

Quarterly Revenue Review

Fiscal Year 2013-14

April to June 2014

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 for the variances between 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 \$349 million below estimate for the second quarter of calendar year 2014.¹ As shown by Table 1, corporate net income tax and personal income tax revenues were below estimate by \$80 million and \$185 million, respectively. Sales and use tax collections were \$44 million above estimate. All other General Fund revenues were below estimate by \$128 million.²

For the fiscal year, General Fund revenues were \$547 million below estimate. Corporate net income tax revenues were \$42 million above estimate, but sales and use and personal income taxes were below estimate by \$109

Table 1
General Fund Snapshot
(\$ millions)

Revenue Source	Second Quarter - 2014			Fiscal Year-to-Date		
	Actual ^a	Estimate ^b	Difference ^c	Actual ^a	Estimate ^b	Difference ^c
Total General Fund	\$8,097	\$8,446	-\$349	\$28,607	\$29,154	-\$547
Corporate Net Income	855	935	-80	2,502	2,460	42
Sales and Use	2,441	2,396	44	9,130	9,239	-109
Personal Income	3,647	3,833	-185	11,437	11,720	-283
All Other	1,154	1,281	-128	5,539	5,736	-197

^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 second quarter of calendar year 2014 is the last 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 \$283 million, respectively. All other revenues were below estimate by \$197 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 below estimate by \$80 million for the quarter. Despite strength in estimated payments, a substantial decline in final payments resulted in a negative quarterly growth rate.

For the fiscal year, revenues were \$42 million above estimate. Estimated payments were weak early in the fiscal year, but they recovered enough in the last quarter to display a modest increase for the fiscal year. Final payments demonstrated growth for the fiscal year despite the drop in the last quarter.

Corporate Net Income Tax Growth Rates				
	Quarter		FYTD	
	Actual	Proj.	Actual	Proj.
Estimated	14.1%	n.a.	1.3%	n.a.
Final	<u>-16.5</u>	<u>n.a.</u>	<u>7.1</u>	<u>n.a.</u>
Total	-1.9	7.3	3.2	1.5

FYTD – fiscal-year-to-date. Proj. – projected.
n.a. – not available.

Sales and Use Tax

Sales and use tax revenues were \$44 million above estimate for the quarter. Nonmotor vehicle sales tax collections exceeded estimate by \$23 million and motor vehicle sales tax revenues were \$21 million above estimate.

For the fiscal year, deposits were \$109 million below estimate. Nonmotor vehicle collections were \$136 million below estimate and motor vehicle collections were \$26 million above estimate.

Sales and Use Tax Growth Rates				
	Quarter		FYTD	
	Actual	Proj.	Actual	Proj.
Nonmotor	5.2%	4.0%	2.1%	3.9%
Motor	<u>9.7</u>	<u>3.1</u>	<u>6.0</u>	<u>3.8</u>
Total	5.8	3.9	2.7	3.9

FYTD – fiscal-year-to-date. Proj. – projected.

Personal Income Tax

Personal income tax collections were \$185 million below estimate for the quarter. Deposits from employer withholding fell short of estimate by \$27 million. Receipts from quarterly estimated payments were \$32 million below estimate, and annual payments were \$126 million below estimate.

For the fiscal year, personal income tax collections were \$283 million below estimate. Employer withholding revenues were \$85 million below estimate. Quarterly estimated payments and annual payments were \$96 million and \$101 million below estimate, respectively.

Personal Income Tax Growth Rates				
	Quarter		FYTD	
	Actual	Proj.	Actual	Proj.
Withhold.	2.8%	4.1%	2.6%	3.6%
Quarterly	1.4	7.2	0.0	6.4
Annual	<u>-16.3</u>	<u>-5.0</u>	<u>-11.4</u>	<u>-3.9</u>
Total	-3.1	1.9	0.6	3.1

FYTD – fiscal-year-to-date. Proj. – projected.

Other General Fund

Other General Fund deposits were below estimate by \$128 million for the quarter and \$197 million for the fiscal year. Major revenue sources contributing to the fiscal year shortfall were financial institution (-\$57 million), insurance premium (-\$58 million) and realty transfer taxes (-\$49 million).

