Quarterly Revenue Report: Fiscal Year 2015-Q4

Tax Revenue Research, Updates by Quarter Including Monthly Revenue Table

Illinois Department of Revenue

Table of Contents

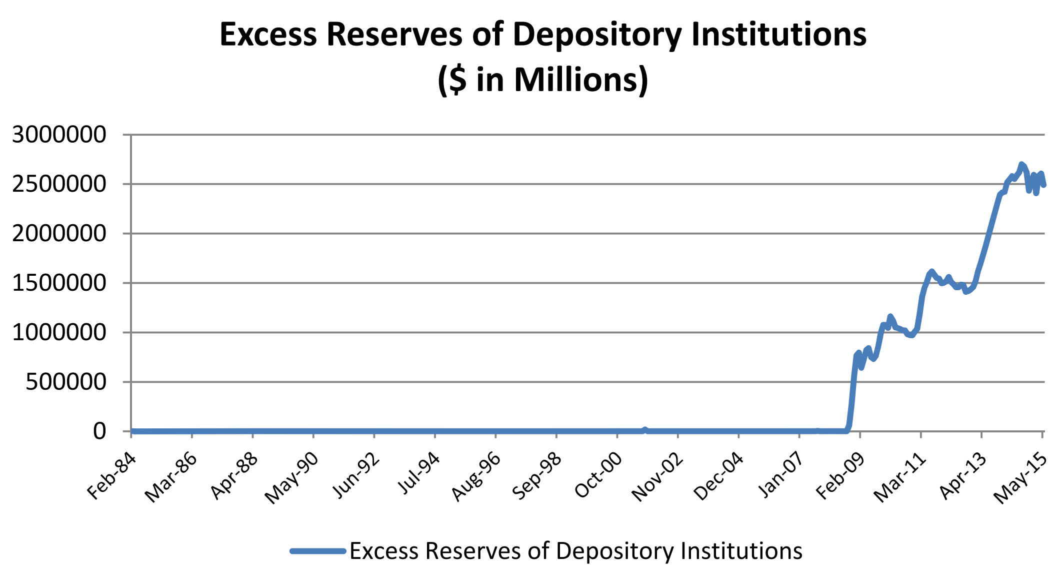
National Economy

Banking and Credit Markets

The Federal Open Markets Committee (FOMC) reaffirmed its Federal Funds Interest rate target range of between zero percent and ¼ percent at the June 16-17 meeting. Meeting minutes indicate that the committee will not adopt a policy of a higher target rate until it is "reasonably confident" that inflation will approach two percent in the medium term and labor market conditions will improve. Even if economic conditions proceed in the direction the FOMC desires, this may not lead to substantially higher interest rates. The FOMC finally stated that it "currently anticipates that, even after employment and inflation are near mandate-consistent levels, economic conditions may, for some time, warrant keeping the target federal funds rate below levels the Committee views as normal in the longer run."[1]

Excess reserves of depository institutions are nearly $2.5 trillion and are motivated by a combination of interest paid of on excess reserves by the Federal Reserve Bank (Fed) and a general perception among loan officers in the banking industry of counterparty risk.[2] The Fed began paying interest on excess reserves back in October 2008 as part of the Federal Services Regulator Relief Act of 2006.[3] The Fed will likely increase the Interest on Excess Reserves (IOER) rate, currently ¼ percent, in order to press up the Federal Funds Rate.[4] If the Fed increases the IOER rate, it reduces the incentive for banks to loan excess reserves, even if risk perception declines. Banks are expected to continue holding large excess reserves until the perceived risk is low enough relative to the IOER rate to make lending the excess reserves preferred to maintaining the reserves.

Chart 1



---

[1] Meeting Minutes of the Federal Open Markets Committee, June 16th and 17th, 2015 http://www.federalreserve.gov/monetarypolicy/files/fomcminutes20150617.pdf
[2] FRED Economic Data, Federal Reserve Bank of St. Louis https://research.stlouisfed.org/fred2/series/EXCSRESNS/
[3] Regulation D: Reserve Requirements for Depository Institutions, Final Rule, By order of the Board of Governors of the Federal Reserve System, June 17, 2015.
[4] Ibid

Source: Federal Reserve Bank of St. Louis

The April Senior Loan Officer's Opinion Survey on Bank Lending Practices suggests banks remain risk averse and unwilling to broadly lower commercial lending standards. For example, commercial and industrial lending (C&I) has changed very little in recent months. A few banks reported easing of standards while other banks reported tighter standards. The overall change in the supply of C&I loans is not meaningful. Meanwhile, demand for C&I loans has been mixed. While the majority of banks experienced no increase in demand for C&I loans, a few did have more demand for loans related to plants and equipment, financing receivables, and inventory accumulation while some experienced demand decreased for mergers and acquisition (M&A) financing and customer borrowing due to moving borrowing activity to another bank or non-bank source. Commercial real estate lending standards have loosened somewhat. Lending standards for non-farm non-residential properties have eased. A few large banks have eased lending standards for construction and land development loans, as well as multifamily properties. An increasing net fraction of banks are reporting stronger demand for construction and land development loans.[5]

Residential real estate lending standards remain generally tight, with the exception of loans eligible for purchase by government sponsored enterprises and qualified mortgage jumbo loans. Demand for residential real estate loans has increased modestly during the survey period. Lending standards for auto loans and consumer loans, other than credit cards, eased at a few large banks.

