

# Revenue and Economic Update

Independent Fiscal Office | July 2019

In August, the Independent Fiscal Office (IFO) will release monthly revenue projections for fiscal year (FY) 2019-20. For July, General Fund collections were \$2,329.2 million and were \$90.8 million (4.1 percent) higher than July 2018. The tax revenue sources with the largest increase from the prior year include corporate net income tax (CNIT), personal income tax (PIT) and inheritance tax. Sales and use tax (SUT) and realty transfer tax declined due to new or expanded transfers.

July CNIT collections were \$93.1 million, an increase of \$18.4 million (24.6 percent) from the prior year. The entire gain was due to an increase in final payments, which are generally attributable to tax year 2018.

July PIT collections were \$1,022.8 million, an increase of \$164.6 million (19.2 percent) from the prior year. Withholding revenues increased significantly due to an extra major deposit day. Quarterly and annual payments also recorded gains, albeit on a much smaller base.

SUT collections were \$925.4 million for the month, an \$86.0 million (-8.5 percent) reduction from the prior year. The decline was due to a one-time transfer of \$115.3 million from non-motor revenues to the Tobacco Revenue Bond Debt Service Account. Motor vehicle collections were \$5.3 million (3.9 percent) higher than the prior year.

Other tax revenues were \$9.0 million (3.4 percent) below the prior year. The decline was mainly due to lower cigarette tax (-\$14.5 million, -22.2 percent) and realty transfer tax (-\$11.6 million, -35.6 percent) revenues. The reduction in realty transfer tax was caused by a \$15.0 million increase in the annual transfer to the Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund.

July non-tax collections increased by \$2.8 million (9.1 percent) from the prior year. Escheats collections were \$23.3 million (84.1 percent) above the prior year, while Treasury revenues declined by \$31.3 million (84.3 percent), due to a one-time payment of \$30.4 million received in July 2018.

## FY 2019-20 Revenue Performance Through July

	July Collections			FY Collections		
	Actual	Estimate	\$ Diff	Actual	Estimate	\$ Diff
<b>General Fund</b>	<b>\$2,329</b>	<b>n.a.</b>	<b>n.a.</b>	<b>\$2,329</b>	<b>n.a.</b>	<b>n.a.</b>
Corporate Net Income	93	n.a.	n.a.	93	n.a.	n.a.
SUT - Non-Motor	783	n.a.	n.a.	783	n.a.	n.a.
SUT - Motor Vehicle	142	n.a.	n.a.	142	n.a.	n.a.
PIT - Withholding	945	n.a.	n.a.	945	n.a.	n.a.
PIT - Non-Withholding	78	n.a.	n.a.	78	n.a.	n.a.
Cigarette	51	n.a.	n.a.	51	n.a.	n.a.
Inheritance	99	n.a.	n.a.	99	n.a.	n.a.
Other Taxes	105	n.a.	n.a.	105	n.a.	n.a.
Non-Tax	34	n.a.	n.a.	34	n.a.	n.a.

Dollar amounts in millions. Estimate refers to IFO official estimate that will be published in August 2019.

## MONTHLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	Apr-19	May-19	Jun-19	Jul-19	Apr-19	May-19	Jun-19	Jul-19
Unemployment Rate <sup>1</sup>	3.6%	3.6%	3.7%	3.7%	3.8%	3.8%	3.8%	n.a.
Net Job Gains (000s) <sup>2</sup>	216.0	62.0	193.0	164.0	50.9	51.9	47.7	n.a.
Average Gasoline Price <sup>3</sup>	\$2.80	\$2.86	\$2.72	\$2.79	\$2.81	\$2.90	\$2.77	\$2.77
CPI-U All Items <sup>4</sup>	2.0%	1.8%	1.6%	n.a.	1.9%	2.0%	2.1%	n.a.
Retail Sales <sup>5</sup>	3.2%	3.5%	3.4%	n.a.	6.0%	7.2%	6.6%	4.9%
Consumer Sentiment Index <sup>6</sup>	97.2	100.0	98.2	98.4	n.a.	n.a.	n.a.	n.a.

