



---

# **Quarterly Revenue Report: Fiscal Year 2015-Q2**

**Tax Revenue  
Research, Updates by  
Quarter Including  
Monthly Revenue  
Table**

**Illinois Department of Revenue**

---

# Table of Contents

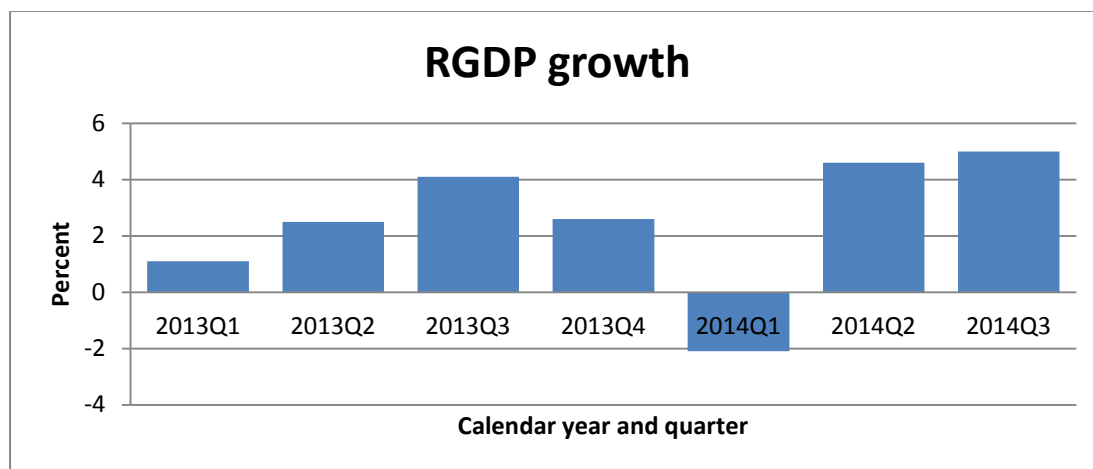
---

<b>Economic Reports</b>	<b>Page</b>
National Economy .....	3
Illinois Economy .....	4
 <b>Income Tax Reports</b>	
Individual Income Tax (IIT) .....	5
Corporate Income Tax (CIT) .....	7
 <b>Sales &amp; Excise Tax Reports</b>	
Sales & Use Tax .....	8
Public Utilities Taxes .....	9
Liquor Tax .....	10
Motor Fuel Taxes .....	10
Other Tobacco Products Tax .....	11
Cigarette and Cigarette Use Taxes .....	11
Hotel Operators' Occupation Tax (HOOT) .....	12
Estate Tax .....	14
Real Estate Transfer Tax (RETT) .....	15
 <b>Appendix</b>	
Comparison with Last Fiscal Year and IDOR Forecasts .....	17
US & Illinois Employment .....	18
 <b>Acknowledgements</b> .....	19

## National Economy

U.S. Output increased at an annual rate of 5.0 percent in the third quarter of 2014 according to the Bureau of Economic Analysis (BEA). The BEA also confirmed that RGDP grew at a 4.6 percent annual rate in the second quarter of the year.<sup>1</sup>

Five percent RGDP growth is the fastest economic growth since mid 2003. This growth was broad based as it reflected positive contributions from personal consumption, both residential and nonresidential fixed investment, and federal, state and local government spending and exports. The U.S. trade balance also improved because imports, which are a subtraction to RGDP, decreased.



Source: Bureau of Economic Analysis

Employment has also experienced considerable improvement according to the most recent U.S. Bureau of Labor Statistics (BLS) report. Total nonfarm payroll employment increased by 252,000 in December.<sup>2</sup> The 12-month average growth in employment, inclusive of December, is 246,000 jobs per month compared with an average monthly gain of 194,000 in 2013. The BLS reported that the sectors leading in employment gains were professional and business services, construction, food services and drinking places, health care, and manufacturing.

Household survey data from December reported the unemployment rate declined by 0.2 percentage points to 5.6 percent. According to this report; the number of unemployed persons decreased to 8.7 million in the country. Through December, the year-over-year unemployment rate and the number of unemployed persons were down by 1.1 percentage points and 1.7 million, respectively.

The pace of economic growth as well as the improvement in the labor market may lead the Federal Reserve (FED) to increase interest rates by mid 2015. The Federal Reserve Open Markets Committee (FOMC) statement said, "Based on its current assessment, the Committee judges that it can be patient in beginning to normalize the stance of monetary policy."<sup>3</sup> Minutes from the December meeting say, "all but two participants anticipated that it would be appropriate to begin raising the target range for the federal funds rate during 2015."<sup>4</sup>

<sup>1</sup> Bureau of Economic Analysis, News release, December 23, 2014.

<sup>2</sup> Bureau of Labor Statistics, News release, January 9, 2015.

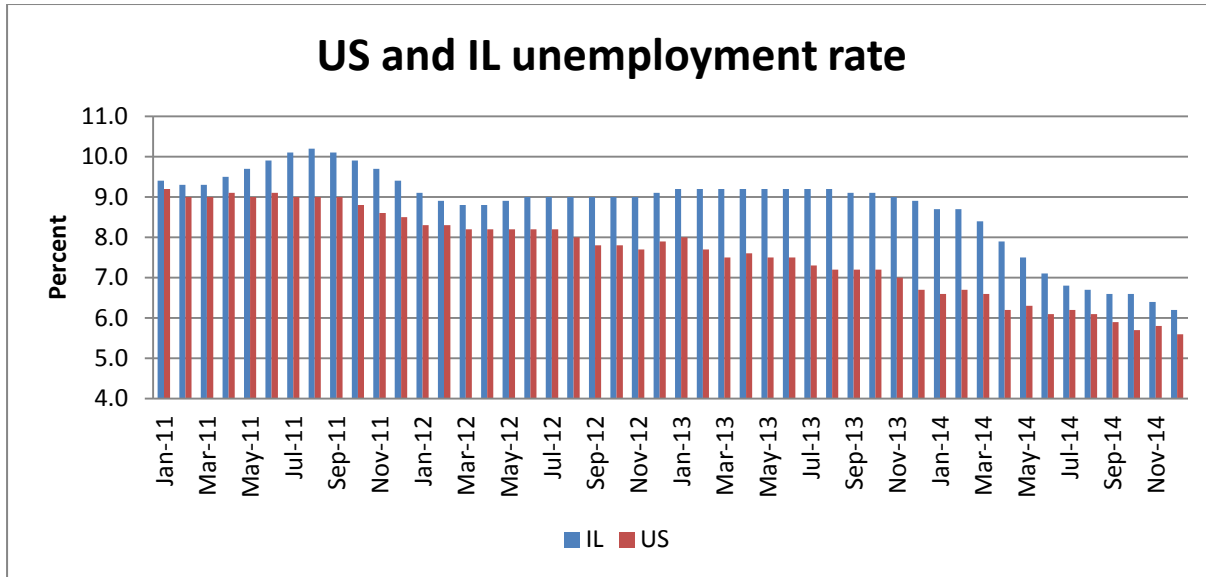
<sup>3</sup> Federal Reserve Board of Governor's press release, December 17, 2014.  
<http://www.federalreserve.gov/newsevents/press/monetary/20141217a.htm>

<sup>4</sup> Minutes of the Federal Open Market Committee, December 16-17, 2015,  
<http://www.federalreserve.gov/monetarypolicy/files/fomcminutes20141217.pdf>

## Illinois Economy

Illinois employment increased 0.9 percent (51,600 jobs) in the 12 months from December 2013 to December 2014.<sup>5</sup> The employment level of the state is still below its pre-recession level in spite of the recent employment gains.