GDP Aggregates, Employment, and the National Debt

Economic activity declined in some sectors of the national economy but increased in others during the first quarter of 2015. Real Gross Domestic Product (RGDP), decreased at an annual rate of 0.2 percent in the first quarter of 2015.[6] Importantly, the majority of economic sectors performed quite well. Fairly large declines were experienced in some sectors of the economy but not sufficient to raise concerns of a general slowdown in the economy. In fact, consumer economic activity increased broadly across the economy, as did certain kinds of investment.

The U.S. Bureau of Economic Analysis estimates real personal consumption expenditures increased 2.1 percent. The service sector experienced the strongest growth at 2.7 percent, while durable goods and non durable goods increased 1.3 percent and 0.8 percent, respectively.[7]

Most measures of investment improved during the first quarter. Investment in equipment, intellectual property and residential fixed investment all increased by 2.6 percent, 4.9 percent and 6.5 percent respectively. Notwithstanding growth in the above investment sectors, nonresidential fixed investment in total declined 2.0 percent as a category because of the 18.8 percent decrease in nonresidential structure investment. The decline in nonresidential investment is not expected to persist. As cited earlier from the Federal Reserve Bank's Senior Loan Officer's Opinion Survey, more banks are now experiencing increased demand for commercial construction and land development loans. Further evidence from strong industrial

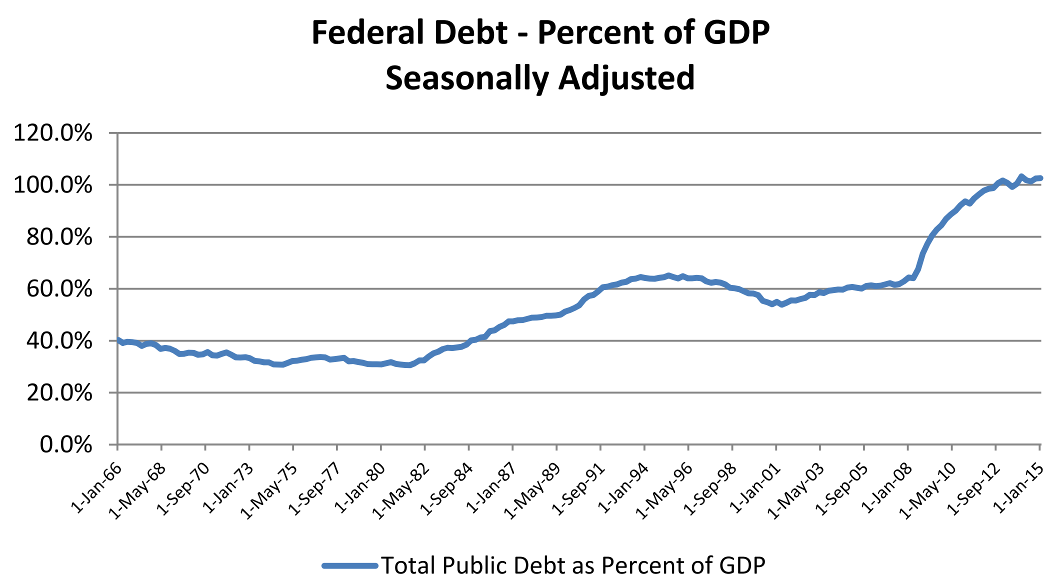
[5] The April 2015 Senior Loan Officer Opinion Survey on Bank Lending Practices, http://www.federalreserve.gov/boarddocs/snloansurvey/201505/default.htm
[6] U.S. Bureau of Economic Analysis, National Income and Product Accounts, Gross Domestic Product: First Quarter 2015 (Third Estimate) http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm
[7] Ibid

capacity utilization – discussed in detail below – suggest little likelihood of a prolonged nonresidential structure investment slump.

The two other sources of the recent decline in real GDP are exchange rates/international trade and state and local government spending. The strong U.S. dollar vis-à-vis the Euro and other currencies caused real exports to decline 5.9 percent and real imports to increase 7.1 percent. While total government spending remained flat, the state and local share of government spending declined 1.0 percent.[8]

Federal debt as a share of the economy has stabilized at a historically high level since the first quarter of 2013 fluctuating in a range between 100 percent of Gross Domestic Product (GDP) to 102 percent of GDP. The most recent debt to GDP figures (first quarter of 2015) remained elevated, slightly in excess of 102 percent GDP.[9] The Eurozone, by comparison, ended 2014 with a debt to GDP ratio of just under 92 percent. Greece, Italy, Portugal, Ireland, Cyprus, and Belgium are the only Eurozone nations with debt to GDP ratios exceeding the United States. By comparison the Office for Budget Responsibility, expects Britain to have a debt to GDP ratio of just over 80 percent by the end of the fiscal year. [10,11]

Chart 2



Source: Federal Reserve Bank of St. Louis

Total nonfarm payroll employment increased by 223,000 in June and the unemployment rate fell to 5.3 percent. Household survey data says unemployment rates remain higher than the national average for non-Asian minorities and teenagers. The number of long-term unemployed

