

ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

April **Research Division**
Fiscal Year 2013

<http://tax.illinois.gov/AboutIdor/TaxResearch/TaxResearch.htm>

This report analyzes the major revenues forecast by the Illinois Department of Revenue (IDOR) Research Division. It examines how actual revenues compare with the previous year and with current FY 2013 forecasts.

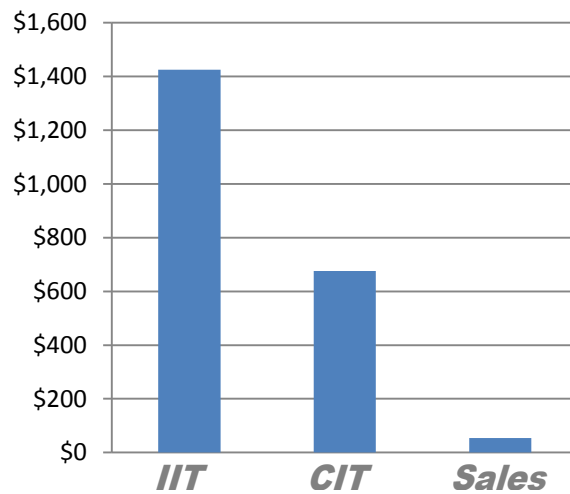
Fiscal year 2013 revenue receipts through April for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$24,625.2 million. Those receipts are \$2,153.6 million above last year and \$1,521.2 million above current estimate.

Individual income tax receipts are \$15,537.8 million. The total is \$1,423.8 million above last year and \$1,067.5 million above the current estimate.

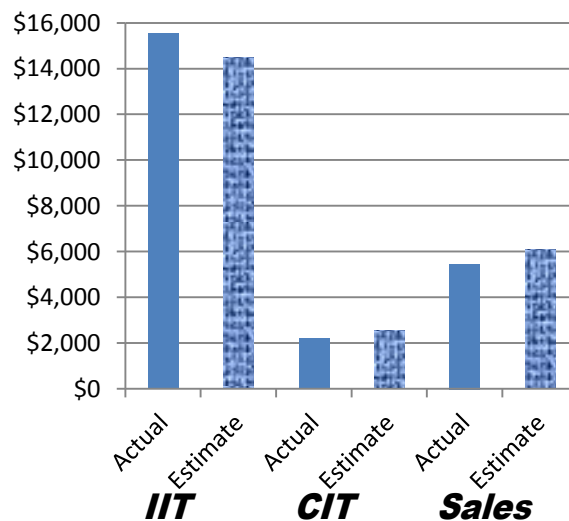
Corporate receipts are \$3,030.7 million. The total is \$676.0 million above last year and \$490.8 million above the current estimate.

Sales tax receipts are \$6,056.7 million. The total is \$53.8 million above last year and \$37.1 million below our current estimate.

**Increase in Year-to-Date Revenues
FY 2012 and FY 2013 (in millions)**



**FY 2013 Year-to-Date Revenues
versus Forecasts (in millions)**



TECHNICAL NOTE: THE SUM OF INDIVIDUAL TAX COMPONENTS MAY NOT EQUAL THE TOTAL DUE TO ROUNDING.

APRIL: INCOME TAXES SEE HUGE ONE-TIME SURGE

The big news for April is that individual and corporate income tax receipts surged more than a billion dollars above the Illinois Department of Revenue's year-to-date forecast. This surge was caused by a large volume of income tax payments received by the department in April and associated with tax returns for tax year 2012.

This is a one-time boost in revenue, generated from businesses and individuals selling assets or receiving early dividends, bonuses, or other income in anticipation of higher federal tax rates for tax year 2013. Among the federal tax rate changes effective in January 2013 were an increase in the tax rate for the highest individual income tax bracket, a higher capital gains tax rate for higher-income taxpayers, and a Medicare surcharge on net investment income for taxpayers above a certain income threshold.

Prior to the January 2013 increase in federal tax rates, a number of businesses and individuals strategically shifted the timing of certain forms of income in order to take advantage of tax year 2012's lower federal tax rates. For example, some businesses paid bonuses and dividends scheduled for tax year 2013 in 2012 instead. Similarly, some businesses and individuals accelerated the sale of investments so that the resulting capital gains income would be taxed at 2012's lower rates.

The combined taxpayer response created a surge in the income tax payments received by the Department in April, which is when many payments for tax year 2012 were due. Data from the federal government and from other state departments of revenue show that the same phenomenon occurred nationwide.