The Illinois unemployment rate fell in December to 6.2 percent, which is at its lowest level since 2008. The unemployment rate fell 2.7 percentage points in the 12-month period since December 2013 when it was 8.9 percent.



Source: Bureau of Labor Statistics and Illinois Department of Employment Security

The bar chart above illustrates the improvement in the unemployment rate since January 2011. The Illinois unemployment rate has remained consistently above the rest of the country. The region with the lowest unemployment rate is the Bloomington-Normal area at 5.3 percent, while the highest regional unemployment rate is in Rockford at 7.8 percent, according to preliminary non-seasonally adjusted data from IDES.<sup>6</sup>

The Professional and Business Services sector contributed the most to Illinois employment gains. From December 2013 to December 2014, Professional and Business services added 25,600 jobs to the state economy, about 50 percent of all job gains. As indicated in prior reports, this sector is mainly comprised by low wage occupations; therefore, its impact on the rest of the economy is small.

Construction and Educational and Health Services sectors were also significant contributors in the same 12-month period. The Trade, Transportation, and Utilities sector experienced the greatest job losses.

<sup>5</sup> Illinois Department of Employment Security, News release, January 23, 2015.

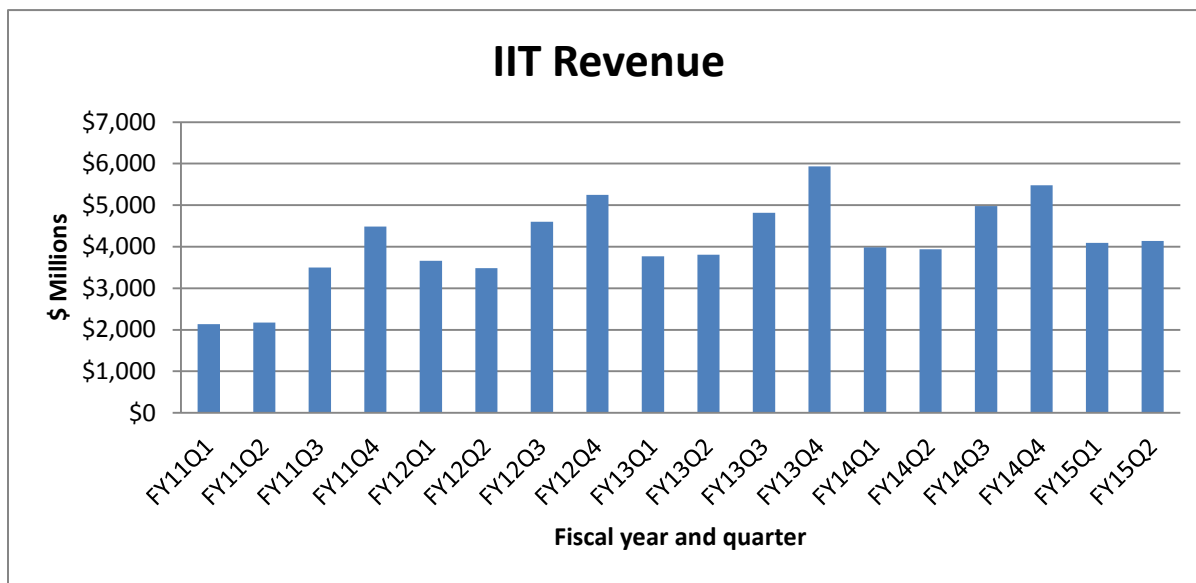
<sup>6</sup> Not based on seasonally adjusted data. Illinois Department of Employment Security, News release, January 29, 2015.

## Individual Income Tax (IIT)

Individual income tax (IIT) revenue is very close to forecast through the first half of the fiscal year. Actual receipts were \$23 million above target, which represents a mere 0.3 percent deviation from the year-to-date forecast. IIT revenue is 0.6 percent above the enacted budget year-to-date. IIT receipts are 3.8 percent above the same six-month period last year.

Withholdings from employee paychecks performed somewhat below estimate for the quarter while non-withholding payments more than offset the withholdings shortfall. Details for each component are presented below.

The bar chart below illustrates the evolution of IIT receipts since the first quarter of fiscal year 2011, when the 5.0 percent tax rate was enacted. In accordance with current law, the individual income tax rate declined from 5.0 percent to 3.75 percent on January 1, 2015.



Source: Illinois Department of Revenue

## Withholding receipts (WIT)

Withholding receipts performed somewhat below our expectations, ending the quarter 3.0 percent (\$113.5 million) below forecast. Underperformance of withholding receipts are not a function of declining economic performance but are rather the result of \$248.7 million in transit between the Department of Revenue and the Comptroller at the end of the calendar year. Furthermore, year-to-date withholdings are 3.9 percent (\$270.9 million) above the first half of fiscal year 2014.

As indicated in prior reports, withholding receipts depend primarily on wage income, which at the same time depends directly on Illinois' employment. The latest employment statistics show a growth of 0.9 percent during calendar year 2014<sup>7</sup>. Unfortunately, most of the job gains have been in low wage sectors such as the Professional and Business services sector and the Leisure and Hospitality sector.

<sup>7</sup> Illinois Department of Employment Security, News release, January 23, 2015.

Modest employment growth along with much of that growth coming in the low wage sectors explains the weak growth of withholding receipts. Indeed, the average withholding growth in non-recession years in recent decades has been significantly higher than the recent growth in withholdings.<sup>8</sup>

Finally, the tax rate decrease effective January 1, 2015, may create some timing distortions. It is possible that withholding collections will be elevated by employers failing to make timely adjustments to employee withholdings. Failure to make the adjustment would result in a positive impact on the fiscal year’s third quarter receipts and place upward pressure on refund claims next fiscal year. The Department will continue to monitor withholdings to inform policy makers.

**Non-withholding receipts (non-WIT)**

Second quarter non-WIT receipts performed better than expected. Non-WIT ended the quarter 37.7 percent (\$116.9 million) above our estimate for the quarter. This quarterly result puts non-WIT 20.6 percent above our year-to-date estimate.

It is likely that greater than expected capital gains realizations have contributed to the strong performance of non-WIT. As we have pointed in prior reports, non-WIT represents tax withheld on non-wage income such as capital gains, dividends, interest and rental income.

One should proceed with caution if attempting to extrapolate recent non-WIT performance on to the remainder of the fiscal year. Variables that drive non-WIT such as the stock market and capital gain realizations are rather unpredictable. Furthermore, almost 80 percent of non-WIT receipts are still to be accounted for in the second part of the year.