[8] Ibid
[9] FRED Economic Data, Federal Reserve Bank of St. Louis and U.S. Office of Management and Budget https://research.stlouisfed.org/fred2/series/GFDEGDQ188S/
[10] http://www.telegraph.co.uk/finance/economics/11552293/Europes-debt-mountain-just-got-bigger.html
[11] http://www.telegraph.co.uk/finance/budget/11480283/Budget-2015-Government-will-use-borrowing-windfall-to-pay-down-Britains-debt-mountain.html

fell by 381,000. The survey data should be observed against the backdrop of a civilian labor force that declined by 432,000 in June following a similar magnitude in May.[12]

When fewer people participate in the labor force few must be employed to keep the unemployment rate low. Labor force participation declined by 0.3 percent in June. Some economists prefer the employment to population ratio as a superior measure of unemployment to the unemployment rate. In June, the employment to population ratio is just 59.3 percent. In the 25 years from 1984 to 2008 the employment to population ratio averaged 62.5 percent. The ratio has not exceeded 60 percent since February 2009.[13]

Prices and Production

The Consumer Price Index for all items (CPI-U) experienced zero increase in the twelve months ending May 2015. Once food and energy prices are backed out of the index, prices increased 1.7 percent over the same period. While many items have become more expensive over the last year, energy prices have declined substantially offsetting inflation elsewhere. Gasoline and fuel oil fell 25 percent and 27.6 percent, respectively, over the last year, but prices have recently started surging back up. In May, gas prices increased 9.6 percent, and fuel oil increased 10.4 percent, compared with April.[14]

The Producer Price index (PPI) for final demand increased 0.5 percent in May compared to April but declined by 1.1 percent compared with the same month one year ago. This is the fourth consecutive month of year-over-year declines in producer prices. As was the case in consumer prices, the producer price index for gasoline increased 17 percent in May. Prices for diesel fuel, chicken eggs, jet fuel, pharmaceutical preparations, and motor fuel also increased. Prices for natural gas, hay, hayseeds, oilseeds, and basic organic chemicals all decreased. The price of intermediate goods also increased in May, compared with April. The index was driven up primarily by a 5.8-percent rise in the price for processed energy goods.[15]

Industrial production decreased 0.2 percent in May because of declines in manufacturing and mining output. Mining production was particularly affected by declines in oil and gas well drilling activity. Industrial production of motor vehicles and parts lead increased production with a 1.7 percent gain. Capacity utilization for the industrial sector decreased 0.2 percent in May to 78.1 percent, a rate that is 2.0 percentage points below its long-run (1972–2014) average.[16]

---

[12] U.S. Department of Labor, Bureau of Labor Statistics, Employment Situation New Release, July 2, 2015. http://www.bls.gov/news.release/archives/empsit_07022015.htm
[13] Ibid
[14] U.S. Bureau of Labor Statistics, Consumer Price Index News Release May 2015, http://www.bls.gov/news.release/cpi.nr0.htm
[15] U.S. Bureau of Labor Statistics, Producer Price Index News Release May 2015 http://www.bls.gov/news.release/ppi.nr0.htm
[16] Industrial Production and Capacity Utilization – G.17 Release Date June 15, 2015 http://www.federalreserve.gov/releases/g17/Current/default.htm

Illinois Economy

Uncertainty continues to weigh upon the Illinois economy. The Supreme Court decision on Illinois worker pensions will make achieving savings through reductions in the $100 billion unfunded actuarial accrued liability more difficult and adds long-term uncertainty about taxes and the state budget. Furthermore, the inability of policy makers to achieve a budget deal adds additional short-run uncertainty for households and entrepreneurs regarding how the State might go about closing a budget gap of more than $4 billion. When entrepreneurs weigh the economic upside of Illinois—a well-educated workforce, excellent transportation infrastructure, and industrial diversity—against the uncertainty of higher state income taxes or costs being passed down to local governments (creating property tax uncertainty) in both the short and long term, their investment calculus will no doubt be influenced vis-à-vis other states with more stable fiscal conditions and similar economic positives.

A measure of near-term economic growth expectations is the Philadelphia Federal Reserve Bank Index of Leading Economic Indicators. The index measures the six-month growth in the state's coincident index. The coincident index takes into account four state-level variables, including nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average). The trend for each state's index is set to the trend of its gross domestic product (GDP), so long-term growth in the state's index matches long-term growth in its GDP.[17] Illinois coincident index is expected to grow just 1.07 percent in the next six months, compared with a national average of 1.64 percent.[18]

In spite of Illinois' growing population, the labor force is smaller and fewer people are working. The Illinois labor force has been in steady decline since 2007.[19] The labor force has declined by more than 224 thousand workers over that period and has demonstrated no sign of recovery since the end of the great recession. And even though the unemployment rate is 5.9 percent, there are 237 thousand fewer employed workers in Illinois than there were at the 2007 peak. It is estimated that between 2007 and 2014 the Illinois population over the age of 16 grew between 2007 and 2014 by more than 309 thousand people, but participation in the labor force shrank by 3.5 percent from 68.4 percent to 64.9 percent from the 2007 peak levels.[20] The employment to population ration, below in Table 3, has been in decline since 1999, from a high of 66.5 percent to its current level of 60.3 percent.

