

ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

March **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.

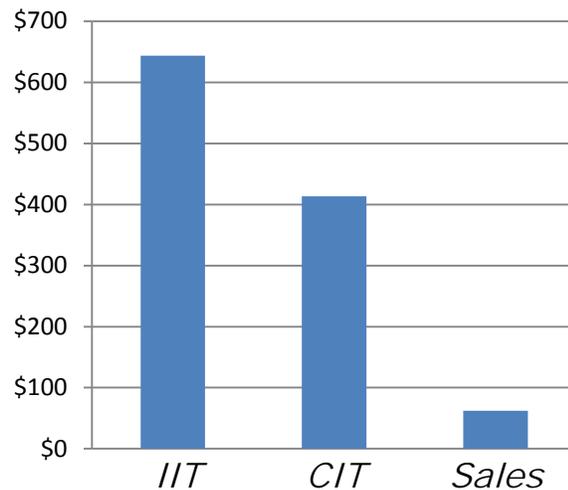
Fiscal year 2013 revenue receipts through March for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$20,053.6 million. Those receipts are \$1,118.7 million above last year and \$323.6 million above current estimate.

Individual income tax receipts are \$12,393.2 million. The total is \$643.3 million above last year and \$42.9 million above the current estimate.

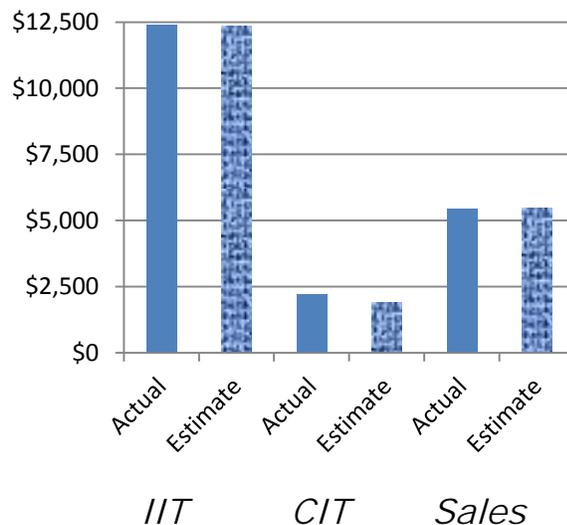
Corporate receipts are \$2,206.2 million. The total is \$413.1 million above last year and \$300.2 million above the current estimate.

Sales tax receipts are \$5,454.2 million. The total is \$62.3 million above last year and \$19.4 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.

INTRODUCTION

On March 6, 2013, Governor Pat Quinn introduced the fiscal year 2014 Operating Budget. Although focused on 2014, the budget document contained several revised forecasts for fiscal year 2013. The table below shows the original forecasts and any revisions. Beginning with this monthly report, all of our fiscal year 2013 forecast comparisons will reflect the forecasts in Governor Quinn's fiscal year 2014 Operating Budget.

Tax Receipts (\$ in millions)	FY 2013 Original	FY 2013 Revised	Forecast Amount Includes the Following Funds*
Individual Income Tax (Gross)	\$16,922	\$17,359	0001, 0007, 0278
Corporate Income Tax (Gross)	\$2,921	\$3,088	0001, 0007, 0278
Sales/Use Tax (GRFs only)	\$7,335	Not revised	0001, 0005
Public Utilities (GRFs only)	\$1,101	Not revised	0001, 0412
Telecommunications	\$525	Not revised	0001,0412
Electricity	\$409	Not revised	0001
Natural Gas	\$167	Not revised	0001
Estate Tax (All Funds)	\$242	Not revised	0001, 0121
Estate Tax (GRF only)	\$227	Not revised	0001
Cigarette (All Funds)	\$853	\$788	0001, 0345, 0412, 0568, 0793
Tobacco Products (All Funds)	\$40	Not revised	0345, 0793
Regular Motor Fuel Tax	\$1,176	\$1,140	0012
Motor Fuel – IFTA	\$77	\$68	0012
Underground Storage Tank	\$71	\$69	0072
Liquor (GRF only)	\$163	\$166	0001
Insurance Tax (GRF only)	\$285	\$315	0001
Franchise Tax & Fees (GRF only)	\$203	Not revised	0001
Real Estate Transfer Tax	\$43	Not revised	0286, 0298, 0299
Private Vehicle Use (GRF only)	\$29	\$27	0001
Hotel Tax (GRFs only)	\$43	Not revised	0001, 0412
Hotel Tax (All Funds)	\$216	Not revised	0001, 0225, 0384, 0412, 0621, 0624, 0960, 0969