<b>Components Year-to-Date (\$ millions)</b>				
	<b>Actual</b>	<b>Forecast</b>	<b>\$ Difference</b>	<b>% Difference</b>
Withholding	<b>\$7,187.7</b>	<b>\$7,341.9</b>	<b>-\$154.2</b>	<b>-2.1%</b>
Non-Withholding	<b>\$1,038.5</b>	<b>\$861.3</b>	<b>\$177.2</b>	<b>20.6%</b>
<b>Total</b>	<b>\$8,226.2</b>	<b>\$8,203.2</b>	<b>\$23.0</b>	<b>0.3%</b>
	<b>FY2014</b>	<b>FY2015</b>	<b>\$ Difference</b>	<b>% Difference</b>
Withholding	<b>\$6,916.9</b>	<b>\$7,187.7</b>	<b>\$270.9</b>	<b>3.9%</b>
Non-Withholding	<b>\$1,010.5</b>	<b>\$1,038.5</b>	<b>\$27.9</b>	<b>2.8%</b>
<b>Total</b>	<b>\$7,927.4</b>	<b>\$8,226.2</b>	<b>\$298.8</b>	<b>3.8%</b>

*Payment totals match the Comptroller’s receipts. Withholding and estimated and final payments are derived from IDOR collection data and in-transit fund data. Totals may not equal individual components due to rounding.*

<sup>8</sup> For example, the average growth of withholdings was almost 5 percent in the expansion period of FY2004 through FY2008

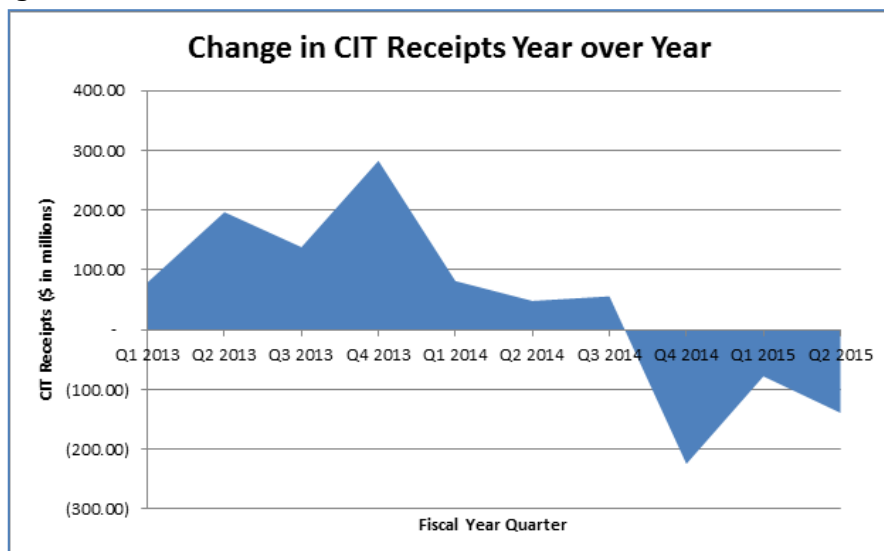
## Corporate Income Tax (CIT)

Corporate Income Tax receipts continued to miss forecast in fiscal year 2015, with a decline of 14.2 percent compared to the same period of fiscal year 2014. Corporate income tax receipts grew strongly throughout fiscal year 2013 and the first three quarters of fiscal year 2014, at which point receipts have shown a consistent downward trend. In the first quarter, gross receipts totaled \$1,312.7 million. In light of this performance, the forecast for Corporate Income Tax was revised down for fiscal year 2015, from \$3,575 to \$3,100 million.

We are still investigating the reason for the decline in the corporate income tax. While working with limited information, we believe that there are several causes that explain the decline rather than a single explanation. These causes include lower than expected corporate profits and the lifting of the cap on using Net Operating Loss deductions.

Corporate profits growth fell far short of forecast in calendar year 2014, the period that affects fiscal year 2015 receipts. Domestic corporate profits grew 0.2 percent during the year, well short of the 6.2 percent growth expected in the fiscal year 2015 forecast. Each of the major estimated payment months for calendar year 2014 filers has experienced a year-over-year decline in revenue. Other states with corporate income taxes similar to Illinois' tax have been experiencing this slowdown as well. According to the Federation of Tax Administrators, excluding Illinois and states that lack a similar tax, corporate income taxes nationally have performed poorly as of recently. For the 12-month period ending in November 2014 (the most recent data available), the average state corporate income tax declined 1.2 percent compared to the same period in the prior year.

The expiration of the \$100,000 cap on Illinois Net Operating Loss deductions (NOLs) appears to have hurt performance as well. When forecasting fiscal year 2015 receipts, it was not clear that businesses would incorporate this deduction into their 2015 estimated payments but it appears now that this deduction has had an impact. NOLs are a deduction that allows taxpayers to use losses accrued in prior periods to offset gains in the current period, and the use of them was capped at \$100,000 for corporate income tax taxpayers in recent years. The cap was lifted for tax years ending on or after December 31, 2014.



## Sales & Use Tax

In November, after several months of higher-than-expected growth, the fiscal year 2015 forecast was revised upwards from \$7,847 million to \$7,950 million, the latter of which equates to 3.6 percent growth over fiscal year 2014. Even after this upward revision, state sales and use tax receipts continue to exceed expectations. December receipts were 9.2 percent (\$64.0 million) higher than December last fiscal year and 6.9 percent (\$48.9 million) above our forecast. Receipts for the second quarter of fiscal year 2015 were 7.4 percent (\$145.7 million) higher than the second quarter last fiscal year and 2.4 percent (\$48.9 million) above our forecast.

<b>Year-to-Date Comparison (\$ millions)</b>				
	<b>FY 2014</b>	<b>FY 2015</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>Vehicles</b>	\$563.5	\$633.3	\$69.8	12.4%
<b>Motor fuel*</b>	\$382.9	\$354.4	-\$28.5	-7.4%
<b>All else</b>	<u>\$2,949.0</u>	<u>\$3,148.7</u>	<u>\$199.7</u>	<u>6.8%</u>
	<b>\$3,895.4</b>	<b>\$4,136.4</b>	<b>\$241.0</b>	<b>6.2%</b>

*\*Estimated. IDOR does not have actual data on sales/use tax from motor fuel.*

Although falling motor fuel prices caused tax receipts from the associated sales to decline over the first two quarters, relief at the pump typically contributes positively to consumer sentiment and non-fuel consumer spending by leaving more disposable income in consumers' pockets. December receipts are a good illustration of this. Despite an estimated 20.2 percent drop in state sales and use tax receipts from motor fuel sales in December, overall receipts for the month posted year-over-year growth of 9.2 percent. Current forecasts project significantly lower motor fuel prices for the rest of fiscal year 2015 compared to last fiscal year.

Receipts from vehicle sales had yet another strong quarter, posting year-over-year growth of 11.2 percent (\$31.0 million). Motor vehicle sales are being driven primarily by consumers' need to replace aging vehicles (the average light vehicle today is over 11 years old) and by record-low interest rates, which lower the cost of auto financing. The finance rate on consumer installment loans at commercial banks (48-month loan for a new automobile) has hovered between 4 percent and 5 percent for the last few years. These are among the lowest rates of the last forty years, during which time the average rate was nearly double at approximately 9.7 percent.