This surge in payments is a one-time event because it was in response to federal policy changes that will not occur next year. Because this is a one-time event, the associated receipts cannot be projected into the forecasts for fiscal year 2014. In fact, because the taxpayer response represents a shift forward of income that would have been realized in the future, we think it could place downward pressure on income tax receipts in future periods. In addition, the surge should not be mistaken for a dramatic improvement in the underlying economy that will boost taxable income going forward. The economic fundamentals that drive taxable individual and corporate incomes remain consistent with the assumptions behind our fiscal year 2014 forecast. We currently are analyzing preliminary data and gathering additional data in order to determine what impact the surge-related income shifts will have on our fiscal year 2014 income tax forecasts.

➤ Individual Income Tax (IIT)

Year-to-date IIT receipts were more than \$1 billion above our year-to-date forecast. The unexpected April surge puts IIT receipts 7.4 percent above the year-to-date estimate and 10.1 percent above the same period in fiscal year 2012.

Non-withholding receipts: The surge in IIT receipts was concentrated within the non-withholding

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$15,537.8	\$14,470.4	\$1,067.5	7.4%
FY 2012	FY 2013	\$ Difference	% Difference
\$14,114.0	\$15,537.8	\$1,423.8	10.1%

component of IIT, which includes non-wage income sources like capital gains and dividends and generally accounts for about 20 percent of total IIT receipts. The concentration in non-withholding is consistent with taxpayers shifting the timing of their non-wage income ahead of 2013's higher federal tax rates, as mentioned at the beginning of this report.

April's non-withholding receipts were twice the estimate for the month. The April forecast was around \$982 million, but the actual amount received for the month was \$1,973 million—more than 100 percent above forecast. The April surge pushed year-to-date non-withholding \$1,035.5 million, or 39.4 percent, above our year-to-date non-withholding forecast. Almost all of this unexpected growth was associated with extension and final payments. Extension payments are from taxpayers who were unable to file their final 2012 tax return by the due date and claimed an automatic six-month extension. Extension filers still are required to calculate their tentative liability and remit payment. Final payments are the payments that accompany final returns that are filed by the due date.

Given that the surge in non-withholding payments represents a shift forward of income that would have been realized in the future, we think it could place downward pressure on non-withholdings in future years. We currently are working to determine the timing and magnitude of this effect.

Withholding receipts: Withholding receipts were very close to forecast and completely free of the huge surge we observed in non-withholding receipts. The month of April ended 2.9 percent above the monthly forecast. Year-to-date withholding receipts are just three tenths of a percent above our year-to-date forecast. Withholding's steady performance illustrates the fact that the receipts surge was not driven by any unanticipated improvement in underlying wage or employment growth. We expect the state labor market to continue improving in line with the assumptions behind our current forecasts.

Components Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Withholding	\$11,875.0	\$11,843.0	\$32.0	0.3%
Non-withholding	<u>\$3,662.9</u>	<u>\$2,627.4</u>	<u>\$1,035.5</u>	<u>39.4%</u>
Total	\$15,537.8	\$14,470.4	\$1,067.5	7.4%
	FY 2012	FY 2013	\$ Difference	% Difference
Withholding	\$11,562.8	\$11,875.0	\$312.2	2.7%
Non-withholding	<u>\$2,551.2</u>	<u>\$3,662.9</u>	<u>\$1,111.6</u>	<u>43.6%</u>
Total	\$14,114.0	\$15,537.8	\$1,423.8	10.1%

Payment totals are consistent with the accounting records of the Illinois Comptroller. Withholding payments and estimated and final payments are derived from IDOR collections data and in-transit funds data. Totals may not equal individual components due to rounding.

➤ Corporate Income Tax (CIT)

CIT receipts were \$824.3 million in April, the highest month ever for CIT receipts. Year-to-date CIT receipts were \$3,030.7 million, compared with a revised year-to-date forecast of \$2,539.9 million. This means that through the end of April, CIT receipts were just \$57 million below our revised forecast of \$3,088 million for all of fiscal year 2013.

Year-to-Date Comparison (\$ millions)			
Actual	Estimate	\$ Difference	% Difference
\$3,030.7	\$2,539.9	\$490.8	19.3%
FY 2012	FY 2013	\$ Difference	% Difference
\$2,354.7	\$3,030.7	\$676.0	28.7%

The magnitude of April's CIT growth was a surprise. As discussed above, we believe that much of the year-over-year growth in April income taxes was due to one-time changes in taxpayer behavior made in anticipation of 2013's higher federal income tax rates. Our preliminary data show that the surge in CIT was heavily concentrated among corporations other than C-corporations, especially trusts. Trusts earn a majority of their income from capital gains and dividends, and have a filing deadline of April 15.

