

Quarterly Revenue Review

Fiscal Year 2013-14

October to December 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 \$23 million below estimate for the fourth quarter of calendar year 2013.¹ As shown by Table 1, corporate net income tax revenues were \$58 million above estimate in the fourth quarter while sales and use tax and personal income tax revenues were below estimate by \$32 million and \$13 million, respectively. All other General Fund revenues were below estimate by \$35 million.²

For the fiscal year through December, General Fund revenues were \$65 million below estimate. Corporate net income tax revenues were \$33 above estimate, but sales and use and personal income taxes were below estimate by \$47

Table 1
General Fund Snapshot
(\$ millions)

Revenue Source	Fourth Quarter - 2013			Fiscal Year-to-Date		
	Actual ^a	Estimate ^b	Difference ^c	Actual ^a	Estimate ^b	Difference ^c
Total General Fund	\$6,176	\$6,199	-\$23	\$12,286	\$12,351	-\$65
Corporate Net Income	627	570	58	1,105	1,072	33
Sales and Use	2,276	2,302	-32	4,577	4,624	-47
Personal Income	2,448	2,462	-13	4,932	4,959	-26
All Other	825	860	-35	1,671	1,695	-24

^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 fourth quarter of calendar year 2013 is the second 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.

million and \$26 million, respectively. All other revenues were below estimate by \$24 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.

Corporate Net Income Tax

Corporate net income tax collections were above estimate by \$58 million for the quarter. The overage occurred largely because of strength in final payments, which more than offset weakness in quarterly estimated payments.

For the fiscal year, revenues were \$33 million above estimate. The pattern of weak estimated payments and strong final payments also is evident in the fiscal year-to-date deposits.

Corporate Net Income Tax Collections (\$ millions)			
Fourth Quarter			
	2012	2013	Change
Quarterly	\$484	\$454	-\$31
Final	<u>109</u>	<u>174</u>	<u>65</u>
Total	593	627	34
Fiscal Year-to-Date			
	2012-13	2013-14	Change
Quarterly	\$912	\$837	-\$75
Final	<u>180</u>	<u>268</u>	<u>88</u>
Total	1,091	1,105	14

Sales and Use Tax

Sales and use tax revenues were \$32 million less than estimate for the quarter. Nonmotor vehicle sales tax collections fell below estimate by about \$36 million and motor vehicle sales tax revenues were \$4 million above estimate.

For the fiscal year, deposits were \$47 million below estimate. Nonmotor vehicle collections were \$62 million below estimate. This shortfall was partially offset by motor vehicle collections, which were \$15 million above estimate.

Sales and Use Tax Growth Rates		
	Fourth Quarter	Fiscal Year
Nonmotor	1.1%	1.6%
Motor	<u>5.4</u>	<u>6.8</u>
Total SUT	1.6	2.3

Personal Income Tax

Personal income tax collections were \$13 million below estimate for the quarter. Deposits from employer withholding fell short of estimate by \$24 million. Receipts from quarterly estimated payments fell below estimate by \$1 million, and annual payments were about \$12 million above estimate.

For the fiscal year, personal income tax collections were \$26 million below estimate. Employer withholding revenues were \$43 million below estimate. Quarterly estimated payments and annual payments were \$4 million and \$12 million above estimate, respectively.

Personal Income Tax Growth Rates		
	Fourth Quarter	Fiscal Year
Withholding	2.1%	2.2%
Quarterly	-2.8	5.7
Annual	<u>11.4</u>	<u>8.2</u>
Total PIT	2.1	2.7

Other General Fund

Other General Fund deposits were \$35 million below estimate for the quarter and \$24 million for the fiscal year. Notably, the capital stock and franchise tax exceeded estimate by \$5 million for the quarter and \$20 million for the fiscal year. Realty transfer tax and inheritance tax revenues fell below estimate for the quarter by \$13 million each. For the fiscal year they were \$10 million and \$6 million below estimate, respectively. Nontax revenues were below estimate by \$10 million for the quarter and \$21 million for the fiscal year.