For anyone looking for the revenue impact of December's holiday shopping, you will have to wait until the January report is issued. Due to tax return filing schedules, there generally is a one month lag between when a sale occurs and when IDOR receives the tax from that particular sale. Therefore, sales that occurred in December will affect January's receipts. It's also worth noting that gift cards are not taxed until they are redeemed. This has the effect of delaying the tax impact of some holiday spending by shifting it into January (and thus into February receipts) or later.



## **Public Utilities Taxes**

Public Utilities Tax receipts are currently \$460.0 million, 3.0 percent (\$14.3 million) below forecast, after underperforming expectations in the second quarter of the year. Leading this decline is the Electricity Excise Tax, which is 4.4 percent (\$9.1 million) below forecast at the end of the second quarter, after being up \$2.9 million against forecast in the first quarter.

Telecommunications Excise Tax is still underperforming expectations year to date, while Natural Gas is slightly above forecast.

### **Telecommunications**

Telecommunication Excise Tax receipts were \$218.2 million year to date at the end of calendar year 2014, 3.8 percent below the revised forecast. The forecast of \$450 million was revised down to \$445 million due to the spillover of \$5 million in credit carry-forwards from fiscal year 2014 to fiscal year 2015.

Telecom is expected to grow in fiscal year 2015 compared to fiscal year 2014 due to the use of \$60 million in credit carry-forwards in 2014. However, the base for Telecommunications Excise Tax continues to erode as consumers abandon land line services and gravitate to smart devices and services not taxable under the Telecommunications Excise Tax. In 2013, 40.8 percent of Illinois adults lived in a household that did not have a landline, an increase from 38.0 percent in 2012.<sup>9</sup>

### **Electricity**

The Electricity Excise Tax forecast for fiscal year 2015 was revised downward, from \$413 million to \$403 million. Electricity Excise Tax receipts came in at \$196.4 million, 4.4 percent (\$9.1 million) below the revised forecast. Receipts were below the same period last year by 2.2 percent due to the decline in electricity sales in Illinois. According to the Energy Information Administration (EIA), retail sales of electricity in Illinois were down 2.6 percent between May and October 2014, which corresponds to Electricity tax receipts for the first half of fiscal 2015.

### **Natural Gas**

Natural Gas receipts year-to-date are slightly above forecast, by 7.0 percent (\$2.9 million). Given that winter heating demand drives Natural Gas receipts, we cannot recommend any changes to the forecast. The second half of the fiscal year brings in approximately 75.0 percent of expected Natural Gas receipts. Heating Degree Day statistics for Illinois suggest that the first half of the fiscal year was slightly cooler than normal, implying a greater demand for natural gas.

---

<sup>9</sup> CDC/NCHS, National Health Interview Survey, 2009–2013; U.S. Census Bureau, American Community Survey, 2008–2012; and infoUSA.com consumer database, 2008–2012.

## Liquor Tax

Liquor tax receipts to the General Revenue Fund in the second quarter of fiscal year 2015 were 0.5 percent below the same quarter last fiscal year and 2.0 percent below IDOR's forecast. Statistics for fiscal year 2014 show that the taxable consumption of beer increased 1.2 percent compared to fiscal year 2013, while the taxable consumption of wine and spirits were basically flat at -0.1 percent and 0.1 percent, respectively. Spirits made up the largest share of fiscal year 2014 liquor tax receipts to the General Revenue Fund (54.7 percent), followed by beer (29.9 percent), and wine (15.4 percent).

<b>Year-to-Date (\$ millions)</b>	<b>*Includes General Revenue Fund</b>			
	<b>Actual</b>	<b>IDOR Forecast</b>	<b>\$ Difference</b>	<b>% Difference</b>
All Funds*	\$144.8	\$146.8	-\$2.0	-1.3%
General Revenue Fund	\$85.3	\$86.4	-\$1.2	-1.3%
	<b>Actual</b>	<b>HR 389 Forecast</b>	<b>\$ Difference</b>	<b>% Difference</b>
General Revenue Fund	\$85.3	\$85.4	-\$0.1	-0.2%
	<b>FY 2014</b>	<b>FY 2015</b>	<b>\$ Difference</b>	<b>% Difference</b>
All Funds*	\$144.6	\$144.8	\$0.2	0.1%
General Revenue Fund	\$85.2	\$85.3	\$0.1	0.1%

## Motor Fuel Taxes

After the first quarter of fiscal year 2015, we reported that combined motor fuel tax receipts (regular MFT, IFTA, and UST) were down 7.0 percent year-over-year and were 5.4 percent below IDOR's forecast. At the time, we believed the poor performance was caused by cash flow volatility rather than genuine changes in taxable fuel consumption, and we were correct. The weak first quarter was followed by a very strong second quarter as the cash flow volatility worked itself out.

Receipts for the second quarter increased 5.2 percent (\$17.3 million) year-over-year and were 9.7 percent (\$30.7 million) above IDOR's forecast.

Combined motor fuel tax receipts for the first half of fiscal year 2015 were 0.9 percent (\$5.7 million) below the first half last fiscal year and 2.1 percent (\$13.2 million) above IDOR's forecast. This cumulative result for the first half of fiscal year 2015 provides a more reliable indicator of overall performance and trend than do either of the first two quarters in isolation.

## Other Tobacco Products Tax

Half way through fiscal year 2015, Other Tobacco Products Tax receipts total slightly short of expectation. For the first two quarters of the fiscal year, receipts totaled \$19.3 million. This amount is 6.3 percent short (\$1.3 million) of the year-to-date forecast. Current year receipts show a growth of only 2 percent over receipts from this same time last year. While a lack of growth last year could be explained in part by a return to trend following the tax rate increase, a lack of growth this year is unexpected. As with the Cigarette Tax, the third quarter for OTP tax receipts is generally where the lowest monthly totals come in. If receipts do not show growth closer to the fiscal year 2015 forecast assumption of 5 percent then a revision for this and next year's receipts forecast will likely be made using a reduced growth assumption.

## Cigarette and Cigarette Use Taxes

At the half way mark for the year, Cigarette Tax receipts are performing above expectation. For the end of the second quarter of fiscal year 2015, year-to-date Cigarette Tax receipts exceeded estimates by 6.1 percent. This is down from last quarter's level of 10.8 percent. Surplus receipts from this quarter can be attributed mainly to the strong activity seen in the month of November where final totals came in 11 percent over forecast. Receipts for the end of the quarter match the levels seen at the end of the second quarter last year. If this trend continues, fiscal year 2015 may end with Cigarette Tax receipts close to the 2014 level. Furthermore, continuation of the trend for the remainder of the fiscal year would complete the recovery of tax receipts from the impact of the tax rate change in 2012. From that point forward, it is expected that receipts would return to the overall multiyear declining trend seen in the data going back more than ten years.