Motor License Fund Overview

Legislation enacted in December 2013 (Act 89) impacts the reporting and comparison of actual Liquid Fuels Taxes and certain fee revenue. The estimates reflected in Table 2 were not adjusted to account for these legislative changes.

The \$677 million in revenues deposited into the Motor License Fund during the second quarter of 2014 were \$18 million above estimate. Fiscal year 2013-14 revenues totaled \$2,447 million and were \$31 million above estimate. Table 2 provides additional detail. In total, it is estimated that Act 89 increased Motor License Fund fiscal year revenues by approximately \$53 million.

The Liquid Fuels Taxes category generated \$352 million for the quarter and \$1,294 million for the fiscal year. These revenues were above estimate by \$38 million for the quarter and \$72 million for the fiscal year.

Total oil company franchise tax collections including the new Act 89 components total \$341 million for the quarter and \$841 million for the fiscal year. Revenues for this category were above estimate by \$235 million for the quarter and \$394 million for the fiscal year.

Motor Licenses and Fees receipts of \$265 million for the quarter were \$14 million below estimate. Fiscal year receipts of \$894 million were \$21 million below estimate.

Other Motor Receipts quarterly revenue of \$60 million was \$6 million below estimate. For the fiscal year, receipts of \$258 million were \$20 million below estimate.

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

	Second Quarter - 2014			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total Motor License Fund</u>	<u>\$676.9</u>	<u>\$658.4</u>	<u>\$18.5</u>	<u>\$2,446.8</u>	<u>\$2,416.1</u>	<u>\$30.7</u>
<u>Liquid Fuels Taxes</u>	<u>352.0</u>	<u>314.0</u>	<u>38.0</u>	<u>1,294.4</u>	<u>1,222.9</u>	<u>71.5</u>
Liquid Fuels	2.4	159.8	-157.4	320.9	575.3	-254.4
Fuels	0.1	36.3	-36.2	95.1	151.5	-56.4
<u>Total - OCF</u>	<u>340.6</u>	<u>105.5</u>	<u>235.1</u>	<u>840.7</u>	<u>446.6</u>	<u>394.1</u>
Oil Company Franchise	172.8	105.5	67.3	534.1	446.6	87.5
Act 89 OCF - Liquid Fuels	130.3	0.0	130.3	244.1	0.0	244.1
Act 89 OCF - Fuels	37.5	0.0	37.5	62.6	0.0	62.6
Other Liquid Fuels Taxes	9.0	12.4	-3.4	37.7	49.5	-11.8
<u>Motor Licenses and Fees</u>	<u>264.6</u>	<u>278.6</u>	<u>-14.0</u>	<u>893.9</u>	<u>914.4</u>	<u>-20.5</u>
<u>Other Motor Receipts</u>	<u>60.2</u>	<u>65.8</u>	<u>-5.6</u>	<u>258.4</u>	<u>278.8</u>	<u>-20.4</u>

Lottery Fund Overview

Lottery Fund gross ticket sales and miscellaneous revenues were \$950 million for the quarter, \$17 million below estimate. For the fiscal year, revenues of \$3,968 million were \$18 million above estimate. Table 3 provides additional detail.

Second quarter sales of instant games totaled \$640 million, \$18 million above estimate. For the fiscal year, sales of \$2,445 million were \$49 million above estimate. Instant game sales increased by 6.2 percent and 6.1 percent for the second quarter and fiscal year, respectively.

Jackpot games (Powerball, Powerplay, Megamillions and Megaplier) sales were \$81 million, \$45 million below estimate for the quarter. For the fiscal year, sales of \$447

million were \$55 million below estimate. Jackpot games sales declined by 40 percent for the quarter and 8 percent for the fiscal year.

Sales of all other games totaled \$230 million, \$11 million above estimate. Fiscal year sales of \$907 million were \$24 million above estimate. Other games sales increased by 1.8 percent for the quarter and declined by 0.3 percent for the fiscal year.