* Please note that all of our forecasts are presented in terms of receipts, which are defined as cash received and ordered by the Comptroller into the State Treasury. This means that the forecasts and revenue totals used in our report are reported on the same basis as the accounting records of the Illinois Comptroller, unless otherwise noted.

➤ Individual Income Tax (IIT)

The IIT forecast for fiscal year 2013 was revised from \$16,922 million to \$17,359 million.

Year-to-date receipts were 5.5 percent higher than receipts during the same period in 2012. However, we expect some of this growth to be offset by a decline over the last quarter of fiscal year 2013.

Receipts during the last quarter of fiscal year 2012

were inflated by large final payments associated with the lag between the January 1, 2011, IIT tax rate increase and full employer implementation of the higher withholding rate. Delays in implementing the higher withholding rate shifted relatively more tax liability to final payments. This shift will not occur in 2013, so we expect a weaker final quarter relative to fiscal year 2012's final quarter.

Withholding payments: One month after adopting the revised forecast, withholding payments were right on target compared to the forecast and 2.5 percent above the same period in 2012. There was one less work day in March 2013, limiting receipts just a bit compared to March 2012.

Non-withholding payments: March's non-withholding payments came in 46.3 percent above the March forecast. This seemingly remarkable result actually has little practical significance in terms of our overall forecast because March represents a tiny fraction of total non-withholding payments. April represents the largest part of annual non-withholding payments.

Year-to-date non-withholding payments were above both our revised forecast and the same period in fiscal year 2012. As mentioned above, we expect lower final payments this year to offset some of this year-to-date growth.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$12,393.2	\$12,350.4	\$42.9	0.3%
FY 2012	FY 2013	\$ Difference	% Difference
\$11,749.9	\$12,393.2	\$643.3	5.5%

Components Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Withholding	\$10,703.4	\$10,705.0	-\$1.6	0.0%
Estimated and final	\$1,689.8	\$1,645.4	\$44.5	2.7%
Total	\$10,393.2	\$12,350.4	\$42.9	0.3%

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)

The CIT forecast for fiscal year 2013 was revised up by \$167 million, from \$2,921 million to \$3,088 million. The revision was based on the strong year-to-date performance above forecast and revised data on corporate profits and corporate tax returns.

We believe that this revision is conservative, and

we remain concerned that recent changes in tax law—the tax rate increase, federal 100 percent expensing, and the suspension/cap of net operating losses—may have changed firms’ timing in making payments. We have preliminary evidence from internal deposits data in March that this may be the case.

Year-to-Date Comparison (\$ millions)			
Actual	Estimate	\$ Difference	% Difference
\$2,206.2	\$1,906.0	\$300.2	15.8%
FY 2012	FY 2013	\$ Difference	% Difference
\$1,793.1	\$2,206.2	\$413.1	23.0%

Deposits Data by Form*	March 2012	March 2013	\$ Difference	% Difference
IL-1120 Return Payments	\$28.2	\$30.8	\$2.6	9.2%
IL-1120C Bill Payments	\$31.0	\$20.9	-\$10.0	-32.4%
IL-1120 Estimated Payments	\$138.0	\$184.5	\$46.5	33.7%
505B Extension Payments	\$290.8	\$316.5	\$25.8	8.9%
Other Forms**	\$45.7	\$67.1	\$21.4	46.9%
Total	\$533.6	\$619.9	\$86.2	16.2%

