

MONTHLY TRENDS

Report

January 2018 - INDEPENDENT FISCAL OFFICE -

In December, the Independent Fiscal Office (IFO) released an update of the fiscal year (FY) 2017-18 official revenue estimate (originally published in June 2017) and corresponding revised monthly projections.¹ Through January, total General Fund revenues are \$462 million, or 3 percent, above the IFO's updated official estimate. Most of the year-to-date overage occurred in the current month.

January 2018 total General Fund collections exceeded estimate by \$366 million, due largely to the receipt of \$200 million from the lease of the Pennsylvania Farm Show Complex. This transfer was included in the IFO's official estimate, but was not anticipated until April/May. Additionally, the Commonwealth collected \$90 million (\$75 million more than projected) from the auction of newly authorized mini-casino licenses. As a result, total non-tax revenues exceeded estimate by \$260 million in January.

Corporate net income tax (CNIT) payments for the month outpaced the estimate by \$34 million. The strength in collections was entirely attributable to final payments (for tax year 2017), which were more than 2.5 times the monthly estimate of \$25 million. Conversely, estimated payments were weak, falling short of the monthly estimate by 22 percent. The January trend in CNIT payments likely reflects income and deduction shifting by taxpayers in response to federal tax law changes.

Personal income tax (PIT) quarterly payments were again exceptionally strong in January, exceeding estimate by \$81

GENERAL FUND SNAPSHOT			
	General Fund	Tax Revenue	Non-Tax Revenue
Jan-18	\$3,137	\$2,844	\$293
Growth	18.7%	10.7%	299.4%
FYTD	\$17,368	\$16,824	\$544
Growth	7.9%	6.0%	146.8%

Dollar amounts in millions. See final page for detail.

million. It is expected that tax filers are taking advantage of the final year of the uncapped federal deduction for state and local taxes (SALT), by overpaying for tax year 2017. This behavioral response to federal tax law changes is likely to result in weaker non-withholding payments in March through June. Year-to-date PIT quarterly payments exceed estimate by \$128 million, while annual payments and employer withholding are largely meeting expectations for the year.

Non-motor sales and use tax (SUT) collections were unexpectedly flat in January, in spite of retailer reports of strong holiday sales. Motor vehicle SUT collections came in as expected, but are \$16 million short of estimate for the fiscal year.

FY 2017-18 Revenue Performance Through January

	January Collections			FYTD Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
General Fund	\$3,137	\$2,771	\$366	\$17,368	\$16,906	\$462
Corp. Net Income	104	70	34	1,324	1,332	(8)
Sales and Use	920	933	(13)	6,125	6,121	4
Personal Income	1,549	1,467	81	7,304	7,159	145
Other Taxes	271	267	4	2,071	2,000	71
Non-Tax	293	33	260	544	294	250

Dollar amounts in millions. Estimate refers to IFO official revised estimate published in December 2017.

¹See *Official Monthly & Quarterly Revenue Estimates* for more information: http://www.ifo.state.pa.us/download.cfm?file=/Resources/Documents/MQRE_FY17-18_Update.pdf.

MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Oct-17	Nov-17	Dec-17	Jan-18	Oct-17	Nov-17	Dec-17	Jan-18
Unemployment Rate ¹	4.1%	4.1%	4.1%	4.1%	4.7%	4.6%	4.7%	n.a.
Net Job Gains (000s) ²	271.0	216.0	160.0	200.0	68.6	68.9	70.3	n.a.
Average Gasoline Price ³	\$2.51	\$2.56	\$2.48	\$2.55	\$2.58	\$2.64	\$2.58	\$2.66
Consumer Price Index ⁴	2.0%	2.2%	2.1%	n.a.	0.8%	0.8%	0.8%	n.a.
Retail Sales ⁵	4.5%	5.3%	5.4%	n.a.	3.3%	3.7%	4.7%	4.5%
Consumer Sentiment Index ⁶	100.7	98.5	95.9	94.4	n.a.	n.a.	n.a.	n.a.
New Building Permits ⁷	9.2%	10.4%	9.5%	n.a.	10.7%	3.9%	-3.9%	n.a.

QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2017.1	2017.2	2017.3	2017.4	2017.1	2017.2	2017.3	2017.4
Gross Domestic Product ⁸	1.2%	3.1%	3.2%	2.6%	0.3%	2.5%	3.2%	n.a.
Personal Income ⁹	3.1%	2.7%	2.6%	3.8%	3.0%	2.5%	2.0%	n.a.
Wages and Salaries ¹⁰	3.4%	2.5%	2.4%	4.3%	2.8%	1.9%	1.3%	n.a.
FHFA House Price Index ¹¹	6.5%	6.9%	6.5%	n.a.	4.3%	4.6%	4.3%	n.a.
Student Loan Debt ¹²	\$5,030	\$5,020	\$5,060	n.a.	\$5,840	\$5,810	\$5,870	n.a.
Industrial Electricity Sales ¹³	-4.1%	-2.4%	-3.6%	n.a.	-0.4%	2.0%	-0.6%	n.a.

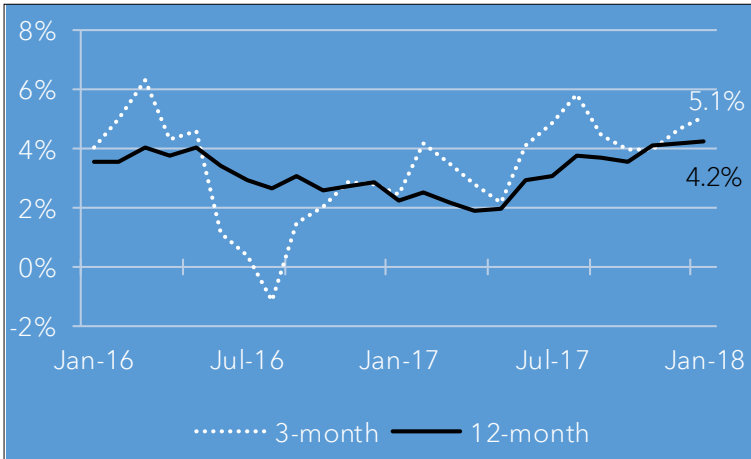
Notes:

1. Source: U.S. Bureau of Labor Statistics–Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month. PA: Average year-over-year increase in payroll employment based on latest three months of data. Source: U.S. Bureau of Labor Statistics–Survey of Establishments.
3. Average price for one gallon of regular gasoline. Source: U.S. Energy Information Administration.
4. Annual change in average price level for U.S. and PA-NJ-DE-MD. Data for PA-NJ-DE-MD only published on a bi-monthly basis. For non-release months, values are an interpolation. Source: U.S. Bureau of Labor Statistics.
5. U.S.: Annual growth rate of advance retail sales based on latest three months of data. Includes purchases of gas and motor vehicles. Excludes services. Source: U.S. Dept. of Commerce. PA: Annual growth rate of sales tax revenues based on latest three months of data. Excludes transfers to or from the Enhanced Revenue Collection Account. Source: PA Dept. of Revenue.
6. A diffusion index that reflects consumer optimism. Source: UM–Survey of Consumers.
7. Annual growth of new, privately owned single-housing units authorized for construction based on latest three months of data. Source: U.S. Census Bureau.
8. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
9. The annual growth rate of personal income. Includes any inflationary gains. Source: U.S. Bureau of Economic Analysis.
10. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
11. The annual growth rate of an index that measures the average price change of residential homes with mortgages purchased or securitized by Fannie Mae or Freddie Mac. Source: Federal Housing Finance Agency.
12. Per capita levels. Levels represent total student loan debt divided by number of consumers with a credit report. For Q4 2016, Pennsylvania has 10.9 million consumers (includes children). Source: Federal Reserve Bank of New York.
13. The annual growth rate in megawatt-hours of electricity sold to industrial customers. Source: U.S. EIA.