We are still working to untangle the one-time effects of the federal tax changes from any underlying increases in base revenue, which would have implications for our fiscal year 2014 outlook.

Deposits Data by Form*	April 2012	April 2013	\$ Difference	% Difference
IL-1120 Return Payments	\$15.6	\$16.7	\$1.1	6.9%
IL-1120C Bill Payments	\$36.7	\$37.9	\$1.2	3.3%
IL-1120 Estimated Payments	\$233.8	\$285.2	\$51.4	22.0%
IL-505-B Extension Payments	\$218.2	\$320.2	\$102.0	46.7%
<u>Other Forms**</u>	<u>\$72.5</u>	<u>\$126.3</u>	<u>\$53.8</u>	<u>74.3%</u>
Total	\$576.8	\$786.3	\$209.6	36.3%

* All dollars in millions. Totals may not sum due to rounding and might not match receipts data due to money in transit.
 ** Includes final payments from forms IL-1000, IL-1023C, IL-1041, and IL-990-T

➤ Sales & Use Tax

State sales and use tax receipts for the first ten months of fiscal year 2013 were 0.9 percent above the same period in fiscal year 2012 and just 0.6 percent below our year-to-date forecast. April 2013 sales and use tax receipts decreased 1.4 percent compared to April receipts last year. An abnormally warm March in 2012 probably contributed to the relatively weak performance of April 2013 receipts (April receipts mostly reflect taxable spending that occurred in March).

The continued weakness in sales and use tax underscores the fact that the aforementioned surge in IIT receipts was caused by one-time changes in taxpayer behavior and not by unexpected improvements in the underlying economy, such as surging wages or employment. In fact, wage and employment growth remain lackluster, limiting the potential for growth in taxable spending.

Year-to-Date Comparison (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$6,056.7	\$6,093.8	-\$37.1	-0.6%
FY 2012	FY 2013	\$ Difference	% Difference
\$6,002.9	\$6,056.7	\$53.8	0.9%

Year-to-Date Comparison (\$ millions)				
	FY 2012	FY 2013	\$ Difference	% Difference
Vehicles	\$796.1	\$859.8	\$63.7	8.0%
Motor fuel*	\$645.5	\$643.7	-\$1.8	-0.3%
<u>All else</u>	<u>\$4,561.3</u>	<u>\$4,553.2</u>	<u>-\$8.1</u>	<u>-0.2%</u>
Total	\$6,002.9	\$6,056.7	\$53.8	0.9%
<i>*Estimated. IDOR does not have actual data on sales/use tax from motor fuel.</i>				

➤ Public Utilities Taxes

Telecommunications –

General Revenue Fund receipts were \$403.2 million year to date, which was \$33 million (7.6 percent) below forecast.

Electricity – Receipts through April were \$337.3 million, which was \$12 million (3.4 percent) below forecast.

Natural Gas – Receipts were \$111.8 million year to date, which was \$28.9 million (20.5

percent) below forecast. Taxpayers have used approximately \$10.0 million in credits for overpayments to meet their fiscal year 2013 tax liabilities, helping to push receipts below forecast. The overpayments were due to last year's unusually warm weather, which led to less natural gas usage than providers expected when making their estimated tax payments.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Telecommunications	\$403.2	\$436.2	-\$33.0	- 7.6%
Electricity	\$337.3	\$349.4	-\$12.0	- 3.4%
Natural gas	\$111.8	\$140.7	-\$28.9	-20.5%
	FY 2012	FY 2013	\$ Difference	% Difference
Telecommunications	\$401.6	\$403.2	\$1.6	0.4%
Electricity	\$334.7	\$337.3	\$2.6	0.8%
Natural gas	\$123.0	\$111.8	-\$11.2	-9.1%

➤ Cigarette Taxes

Receipts through the end of April are running very close to the year-to-date revised fiscal year 2013 forecast.

