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December 1, 2017

To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS July through November, FY 2018

This is the first monthly report based on the revised estimate for FY 2018 made by the Consensus Revenue Estimating Group on November 2, 2017. That revision increased the previous estimate for FY 2018 by \$108.3 million. The figures in both the "Estimate" and "Actual" columns under FY 2018 on the following table include receipts through November, so this report compares estimated and actual receipts for November.

Total receipts through November were above the estimate by \$7.9 million, or 0.3 percent. The component of SGF receipts from taxes only was \$8.5 million, or 0.3 percent, above the estimate.

It is important to remember that a comparison of just one month is not a reliable basis upon which to identify a trend for the balance of the year.

Receipts in upcoming months likely will be more meaningful in identifying any developing trends regarding how major tax sources are faring relative to the November estimate. December sales tax receipts will include certain transactions consummated in late November that reflect the start of the holiday shopping season. December also is traditionally an important month for corporation income tax estimated payments. January sales tax receipts will include the balance of the holiday shopping season (transactions occurring in December); and individual income tax estimated payments are due in January.

Tax sources which exceeded the estimate by more than \$1.0 million during the month of November included individual income taxes (\$6.7 million or 0.6 percent) and retail sales taxes (\$1.1 million or 0.1 percent).

Individual income tax receipts finished ahead of the estimate largely as a result of slightly higher than anticipated withholding during November. But as explained in the special note below*, there is additional uncertainty throughout this fiscal year relative to the timing of receipts from this tax source.

No tax sources fell below the estimate by more than \$1.0 million during the month of November.

Interest earnings were above the estimate by \$489,000, or 7.6 percent. Agency earnings were \$0.8 million below the estimate and transfers were \$259,000 less than expected.

Total SGF receipts through November of FY 2018 were \$380.1 million or 16.7 percent above FY 2017 for the same period. Tax receipts only through November of FY 2018 were above those for the same period in FY 2017 by \$258.8 million or 11.6 percent.

This report excludes the July 1 deposit to the SGF of \$900.0 million pursuant to issuance of a Certificate of Indebtedness. The Certificate will be discharged prior to the end of the fiscal year.

***FY 2018 Individual Income Tax Receipts**

The fiscal note provided by the Department of Revenue estimates that new income tax law provisions from SB 30 will combine to produce an additional \$591.0 million in receipts by the end of FY 2018 (beyond the amount that would have been collected had that legislation not been enacted).

Because of the timing of various provisions of the new law, an even greater percentage of individual income tax receipts is likely to be received during the latter months of the fiscal year than normal. Special language in the new law provides that taxpayers will not be assessed any penalties or interest relative to underpayments associated with the restoration of tax to non-wage business income or with changes in rates, provided the underpayments have been rectified by April 17, 2018.

Drawing meaningful conclusions about the accuracy of the overall income tax estimate during much of the fiscal year therefore will not be possible, especially during the early months. The Research Department and the Consensus Estimating Group will continue working with the Department of Revenue to monitor receipts and the impact of the new law prior to the revision of revenue estimates again in mid April.

Any final determination as to the accuracy of the \$591.0 million estimate obviously will not be available until after the conclusion of FY 2018 on June 30, 2018.

STATE GENERAL FUND RECEIPTS
July-November, FY 2018
(dollar amounts in thousands)

| | Actual FY 2017 | FY 2018 | | | Percent change relative to: | |
|------------------------------------|---------------------|---------------------|---------------------|-----------------|-----------------------------|--------------|
| | | Estimate* | Actual | Difference | FY 2017 | Estimate |
| Property Tax/Fee: | | | | | | |
| Motor Carriers | \$ 3,427 | \$ 3,900 | \$ 4,158 | \$ 258 | 21.3 % | 6.6 % |
| Income Taxes: | | | | | | |
| Individual | \$ 914,970 | \$ 1,085,000 | \$ 1,091,707 | \$ 6,707 | 19.3 % | 0.6 % |
| Corporation | 77,552 | 108,000 | 108,058 | 58 | 39.3 | 0.1 |
| Financial Inst. | 10,175 | 11,200 | 11,133 | (67) | 9.4 | (0.6) |
| Total | \$ 1,002,697 | \$ 1,204,200 | \$ 1,210,898 | \$ 6,698 | 20.8 % | 0.6 % |
| Excise Taxes: | | | | | | |
| Retail Sales | \$ 944,068 | \$ 984,600 | \$ 985,709 | \$ 1,109 | 4.4 % | 0.1 % |
| Comp. Use | 152,720 | 165,200 | 165,072 | (128) | 8.1 | (0.1) |
| Cigarette | 56,665 | 54,500 | 54,654 | 154 | (3.5) | 0.3 |
| Tobacco Prod. | 3,641 | 3,700 | 3,711 | 11 | 1.9 | 0.3 |
| Cereal Malt Bev. | 718 | 630 | 640 | 10 | (10.9) | 1.6 |
| Liquor Gallonage | 8,219 | 8,900 | 8,898 | (2) | 8.3 | (0.0) |
| Liquor Enforce. | 29,042 | 30,500 | 30,637 | 137 | 5.5 | 0.4 |
| Liquor Drink | 4,510 | 4,700 | 4,757 | 57 | 5.5 | 1.2 |
| Corp. Franchise | 1,529 | 1,250 | 1,188 | (62) | (22.3) | (5.0) |
| Severance | 15,827 | 14,200 | 14,248 | 48 | (10.0) | 0.3 |
| Gas | 3,629 | 4,800 | 4,832 | 32 | 33.1 | 0.7 |
| Oil | 12,198 | 9,400 | 9,416 | 16 | (22.8) | 0.2 |
| Total | \$ 1,216,939 | \$ 1,268,180 | \$ 1,269,514 | \$ 1,334 | 4.3 % | 0.1 % |
| Other Taxes: | | | | | | |
| Insurance Prem. | \$ (1,672) | \$ (4,950) | \$ (4,801) | \$ 149 | -- % | 3.0 % |
| Miscellaneous | 532 | 840 | 905 | 65 | 70.1 | 7.7 |
| Total | \$ (1,140) | \$ (4,110) | \$ (3,896) | \$ 214 | -- % | 5.2 % |
| Total Taxes | \$ 2,221,923 | \$ 2,472,170 | \$ 2,480,674 | \$ 8,504 | 11.6 % | 0.3 % |
| Other Revenue and Receipts: | | | | | | |
| Interest | \$ 11,889 | \$ 6,400 | \$ 6,889 | \$ 489 | (42.1) % | 7.6 % |
| Transfers (net) and Receipts | 2,327 | 135,350 | 135,091 | (259) | -- | (0.2) |
| Agency Earnings and Misc. | 37,194 | 31,540 | 30,747 | (793) | (17.3) | (2.5) |
| Total | \$ 51,410 | \$ 173,290 | \$ 172,727 | \$ (563) | 236.0 % | (0.3) % |
| TOTAL RECEIPTS | \$ 2,273,333 | \$ 2,645,460 | \$ 2,653,401 | \$ 7,941 | 16.7 % | 0.3 % |

Consensus estimate as of November 2, 2017.

Excludes a Certificate of Indebtedness of \$900 million that must be redeemed prior to the end of the fiscal year.

NOTE: Details may not add to totals due to rounding.