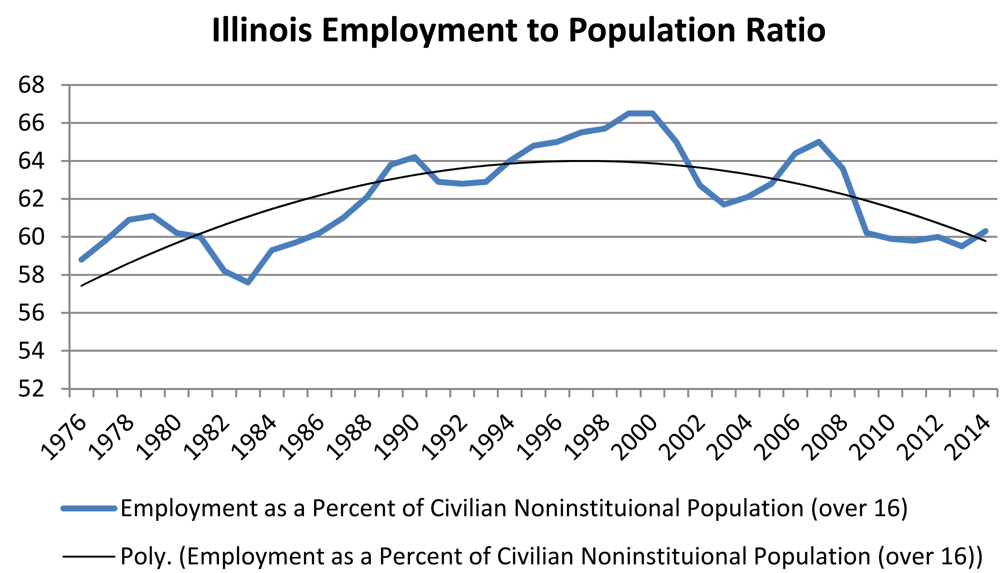
Illinois level of employment increased by 9,200 jobs in May, but the private sector grew by just 6,900 after backing out new government jobs. Among the top performing sectors were business and professional services adding 6,900 jobs to the payroll, while leisure and hospitality added

[17] Federal Reserve Bank of Philadelphia, State Coincident Index, https://www.philadelphiafed.org/research-and-data/regional-economy/indexes/coincident
[18] Federal Reserve Bank of Philadelphia, Leading Index Revised Data, downloaded from: https://www.philadelphiafed.org/ on July 15, 2015
[19] Population is growing because of immigration. Net domestic migration is negative in Illinois. U.S. Department of Commerce, U.S. Census Bureau, State-to-State migration flows, Table 1. http://www.census.gov/hhes/migration/data/acs/state-to-state.html
[20] United States Bureau of Labor Statistics, Employment status of the civilian non-institutional population 16 years of age and over by region, division, and state and Local Area Employment Statistics. http://www.bls.gov/news.release/srgune.t01.htm

another 3,300 jobs. Most job losses were in three sectors: Manufacturing (2,500 jobs), Trade Transportation and Utilities (2,300 jobs), and Financial Activities (1,200 jobs).[21]

Average hourly wages for all industries on average remained relatively flat in May – up 16 cents per hour—compared with April. Hourly wage rates for most industries changed less than $1 per hour compared with one year ago. Industries with average hourly wage greater than $1 per hour include: Construction ($2.66), Printing and Related ($1.52), and Wholesale Electronic Markets ($4.20). Average hours worked for all industries remained unchanged in May, compared with April. Three industries experienced a change in average hours of work of one hour or more. The Food Manufacturing industry increased the average work week by one hour while Motor Vehicle and Parts Dealers reduced the average work week one hour. Wholesale Electronic Markets reduced the average work week the furthest, with a decline of 1.2 hours.[22]

Table 3



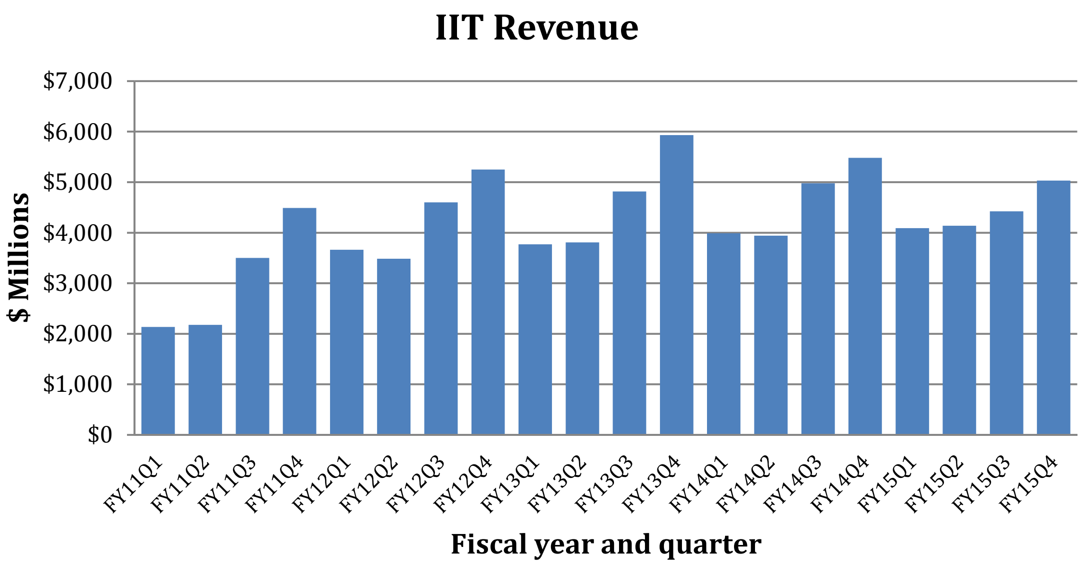
[21] Illinois Department of Employment Security, Current Employment Statistics, Monthly Statewide Data (2000-Present) Seasonally Adjusted Report, downloaded from: http://www.ides.illinois.gov/LMI/Pages/CES.aspx on July 15, 2015
[22] Illinois Department of Employment Security, Current Employment Statistics, Ave Hrs Worked, Hourly Earnings, Hrs Worked – Hourly Earnings (Monthly 2003 – Current) Downloaded from http://www.ides.illinois.gov/LMI/Pages/CES.aspx on July 15, 2015

