

# **FY 2015 REVENUE ESTIMATES**

ILLINOIS DEPARTMENT OF REVENUE

# REVENUE SUMMARY

<b>General Funds Revenues by Source</b>					
<b>Source</b> <b>(\$ millions)</b>	<b>Actual</b> <b>FY 2012</b>	<b>Actual</b> <b>FY 2013</b>	<b>HR 389</b> <b>FY 2014</b>	<b>Estimated</b> <b>FY 2014</b>	<b>Projected</b> <b>FY 2015</b>
<b>Base Revenues</b>					
<b>State Sources: Revenues</b>					
Income Taxes .....	17,973	19,716	18,967	19,618	17,915
Individual .....	15,512	16,539	16,030	16,301	14,844
Corporate .....	2,461	3,177	2,937	3,317	3,071
Sales Taxes .....	7,226	7,354	7,348	7,610	7,810
Public Utility Taxes .....	995	1,033	1,032	1,006	1,031
Cigarette Taxes .....	354	353	355	355	355
Liquor Gallonage Taxes .....	164	165	165	166	167
Inheritance Tax .....	235	293	210	218	190
Insurances Tax and Fees .....	345	334	350	325	325
Corporate Franchise Taxes and Fees .....	192	205	203	203	201
Interest on State Funds and Investments .....	21	20	20	17	17
Cook County Intergovernmental Transfer .....	244	244	244	244	244
Other State Sources .....	502	504	437	572	490
<b>Total State Sources: Revenues</b>	<b>28,251</b>	<b>30,221</b>	<b>29,331</b>	<b>30,334</b>	<b>28,745</b>
<b>State Sources: Transfers In</b>					
Lottery .....	640	656	669	669	682
Riverboat Gaming Taxes .....	340	345	366	327	334
Other Transfers .....	886	952	1,080	1,282	918
<b>Total State Sources</b>	<b>30,117</b>	<b>32,174</b>	<b>31,446</b>	<b>32,612</b>	<b>30,679</b>
Federal Sources .....	3,681	4,154	4,000	4,113	4,487
<b>TOTAL REVENUES GENERAL FUNDS</b>	<b>33,798</b>	<b>36,328</b>	<b>35,446</b>	<b>36,725</b>	<b>35,166</b>
Note: Totals may not add due to rounding.					

ILLINOIS DEPARTMENT OF REVENUE

# **INDIVIDUAL INCOME TAXES**

# Individual Income Tax YTD Performance

IIT performance, through January (\$ in millions)				
	FY2014	FY2013	\$ Difference	% Difference
Total IIT revenue	\$10,064	\$9,704	\$360	3.7%
	FY2014	HR389 Enacted (\$17,763)	\$ Difference	% Difference
Total IIT revenue	\$10,064	\$9772	\$292	3.0%

# FY 2014 Individual Income Tax (IIT)

- Withholding receipts are as forecast.
- Non-withholdings are nearly \$300 million above forecast.
- Recommended FY14 IIT receipts revision: From \$17,713M (\$16,030M net) to \$18,013M (\$16,301M net).

**Illinois: Projected growth of key variables (as of Jan/2014 Global Insight data update)**

Fiscal Year	FY13	FY14	FY15
Employment (total non-farm)	1.0%	1.1%	1.6%
Wages & Salaries	3.1%	3.2%	4.8%
Dividends, interest and rents	5.0%	5.1%	6.0%
SP500	15.4%	18.1%	4.6%
Housing starts	20.9%	34.0%	35.9%
Home price (existing median)	1.6%	10.0%	3.1%
Personal Income	3.1%	3.3%	4.6%
Unemployment rate	9.0%	8.7%	7.8%