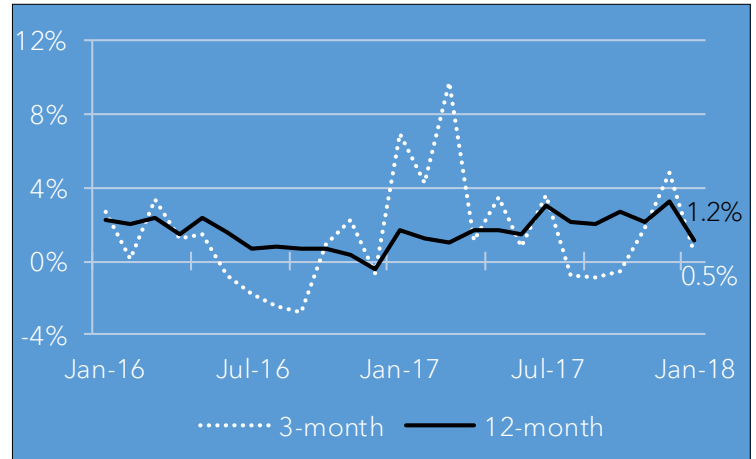
SELECT GENERAL FUND TAX REVENUES

ANNUAL GROWTH RATES

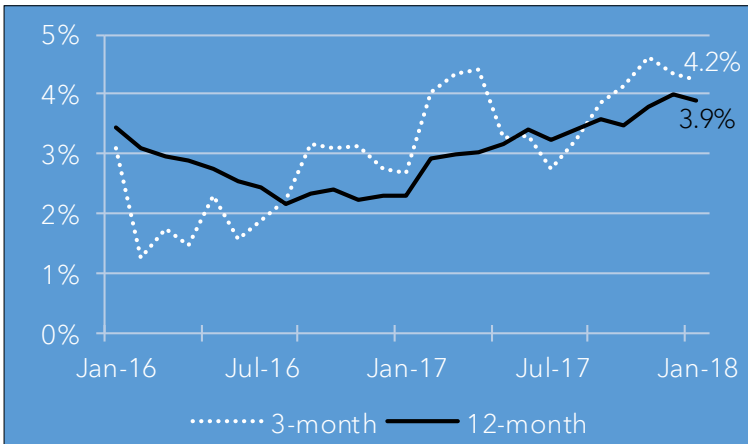
Sales and Use Tax – Non-Motor



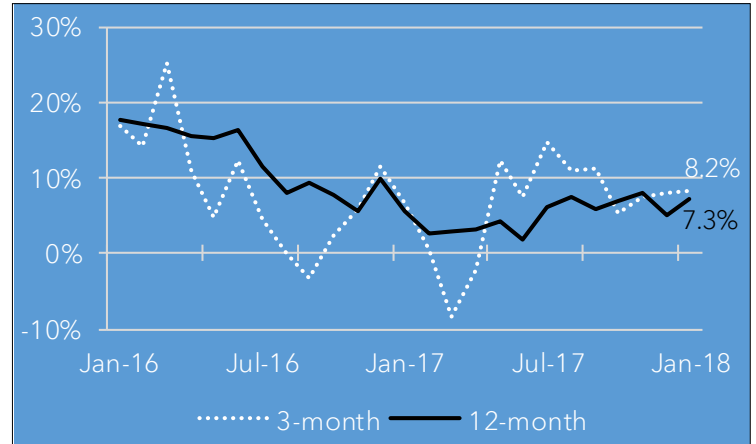
Sales and Use Tax – Motor



Personal Income Tax – Withholding



Realty Transfer Tax



Note: Three- and twelve-month annual growth rates are rolling averages relative to the previous fiscal year.