Miscellaneous revenues were \$0.4 million for the quarter. Fiscal year-to-date 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 Estimates and Reported Collections
 (\$ millions)

	Second Quarter - 2014			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
Total Lottery Fund Revenue ^a	\$950.1	\$966.7	-\$16.6	\$3,968.0	\$3,950.0	\$18.0
Gross Ticket Sales	949.7	966.0	-16.3	3,799.6	3,781.0	18.6
Instant Games	639.6	621.5	18.1	2,444.9	2,396.0	48.9
Jackpot Games	80.6	125.5	-44.9	447.3	502.0	-54.7
All Others	229.5	219.0	10.5	907.4	883.0	24.4
Miscellaneous Revenues	0.4	0.7	-0.3	168.4	169.0	-0.6

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

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

	Second Quarter - 2014			Fiscal Year-to-Date		
	Actual	Estimate	Difference	Actual	Estimate	Difference
<u>Total General Fund</u>	<u>\$8,097.1</u>	<u>\$8,445.7</u>	<u>-\$348.6</u>	<u>\$28,607.2</u>	<u>\$29,154.4</u>	<u>-\$547.2</u>
<u>Total Tax Revenue</u>	<u>7,892.9</u>	<u>8,170.7</u>	<u>-277.8</u>	<u>28,098.1</u>	<u>28,643.8</u>	<u>-545.7</u>
<u>Total Corporation Taxes</u>	<u>1,091.5</u>	<u>1,182.1</u>	<u>-90.6</u>	<u>4,898.4</u>	<u>4,973.6</u>	<u>-75.2</u>
Corporate Net Income	855.5	935.3	-79.8	2,501.6	2,459.6	42.0
Capital Stock & Franchise	92.1	126.2	-34.1	320.2	334.1	-13.9
Gross Receipts	27.7	8.0	19.7	1,279.2	1,263.0	16.2
Utility Property	34.7	39.0	-4.3	37.0	39.0	-2.0
Insurance Premiums	35.0	60.4	-25.4	432.1	489.8	-57.7
Financial Institutions	47.5	7.5	40.0	317.9	375.2	-57.3
Other Selective Business ^a	-1.0	5.7	-6.7	10.3	12.9	-2.6
<u>Total Consumption Taxes</u>	<u>2,777.5</u>	<u>2,741.1</u>	<u>36.4</u>	<u>10,452.5</u>	<u>10,575.6</u>	<u>-123.1</u>
<u>Sales and Use</u>	<u>2,440.6</u>	<u>2,396.2</u>	<u>44.4</u>	<u>9,129.6</u>	<u>9,239.1</u>	<u>-109.5</u>
Nonmotor	2,086.6	2,063.4	23.2	7,892.0	8,027.7	-135.7
Motor Vehicle	354.0	332.8	21.2	1,237.6	1,211.4	26.2
Cigarette	252.0	258.7	-6.7	976.9	983.7	-6.8
Malt Beverage	6.5	6.3	0.2	25.1	25.0	0.1
Liquor	78.4	79.9	-1.5	320.9	327.8	-6.9
<u>Total Other Taxes</u>	<u>4,023.9</u>	<u>4,247.5</u>	<u>-223.6</u>	<u>12,747.1</u>	<u>13,094.6</u>	<u>-347.5</u>
<u>Personal Income</u>	<u>3,647.4</u>	<u>3,832.8</u>	<u>-185.4</u>	<u>11,437.3</u>	<u>11,720.0</u>	<u>-282.7</u>
Withholding	2,159.9	2,187.0	-27.1	8,743.8	8,829.2	-85.4
Quarterly	558.2	590.1	-31.9	1,493.3	1,589.4	-96.1
Annuals	929.3	1,055.7	-126.4	1,200.1	1,301.4	-101.3
Realty Transfer	99.1	126.2	-27.1	375.4	424.3	-48.9
Inheritance	244.1	255.3	-11.2	877.4	880.9	-3.5
Table Games	23.1	23.6	-0.5	90.5	93.0	-2.5
Minor and Repealed	10.2	9.6	0.6	-33.4	-23.6	-9.8
<u>Total Nontax Revenue</u>	<u>204.2</u>	<u>275.0</u>	<u>-70.8</u>	<u>509.1</u>	<u>510.6</u>	<u>-1.5</u>
Liquor Store Profits	0.0	80.0	-80.0	80.0	80.0	0.0
Licenses, Fees and Misc.	199.8	188.0	11.8	358.2	362.3	-4.1
Fines, Penalties and Interest	4.3	7.0	-2.7	70.9	68.3	2.6

^a Includes undistributed clearing account.