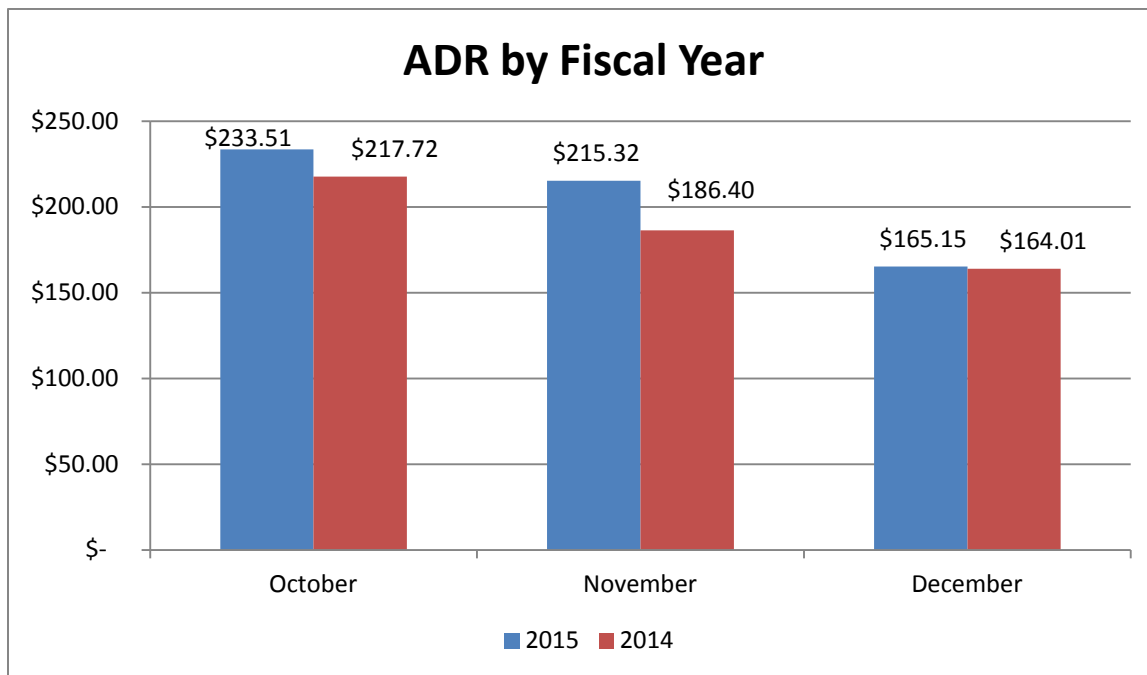
Whether or not receipt levels indicate the end of this recovery from the tax increase will be dependent on how receipt totals look at the end of the third quarter. Traditionally, the third quarter tends to be when receipts hit their lowest monthly levels and sometimes fall significantly below expected levels. If receipts continue to come in at or above the same year to date level of 2014 through the third quarter, then it will be safe to say that receipts have finished recovering.

Year-to-Date (\$ millions)	*Includes the General Revenue Fund			
	Actual	Estimate	\$ Difference	% Difference
All Funds*	\$434.3	\$409.2	\$25.1	6.1%
General Revenue Fund	\$176.8	\$177.5	-\$0.7	-0.4%
	FY 2014	FY 2015	\$ Difference	% Difference
All Funds*	\$432.8	\$434.3	\$1.5	0.3%
General Revenue Fund	\$176.8	\$176.8	\$0.0	0.0%

## Hotel Operators' Occupation Tax (HOOT)

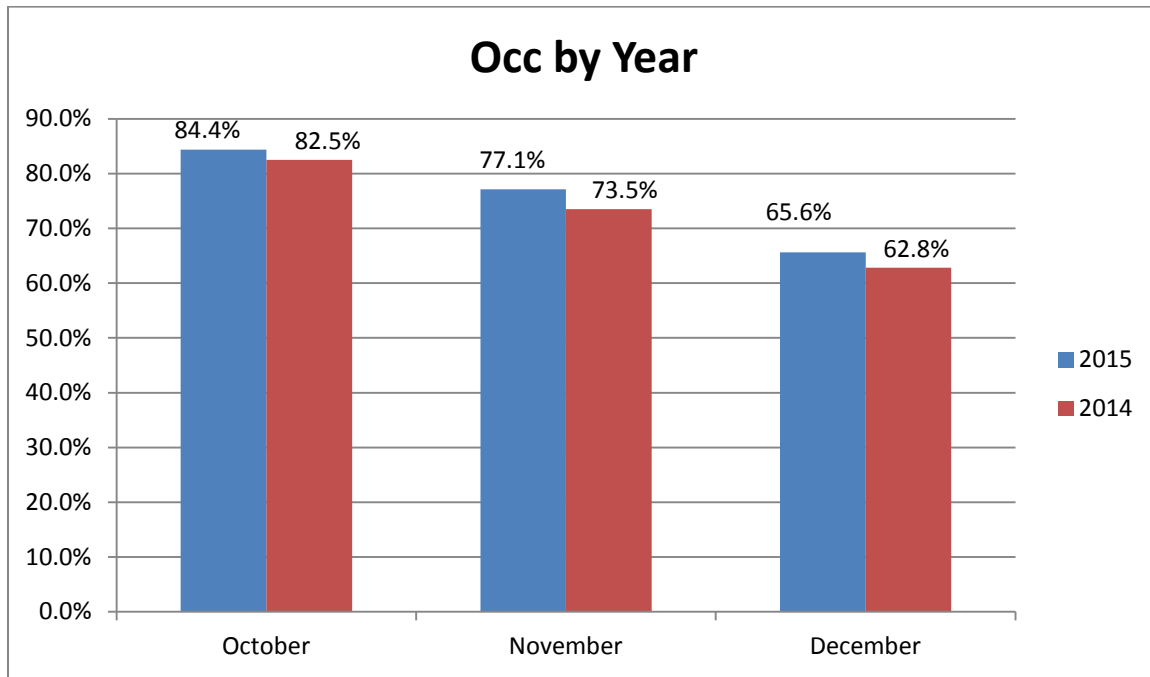
The Hotel Operators' Occupation Tax ended the first half of fiscal year 2015 with General Revenue Fund receipts continuing to exceed the forecast. Receipts for the end of the second quarter were 4.9 percent above forecast for 2015 and 11.7 percent above last year. The strong performance of HOOT revenues is related to above average receipts for the months of October and November.

Chicago tourism is largely responsible for driving the growth in tax receipts. The following two tables show average daily room rate (ADR) and the occupancy rate (Occ) statistics for the Chicago hotel market. Both ADR and Occ exhibit growth over last year's level and are significant explanatory variables in assessing October and November's growth in tax receipts. Based on available information, year-over-year growth in these indicators and HOOT receipts is likely to continue into the third quarter. In general, the third quarter is a slow time for the Illinois hotel market, so a revision to the HOOT receipt forecast will not be considered until the third quarter data is finalized.



