	486,385,021	(2,854,784)	(0.6)
Corporation Income Tax	53,745,870	77,260,575	23,514,705	43.8
Insurance Taxes	50,943,159	75,929,531	24,986,372	49.0
Admissions Tax	2,814,406	3,792,351	977,945	34.7
Aircraft Tax	2,262	1,193	(1,069)	(47.3)
Alcoholic Liquor Tax	6,928,244	6,353,343	(574,901)	(8.3)
Bank Tax	8,804,472	14,687,427	5,882,955	66.8
Beer and Wine Tax	10,009,240	10,130,668	121,428	1.2
Bingo Tax	40,384	(97,821)	(138,205)	(342.2)
Business Filing Fees	487,000	488,700	1,700	0.3
Circuit/Family Court Fines	682,250	293,905	(388,345)	(56.9)
Corporation License Tax	6,531,910	5,348,717	(1,183,193)	(18.1)
Documentary Tax	6,646,240	8,502,309	1,856,069	27.9
Earned on Investments	201,902	5,567,993	5,366,091	2,657.8
Indirect Cost Recoveries	170,051	251,154	81,103	47.7
Motor Vehicle Licenses	867,951	1,113,721	245,770	28.3
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	282,734	282,734	0	---
Private Car Lines Tax	0	7,512	7,512	---
Public Service Authority	0	0	0	---
Purchasing Card Rebates	0	0	0	---
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	543,259	(1,030,308)	(1,573,567)	(289.7)
Security Dealer Fees	483,073	506,112	23,039	4.8
Surcharge on Vehicle Rentals	(42,031)	3,723	45,754	108.9
Tobacco Tax	657,374	2,523,021	1,865,647	283.8
Uncashed Checks	(36,047)	(306,578)	(270,531)	(750.5)
Unclaimed Property Fund	0	3,750,000	3,750,000	---
Workers' Comp. Insurance Tax	3,464,575	3,718,495	253,920	7.3
Other Source Revenues	2,658,110	823,671	(1,834,439)	(69.0)
Gross General Fund Revenue	\$893,529,130	\$967,701,957	\$74,172,827	8.3

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.



Table 2

July - September

General Fund Revenue	FY 2017-18	FY 2018-19	\$ Change	% Change
Sales and Use Tax	\$500,537,438	\$525,643,730	\$25,106,292	5.0
Individual Income Tax	1,293,768,237	1,355,380,778	61,612,541	4.8
Corporation Income Tax	74,119,439	124,805,900	50,686,461	68.4
Insurance Taxes	57,910,499	78,199,881	20,289,382	35.0
Admissions Tax	(1,785,613)	(708,271)	1,077,342	60.3
Aircraft Tax	2,262	1,193	(1,069)	(47.3)
Alcoholic Liquor Tax	10,530,061	12,837,706	2,307,645	21.9
Bank Tax	8,980,875	14,884,259	5,903,384	65.7
Beer and Wine Tax	18,697,277	20,639,030	1,941,753	10.4
Bingo Tax	149,518	(210,854)	(360,372)	(241.0)
Business Filing Fees	1,211,953	1,304,379	92,426	7.6
Circuit/Family Court Fines	1,957,526	1,568,461	(389,065)	(19.9)
Corporation License Tax	11,368,585	7,666,670	(3,701,915)	(32.6)
Documentary Tax	14,516,313	15,336,258	819,945	5.6
Earned on Investments	5,623,325	14,788,367	9,165,042	163.0
Indirect Cost Recoveries	500,190	540,143	39,953	8.0
Motor Vehicle Licenses	1,965,167	1,870,248	(94,919)	(4.8)
Nursing Home Fees	0	0	0	---
Parole and Probation Fees	848,202	848,202	0	---
Private Car Lines Tax	1,194	31,415	30,221	2,531.1
Public Service Authority	0	0	0	---
Purchasing Card Rebates	0	0	0	---
Record Search Fees	0	0	0	---
Savings and Loan Assoc. Tax	596,259	94,167	(502,092)	(84.2)
Security Dealer Fees	483,073	506,112	23,039	4.8
Surcharge on Vehicle Rentals	172,441	(808,075)	(980,516)	(568.6)
Tobacco Tax	2,834,801	4,876,519	2,041,718	72.0
Uncashed Checks	(36,268)	(422,382)	(386,114)	(1,064.6)
Unclaimed Property Fund	0	3,750,000	3,750,000	---
Workers' Comp. Insurance Tax	1,665,475	1,919,370	253,895	15.2
Other Source Revenues	4,945,461	3,116,963	(1,828,498)	(37.0)
Gross General Fund Revenue	\$2,011,563,690	\$2,188,460,169	\$176,896,479	8.8

Note: Gross General Fund Revenue includes Individual Income and Corporate Income tax revenue that is transferred for Property Tax Relief Trust Fund pursuant to §11-11-150.