**Individual Income Tax FY 13 – FY 15**  
**(\$ millions)**

	<b>FY 13</b>	<b>FY 14 (HR386)</b>	<b>FY 14 Recommended</b>	<b>FY 15 forecast</b>
Gross Receipts - base rate	\$10,994	\$10,628	\$10,828	\$11,259
Gross Receipts from rate increase	\$7,330	\$7,085	\$7,185	\$5,734
Total Gross Receipts	\$18,324	\$17,713	\$18,013	\$16,993
Refund Fund Deposit	\$1,785	\$1,683	\$1,711	\$1,699
Net Receipts	\$16,539	\$16,030	\$16,301	\$15,294
Deposit into special revenue funds	\$0	\$0	\$0	\$449
Net Receipts after special revenue funds deposit	\$16,539	\$16,030	\$16,301	\$14,884

Starting February 1, 2015 1/30<sup>th</sup> of net tax receipts from individuals is deposited into both the Fund for the Advancement of Education and the Commitment to Human Services fund.

FY15 receipts include \$125 million that due to accounting changes will be counted as IIT instead of CIT.

The split between 3% rate and receipts from tax rate increase is estimated.

FY15 Refund Fund Diversion Rate increases from 9.5% to 10%.

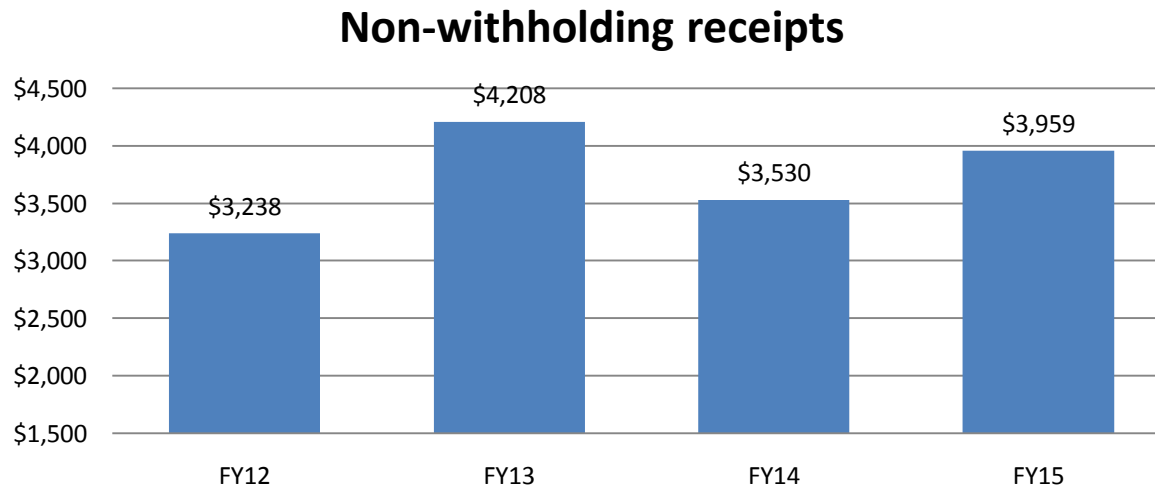
# Accounting Changes

- There is a \$125M positive impact to the Individual Income Tax with a corresponding \$125M negative impact to Corporate Income Tax related to PA 98-0478, which streamlines the pass-through entity withholding voucher (the IL-1000 and the IL-1023C).
- The current voucher has a mix of Individual Income Tax, Corporate Income Tax and PPRT liabilities so IDOR doesn't know what tax the payment is intended to pay until the entity files return. All of the money is counted as CIT/PPRT when received. At the end of the year an accounting adjustment refund fund diversions.
- The new law allows IDOR to streamline the forms and create new payment vouchers that will have the taxpayers make separate payments for IIT and CIT/PPRT liabilities.
- The new payment vouchers allow the Department to allocate the right amounts when they are received. The new forms will be required for tax periods ending on or after December 31, 2014. The impact is in FY 2015. IIT revenues will increase with a equal decrease in CIT revenues.
- GRF will receive the same amount of money, this really only impacts what we call the money.