## QUARTERLY ECONOMIC INDICATORS

	United States				Pennsylvania			
	2018.3	2018.4	2019.1	2019.2	2018.3	2018.4	2019.1	2019.2
Gross Domestic Product <sup>7</sup>	2.9%	1.1%	3.1%	2.1%	3.2%	2.5%	2.9%	n.a.
Net Job Gains (000s) <sup>2</sup>	189.3	233.3	173.7	170.7	64.1	60.5	50.8	47.7
Personal Income <sup>8</sup>	5.9%	4.9%	4.6%	4.9%	3.7%	3.9%	3.6%	n.a.
Wages and Salaries <sup>9</sup>	5.2%	4.0%	4.9%	5.4%	3.5%	3.1%	3.0%	n.a.
CPI-U All Items <sup>4</sup>	2.6%	2.2%	1.6%	1.8%	1.7%	1.3%	1.5%	2.0%
FHFA House Price Index <sup>10</sup>	6.5%	5.9%	5.1%	n.a.	4.7%	5.3%	5.0%	n.a.

### Economic Trends

- Pennsylvania unemployment remains at 3.8 percent, which is the lowest recorded rate since data collection started in 1976. The national unemployment rate is slightly lower at 3.7 percent.
- Quarterly net job gains have decelerated in Pennsylvania and at the national level, although U.S. net job gains recovered in June from a weak May.
- The Philadelphia region CPI-U continued to increase in June. Recreation (3.9 percent) and medical care (3.9 percent) recorded the largest price increases from the prior year.

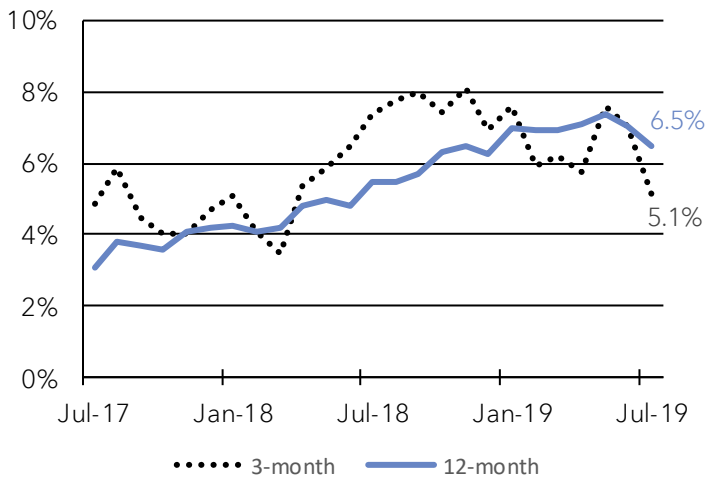
#### Sources and notes:

1. Source: U.S. Bureau of Labor Statistics—Survey of Households.
2. U.S.: Increase in payroll employment compared to the previous month or quarter. 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. Source: U.S. Bureau of Labor Statistics.
5. U.S.: Annual growth rate of advance retail sales based on latest three months of data. Excludes services. Source: U.S. Department of Commerce. PA: Annual growth rate of sales tax revenues based on latest three months of data. Source: PA Department of Revenue.
6. Source: UM—Survey of Consumers.
7. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
8. The year-over-year growth rate of personal income. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
10. Source: Federal Housing Finance Agency.