* All dollars in millions. Totals may not sum due to rounding.
 ** Includes payments from forms IL-1000, IL-1023C, IL-1041, and IL-990-T

As shown above, March 2013 Form IL-1120 estimated payments increased by \$46.5 million above March 2012. Final IL-1120 Return and IL-505-B extension payments increased \$28.4 million in total. March is the month that tax returns and final payments are due for most corporate taxpayers. The data above suggests a potential slowing of growth in CIT receipts in the coming months from the strong level shown fiscal-year-to-date, as firms calculate their final tax liabilities and make their final payments. We will continue to watch receipts for the remainder of the fiscal year closely, especially with an eye toward potential lower estimated payments during April and June, the first estimated payment due dates of tax year 2013 for most corporate taxpayers.

➤ Sales & Use Tax

The fiscal year 2013 forecast was not revised. It remains \$7,335 million.

State sales and use tax receipts for the first nine months of fiscal year 2013 were 1.2 percent above the same period in fiscal year 2012 and just 0.4 percent below our year-to-date forecast. March 2013 sales and use tax receipts decreased 1.0 percent compared to March receipts last year.

Year-to-Date Comparison (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$5,454.2	\$5,473.6	-\$19.4	-0.4%
FY 2012	FY 2013	\$ Difference	% Difference
\$5,391.9	\$5,454.2	\$62.3	1.2%

Year-to-date growth has been concentrated almost entirely in sales and use tax receipts from motor vehicle sales. Pent-up demand for new light vehicles has been a major contributor to this growth. The average age of the existing fleet hit an all-time high of 10.8 years in 2011 as consumers delayed major purchases during and after the recession. The need to replace aging vehicles, combined with record-low financing rates, has boosted sales in fiscal year 2013.

Unfortunately, the story for the core of our sales and use tax receipts—all taxable sales excluding vehicles and fuels—is not one of strong growth. The “All else” component has performed poorly all fiscal year, and the expiration of the payroll tax cut will keep performance poor by shrinking paychecks and reducing consumer confidence. Online retail sales now account for more than 5.0 percent of all retail spending, and just less than half of all the tax due on online retail sales goes uncollected. As consumers continue to shift their taxable consumption from brick-and-mortar stores to online retailers, it blunts the revenue impact of any increased consumer spending.

Year-to-Date Comparison (\$ millions)				
	FY 2012	FY 2013	\$ Difference	% Difference
Vehicles	\$709.3	\$759.6	\$50.4	7.1%
Motor fuel*	\$571.9	\$574.7	\$2.8	0.5%
All else	\$4,110.8	\$4,119.9	\$9.1	0.2%
Total	\$5,391.9	\$5,454.2	\$62.3	1.2%

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

➤ Public Utilities Taxes

Telecommunications –

General Fund receipts were \$371.5 million year to date, or 4.9 percent (approximately \$19.2 million) below forecast. Approximately \$3.6 million of this shortage can be explained by a higher-than-anticipated allocation percentage for the Simplified Municipal Telecom Tax, which is collected on the

same tax return as the Telecom Excise Tax and allocated before the state’s share of receipts are deposited.

Electricity – Receipts through March were \$306.7 million, 3.5 percent below forecast.

Natural Gas – Receipts through March were \$87.1 million year to date, or 25.6 percent (\$30.0 million) below forecast. Year-to-date, large taxpayers have used approximately \$10.0 million in credit for overpayments to meet their current tax liabilities. These credits are due to overpayments made during fiscal year 2012. The overpayments were due to last year’s unusually warm weather.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Telecommunications	\$371.5	\$390.7	-\$19.2	- 4.9
Electricity	\$306.7	\$318.0	-\$11.2	- 3.5
Natural gas	\$87.1	\$117.1	-\$30.0	-25.6
	FY 2012	FY 2013	\$ Difference	% Difference
Telecommunications	\$370.9	\$371.5	\$0.5	0.1
Electricity	\$309.0	\$306.7	-\$2.3	- 0.7
Natural gas	\$108.7	\$87.1	-\$21.6	-19.9

➤ Cigarette Taxes

The fiscal year 2013 All Funds forecast was revised from \$853 million to \$788 million.