Motor License Fund Overview

The \$544 million in revenues deposited into the Motor License Fund during the fourth quarter of 2013 were \$10 million below estimate. For the fiscal year, revenues of \$1,147 million were \$23 million below estimate. Table 2 provides additional detail.

The Liquid Fuels Taxes category generated \$295 million for the quarter and \$613 million for the fiscal year. Revenues in this category were below estimate by \$10 million for the quarter and \$22 million for the fiscal year. The two major revenue sources in this category are the liquid fuels tax and the oil company franchise tax.

- Liquid fuels tax collections were \$128 million for the quarter and \$274 million for the fiscal year. These revenues were below estimate by \$8 million for the quarter and \$24 million for the fiscal year.

- Oil company franchise tax collections were \$116 million for the quarter and \$235 million for the fiscal year. Revenues for this tax were above the estimate by \$2 million for the quarter and \$5 million for the fiscal year

Motor Licenses and Fees quarterly revenue of \$192 million was \$9 million above estimate. Fiscal year receipts of \$418 million were \$15 million above estimate.

Other Motor Receipts of \$57 million for the quarter were \$8 million below estimate. For the fiscal year, receipts of \$117 million were \$17 million below estimate.

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

	Fourth Quarter - 2013			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total Motor License Fund</u>	<u>\$544.0</u>	<u>\$553.6</u>	<u>-\$9.6</u>	<u>\$1,147.0</u>	<u>\$1,170.4</u>	<u>-\$23.4</u>
<u>Liquid Fuels Taxes</u>	<u>294.6</u>	<u>304.7</u>	<u>-10.1</u>	<u>612.8</u>	<u>634.4</u>	<u>-21.6</u>
Liquid Fuels	128.4	136.5	-8.1	274.1	298.0	-23.9
Fuels	41.2	39.5	1.7	82.1	78.8	3.3
Oil Company Franchise	116.4	114.8	1.6	235.3	230.8	4.5
Other Liquid Fuels Taxes	8.5	13.9	-5.4	21.2	26.8	-5.6
<u>Motor Licenses and Fees</u>	<u>192.4</u>	<u>183.5</u>	<u>8.9</u>	<u>417.5</u>	<u>402.7</u>	<u>14.8</u>
<u>Other Motor Receipts</u>	<u>57.1</u>	<u>65.4</u>	<u>-8.3</u>	<u>116.8</u>	<u>133.3</u>	<u>-16.5</u>

Lottery Fund Overview

Lottery Fund gross ticket sales and miscellaneous revenues were \$984 million for the quarter, \$15 million above estimate. For the fiscal year, revenues of \$2,088 million were \$57 above estimate. Table 3 provides additional detail.

Fourth quarter sales of instant games totaled \$635 million, \$22 million above estimate. For the fiscal year, sales of \$1,204 million were \$57 million above estimate. Instant games increased by 7.7 percent in the fourth quarter and 7.5 percent for the fiscal year.

Jackpot games (Powerball, Powerplay, Megamillions and Megaplier) sales were \$118 million, \$7.5 million below estimate for the quarter. For the fiscal year, sales of \$254 million were \$3 million above estimate. Jackpot

games declined by 9.1 percent for the quarter, but they increased 4.9 percent for the fiscal year.

Sales of all other games totaled \$231 million, \$1 million above estimate. Fiscal year sales of \$463 million were \$12 million above estimate. Other games declined by 1.7 percent for the quarter and 0.3 percent for the fiscal year.

Miscellaneous revenues were -\$0.1 million for the quarter. Fiscal year-to-date revenues of \$167 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 Estimates and Reported Collections
 (\$ millions)

	Fourth Quarter - 2013			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total Lottery Fund Revenue^a</u>	<u>984.2</u>	<u>969.3</u>	<u>\$14.9</u>	<u>2,088.3</u>	<u>\$2,031.0</u>	<u>\$57.3</u>
<u>Gross Ticket Sales</u>	<u>984.3</u>	<u>968.6</u>	<u>15.7</u>	<u>1,921.0</u>	<u>1,863.5</u>	<u>57.5</u>
Instant Games	634.9	613.2	21.7	1,203.8	1,161.4	42.4
Jackpot Games	118.0	125.5	-7.5	254.3	251.0	3.3
All Others	231.4	229.9	1.5	462.9	451.1	11.8
<u>Miscellaneous Revenues</u>	<u>-0.1</u>	<u>0.7</u>	<u>-0.8</u>	<u>167.4</u>	<u>167.5</u>	<u>-0.1</u>