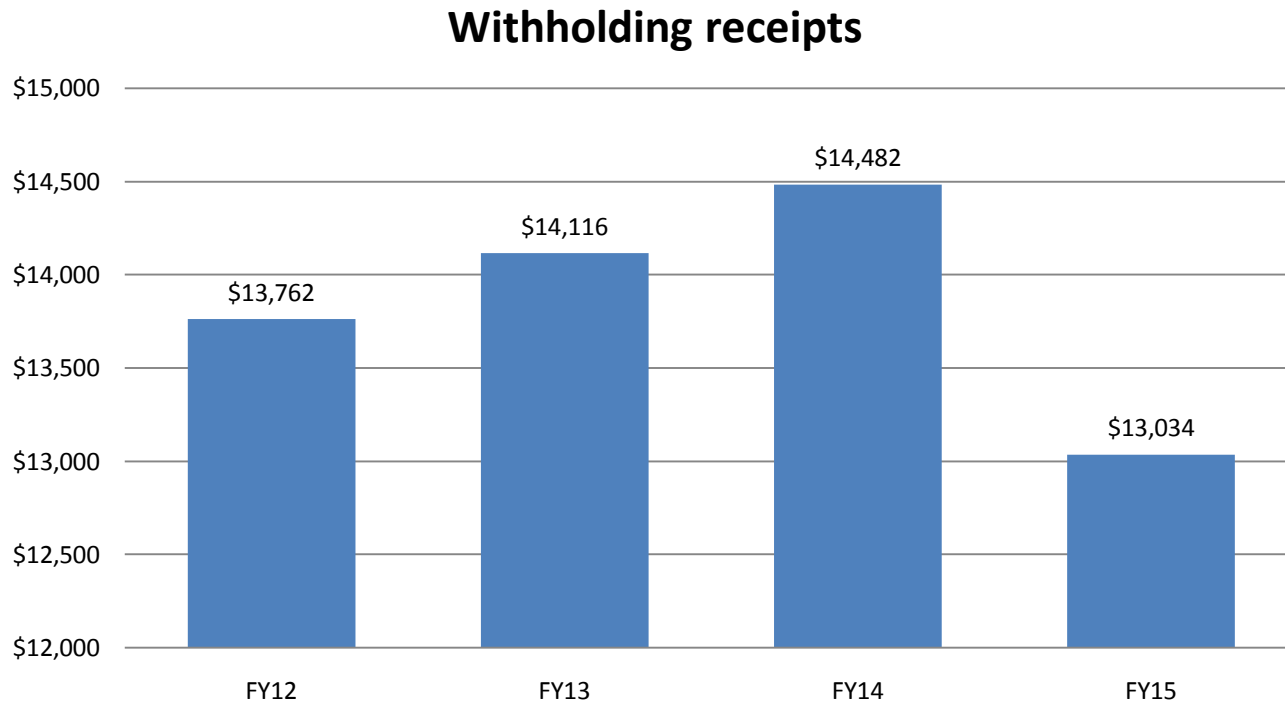
# Non-Withholdings receipts (Gross)

- Non-Withholdings revenue spiked in FY13 due to the “April surprise” in which taxpayers realized capital gains in anticipation of the increase in federal capital gains tax rate. In FY14 non-withholdings revenue decreases compared with prior fiscal year, because the one time FY13 surge will not recur.
- FY15 non-withholdings are \$172 million higher than expected at the 3.75% rate because we expect taxpayers manage their risk and avoid paying a penalty by making their estimated at the 5% rate. This implies FY16 will be \$172 million lower than expected because of decreased final payments and increased refunds demand.