Year-to-Date (\$ millions)	*Includes General Revenue Funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds *	\$635.1	\$633.0	\$2.1	0.3%
General Revenue Fund	\$292.0	\$295.8	-\$3.8	-1.3%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds *	\$427.8	\$635.1	\$207.3	48.5%
General Revenue Fund	\$295.4	\$292.0	-\$3.4	-1.2%

➤ Tobacco Products Tax

Year-to-date receipts are still slightly ahead of forecast.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$36.6	\$35.3	\$1.3	3.7%
FY 2012	FY 2013	\$ Difference	% Difference
\$24.0	\$36.6	\$12.6	52.5%

➤ Estate Tax

As mentioned in last month's report, year-to-date receipts have been running above forecast because P.A. 97-0732 transferred estate tax collection responsibility from counties to the Illinois State Treasurer. This caused a one-time receipt of \$41.8 million in

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
All Funds	\$243.2	\$201.7	\$41.5	20.6%
General Revenue Fund	\$231.1	\$189.6	\$41.5	21.9%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds	\$195.5	\$243.2	\$47.7	24.4%
General Revenue Fund	\$183.7	\$231.1	\$47.4	25.8%

July 2012 as counties cleared their accounts of prior-year payments. Excluding this one-time sum, estate tax receipts through April are exactly at the forecast level.

April estate tax receipts of \$16.0 million (All Funds) dipped below the forecast amount of \$20.2 million (All Funds) because more estate tax payments in April were tied to deaths that occurred in 2012, which had a higher estate tax exemption. The estate tax exemption increased from \$2 million in 2011 to \$3.5 million in 2012. We expect monthly receipts will be below forecast for the rest of the fiscal year as the proportion of 2012 payments increases. The one-time receipt mentioned above will offset this decline.

➤ Liquor Tax

Receipts for the first ten months of fiscal year 2013 increased 0.4 percent compared to the same period last year and were 0.7 percent below our revised year-to-date forecast.

Year-to-Date (\$ millions)		*Includes General Revenue Fund		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$233.5	\$235.1	-\$1.6	-0.7%
General Revenue Fund	\$137.5	\$138.4	-\$0.9	-0.7%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$232.6	\$233.5	\$1.0	0.4%
General Revenue Fund	\$136.9	\$137.5	\$0.6	0.4%

➤ Hotel Operator's Occupation Tax (HOOT)

Year-to-date receipts for the hotel tax continue to be close to forecast.

Year-to-Date (\$ millions)	*Includes General Revenue Funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$180.1	\$181.3	-\$1.2	-0.7%
General Revenue Fund	\$29.5	\$30.2	-\$0.7	-2.3%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$174.0	\$180.1	\$6.1	3.5%
General Revenue Fund	\$27.1	\$29.5	\$2.4	8.9%

➤ Motor Fuel Taxes

Year-to-Date (\$ millions)		IFTA	
Actual	Forecast	\$ Difference	% Difference
\$52.1	\$53.6	-\$1.5	-2.7%
FY 2012	FY 2013	\$ Difference	% Difference
\$60.2	\$52.1	-\$8.1	-13.5%

Year-to-Date (\$ millions)		Regular MFT	
Actual	Forecast	\$ Difference	% Difference
\$920.4	\$945.3	-\$24.9	-2.6%
FY 2012	FY 2013	\$ Difference	% Difference
\$951.1	\$920.4	-\$30.7	-3.2%

Year-to-Date (\$ millions)		UST	
Actual	Forecast	\$ Difference	% Difference
\$54.5	\$57.9	-\$3.3	-5.8%
FY 2012	FY 2013	\$ Difference	% Difference
\$58.2	\$54.5	-\$3.7	-6.4%

Combined motor fuel tax receipts (regular MFT, IFTA, and UST) for the first ten months of fiscal year 2013 were 4.0 percent (\$42.5 million) below the same period last year and 2.8 percent (\$29.7 million) below our revised year-to-date forecast.

➤ Real Estate Transfer Tax (RETT)

As mentioned in last month's report, the strong year-to-date growth over fiscal year 2012 is misleading. For the months of January 2012 through April 2012, \$4.5 million in receipts were incorrectly deposited into the Rental Housing Support Fund. This artificially reduced the RETT receipts total for that period. A receipts adjustment was made in May 2012. This adjustment will be part of the

comparison in next month's report, which will give a more accurate picture of fiscal year 2013 growth over fiscal year 2012. Receipts for April 2013 were lower than the forecast due to some late April collections being posted in May. Even so, receipts continue to outpace the year-to-date forecast by 13.8 percent.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$39.6	\$34.8	\$4.8	13.8%
FY 2012	FY 2013	\$ Difference	% Difference
\$28.5	\$39.6	\$11.1	38.9%

Illinois Department of Revenue, Research Division

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April and Year-to-Date Receipts and Forecasts (\$ in millions)

