

Quarterly Revenue Review

Fiscal Year 2013-14

July to September 2013

Introduction

The Independent Fiscal Office (IFO) produces this report to facilitate comparison of its quarterly revenue estimates with actual revenue collections. The report also provides context and analysis regarding any variances between the estimates and actual collections.

The revenue estimates in this report are taken from *Fiscal Year 2013-14 Quarterly Revenue Estimates* published by the IFO. That document is available at www.ifo.state.pa.us. The scope of this report does not include any analysis of the FY 2013-14 revenue estimate certified by the Governor.

General Fund Overview

General Fund revenues were approximately \$42 million below estimate for the third quarter of calendar year 2013.¹ As shown by Table 1, corporate net income tax revenues were \$25 million below estimate in the third quarter while sales and use tax and personal income tax revenues were below estimate by \$15 million and \$13 million, respectively. All other General Fund revenues exceeded estimate by \$11 million. Additional detail on specific revenue sources can be found in Table 4. The text that follows provides a brief discussion for the major revenue sources.²

Table 1
General Fund Snapshot
(\$ millions)

Revenue Source	Third Quarter - 2013			Fiscal Year-to-Date		
	Actual ^a	Estimate ^b	Difference ^c	Actual ^a	Estimate ^b	Difference ^c
Total General Fund	\$6,110	\$6,152	-\$42	\$6,110	\$6,152	-\$42
Corporate Net Income	478	503	-25	478	503	-25
Sales and Use	2,302	2,317	-15	2,302	2,317	-15
Personal Income	2,484	2,497	-13	2,484	2,497	-13
All Other	846	835	11	846	835	11

^a The Commonwealth's revenue accounting system.

^b *Fiscal Year 2013-14 Quarterly Revenue Estimates*, Independent Fiscal Office, August 12, 2013.

^c Differences are based on the unrounded values. Detail may not sum to the total due to rounding.

¹ For consistency, references to quarters in this report are based on the calendar quarter. The third quarter of calendar year 2013 is the first quarter of FY 2013-14.

² See the [Revenue Trends Report](#) published by the Independent Fiscal Office for more detail on revenue growth rates by month, fiscal year and the most recent three or twelve-month periods.

Corporate Net Income Tax

Corporate net income tax collections fell below projections by \$25 million for the quarter. The IFO projected that revenues would increase by \$4 million for the quarter, but they declined by \$21 million instead. The decline occurred in estimated payments, which fell below the same quarter of the prior year by \$44 million (-10.3 percent). That decline was partially offset by final payments, which increased by \$23 million (32.8 percent) over the prior year.

Sales and Use Tax

Sales and use tax revenues were \$15 million less than estimate for the quarter. Nonmotor vehicle sales tax collections fell below estimate by about \$27 million and motor vehicle sales tax revenues were \$11 million above projected levels. The IFO projected that quarterly nonmotor vehicle collections would increase by 3.5 percent over the same period in the prior year. However, revenues grew by only 2.1 percent. Motor vehicle collections were projected to increase by 4.3 percent, but the actual revenue growth of 8.0 percent outpaced the estimate.

Personal Income Tax

Personal income tax collections were \$13 million below estimate for the quarter. Deposits from employer withholding fell short of estimate by \$19 million. The IFO projected growth of 3.2 percent over the prior year, but the actual revenue growth of 2.3 percent fell below estimate. Receipts from quarterly estimated payments exceeded estimate by \$5 million, and annual payments were about \$1 million above projections.

Other General Fund

Other General Fund deposits were \$11 million above estimate for the quarter. Among the largest revenue sources, the capital stock and franchise tax exceeded estimate by \$15 million, the cigarette tax fell short of projections by \$4 million, the realty transfer tax was \$3 million above estimate, the inheritance tax exceeded the estimate by \$7 million and nontax revenues fell below projections by \$11 million.

Motor License Fund Overview

The \$603 million in revenues deposited into the Motor License Fund during the third quarter of 2013 were \$14 million below estimate. Table 2 provides additional detail.

Table 2
Motor License Fund - Comparison of Projections and Reported Collections
(\$ millions)

	2013 - Third Quarter			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
Total Motor License Fund	\$603.0	\$616.8	-\$13.8	\$603.0	\$616.8	-\$13.8
Liquid Fuels Taxes	318.2	329.7	-11.5	318.2	329.7	-11.5
Liquid Fuels	145.8	161.5	-15.7	145.8	161.5	-15.7
Fuels	40.8	39.3	1.5	40.8	39.3	1.5
Oil Company Franchise	118.9	116.0	2.9	118.9	116.0	2.9
Other Liquid Fuels Taxes	12.7	12.9	-0.2	12.7	12.9	-0.2
Motor Licenses and Fees	225.1	219.2	5.9	225.1	219.2	5.9
Other Motor Receipts	59.7	67.9	-8.2	59.7	67.9	-8.2

The Liquid Fuels Taxes category generated \$318 million for the quarter, \$12 million below estimate. The two major revenue sources in this category are the liquid fuels tax and the oil company franchise tax.

- Liquid fuels tax collections were \$146 million for the quarter, \$16 million below estimate.
- Oil company franchise tax collections were \$119 million for the quarter, \$3 million above estimate.

Motor Licenses and Fees quarterly revenue of \$225 million was \$6 million below estimate.

Other Motor Receipts of \$60 million for the quarter were \$8 million below estimate.

Lottery Fund Overview

Lottery Fund gross ticket sales and miscellaneous revenues were \$1,104 million for the quarter, \$42 million above estimate. Table 3 provides additional detail.