Source: Choose Chicago. Monthly Occupancy and ADR Statistics.<sup>10</sup>

<sup>10</sup> <http://www.choosechicago.com/articles/view/monthly-occupancy-and-adr-statistics/72/>



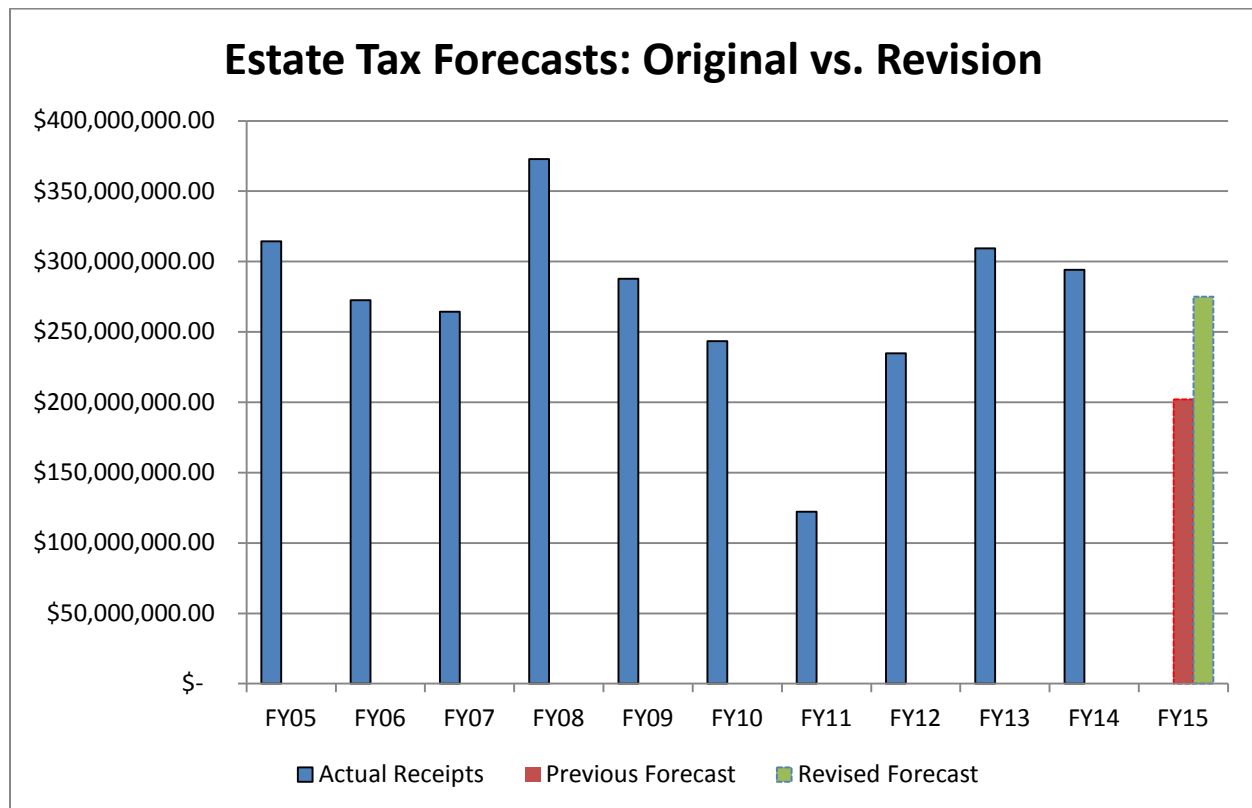
Source: Choose Chicago. Monthly Occupancy and ADR Statistics.<sup>11</sup>

<b>Hotel Operators' Occupation Tax (HOOT)</b>				
Year-to-Date (\$ millions)	*Includes the General Revenue Fund			
	Actual	Estimate	\$ Difference	% Difference
All Funds*	\$152.9	\$145.8	\$7.1	4.9%
General Revenue Fund	\$19.7	\$17.1	\$2.6	15.2%
	FY 2014	FY 2015	\$ Difference	% Difference
All Funds*	\$136.9	\$152.9	\$16.0	11.7%
General Revenue Fund	\$15.6	\$19.7	\$4.1	26.3%

<sup>11</sup> <http://www.choosechicago.com/articles/view/monthly-occupancy-and-adr-statistics/72/>

## Estate Tax

Estate Tax receipts ended the second quarter of fiscal year 2015, 64 percent above forecast. Based on this performance and the concerns brought up in the previous quarter's report, the fiscal year 2015 GRF receipt forecast has been revised upward to \$275 million. This represents a \$73 million increase (36 percent). This revision attempts to better capture the long term trend going back to fiscal year 2005. Below is a graph of tax receipts showing the old forecast (in red) and the revision (in green).



Source: Illinois Department of Revenue

Year-to-Date (\$ millions)	*Includes the General Revenue Fund			
	Actual	Estimate	\$ Difference	% Difference
All Funds*	\$166.1	\$137.5	\$28.6	20.8%
General Revenue Fund	\$156.1	\$129.3	\$26.8	20.7%
	FY 2014	FY 2015	\$ Difference	% Difference
All Funds*	\$137.5	\$166.1	\$28.6	20.8%
General Revenue Fund	\$129.3	\$156.1	\$26.8	20.7%

## Real Estate Transfer Tax (RETT)

RETT receipts through the second quarter of fiscal year 2015 are 14.6 percent (\$4.7 million) higher than the forecast of \$32.1 million.

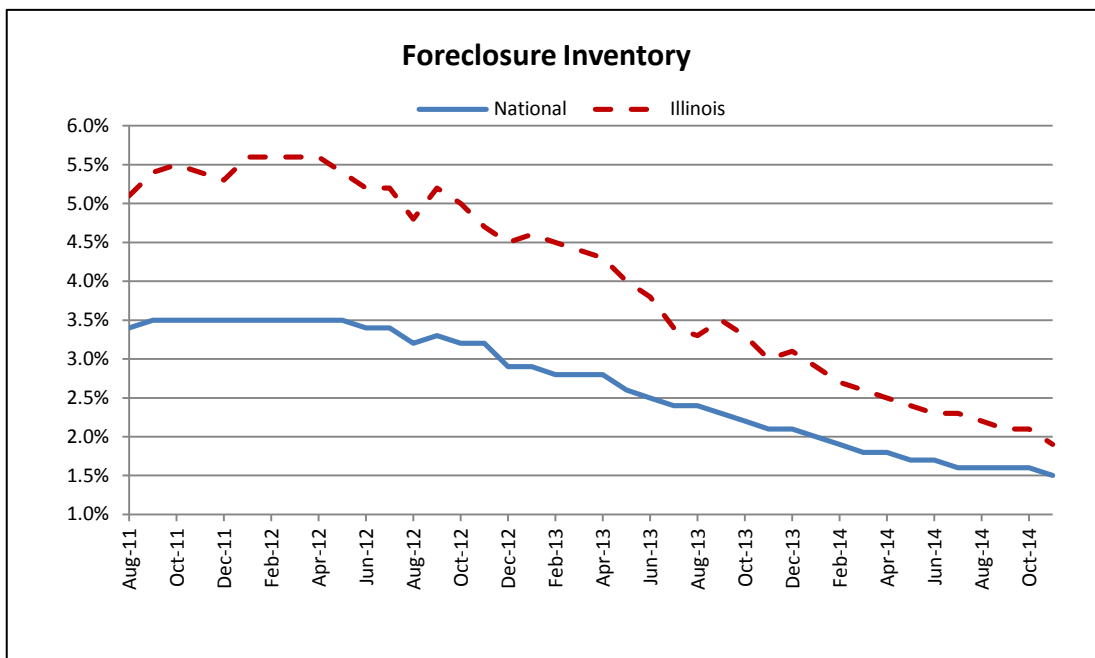
### Market Factors Impact on RETT Receipts

#### *Illinois Home Prices:*

The Illinois Association of Realtors reported the December 2014 Illinois median home prices had an increase of 3.7 percent over December of 2013. The price increase was attributed to a continued overall tight inventory as home sales dipped by 0.9 percent over the same period. RETT receipts are a function of both prices and number of sales. Slow growth in prices and sales may lead to a relative slow growth in RETT receipts for the foreseeable future. Foreclosures and the accompanying problem of homes in negative equity are primary reasons.