Revenue Source Receipts (millions)	April FY2012	April FY2013	FY 2012 YTD	FY 2013 YTD	YTD FY 2013 vs. YTD FY 2012		FY 2013 YTD Forecasts	YTD FY 2013 vs. YTD Forecasts		FY 2011 Total	FY 2012 Total	FY 2013 Estimate
Individual Income Tax (IIT)	\$2,364.1	\$3,144.6	\$14,114.0	\$15,537.8	\$1,423.8	10.1%	\$14,470.4	\$1,067.5	7.4%	\$12,301.8	\$16,999.8	\$17,359.0
Corporate Income Tax (CIT)	\$561.6	\$824.5	\$2,354.7	\$3,030.7	\$676.0	28.7%	\$2,539.9	\$490.8	19.3%	\$2,285.7	\$2,983.0	\$3,088.0
Sales Tax (GRFs)	\$611.0	\$602.5	\$6,002.9	\$6,056.7	\$53.8	0.9%	\$6,093.8	-\$37.1	-0.6%	\$6,833.0	\$7,225.6	\$7,335.0
Public Utilities (GRFs)	\$70.6	\$86.0	\$859.3	\$852.3	-\$6.9	-0.8%	\$926.3	-\$73.9	-8.0%	\$1,147.2	\$994.7	\$1,101.0
Telecommunications	\$30.6	\$31.8	\$401.6	\$403.2	\$1.6	0.4%	\$436.2	-\$33.0	-7.6%	\$586.9	\$459.6	\$525.0
Electricity	\$25.7	\$30.6	\$334.7	\$337.3	\$2.6	0.8%	\$349.4	-\$12.0	-3.4%	\$401.2	\$390.0	\$409.0
Gas	\$14.3	\$23.6	\$123.0	\$111.8	-\$11.2	-9.1%	\$140.7	-\$28.9	-20.5%	\$159.1	\$145.2	\$167.0
Estate Tax (GRFs)	\$23.0	\$15.1	\$183.7	\$231.1	\$47.4	25.8%	\$189.6	\$41.5	21.9%	\$122.2	\$234.8	\$228.0
Cigarette (All Funds)	\$44.0	\$67.8	\$427.8	\$635.1	\$207.3	48.5%	\$633.0	\$2.1	0.3%	\$560.8	\$577.4	\$788.0
Tobacco Products	\$2.4	\$2.8	\$24.0	\$36.6	\$12.6	52.5%	\$35.3	\$1.3	3.7%	\$27.4	\$29.0	\$40.0
Regular Motor Fuel Tax	\$90.7	\$80.7	\$951.1	\$920.4	-\$30.7	-3.2%	\$945.3	-\$24.9	-2.6%	\$1,157.6	\$1,145.3	\$1,140.0
Motor Fuel - IFTA	\$2.4	\$2.6	\$60.2	\$52.1	-\$8.1	-13.5%	\$53.6	-\$1.5	-2.7%	\$84.9	\$75.1	\$68.0
Ug. Storage Tank	\$6.1	\$5.4	\$58.2	\$54.5	-\$3.7	-6.4%	\$57.9	-\$3.3	-5.8%	\$71.2	\$69.5	\$69.0
Liquor (GRF)	\$13.2	\$12.7	\$136.9	\$137.5	\$0.6	0.4%	\$138.4	-\$0.9	-0.7%	\$157.4	\$164.4	\$166.0
Insurance Tax (GRFs)	\$48.3	\$53.2	\$275.9	\$266.3	-\$9.6	-3.5%	\$248.2	\$18.1	7.3%	\$316.1	\$344.6	\$315.0
Franchise Tax (Corp Division)	\$13.3	\$14.9	\$161.8	\$173.9	\$12.1	7.5%	\$169.9	\$4.0	2.4%	\$207.3	\$191.6	\$203.0
Real Estate Transfer Tax	\$1.7	\$1.9	\$28.5	\$39.6	\$11.1	38.9%	\$34.8	\$4.8	13.8%	\$38.0	\$42.0	\$43.0
Private Vehicle Use (GRFs)	\$2.7	\$2.3	\$23.7	\$20.1	-\$3.6	-15.0%	\$22.3	-\$2.2	-9.7%	\$30.3	\$28.7	\$27.0
Hotel Tax (All Funds)	\$10.3	\$10.1	\$174.0	\$180.1	\$6.1	3.5%	\$181.3	-\$1.2	-0.7%	\$191.7	\$207.9	\$216.0