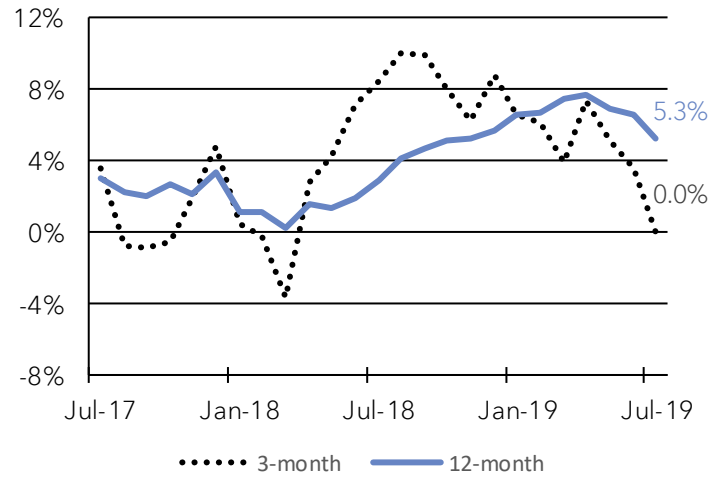
# SELECT GENERAL FUND TAX REVENUES

## ANNUAL GROWTH RATES

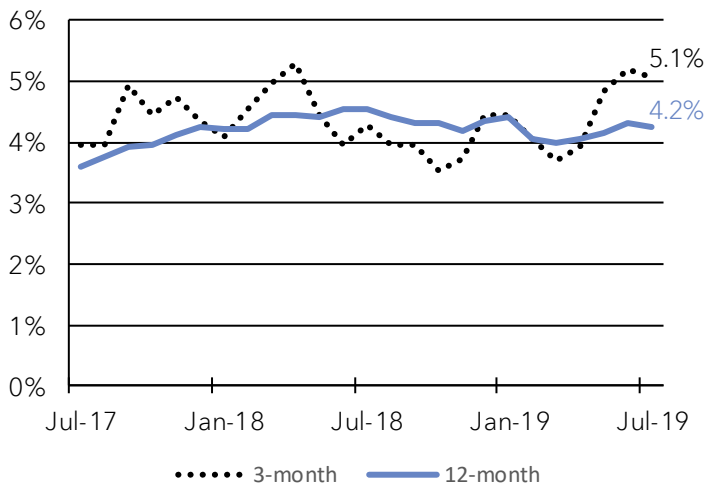
### Sales and Use Tax – Non-Motor



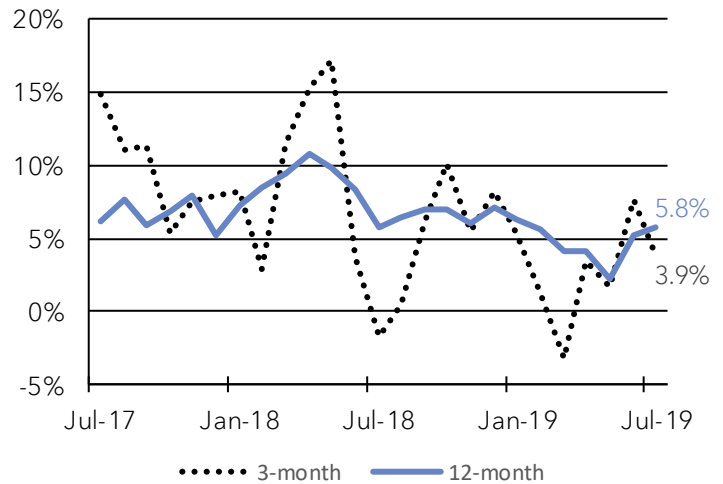
### Sales and Use Tax – Motor



### Personal Income Tax – Withholding



### Realty Transfer Tax



### Revenue Trends

- The non-motor SUT growth rates exclude a \$115 million one-time transfer that occurred in July 2019. Prior to July, the 3-month growth rate had been hovering between 6 to 8 percent, which is considerably higher than historical trends.
- The motor vehicle 3-month growth rate has trended downward since July 2018, when many analysts believe the economic impact from the federal Tax Cuts and Jobs Act peaked. The 12-month growth rate remains strong, but should revert to historical levels given more recent trends.
- Recent growth in adjusted PIT withholding decelerated, but remains solid. The 12-month average growth rate has remained around 4 percent since December 2017.
- The adjusted realty transfer tax revenue growth trend moderated in July as collections came in below the previous year. The 12-month moving average shows a nearly 6 percent year-over-year gain.