The downward revision was to account for tax stamp hoarding by distributors prior to last year's tax increase.

Prior to the increase's

effective date of June 24, 2012, the IDOR restricted distributor stamp purchases to the previous year's levels in an attempt to prevent hoarding of tax stamps at the lower rate. However, on June 14, 2012, several large distributors obtained a preliminary injunction in Sangamon County Circuit Court that prohibited the IDOR from limiting stamp purchases. During the remaining period before the tax increase took effect, distributors purchased \$50 million in tax stamps beyond what they would normally buy in a typical June.

This tax stamp hoarding pushed final fiscal year 2012 receipts from the cigarette tax to \$577 million—well above the forecasted \$524 million—and reduced taxable activity in fiscal year 2013. Consequently, the original fiscal year 2013 estimate of \$853 million has been revised down to \$788 million. Year-to-date receipts are running 1.8 percent below the revised year-to-date forecast.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds *	\$567.4	\$577.9	-\$10.5	- 1.8%
General Revenue Fund	\$262.8	\$266.3	- \$3.5	- 1.3%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds *	\$383.8	\$567.4	\$183.6	47.8%
General Revenue Fund	\$265.8	\$262.8	- \$3.0	-1.1%

➤ Tobacco Products Tax

March receipts pushed year-to-date receipts 4.0 percent above the year-to-date forecast.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$33.8	\$32.5	\$ 1.3	4.0%
FY 2012	FY 2013	\$ Difference	% Difference
\$21.6	\$33.8	\$12.2	56.5%

➤ Estate Tax

The fiscal year 2013 forecasts were not revised. They remain \$227 million for GRF and \$242 million for All Funds.

Year-to-date estate tax receipts were much higher than forecasted because a change in how the estate tax is collected accelerated the

receipt of \$41.8 million at the beginning of the fiscal year.

P.A. 97-0732 moved the estate tax collection responsibility from counties to the Illinois State Treasurer, starting on July 1, 2012. Historically, counties accumulated estate tax payments for approximately one month before forwarding them to the state. Ending the counties' involvement in the collection process resulted in a final surge of receipts as counties cleared their accounts. The same law also requires that 94 percent of collections be deposited into the General Revenue Fund and 6 percent of collections be deposited into the Estate Tax Refund Fund. Until June 30, 2012, all collections were deposited into the General Revenue Fund. The table above reflects the new distribution.

As a result of these changes, year-to-date receipts through March exceeded the forecast by \$45.6 million, or 25.1 percent. Excluding this one-time surge in receipts, estate tax receipts to date are slightly above the year-to-date forecast by \$3.8 million.

March estate tax receipts of \$16.3 million dipped below the forecast amount of \$19.0 million because more estate-tax payments were tied to deaths that occurred in 2012 with the higher exemption amount. 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 acceleration of receipts mentioned above will offset this monthly decline.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
All Funds	\$227.1	\$181.5	\$45.6	25.1%
General Revenue Fund	\$216.0	\$170.6	\$45.4	26.6%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds	\$172.5	\$227.1	\$54.6	31.7%
General Revenue Fund	\$162.2	\$216.0	\$53.8	33.2%

➤ Liquor Tax

The fiscal year 2013 forecasts for liquor tax have been revised up. The general revenue fund forecast went from \$163 million to \$166 million, and the all funds forecast went from \$277 million to \$282 million.