Individual Income Tax (IIT)

IIT revenue ended the fiscal year at $17,682 million, 3.8 percent ($705.7 million) below FY2014 but 4.1 percent ($688.9 million) above IDOR fiscal year 2015 forecast. The rate decrease in effect since January of 2015 pushed IIT revenue down in the second part of the fiscal year compared with the year before. On the other hand, however, both withholdings and non-withholdings performed better than expected, resulting in a better than forecast result for the year.

IIT receipts were 4.4 percent above the HR389 estimate.

Chart 4



Withholding receipts (WIT)

WIT receipts ended the fiscal year 7.5 percent ($1,093.9 million) below fiscal year 2014 because the individual income tax rate decrease, from 5.0% to 3.75% effective since January 1, 2015.

Withholding receipts performed considerably better than forecast ending the fiscal year 3.4 percent ($443.3 million) above estimate. The Department of Revenue estimates that approximately 52 percent ($230 million) of the withholdings in excess of forecast are due to slow adjustments to the change in the tax rate. In other words, some employers continue to withhold at the 5 percent rate instead of the lower rate after January 1, 2015. That over-withholding amount will be reflected in lower final payments and/or higher refunds during the January 2016 to April 2016 tax filing season. Excluding the over-withheld amount, the "true" revenue above forecast is about $213.3 million.

Non-withholding receipts (non-WIT)

Non-WIT receipts ended the fiscal year at $4,204.5 million, 10.2 percent ($388.2 million) above last fiscal year and a 6.2 percent ($245.6 millions) above our forecast.

We expected that this component would not decline proportionately to the rate decrease because taxpayers tend to base estimated payments on the prior year liability to mitigate penalty risk. The unexpected increase is likely related to capital gains realizations.

About half of the growth of non-WIT came via extension payments; the rest of the growth is almost evenly split between final and estimated payments. As in the case of the over-withholding amount mentioned above, the high FY2015 estimated payments amount will likely have some detrimental impact on revenue next tax season, by decreasing final payments or increasing refund demands.

Components Year-to-Date ($ millions)

	Actual	Forecast	$ Difference	% Difference
Withholding	$13,477.4	$13,034.2	$443.3	3.4%
Non-Withholding	$4,204.5	$3,958.9	$245.6	6.2%
Total	**$17,682.0**	**$16,993.1**	**$688.9**	**4.1%**

	FY2014	FY2015	$ Difference	% Difference
Withholding	$14,571.4	$13,477.4	-$1,093.9	-7.5%
Non-Withholding	$3,816.3	$4,204.5	$388.2	10.2%
Total	**$18,387.7**	**$17,682.0**	**-$705.7**	**-3.8%**

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.

Corporate Income Tax (CIT)

Corporate Income Tax receipts finished fiscal year 2015 at $3,129.1 billion, a decline of 14.0 percent compared to fiscal year 2014. Receipts were 0.9 percent ($29.1 million) above the revised forecast. There are three reasons for declining corporate income tax receipts:

(1) The corporate income tax rate fell from 7.00 percent to 5.25 percent starting January 1, 2015. This effect was seen in estimated payments received in April and June of fiscal year 2015. Those payments came in slightly higher than expected, suggesting that businesses have adjusted to the lower rate in a predictable fashion and that there is no need for a revision at this time.
(2) The expiration of the $100,000 cap on Illinois Net Operating Loss deductions (NOLs) hurt receipts as well. The cap was lifted for tax years ending on or after December 31, 2014.
(3) Corporate profits have fallen two consecutive years. Changes in current year tax receipts are generally predicted by changes in prior year profits.

Chart 5 illustrates the expected decline in gross tax receipts next fiscal year. Chart 6 below plots the change in prior year profits next to the change in tax receipts since 2001. Lastly, Chart 7 provides a graphic of the decline in gross corporate tax receipts each quarter of Fiscal Year 2015 with the prior fiscal year.