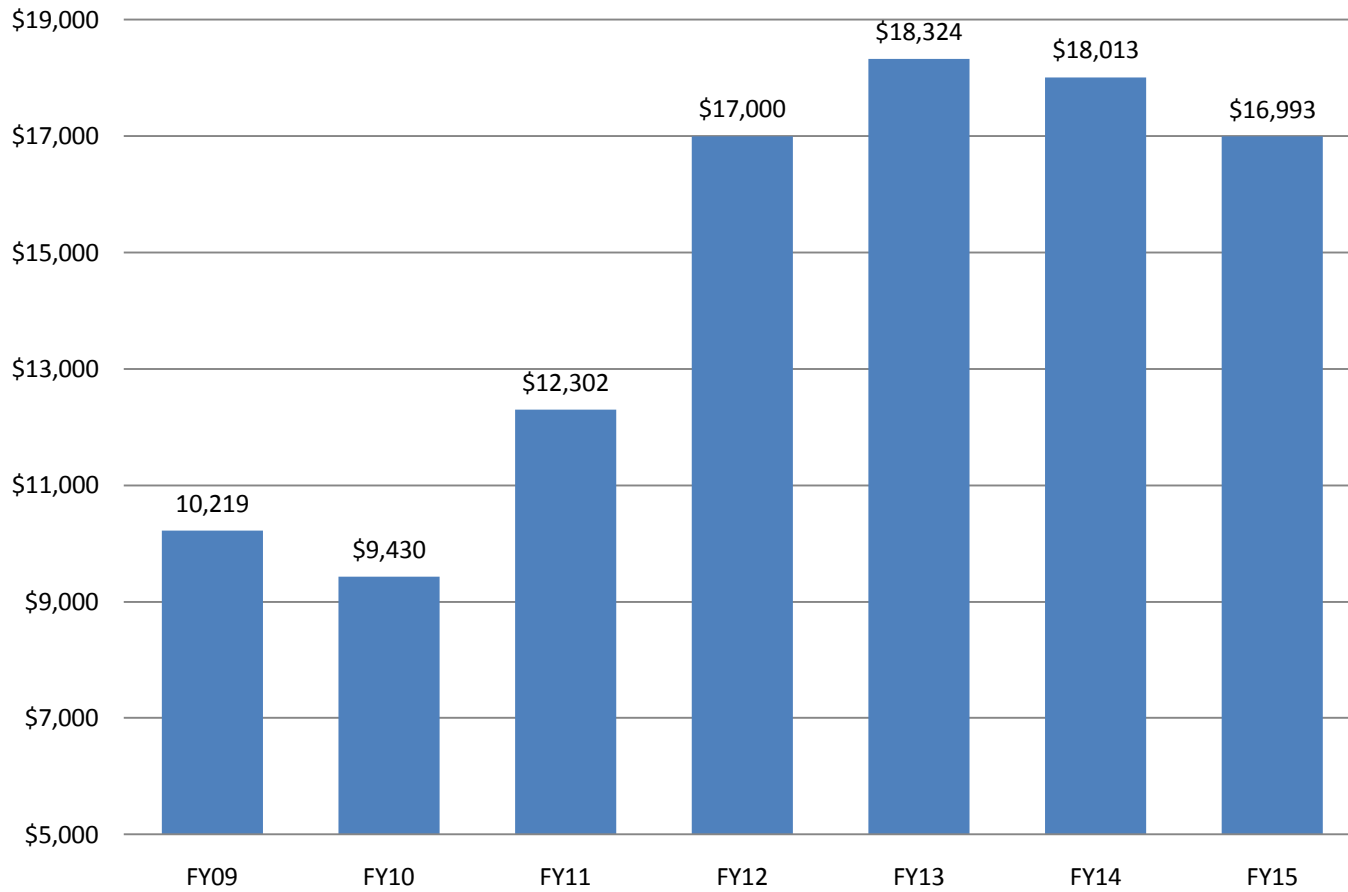


# Withholdings receipts (Gross)

- Withholding collections are forecast to rise 2.6% in FY14.
- In FY15 Withholdings revenue will fall 10% compared with FY14 because the second half of FY15 collections will be at the lower 3.75% rate.