#### *Foreclosure Inventory:*

Corelogic, a prominent industry data and analytics firm, defines foreclosure inventory as the share of mortgage homes that have been placed in the process of foreclosure by the lender. Corelogic releases a monthly National Foreclosure Report which tracks foreclosure inventory at the national and state level. Corelogic expects continued slow improvement in the foreclosure inventory rates both at the national level and in Illinois.<sup>12</sup> The Illinois foreclosure rate declined to 1.9 percent and nationally the foreclosure rate declined to 1.5 percent. The continued reductions in the foreclosure inventory in Illinois will have a positive effect on housing prices due to sales of distressed homes becoming a smaller share of the total market.



Source: Corelogic National Foreclosure Report

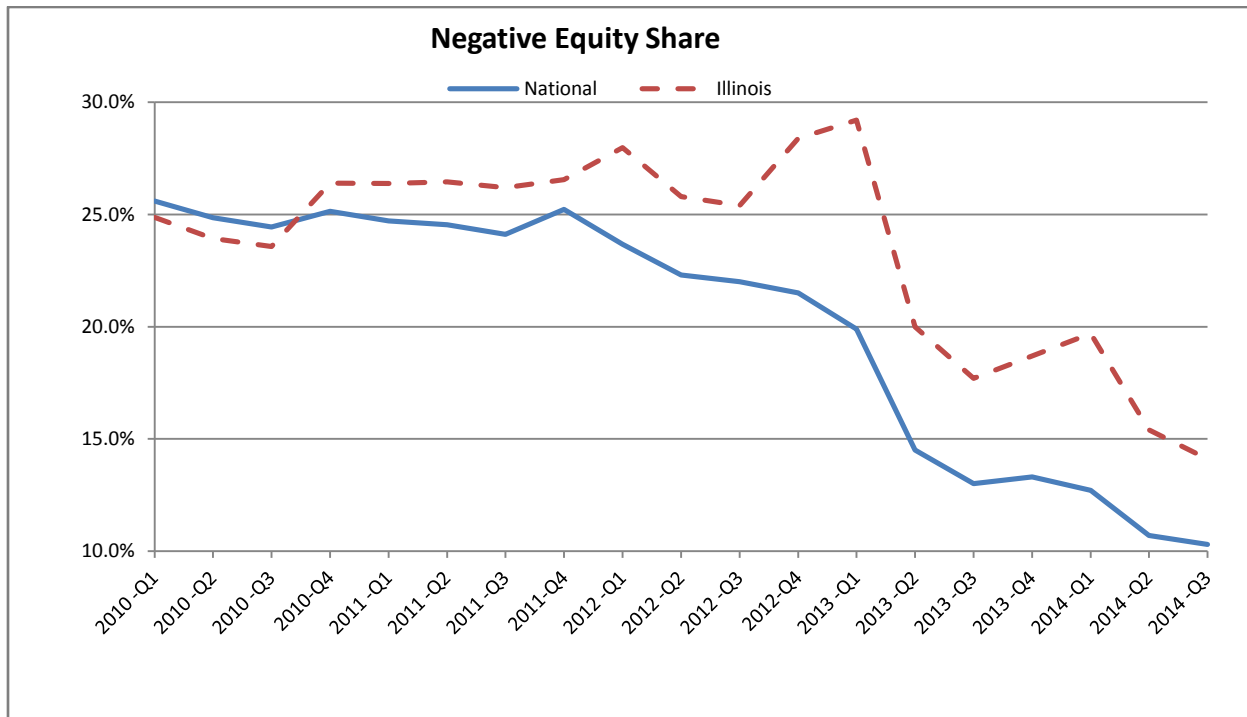
<sup>12</sup> National Foreclosure Report. Rep. November 2014. Corelogic, 2015. Web. 16 Jan. 2015.

<http://www.corelogic.com/research/foreclosure-report/national-foreclosure-report-december-2014.pdf>

High foreclosure inventory rates can contaminate a local real estate market and have a negative effect on “pure market” sales. A recent study by the Illinois Association of Realtors found that property values in “contaminated” neighborhoods can be reduced by \$2,246 per foreclosure property. The study also showed that it could take longer for homeowners with negative equity - owing more than what their property is worth - to gain enough equity to sell.

**Negative Equity Share:**

Corelogic reported Illinois’ negative equity rate dropped to 14.1 percent but was still 3.8 percentage points higher than the national rate of 10.3 percent.<sup>13</sup> Illinois remains one of only twelve states with a higher negative equity share than the national average. While the negative equity rate in Illinois declined significantly from the second calendar year quarter, this relatively high rate continues to be a contributing factor in the current tight inventory of homes available on the market.



Source: CoreLogic Equity Report

<sup>13</sup> Equity Report. Rep. Third Quarter 2014. CoreLogic, 2015. Web. 16 Jan. 2015. <http://www.corelogic.com/about-us/researchtrends/equity-report.aspx#>



