



INDEPENDENT FISCAL OFFICE

May 1, 2024

Dear Chairs Martin, Hughes, Harris and Grove:

This letter provides a second update to the IFO's General Fund revenue forecast based on year-to-date revenues. Through April, revenues are running \$326 million (+0.9%) above the IFO's fiscal year (FY) 2023-24 Official Estimate (published June 20, 2023). Updates for specific sources that impact the revenue forecast for the current and subsequent fiscal year include:

- **Personal income tax (PIT) annual** payments (for tax year 2023) fell \$79 million below estimate in April and were \$34 million (-2.4%) below collections from April 2023.
- The first **PIT estimated** payment (\$463 million) for tax year 2024 was remitted in April and was \$20 million below estimate, but higher than the prior year (+2.3%). This foreshadows potential weakness for the second estimated payment due in June.
- **Corporate net income tax (CNIT) final** payments in April (\$639 million) were solid. However, the much smaller **CNIT estimated** payment portion (\$62 million) was down 46% from April 2023. The estimated CNIT payment reflects the first estimated payment for retailers, which confirmed the weakness we noted in March for firms with tax years ending December 2024.
- **Withholding tax** collections exhibited base growth of 4.2% in April, a slight deceleration from 4.9% for the first quarter of 2024.
- April **non-motor vehicle sales and use tax (SUT)** came in below estimate (-\$21 million) and declined 3.9% from the prior year, while motor vehicle SUT increased 17.5% from April 2023 due to a greater number of deposit days this year.
- April is the primary month for **escheats** collections, which came in \$68 million higher than anticipated, a real gain that increases the FY 2023-24 estimate.
- **Inheritance tax** collections came in \$87 million higher than forecast for April, \$92 million (77.6%) over the prior year. That windfall would generally not be carried forward to next fiscal year.

Based on fiscal year-to-date revenues through April, the IFO would increase its June 2023 Official Estimate by roughly \$150 million, to \$45.4 billion. That figure largely corresponds to the revised figure carried in the Governor's Executive Budget. For next fiscal year, the early weakness in CNIT and PIT bears monitoring, as well as non-motor SUT growth, which turned negative in April following a strong first quarter (+4.5%). 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,

Matthew Knittel
Director, Independent Fiscal Office

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