## IIT Revenue history and forecast FY09 - FY15 (\$ millions)



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# **CORPORATE INCOME TAXES**

# Corporate Income Tax FY14

- A year ago corporate profits were expected to decline 4.1 percent in FY14.
- The April Surprise was expected to impact on FY14 corporate income tax receipts by \$125M due to large capital gains realization by trusts trying to avoid higher federal tax rates in 2013.
- Rather than declining, corporate profits are up. IHS Economics expects profits to end the fiscal year 6.2 percent FY2013.
- Strong profits have driven estimated payments to be higher than expected.

# Corporate Income Tax Performance Year to Date

## CIT Gross Receipts, Through January Performance (millions)

	FY2014	FY2013	\$ Difference	% Difference
CIT Gross Receipts	\$1,680.7	\$1,512.8	\$168.0	11.1
	FY2014	HR389 Forecast	\$ Difference	% Difference
CIT Gross Receipts	\$1,680.7	\$1,375.0	\$305.7	22.2

# Corporate Income Tax FY14

- FY14 recommended CIT forecast of \$3,830 million gross, 4.1% above FY13 actual receipts
- \$3,317 million net of refunds, 13.4% refund rate.
- Recommended forecast is \$439 million above HR389

# Corporate Income Tax FY12- FY15

Corporate Income Tax FY 12 – FY 15 (\$ in millions)					
	FY 12	FY 13	FY 14* HR 389	FY 14* IDOR	FY 15*
Gross Receipts - 4.8 percent rate	\$2,045	\$2,523	\$2,325	\$2,630	\$2,725
Gross Receipts from rate increase**	\$938	\$1,156	\$1,066	\$1,200	\$850
<b>Total Gross Receipts</b>	<b>\$2,983</b>	<b>\$3,679</b>	<b>\$3,391</b>	<b>\$3,830</b>	<b>\$3,575</b>
Refund Fund Deposit	\$522	\$502	\$454	\$513	\$500
Deposits into Special Revenue Funds***	\$0	\$0	\$0	\$0	\$4
<b>General Funds Revenue</b>	<b>\$2,461</b>	<b>\$3,177</b>	<b>\$2,937</b>	<b>\$3,317</b>	<b>\$3,071</b>

\*Projected

\*\*2.2 percent increase between January 1, 2011 and December 31, 2014, 0.45 percent increase over baseline starting January 1, 2015. The split between the 4.8 percent rate and the rate increase is estimated.

\*\*\*Starting February 1, 2015 1/30<sup>th</sup> of net receipts from estates and trusts is deposited into both the Advancement of Education fund and the Commitment to Human Services fund