Chart 5

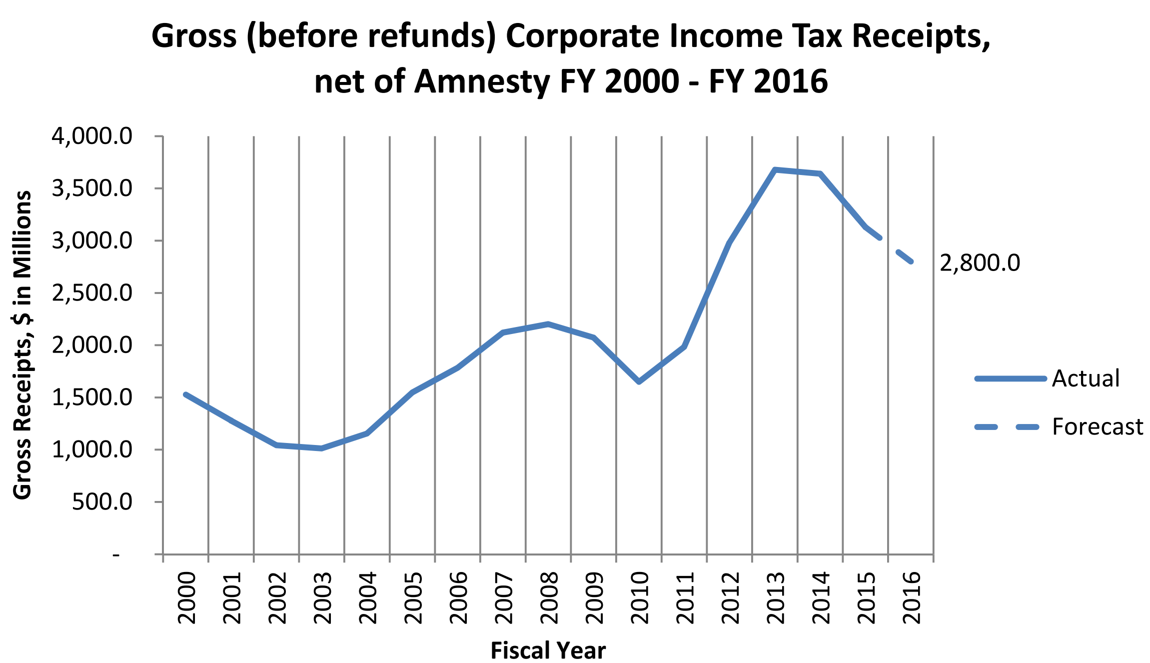


Chart 6

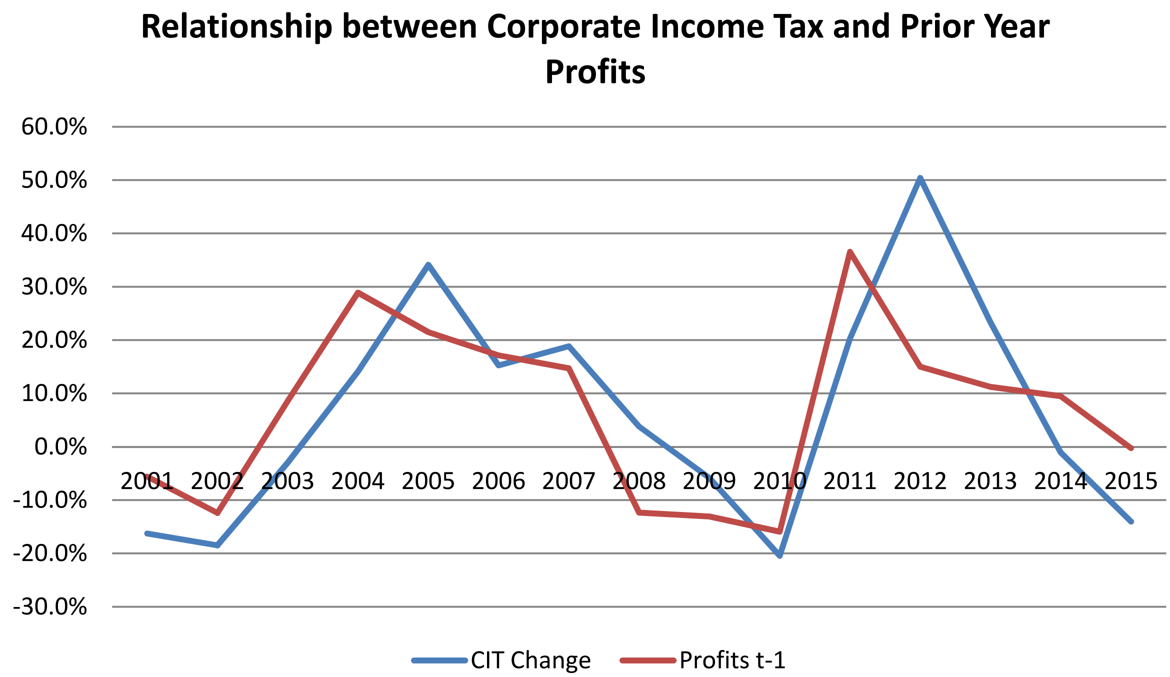
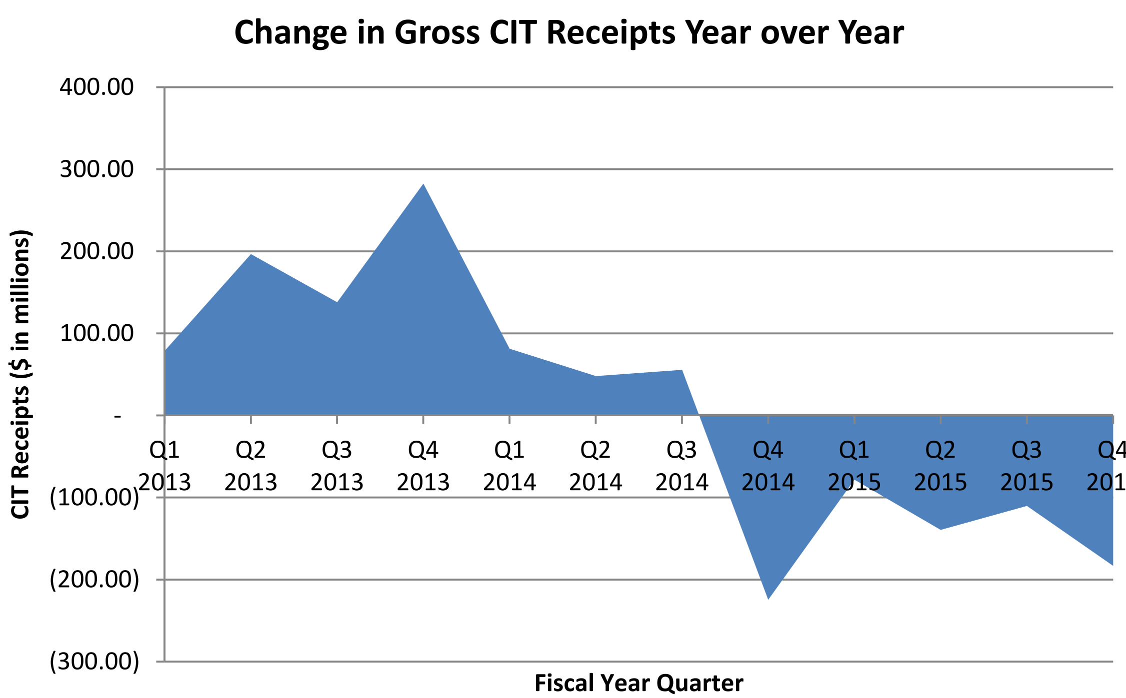


