



## INDEPENDENT FISCAL OFFICE

April 1, 2024

Dear Chairs Martin, Hughes, Harris and Grove:

This letter provides a brief update to the IFO's General Fund revenue forecast based on year-to-date revenues. Through March, revenues are running \$284 million (0.9%) above the IFO's FY 2023-24 Official Estimate (published June 20, 2023). Updates for specific revenue sources that impact the revenue forecast for the current and subsequent fiscal year include:

- Most **gross receipts (GRT), insurance premiums (IPT) and bank shares (BS) taxes** are remitted in March, and collections totaled \$2.46 billion for the month, \$306 million higher than projected last June. June IPT collections are expected to be roughly \$20 million below estimate, as the additional revenues through March will increase the transfer to the Municipal Pension Aid Fund.
- The first estimated payment for **corporate net income tax (CNIT)** remitted in March (tax year 2024) was very weak, down 30% from last year. This implies materially lower than anticipated collections for the second CNIT estimated payment in June, and possibly other payments next fiscal year. March final CNIT payments (tax year 2023) exceeded estimate, but those payments could be early final payments typically remitted in April and May, and not a true gain.
- **Withholding tax** collections remained solid for the first quarter of the new calendar year, growing by 4.8% relative to the prior year. That rate was largely as expected.
- **Sales and use tax (SUT)** also continues to hold up well, with a March surge in non-motor vehicle SUT (5.9% growth from prior year) offsetting February softness (1.6%).
- **Treasury collections** continue to benefit from historically high General Fund balances and interest rates. Most analysts do not expect a rate cut by the Federal Reserve until June.

Based on fiscal year-to-date revenues through March, the IFO would increase its official revenue estimate by roughly \$100 million. Much of the strength in the large March corporate deposits (GRT, IPT, BS) is offset by lower CNIT estimated payments (March and June), possible timing issues related to the final CNIT payment and higher IPT June transfer. We will plan to send another revenue update at the end of April when personal income tax final (tax year 2023) and first estimated (tax year 2024) payments are largely known. On May 20, the IFO will publish a revenue update for FY 2023-24 and an initial estimate for FY 2024-25. If you have any questions regarding this letter, please contact my office.

Sincerely,

A handwritten signature in blue ink that reads "Matthew J. Knittel".

Matthew Knittel  
Director, Independent Fiscal Office

cc: Uri Monson, Budget Secretary  
Patrick Browne, Revenue Secretary