# Corporate Income Tax FY15

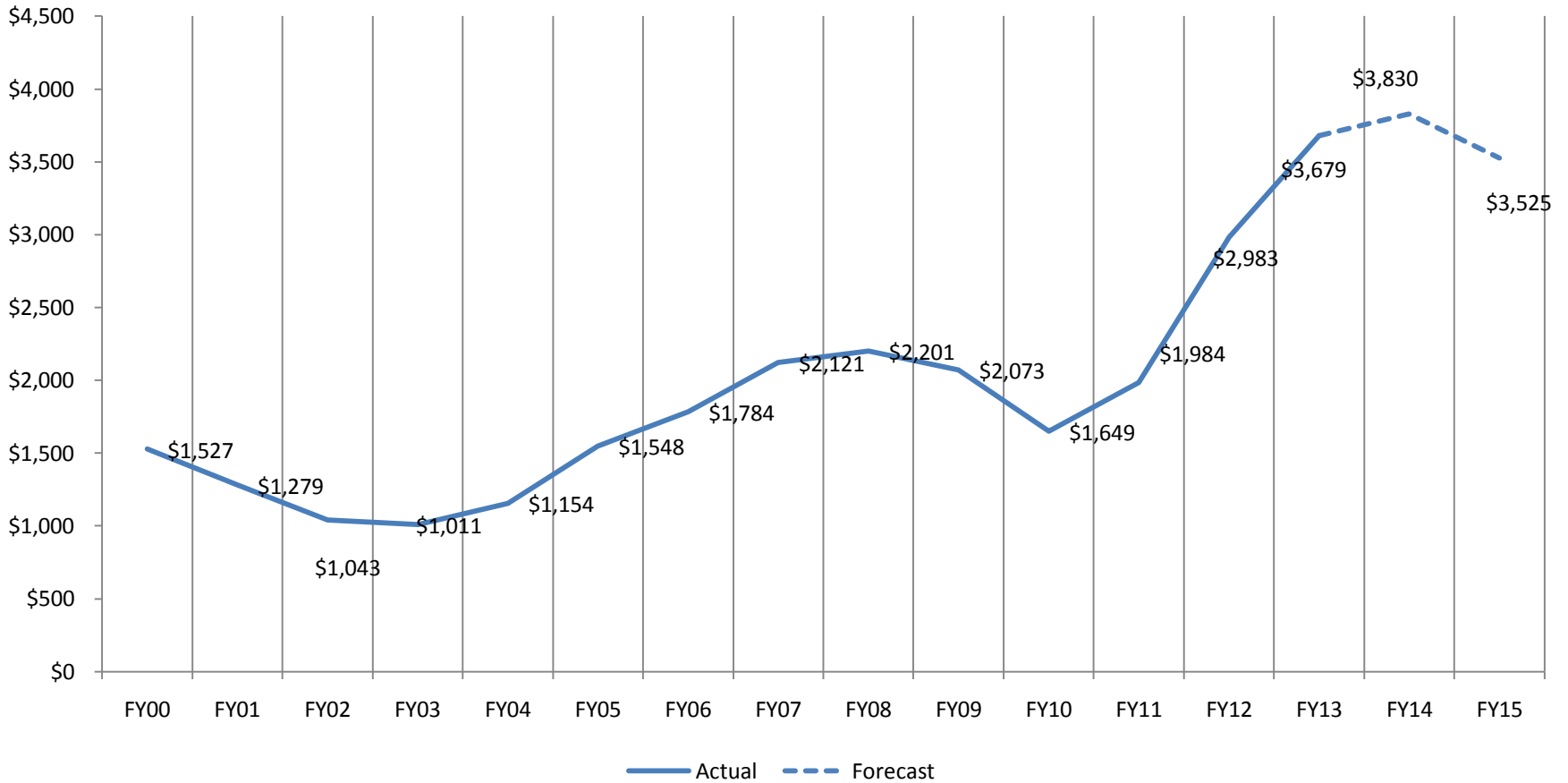
- FY 15 gross receipts are forecast at \$3,575 million, \$255 million lower than FY14. Net of refunds, forecast is \$3,071 million. We recommend a refund rate of 14.0% in FY15.
- Corporate profits are expected to rise in fiscal year 2015. IHS Economics predicts growth of 4.0%. Moody's Analytics forecast 7.3% growth.

BUT:

- Lower tax rate of 5.25% leads to lower estimated payments at the end of FY15. Final and extension payments made in Spring 2015 will be at 7.0% rate.
- Also, CIT will be reduced by \$125 million in FY15 due to accounting changes at IDOR. Reduction will be offset by an increase in Individual Income Tax (IIT).
- Certain IIT payments are paid on CIT forms, counted as CIT. Payments are adjusted at year-end for fund distributions. A new form will separate IIT payments up front, reducing CIT and increasing IIT in FY15.

# Corporate Income Tax FY00 - FY15

Gross CIT Receipts FY 2000 - FY 2015 (net of amnesty)



**Gross CIT Receipts - Fiscal Years 2000 to 2015 (\$ in millions, all totals net of amnesty payments)**

Fiscal Year	Receipts	% Change vs. Prior
FY00	\$1,527	
FY01	\$1,279	-16.3%
FY02	\$1,043	-18.5%
FY03	\$1,011	-3.0%
FY04	\$1,154	14.1%
FY05	\$1,548	34.2%
FY06	\$1,784	15.3%
FY07	\$2,121	18.8%
FY08	\$2,201	3.8%
FY09	\$2,073	-5.8%
FY10	\$1,649	-20.4%
FY11	\$1,984	20.3%
FY12	\$2,983	50.4%
FY13	\$3,679	23.3%
<i>FY14</i>	<i>\$3,830</i>	<i>4.1%</i>
<i>FY15</i>	<i>\$3,525</i>	<i>-8.0%</i>