# Comparison with Last Fiscal Year and IDOR Forecast

Table A-1. Comparisons with Last Fiscal Year and with IDOR Forecasts

	Actual for the Month		Year-to-Date Actual				Year-to-Date Forecast vs. Actual		Year	
	December FY2014 Actual	December FY2015 Actual	FY 2014 YTD Actual	FY 2015 YTD Actual	YTD FY 2015 vs. YTD FY 2014	FY 2015 YTD IDOR Forecasts	YTD FY 2015 vs. YTD IDOR Forecasts	FY 2013 Total	FY 2014 Total	FY 2015 IDOR Estimate
Revenue Source Receipts (millions)										
Individual Income Tax (All Funds)	\$1,541.6	\$1,670.8	\$7,927.4	\$8,226.2	\$298.8	\$8,203.2	\$23.0	\$18,323.8	\$18,387.7	\$16,993.1
Corporate Income Tax (All Funds)	\$574.6	\$472.7	\$1,530.0	\$1,312.7	(\$217.4)	\$1,307.5	\$5.2	\$3,679.1	\$3,640.0	\$3,100.0
Sales Tax (GRFs)	\$692.3	\$756.2	\$3,895.4	\$4,136.4	\$241.0	\$4,087.5	\$48.9	\$7,364.5	\$7,675.4	\$7,950.0
Public Utilities (GRFs)	\$83.8	\$84.1	\$467.9	\$460.0	(\$7.9)	\$474.4	(\$14.3)	\$1,033.0	\$1,013.3	\$1,015.0
Telecommunications	\$36.2	\$36.8	\$225.8	\$218.2	(\$7.6)	\$226.4	(\$8.2)	\$491.4	\$422.3	\$444.0
Electricity	\$37.2	\$36.6	\$200.7	\$196.4	(\$4.3)	\$205.5	(\$9.1)	\$397.8	\$402.5	\$403.0
Gas	\$10.4	\$10.6	\$41.4	\$45.4	\$4.0	\$42.5	\$3.0	\$143.8	\$188.4	\$168.0
Estate Tax (GRF)	\$18.1	\$37.1	\$129.3	\$156.1	\$26.8	\$129.3	\$26.8	\$293.3	\$276.5	\$258.5
Cigarette (All Funds)	\$73.9	\$78.1	\$432.8	\$434.3	\$1.5	\$409.2	\$25.1	\$813.4	\$823.8	\$819.0
Tobacco Products	\$2.9	\$2.8	\$18.9	\$19.3	\$0.4	\$20.6	(\$1.3)	\$43.0	\$36.0	\$40.0
Regular Motor Fuel Tax	\$110.6	\$118.5	\$584.8	\$591.5	\$6.6	\$573.0	\$18.4	\$1,123.3	\$1,157.0	\$1,131.3
Motor Fuel - IFTA	\$5.0	\$0.5	\$38.2	\$26.2	(\$12.0)	\$33.0	(\$6.8)	\$67.6	\$66.2	\$64.7
Underground Storage Tank	\$7.6	\$7.3	\$36.2	\$35.8	(\$0.3)	\$34.3	\$1.5	\$68.6	\$70.5	\$68.9
Liquor (GRF)	\$14.4	\$13.7	\$85.2	\$85.3	\$0.1	\$86.4	(\$1.2)	\$164.8	\$164.5	\$167.0
Insurance Tax (GRF)	\$60.4	\$65.5	\$153.6	\$160.5	\$6.9	\$150.1	\$10.4	\$333.9	\$332.6	\$325.0
Corp. Franchise Tax (GRF)	\$20.2	\$16.3	\$106.6	\$102.3	(\$4.3)	\$105.7	(\$3.4)	\$204.6	\$202.6	\$201.0
Real Estate Transfer Tax	\$6.0	\$6.7	\$29.2	\$36.8	\$7.6	\$32.1	\$4.7	\$54.0	\$56.6	\$65.0
Private Vehicle Use Tax (GRF)	\$1.7	\$2.5	\$15.0	\$16.5	\$1.5	\$15.5	\$1.0	\$25.3	\$28.9	\$29.0
Hotel Tax (All Funds)	\$18.6	\$26.1	\$136.9	\$152.9	\$16.0	\$145.8	\$7.1	\$221.0	\$227.2	\$240.0

Table A-2. Comparisons with HJR100 Forecasts

Revenue Source Receipts (millions)	FY 2015 YTD Actual	FY 2015 YTD HJR100 Forecasts	YTD FY 2015 vs. YTD HJR100 Forecasts	%	FY 2015 YTD HJR100 Estimate
Corporate Income Tax (All Funds)	\$1,312.7	\$1,453.7	(\$141.0)	-9.7%	\$3,267.0
Sales Tax (GRFs)	\$4,136.4	\$3,979.9	\$156.4	3.9%	\$7,842.0
Public Utilities (GRFs)	\$460.0	\$470.0	(\$10.0)	-2.1%	\$1,005.0
Estate Tax (GRF)	\$156.1	\$102.5	\$53.6	52.3%	\$205.0
Liquor (GRF)	\$85.3	\$85.4	(\$0.1)	-0.2%	\$165.0
Insurance Tax (GRFs)	\$160.5	\$152.4	\$8.1	5.3%	\$330.0
Corp. Franchise Tax (GRF)	\$102.3	\$107.8	(\$5.5)	-5.1%	\$205.0
Private Vehicle Use Tax (GRF)	\$16.5	\$15.5	\$1.0	6.6%	\$29.0

## U.S. and Illinois Employment

U.S. & Illinois Labor Market News							
U.S.	December	November	December	Change from November		Change from year ago	
	2014	2014	2013	Number	Percent	Number	Percent
(Seasonally adjusted, thousands)							
Labor Force	156,129	156,402	155,047	-273	-0.2%	1,082	0.7%
Employment	147,442	147,331	144,671	111	0.1%	2,771	1.9%
Unemployment	8,688	9,071	10,376	-383	-4.2%	-1,688	-16.3%
Unemployment Rate	5.6	5.8	6.7	-0.2	-3.4%	-1.1	-16.4%
Illinois	December	November	December	Change from November		Change from year ago	
	2014	2014	2013	Number	Percent	Number	Percent
(Seasonally adjusted)							
Labor Force	6,547,613	6,547,089	6,539,891	524	0.0%	7,722	0.1%
Employment	6,141,882	6,126,171	5,959,899	15,711	0.3%	181,983	3.1%
Unemployment	405,731	420,918	579,992	-15,187	-3.6%	-174,261	-30.0%
Unemployment Rate	6.2	6.4	8.9	-0.2	-3.1%	-2.7	-30.3%

Source: Bureau of Labor Statistics, Illinois Department of Employment Security (Household data)

Illinois wage and salary employment							
Industry Title	December	November	December	Change from November		Change from year ago	
	2014	2014	2013	Number	Percent	Number	Percent
Total Nonfarm	5,880,300	5,863,200	5,828,700	17,100	0.3%	51,600	0.9%
Mining	9,900	10,000	9,600	-100	-1.0%	300	3.1%
Construction	211,300	205,300	191,100	6,000	2.9%	20,200	10.6%
Manufacturing	579,600	577,300	579,500	2,300	0.4%	100	0.0%
Trade, Transportation, & Utilities	1,166,000	1,163,000	1,174,700	3,000	0.3%	-8,700	-0.7%
Information	96,600	96,600	99,000	0	0.0%	-2,400	-2.4%
Financial Activities	368,200	369,100	369,600	-900	-0.2%	-1,400	-0.4%
Professional and Business Services	915,500	916,000	889,800	-500	-0.1%	25,700	2.9%
Educational and Health Services	894,200	889,500	881,500	4,700	0.5%	12,700	1.4%
Leisure and Hospitality	554,400	549,900	548,400	4,500	0.8%	6,000	1.1%
Other Services	253,900	254,600	253,600	-700	-0.3%	300	0.1%
Government	830,700	831,900	831,900	-1,200	-0.1%	-1,200	-0.1%

Source: Bureau of Labor Statistics, Illinois Department of Employment Security (Establishment data)

# Illinois Department of Revenue Research Department

**Hans Zigmund, M.A.**  
Director of Research

**Andy Chupick, M.P.A.**  
Tax Economist

**Patrick Heath, M.P.A.**  
Tax Economist

**Michael Pijan, M.P.A.**  
Research Analyst

**Hector Vielma, Ph.D.**  
Macroeconomist