Receipts for the first nine months of fiscal year 2013

increased 0.9 percent compared to the same period last year and were 0.4 percent above our revised year-to-date forecast.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$211.9	\$211.2	\$0.7	0.4%
General Revenue Fund	\$124.8	\$124.3	\$0.4	0.4%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$210.1	\$211.9	\$1.8	0.9%
General Revenue Fund	\$123.7	\$124.8	\$1.1	0.9%

➤ Hotel Operator's Occupation Tax (HOOT)

Year-to-date receipts for the hotel tax are coming in very close to forecast.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$170.0	\$170.1	-\$0.1	- 0.1%
General Revenue Fund	\$25.8	\$26.0	-\$0.2	- 0.8%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$163.7	\$170.0	\$6.3	3.8%
General Revenue Fund	\$23.3	\$25.8	\$2.5	10.7%

➤ Motor Fuel Taxes

Year-to-Date (\$ millions)		IFTA	
Actual	Forecast	\$ Difference	% Difference
\$49.5	\$51.3	-\$1.9	-3.6%
FY 2012	FY 2013	\$ Difference	% Difference
\$57.9	\$49.5	-\$8.4	-14.5%

Year-to-Date (\$ millions)		Regular MFT	
Actual	Forecast	\$ Difference	% Difference
\$839.7	\$854.3	-\$14.5	-1.7%
FY 2012	FY 2013	\$ Difference	% Difference
\$860.4	\$839.7	-\$20.6	-2.4%

Year-to-Date (\$ millions)		UST	
Actual	Forecast	\$ Difference	% Difference
\$49.1	\$51.8	-\$2.7	-5.3%
FY 2012	FY 2013	\$ Difference	% Difference
\$52.2	\$49.1	-\$3.1	-5.9%

The fiscal year 2013 forecasts for motor fuel taxes were revised down. Regular MFT went from \$1,176 million to \$1,140 million. IFTA went from \$77 million to \$68 million. UST went from \$71 million to \$69 million. The combined forecast went from \$1,324 million to \$1,277 million.

Combined motor fuel tax receipts (regular MFT, IFTA, and UST) for the first nine months of fiscal year 2013 were 3.3 percent (-\$32.2 million) below the same period last year and 2.0 percent (-\$19.1 million) below our revised year-to-date forecast.

➤ Real Estate Transfer Tax (RETT)

Year-to-date receipts showing a 40 percent increase for fiscal year 2013 over fiscal year 2012 are misleading. For the months of January 2012 through April 2012, \$4.5 million in receipts were incorrectly posted to the Rental Housing Support Fund, artificially reducing the RETT receipts total for that period. A receipts adjustment was made in May 2012. That said, receipts for March were more in line with the monthly forecast, and year-to-date receipts are still running more than 19 percent above forecast.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$37.7	\$31.6	\$6.1	19.3%
FY 2012	FY 2013	\$ Difference	% Difference
\$26.8	\$37.7	\$10.9	40.7%