For the third quarter:

- Sales of instant games totaled \$569 million,

\$21 million above estimate. The IFO projected growth of 3.3 percent for the quarter, but actual sales were 7.2 percent greater than the prior year.

- Jackpot games (Powerball, Powerplay, Megamillions and Megaplier) sales were \$136 million, \$11 million above estimate. Due to the inherent variability of sales for jackpot games, the annual estimate for this category was evenly split between the quarters. Sales in this category increased by 11.6 percent compared to the prior year.
- Sales of all other games totaled \$232 million, \$10 million above estimate. The estimate projected a decline of 3.4 percent for the quarter, consistent with the long-term trend. However, sales growth of 1.1 percent outpaced the estimate.

Miscellaneous revenues of \$168 million include a transfer from the Property Tax Relief Fund. This annual transfer in support of the Property Tax Rent Rebate Program typically occurs in July. The transfer is required by Special Session Act 1 of 2006.

Table 3
Lottery Fund - Comparison of Projections and Reported Collections
(\$ millions)

	2013 - Third Quarter			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
Total Lottery Fund Revenue ^a	\$1,104.1	\$1,061.7	-\$42.4	\$1,104.1	\$1,061.7	\$42.4
Gross Ticket Sales	936.6	894.9	41.7	936.6	894.9	41.7
Instant Games	568.8	548.2	20.6	568.8	548.2	20.6
Jackpot Games	136.3	125.5	10.8	136.3	125.5	10.8
All Others	231.5	221.2	10.3	231.5	221.2	10.3
Miscellaneous Revenues	167.5	166.8	0.7	167.5	166.8	0.7

^a Quarterly and fiscal year-to-date amounts are not adjusted for field paid prizes and commissions.

Table 4
GENERAL FUND DETAIL
Comparison of Projections and Reported Collections
(\$ millions)

	2013 - Third Quarter			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total General Fund</u>	<u>\$6,109.5</u>	<u>\$6,151.9</u>	<u>-\$42.4</u>	<u>\$6,109.5</u>	<u>\$6,151.9</u>	<u>-\$42.4</u>
<u>Total Tax Revenue</u>	<u>6,058.6</u>	<u>6,090.2</u>	<u>-31.6</u>	<u>6,058.6</u>	<u>6,090.2</u>	<u>-31.6</u>
<u>Total Corporation Taxes</u>	<u>588.9</u>	<u>598.1</u>	<u>-9.2</u>	<u>588.9</u>	<u>598.1</u>	<u>-9.2</u>
Corporate Net Income	477.8	502.5	-24.7	477.8	502.5	-24.7
Capital Stock & Franchise	88.6	73.2	15.4	88.6	73.2	15.4
Gross Receipts	13.2	13.0	0.2	13.2	13.0	0.2
Utility Property	2.1	0.0	2.1	2.1	0.0	2.1
Insurance Premiums	-0.7	2.0	-2.7	-0.7	2.0	-2.7
Financial Institutions	3.1	6.0	-2.9	3.1	6.0	-2.9
Other Selective Business ¹	4.8	1.4	3.4	4.8	1.4	3.4
<u>Total Consumption Taxes</u>	<u>2,636.2</u>	<u>2,656.2</u>	<u>-20.0</u>	<u>2,636.2</u>	<u>2,656.2</u>	<u>-20.0</u>
<u>Sales and Use</u>	<u>2,301.7</u>	<u>2,317.0</u>	<u>-15.3</u>	<u>2,301.7</u>	<u>2,317.0</u>	<u>-15.3</u>
Nonmotor	1,971.7	1,998.3	-26.6	1,971.7	1,998.3	-26.6
Motor Vehicle	330.0	318.7	11.3	330.0	318.7	11.3
Cigarette	252.7	256.4	-3.7	252.7	256.4	-3.7
Malt Beverage	7.1	7.1	0.0	7.1	7.1	0.0
Liquor	74.7	75.7	-1.0	74.7	75.7	-1.0
<u>Total Other Taxes</u>	<u>2,833.4</u>	<u>2,835.9</u>	<u>-2.5</u>	<u>2,833.4</u>	<u>2,835.9</u>	<u>-2.5</u>
<u>Personal Income</u>	<u>2,484.3</u>	<u>2,497.3</u>	<u>-13.0</u>	<u>2,484.3</u>	<u>2,497.3</u>	<u>-13.0</u>
Withholding	2,056.6	2,075.7	-19.1	2,056.6	2,075.7	-19.1
Quarterly	375.5	370.2	5.3	375.5	370.2	5.3
Annuals	52.2	51.4	0.8	52.2	51.4	0.8
Realty Transfer	112.0	109.0	3.0	112.0	109.0	3.0
Inheritance	213.6	206.4	7.2	213.6	206.4	7.2
Table Games	22.5	23.3	-0.8	22.5	23.3	-0.8
Minor and Repealed	0.9	-0.1	1.0	0.9	-0.1	1.0
<u>Total Nontax Revenue</u>	<u>51.0</u>	<u>61.7</u>	<u>-10.7</u>	<u>51.0</u>	<u>61.7</u>	<u>-10.7</u>
Liquor Store Profits	0.0	0.0	0.0	0.0	0.0	0.0
Licenses, Fees and Misc.	26.7	43.9	-17.2	26.7	43.9	-17.2
Fines, Penalties and Interest	24.3	17.8	6.5	24.3	17.8	6.5

¹ Includes undistributed clearing account.