Chart 7



Sales & Use Tax

Final state sales and use tax receipts for fiscal year 2015 were 4.6 percent above fiscal year 2014's receipts and just 1.0 percent above IDOR's forecast.

Year-to-Date Comparison by Component ($ millions)				
	FY 2014	**FY 2015**	**$ Difference**	**% Difference**
Vehicles	$1,158.8	$1,271.2	$112.4	9.7%
Motor fuel*	$782.9	$643.4	-$139.5	-17.8%
All else	$5,733.7	$6,115.7	$382.0	6.7%
	$7,675.4	**$8,030.2**	**$354.8**	**4.6%**

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

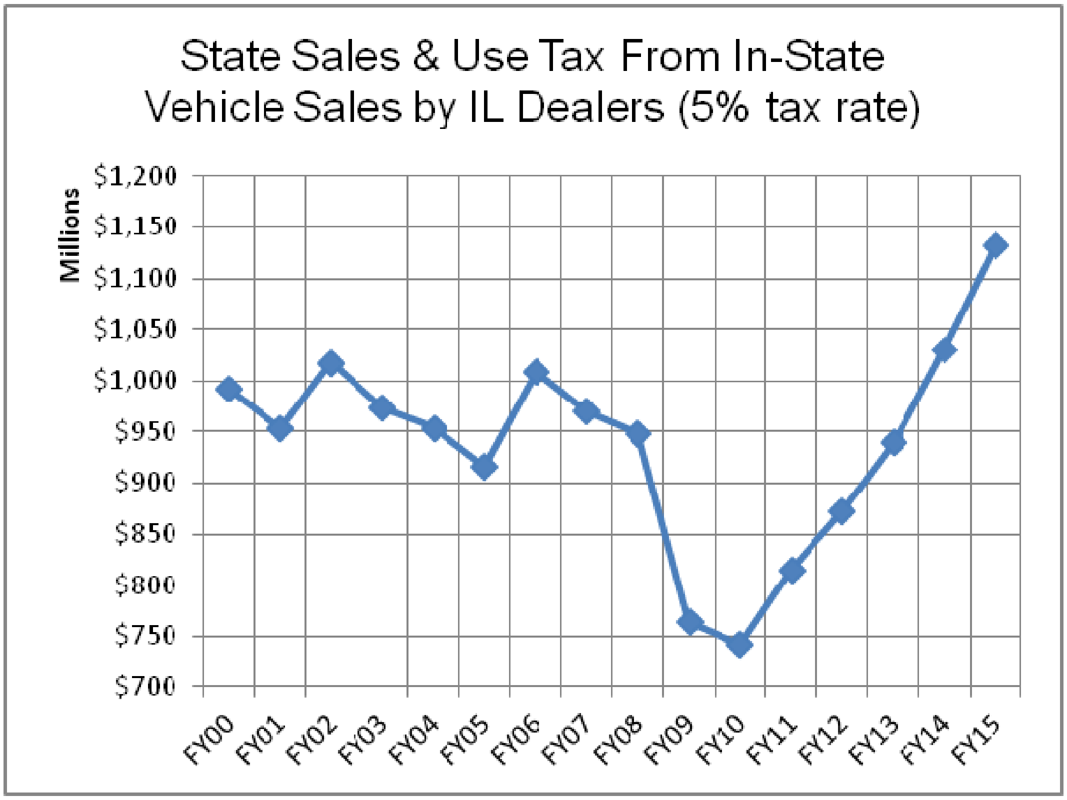
The story for state sales and use tax in fiscal year 2015 was one of stable, reliable growth. Indeed, for every quarter, the story has been the same—broad-based growth in taxable consumption, especially motor vehicle sales. Sales and use tax receipts from motor fuel sales decline because of lower prices, but the associated savings make a positive, offsetting contribution to consumer sentiment and spending. The table above shows the final numbers for fiscal year 2015.