Technical Notes

- The graphs above correct for (1) transfers to the Commonwealth Financing Authority, Enhanced Revenue Collection Account and Housing Affordability and Rehabilitation Enhancement Fund and (2) issues related to fluctuating payment due dates.
- The non-tax revenue year-over-year growth rate (next page) was impacted by (1) a new \$50 million slots license fee, (2) \$90.2 million from the auction of newly created casino licenses and (3) \$200 million related to the leasing of the Pennsylvania Farm Show Complex.

GENERAL FUND REVENUES SUMMARY

Revenue Source	Jan 2018	Jan 2017	FYTD 2017-18	FYTD 2016-17	Monthly Growth	FYTD Growth
Total General Fund	\$3,137.2	\$2,642.6	\$17,367.8	\$16,097.4	18.7%	7.9%
Total Tax Revenue	2,843.8	2,569.2	16,823.7	15,877.0	10.7	6.0
Total Corporation Taxes	139.9	100.9	1,440.7	1,345.4	38.7	7.1
Accelerated Deposits	1.9	0.4	2.4	1.9	387.9	27.1
Corporate Net Income	103.6	59.7	1,323.7	1,243.4	73.7	6.5
Gross Receipts	2.5	10.6	39.8	43.1	-76.7	-7.6
Utility Property	0.0	0.0	1.5	2.3	-80.3	-35.1
Insurance Premiums	31.2	28.6	48.2	32.9	9.2	46.5
Financial Institutions	0.6	1.6	25.1	21.7	-61.0	15.6
Total Consumption Taxes	1,019.1	1,045.0	7,135.2	6,890.5	-2.5	3.6
Sales and Use	920.4	913.5	6,125.4	5,894.2	0.8	3.9
Non-Motor	811.9	800.1	5,325.7	5,101.7	1.5	4.4
Motor Vehicle	108.5	113.4	799.7	792.5	-4.4	0.9
Cigarette	62.6	74.5	704.0	727.8	-16.1	-3.3
Other Tobacco Products	9.0	30.1	68.8	35.5	-70.1	93.8
Malt Beverage	1.7	1.9	14.5	14.7	-7.3	-1.4
Liquor	25.4	24.9	222.5	218.3	1.7	2.0
Total Other Taxes	1,684.8	1,423.3	8,247.8	7,641.1	18.4	7.9
Personal Income	1,548.6	1,289.4	7,304.0	6,723.3	20.1	8.6
Withholding	981.5	834.8	5,847.8	5,495.7	17.6	6.4
Quarterly	546.3	439.9	1,273.2	1,068.1	24.2	19.2
Annual	20.8	14.8	183.0	159.5	40.4	14.7
Realty Transfer	42.2	37.7	306.7	281.9	11.7	8.8
Inheritance	80.9	77.1	558.1	530.1	4.8	5.3
Gaming	9.4	9.8	69.8	68.4	-3.1	2.1
Minor and Repealed	3.8	9.2	9.2	37.3	-59.3	-75.4
Total Non-Tax Revenue	293.3	73.4	544.1	220.4	299.4	146.8
State Stores Fund Transfers	0.0	73.3	100.0	73.3	n.a.	36.4
Licenses, Fees & Miscellaneous	286.6	(5.5)	391.3	95.4	n.a.	310.3
Licenses and Fees	95.7	8.0	203.9	62.4	n.a.	227.1
Miscellaneous	190.9	(13.5)	187.4	33.0	n.a.	467.4
Treasury	0.7	0.9	12.0	10.6	-23.5	13.5
Escheats	(16.6)	(18.7)	(67.7)	(46.0)	11.0	-47.2
Other Miscellaneous	206.8	4.3	243.0	68.4	n.a.	255.3
Fines, Penalties & Interest	6.7	5.6	52.8	51.7	19.4	2.0

Note: Dollar amounts in millions. Growth rates computed from same time period in previous year and use the unrounded amounts.