# GENERAL FUND REVENUES SUMMARY

Revenue Source	July 2019	July 2018	FYTD 2019-20	FYTD 2018-19	Monthly Growth	FYTD Growth
<b>Total General Fund</b>	<b>\$2,329.2</b>	<b>\$2,238.4</b>	<b>\$2,329.2</b>	<b>\$2,238.4</b>	<b>4.1%</b>	<b>4.1%</b>
<b>Total Tax Revenue</b>	<b>2,295.2</b>	<b>2,207.2</b>	<b>2,295.2</b>	<b>2,207.2</b>	<b>4.0</b>	<b>4.0</b>
<b>Total Corporation Taxes</b>	<b>116.9</b>	<b>99.5</b>	<b>116.9</b>	<b>99.5</b>	<b>17.5</b>	<b>17.5</b>
Accelerated Deposits	1.2	(0.8)	1.2	(0.8)	245.5	245.5
Corporate Net Income	93.1	74.7	93.1	74.7	24.6	24.6
Gross Receipts	4.3	4.5	4.3	4.5	-4.6	-4.6
Utility Property	0.4	0.0	0.4	0.0	n.a.	n.a.
Insurance Premiums	17.5	20.7	17.5	20.7	-15.1	-15.1
Financial Institution	0.4	0.4	0.4	0.4	2.2	2.2
<b>Total Consumption Taxes</b>	<b>1,019.8</b>	<b>1,118.0</b>	<b>1,019.8</b>	<b>1,118.0</b>	<b>-8.8</b>	<b>-8.8</b>
Sales and Use - Total	925.4	1,011.4	925.4	1,011.4	-8.5	-8.5
Non-Motor	783.0	874.3	783.0	874.3	-10.4	-10.4
Motor Vehicle	142.4	137.1	142.4	137.1	3.9	3.9
Cigarette	50.8	65.3	50.8	65.3	-22.2	-22.2
Other Tobacco Products	10.9	10.4	10.9	10.4	5.7	5.7
Malt Beverage	2.2	2.4	2.2	2.4	-7.9	-7.9
Liquor	30.5	28.6	30.5	28.6	6.6	6.6
<b>Total Other Taxes</b>	<b>1,158.5</b>	<b>989.7</b>	<b>1,158.5</b>	<b>989.7</b>	<b>17.1</b>	<b>17.1</b>
Personal Income - Total	1,022.8	858.2	1,022.8	858.2	19.2	19.2
Withholding	945.3	795.3	945.3	795.3	18.9	18.9
Quarterly	48.0	41.5	48.0	41.5	15.6	15.6
Annual	29.5	21.5	29.5	21.5	37.4	37.4
Realty Transfer	21.1	32.7	21.1	32.7	-35.6	-35.6
Inheritance	98.5	85.1	98.5	85.1	15.7	15.7
Gaming	10.9	9.6	10.9	9.6	13.8	13.8
Minor and Repealed	5.1	4.0	5.1	4.0	28.9	28.9
<b>Total Non-Tax Revenue</b>	<b>34.0</b>	<b>31.2</b>	<b>34.0</b>	<b>31.2</b>	<b>9.1</b>	<b>9.1</b>
State Store Fund Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Lic., Fees & Miscellaneous	26.4	22.7	26.4	22.7	16.2	16.2
Licenses and Fees	20.7	7.5	20.7	7.5	176.4	176.4
Miscellaneous	5.7	15.2	5.7	15.2	-62.5	-62.5
Treasury	5.8	37.2	5.8	37.2	-84.3	-84.3
Escheats	(4.4)	(27.7)	(4.4)	(27.7)	84.1	84.1
Other Miscellaneous	4.3	5.8	4.3	5.8	-26.0	-26.0
Fines, Penalties & Interest	7.6	8.5	7.6	8.5	-10.2	-10.2

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