



April 2, 2020

To: Legislative Budget Committee

## STATE GENERAL FUND (SGF) RECEIPTS

July 2019 through March 2020, FY 2020

[*Note:* For reasons explained later, March receipts are **NOT REFLECTIVE** of the impact of the unfolding **COVID-19 pandemic**. The **Consensus Estimating Group** will be working with its consulting economists, multiple state agencies, and a variety of federal, state, and local analyses and data sources to **provide the best possible update** to the FY 2020 and FY 2021 revenue estimates on April 20. A number of **developments** within the last two weeks have made those revisions that much more problematic, which include: large and accelerating increases in **unemployment**; the **delays** of the April 15 federal and state **filing and payment** deadlines **to July 15**; and enactment of **new federal legislation** expected to have wide-ranging **economic impacts**, as well as **direct tax** and other implications for the SGF.]

This is the fifth and final month of experience under the estimate of SGF receipts made by the Consensus Estimating Group on November 7, 2019. The figures in both the “Estimate” and “Actual” columns under FY 2020 on the following table include actual amounts received in July through October. Consequently, this report details the difference between estimated and actual receipts in November through March.

Total receipts through March of FY 2020 were \$180.5 million, or 3.5 percent, above the estimate. The component of SGF receipts from taxes only was \$165.6 million, or 3.2 percent, above the estimate. Total SGF receipts through the end of February had been \$187.8 million above the November forecast, while receipts from taxes only had been above the estimate by \$174.2 million. Thus, total receipts for March only were below the estimate by \$7.3 million, while taxes only were below the estimate by \$8.6 million.

Tax sources exceeding the fiscal-year-to-date estimate by more than \$1.0 million were: individual income tax (\$85.8 million or 3.6 percent); compensating use tax (\$26.5 million or 8.0 percent); retail sales tax (\$22.5 million or 1.3 percent); corporation income tax (\$16.5 million or 5.9 percent); cigarette tax (\$6.9 million or 8.2 percent); financial institutions privilege tax (\$3.7 million or 16.8 percent); and severance tax (\$1.8 million or 12.6 percent).

There were no tax sources below the estimate by more than \$1.0 million.

### Individual Income Tax

Since a significant portion of individual income tax receipts during the early months of this calendar year are attributable to taxpayers’ filing and reconciling their final tax year 2019 liabilities, very little impact of the pandemic and its impact on the economy is reflected in

receipts through March. Overall individual income tax receipts had been \$81.6 million ahead of the forecast through February and gained another \$4.2 million above the monthly estimate for March. Withholding tax receipts beginning in April will be reduced as a result of the contractions in the economy and workforce that became apparent during the last two weeks of March. The impact of decisions by the federal and state government to delay the April 15 payment deadline to July 15 (announced 3 to 4 weeks before the original deadline and after many returns had already been filed) will impact an unknown amount of receipts that would have otherwise been processed during the final three months of FY 2020 and will now be pushed into FY 2021. Relative to returns that were processed through the end of March, the Department of Revenue reports that about 525,000 tax year 2019 refunds had been processed, compared to 542,000 over the same three months of the last calendar year. The average refund thus far this year is \$421, compared to \$426 through March 2019. Approximately 189,319 tax year 2019 balance due remittances were processed through the first three months (average of \$539); compared with 182,227 tax year 2018 balance dues through March 2019 (average of \$515).

### **Sales and Use Tax**

Relative to retail sales and compensating use tax receipts, it is important to remember that there is a one-month lag in collections. March receipts, therefore, largely reflect transactions consummated during February. To the extent that purchasing patterns and consumption behavior did not begin changing significantly in response to the pandemic until well into March, the impact on state tax revenues will not be available until the end of April (ten days after the upcoming Consensus meeting). As noted in this report last month, the compensating use tax estimate had included the assumption that a one-time \$12.0 million refund was going to be made in February, a transaction that has still not yet occurred. Ongoing growth in the use tax also is attributable to increased compliance by out-of-state retailers with Kansas law in the wake of a 2018 U.S. Supreme Court decision. To the extent that even more consumption may now be shifting online, the rate of use tax growth (11.9 percent above FY 2019 through March) may well continue to accelerate in the future.

### **Corporation Income Tax**

Corporation income tax receipts, which had been above the estimate through the end of February by \$25.1 million, were \$8.6 below the estimate for the month of March. As with many of the other major tax sources, the crisis and its economic impact have yet to be seen in state tax receipts through March. The Consensus Group will be reevaluating corporate profit assumptions made in November and other similar metrics as part of the April 20 estimating process.

### **Severance Tax**

Severance tax receipts coming into the SGF have a two-month lag relative to prices at the time of production. The significant drop in oil prices during March, therefore, will not be reflected in receipts until May. As noted above, overall severance tax receipts through March remained above the November estimate.