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# **SALES TAXES**

# Sales & Use Tax Performance

## General Revenue Funds (GRFs) Receipts

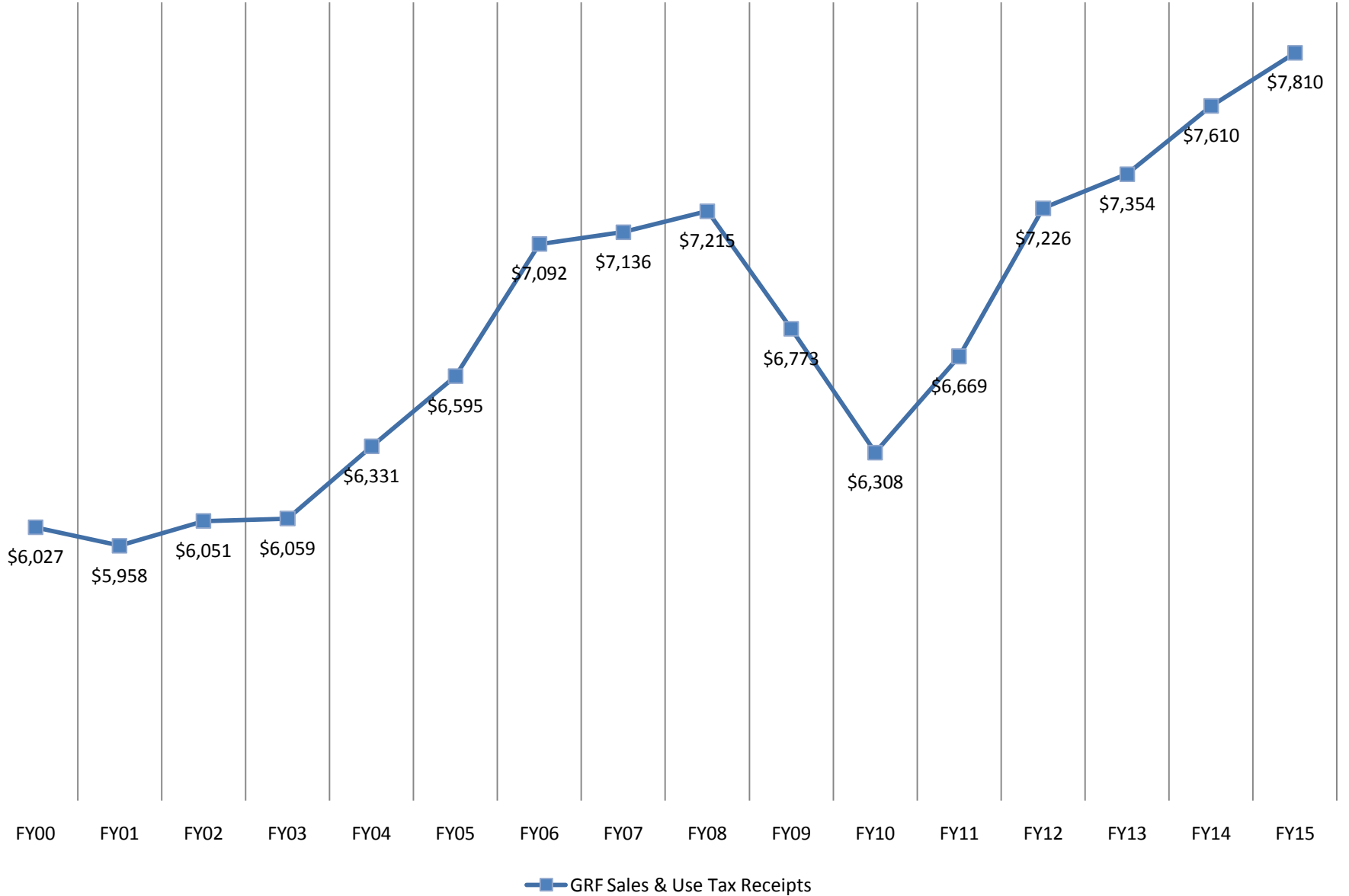
### Sales & Use Tax - July through January Performance (\$ in millions)