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

Table 4
General Fund Detail
Comparison of Estimates and Reported Collections
(\$ millions)

	Fourth Quarter - 2013			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total General Fund</u>	<u>\$6,176.0</u>	<u>\$6,198.8</u>	<u>-\$22.8</u>	<u>\$12,285.6</u>	<u>\$12,350.7</u>	<u>-\$65.1</u>
<u>Total Tax Revenue</u>	<u>6,118.5</u>	<u>6,131.1</u>	<u>-12.6</u>	<u>12,177.0</u>	<u>12,221.3</u>	<u>-44.3</u>
<u>Total Corporation Taxes</u>	<u>720.1</u>	<u>660.0</u>	<u>60.1</u>	<u>1,309.0</u>	<u>1,258.1</u>	<u>50.9</u>
Corporate Net Income	627.4	569.8	57.6	1,105.2	1,072.3	32.9
Capital Stock & Franchise	73.1	68.6	4.5	161.7	141.8	19.9
Gross Receipts	14.1	12.0	2.1	27.3	25.0	2.3
Utility Property	0.2	0.0	0.2	2.3	0.0	2.3
Insurance Premiums	0.4	0.6	-0.2	-0.4	2.6	-3.0
Financial Institutions	4.7	7.0	-2.3	7.9	13.0	-5.1
Other Selective Business ^a	0.2	2.0	-1.8	5.0	3.4	1.6
<u>Total Consumption Taxes</u>	<u>2,638.8</u>	<u>2,672.5</u>	<u>-33.7</u>	<u>5,275.0</u>	<u>5,328.7</u>	<u>-53.7</u>
<u>Sales and Use</u>	<u>2,275.6</u>	<u>2,307.4</u>	<u>-31.8</u>	<u>4,577.3</u>	<u>4,624.4</u>	<u>-47.1</u>
Nonmotor	1,989.2	2,024.9	-35.7	3,960.9	4,023.2	-62.3
Motor Vehicle	286.3	282.5	3.8	616.3	601.2	15.1
Cigarette	261.3	260.5	0.8	514.0	516.9	-2.9
Malt Beverage	6.3	5.8	0.5	13.4	12.9	0.5
Liquor	95.6	98.8	-3.2	170.3	174.5	-4.2
<u>Total Other Taxes</u>	<u>2,759.6</u>	<u>2,798.6</u>	<u>-39.0</u>	<u>5,593.0</u>	<u>5,634.5</u>	<u>-41.5</u>
<u>Personal Income</u>	<u>2,448.0</u>	<u>2,461.5</u>	<u>-13.5</u>	<u>4,932.3</u>	<u>4,958.8</u>	<u>-26.5</u>
Withholding	2,194.5	2,218.7	-24.2	4,251.1	4,294.4	-43.3
Quarterly	159.2	160.1	-0.9	534.7	530.3	4.4
Annuals	94.3	82.7	11.6	146.5	134.1	12.4
Realty Transfer	89.3	102.0	-12.7	201.3	211.0	-9.7
Inheritance	199.5	212.5	-13.0	413.2	418.9	-5.7
Table Games	21.7	22.1	-0.4	44.2	45.4	-1.2
Minor and Repealed	1.1	0.5	0.6	2.0	0.4	1.6
<u>Total Nontax Revenue</u>	<u>57.6</u>	<u>67.7</u>	<u>-10.1</u>	<u>108.6</u>	<u>129.4</u>	<u>-20.8</u>
Liquor Store Profits	0.0	0.0	0.0	0.0	0.0	0.0
Licenses, Fees and Misc.	33.5	45.3	-11.8	60.2	89.2	-29.0
Fines, Penalties and Interest	24.1	22.4	1.7	48.3	40.2	8.1

^a Includes undistributed clearing account.