### **Cigarette Tax**

The March increase in cigarette tax receipts appears to be attributable to wholesalers who began accelerating their purchase of tax stamps beginning with the week of March 16. It is

anticipated that many of those purchases otherwise would have occurred in subsequent months if not for the pandemic. Cigarette tax receipts for the balance of the fiscal year could be expected to be below current expectations to the extent that tax stamp purchases were accelerated into March.

The COVID-19 pandemic and the assumptions involving responses consumers and businesses are expected to make in the future given new federal legislation and the changing economic outlook will be an important part of the upcoming consensus revenue forecasting discussion concerning all State General Fund receipts for the rest of FY 2020 and all of FY 2021.

This report excludes a deposit to the SGF of \$275.0 million pursuant to issuance of a Certificate of Indebtedness which is required to be discharged prior to the end of the fiscal year.

**STATE GENERAL FUND RECEIPTS**  
**July-March, FY 2020**  
(Dollars in Thousands)

	Actual	FY 2020		Percent change relative to:		
	FY 2019	Estimate*	Actual	Difference	FY 2019	Estimate
<b>Property Tax/Fee:</b>						
Motor Carriers	\$ 9,499	\$ 9,950	\$ 10,083	\$ 133	6.1 %	1.3 %
<b>Income Taxes:</b>						
Individual	\$ 2,281,682	\$ 2,400,900	\$ 2,486,723	\$ 85,823	9.0 %	3.6 %
Corporation	253,675	278,800	295,294	16,494	16.4	5.9
Financial Inst.	21,660	22,210	25,942	3,732	19.8	16.8
<i>Total</i>	<u>\$ 2,557,017</u>	<u>\$ 2,701,910</u>	<u>\$ 2,807,959</u>	<u>\$ 106,049</u>	<u>9.8 %</u>	<u>3.9 %</u>
<b>Excise Taxes:</b>						
Retail Sales	\$ 1,734,733	\$ 1,769,100	\$ 1,791,612	\$ 22,512	3.3 %	1.3 %
Compensating Use	318,598	330,000	356,509	26,509	11.9	8.0
Cigarette	87,106	83,800	90,713	6,913	4.1	8.2
Tobacco Products	6,640	6,600	6,774	174	2.0	2.6
Liquor Gallonage	16,262	16,000	16,257	257	(0.0)	1.6
Liquor Enforcement	56,464	54,700	55,379	679	(1.9)	1.2
Liquor Drink	8,971	9,000	9,187	187	2.4	2.1
Severance	31,566	14,100	15,879	1,779	(49.7)	12.6
Gas	7,816	(200)	(409)	(209)	(105.2)	(104.5)
Oil	23,750	14,300	16,288	1,988	(31.4)	13.9
<i>Total</i>	<u>\$ 2,260,340</u>	<u>\$ 2,283,300</u>	<u>\$ 2,342,310</u>	<u>\$ 59,010</u>	<u>3.6 %</u>	<u>2.6 %</u>
<b>Other Taxes:</b>						
Insurance Premiums	\$ 104,079	\$ 111,600	\$ 112,024	\$ 424	7.6 %	0.4 %
Corporate Franchise	2,979	2,750	2,951	201	(0.9)	7.3
Miscellaneous	3,790	2,890	2,699	(191)	(28.8)	(6.6)
<i>Total</i>	<u>\$ 110,848</u>	<u>\$ 117,240</u>	<u>\$ 117,674</u>	<u>\$ 434</u>	<u>6.2 %</u>	<u>0.4 %</u>
<b>Total Taxes</b>	<b>\$ 4,937,704</b>	<b>\$ 5,112,400</b>	<b>\$ 5,278,026</b>	<b>\$ 165,626</b>	<b>6.9 %</b>	<b>3.2 %</b>
<b>Other Revenue:</b>						
Interest	\$ 35,818	\$ 41,500	\$ 48,058	\$ 6,558	34.2 %	15.8 %
Transfers (net)	(194,560)	(97,410)	(95,626)	1,784	50.9	1.8
Agency Earnings & Misc	35,471	27,400	33,896	6,496	(4.4)	23.7
<b>Total Other Revenue</b>	<b>\$ (123,271)</b>	<b>\$ (28,510)</b>	<b>\$ (13,672)</b>	<b>\$ 14,838</b>	<b>88.9 %</b>	<b>52.0 %</b>
<b>TOTAL RECEIPTS</b>	<b>\$ 4,814,433</b>	<b>\$ 5,083,890</b>	<b>\$ 5,264,354</b>	<b>\$ 180,464</b>	<b>9.3 %</b>	<b>3.5 %</b>

\* Consensus Estimate as of November 7, 2019.

Excludes a Certificate of Indebtedness of \$275 million that must be redeemed prior to the end of the fiscal year.

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