	FY2014	FY2013	\$ Difference	% Difference
GRFs Receipts	\$4,566.7	\$4,337.3	\$229.4	5.3%
	FY2014	HR389 Enacted (\$7,348)	\$ Difference	% Difference
GRFs Receipts	\$4,566.7	\$4,333.5	\$233.2	5.4%

## Sales and Use Tax GRFs Receipts - Fiscal Years 2000 to 2015 (\$ in millions, all totals net of amnesty payments)

Fiscal Year	Receipts	% Change vs. Prior
FY00	\$6,027	
FY01	\$5,958	-1.1%
FY02	\$6,051	1.6%
FY03	\$6,059	0.1%
FY04	\$6,331	4.5%
FY05	\$6,595	4.2%
FY06	\$7,092	7.5%
FY07	\$7,136	0.6%
FY08	\$7,215	1.1%
FY09	\$6,773	-6.1%
FY10	\$6,308	-6.9%
FY11	\$6,669	5.7%
FY12	\$7,226	8.4%
FY13	\$7,354	1.8%
<i>FY14</i>	<i>\$7,610</i>	<i>3.5%</i>
<i>FY15</i>	<i>\$7,810</i>	<i>2.6%</i>

# GRF Sales & Use Tax Receipts - Fiscal Years 2000 to 2015 (\$ in millions)



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# **PUBLIC UTILITIES**



# Public Utility Taxes FY12- FY15

Public Utilities Taxes FY 12 – FY 15 (\$ in millions)					
	FY 12	FY 13	FY14 HR389	FY 14 Revised	FY 15*
Telecom	\$460	\$491	\$490	\$430	\$450
Electricity	\$390	\$398	\$387	\$409	\$413
Natural Gas	\$145	\$144	\$155	\$167	\$168
<b>Total</b>	<b>\$995</b>	<b>\$1,033</b>	<b>\$1,032</b>	<b>\$1,006</b>	<b>\$1,031</b>
<b>*Projected</b>					

# Reasons for FY 14 Revisions

- Telecom
  - Greater than expected decline in the tax base. (\$25 million)
  - Credit Memo to Telecom Companies for tax charged to their customers on non taxable internet access products. (\$35 million)
- Natural Gas and Electricity
  - More heating days than last winter

# FY 15 Forecast

- Telecom
  - The credit memo was a one time event so it is added back for FY15.
  - The tax base will continue eroding as consumers abandon landlines.
- Natural Gas and Electric
  - Natural gas will be about the same as FY14.
  - Electricity consumption is expected to grow 1%.

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# **RIVERBOAT GAMING AND LOTTERY**

# Riverboat Casino Gaming

	Calendar YTD December (\$ in millions)		
	FY 2012	FY 2013	% Change
Table AGR	\$239.2	\$246	3.0%
EGD AGR	\$1266.9	\$1,190	-6.0%
Total AGR	\$1506.1	\$1436.6	-4.6%

# Riverboat Casino Gaming

	FY 2013	FY 2014		FY 2015*
	Actual	HR 389	Revision	Recommended
AGR and Admission Tax	\$345	\$356	\$356	\$334
Rivers Casino License	\$14	\$10	\$10	\$10
Dilution from Video Gaming (5% Less than FY13)			-\$29	
<b>Total General Funds from Gaming</b>	<b>\$359</b>	<b>\$366</b>	<b>\$337</b>	<b>\$344</b>
* 2% growth in AGR and Admissions				

# Lottery

- Inflation assumption 2%
- \$669M in FY14 increases to \$682M in FY15