Illinois Department of Revenue, Research Division

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

Revenue Source Receipts	March FY2012	March 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 2009 Total	FY 2010 Total	FY 2011 Total	FY 2012 Total	FY 2013 Estimate
Individual Income Tax (IIT)	\$1,486.9	\$1,505.1	\$11,749.9	\$12,393.2	\$643.3	5.5%	\$12,350.4	\$42.9	0.3%	\$10,219.4	\$9,429.8	\$12,301.8	\$16,999.8	\$17,359.0
Corporate Income Tax (CIT)	\$523.4	\$624.8	\$1,793.1	\$2,206.2	\$413.1	23.0%	\$1,906.0	\$300.2	15.8%	\$2,072.5	\$1,648.9	\$2,285.7	\$2,983.0	\$3,088.0
Sales Tax (GRFs)	\$574.7	\$568.7	\$5,391.9	\$5,454.2	\$62.3	1.2%	\$5,473.6	-\$19.4	-0.4%	\$6,772.8	\$6,308.0	\$6,833.0	\$7,225.6	\$7,335.0
Public Utilities (GRFs)	\$120.1	\$96.2	\$788.6	\$765.3	-\$23.4	-3.0%	\$825.7	-\$60.5	-7.3%	\$1,167.8	\$1,089.2	\$1,147.2	\$994.7	\$1,101.0
Telecommunications	\$49.8	\$41.2	\$370.9	\$371.5	\$0.5	0.1%	\$390.7	-\$19.2	-4.9%	\$593.3	\$549.5	\$586.9	\$459.6	\$525.0
Electricity	\$41.3	\$33.2	\$309.0	\$306.7	-\$2.3	-0.7%	\$318.0	-\$11.2	-3.5%	\$402.9	\$381.4	\$401.2	\$390.0	\$409.0
Gas	\$29.0	\$21.8	\$108.7	\$87.1	-\$21.6	-19.9%	\$117.1	-\$30.0	-25.6%	\$171.5	\$158.3	\$159.1	\$145.2	\$167.0
Estate Tax (GRFs)	\$38.8	\$16.3	\$162.2	\$216.0	\$53.8	33.2%	\$170.6	\$45.4	26.6%	\$287.7	\$243.4	\$122.2	\$234.8	\$227.0
Cigarette (All Funds)	\$54.5	\$70.1	\$383.8	\$567.4	\$183.6	47.8%	\$577.9	-\$10.5	-1.8%	\$564.0	\$557.8	\$560.8	\$577.4	\$788.0
Tobacco Products	\$2.4	\$3.4	\$21.6	\$33.8	\$12.2	56.5%	\$32.5	\$1.3	4.0%	\$21.4	\$24.0	\$27.4	\$29.0	\$40.0
Regular Motor Fuel Tax	\$89.7	\$93.6	\$860.4	\$839.7	-\$20.6	-2.4%	\$854.3	-\$14.5	-1.7%	\$1,248.6	\$1,165.4	\$1,157.6	\$1,145.3	\$1,140.0
Motor Fuel - IFTA	\$7.5	\$3.5	\$57.9	\$49.5	-\$8.4	-14.5%	\$51.3	-\$1.9	-3.6%	\$144.0	\$103.0	\$84.9	\$75.1	\$68.0
Ug. Storage Tank	\$5.5	\$4.2	\$52.2	\$49.1	-\$3.1	-5.9%	\$51.8	-\$2.7	-5.3%	\$74.8	\$70.8	\$71.2	\$69.5	\$69.0
Liquor (GRF)	\$11.7	\$11.2	\$123.7	\$124.8	\$1.1	0.9%	\$124.3	\$0.4	0.4%	\$157.6	\$158.5	\$157.4	\$164.4	\$166.0
Insurance Tax (GRFs)	\$61.1	\$34.8	\$227.6	\$213.1	-\$14.5	-6.4%	\$203.8	\$9.3	4.6%	\$334.3	\$322.4	\$316.1	\$344.6	\$315.0
Franchise Tax (Corp Division)	\$15.2	\$15.3	\$148.5	\$159.0	\$10.5	7.1%	\$153.4	\$5.6	3.6%	\$201.5	\$208.0	\$207.3	\$191.6	\$203.0
Real Estate Transfer Tax	\$1.4	\$3.4	\$26.8	\$37.7	\$10.9	40.7%	\$31.6	\$6.1	19.3%	\$45.6	\$40.3	\$38.0	\$42.0	\$43.0
Private Vehicle Use (GRFs)	\$3.0	\$2.1	\$21.0	\$17.8	-\$3.1	-14.9%	\$19.7	-\$1.9	-9.6%	\$27.3	\$30.2	\$30.3	\$28.7	\$27.0
Hotel Tax (All Funds)	\$7.4	\$10.2	\$163.7	\$170.0	\$6.3	3.8%	\$170.1	-\$0.1	-0.1%	\$203.3	\$173.1	\$191.7	\$207.9	\$216.0