The growth in state sales and use tax receipts for fiscal year 2015 is particularly impressive when viewed in light of associated price inflation of only 0.4 percent, which is the percentage change in the seasonally adjusted, all-items-less-food, Consumer Price Index for All Urban Consumers during fiscal year 2015. This means that very little of fiscal year 2015's growth was due to higher prices. Instead, the growth was due primarily to consumers buying more taxable items. This so-called *real* growth is an indicator of improving economic conditions over the last fiscal year, including growth in employment and personal income, and a stronger Illinois real estate market.

The factors behind Illinois' strong motor vehicle sales have been discussed in past reports, but it is worth mentioning again here because not only did final receipts from motor vehicle sales end fiscal year 2015 at an all-time high, but fiscal year 2015 was the fifth consecutive year of very strong growth. The average annual growth in receipts from motor vehicle sales from fiscal year 2011 to 2015 was 8.9 percent. The graph below shows receipts from sales in Illinois by Illinois motor vehicle dealers back to fiscal year 2000.

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.

Chart 8



Public Utilities Taxes

Public Utilities Tax receipts finished fiscal year 2015 at $1,005 million, 0.8 percent below last year and 0.9 percent below our revised forecast of $1,015 million. Electricity Excise Tax finished the year lower than expected, Telecommunication Excise Tax bounced back from artificial lows of fiscal year 2014 but not as high as expected, and the Natural Gas Tax finished the year higher than expected.

Telecommunications

Telecommunication Excise Tax receipts were $434.2 million in fiscal year 2015, 2.8 percent above fiscal year 2014. Telecom tax was expected to grow in fiscal year 2015, compared to fiscal year 2014, due to the use of $60 million in credit carryforwards in 2014. However, the growth in fiscal 2015 was lower than expected. The base for Telecommunications Excise Tax has eroded faster than expected, as consumers abandon land line services and gravitate to smart devices and services not taxable under the Telecom Excise Tax. According to the Centers for Disease Control, 40.8 percent of Illinois adults lived in a household that did not have a landline in 2013, an increase from 38.0 percent in 2012.

Electricity

The Electricity Excise Tax came in at $393.1 million in fiscal year 2015, below the $402.5

million received in the prior fiscal year. The modest decline in revenues is in line with the modest decline in electricity use statewide. According to the Energy Information Administration (EIA), corresponding quarterly retail sales of electricity in Illinois were down 3.0 percent year over year for the months of January through March. This corresponds to the overall Electricity tax receipts total for fiscal year 2015. Electricity Excise Tax fell short of expectations, coming in $9.4 million (2.3 percent) below forecast.

Natural Gas

Natural Gas receipts finished the year at $178.2 million, down from the $188.4 million received in fiscal year 2014. Heating degree day data from the NOAA showed a 3.5-percent drop year over year for the months corresponding to fourth quarter receipts. This decrease tracks with overall receipt performance.

Liquor Tax

Liquor tax receipts to the General Revenue Fund in fiscal year 2015 were 1.4 percent above the last fiscal year and 0.5 percent above IDOR's forecast. Year-to-date performance is in the table below. 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). A preliminary consumption breakdown for fiscal year 2015 will be available in our next written report, which will be published in October 2015.

Year-to-Date ($ millions)	***Includes General Revenue Fund**			
	Actual	**IDOR Forecast**	**$ Difference**	**% Difference**
All Funds*	**$283.2**	**$282.1**	**$1.1**	**0.4%**
General Revenue Fund	**$166.8**	**$166.0**	**$0.8**	**0.5%**
	Actual	**HR 389 Forecast**	**$ Difference**	**% Difference**
General Revenue Fund	**$166.8**	**$165.0**	**$1.8**	**1.1%**
	FY 2014	**FY 2015**	**$ Difference**	**% Difference**
All Funds*	**$279.6**	**$283.2**	**$3.6**	**1.3%**
General Revenue Fund	**$164.5**	**$166.8**	**$2.3**	**1.4%**

Motor Fuel Taxes

Combined motor fuel tax receipts in fiscal year 2015 were 0.1 percent ($0.7 million) below fiscal year 2014 and 1.5 percent ($20.0 million) below IDOR's forecast.

Most of this forecast deviation, as well as the negative result versus last fiscal year, was related to cash flow volatility in payments made under the International Fuel Tax Agreement (IFTA), which is an agreement between the lower 48 states of the United States and the Canadian provinces to simplify the reporting of fuel use by motor carriers that operate in more than one jurisdiction. IFTA payments are handled via a clearinghouse system whereby each jurisdiction receives a payment reflecting the difference between what its carriers owe to all other jurisdictions and what carriers from all other jurisdiction owe to it. In other words, IFTA receipts are the net payments due to Illinois after balancing Illinois's account with all other member accounts. This approach can result in significant annual changes in IFTA receipts as carrier distribution patterns or member tax rates change. For example, Illinois' IFTA receipts for fiscal year 2015 were down 22.5 percent compared to fiscal year 2014. Clearly, this large of a change is far greater than what one would see if IFTA receipts reflected only fuel demand by carriers operating across Illinois, as fuel demand changes very gradually over time.

If we remove IFTA receipts and look separately at receipts for the regular motor fuel tax and for the additional levies of the Underground Storage Tank Fund, we see results that more closely reflect actual fuel demand in Illinois. Regular motor fuel tax receipts increased 1.2 percent over fiscal year 2014 and were just 0.3 percent below IDOR's forecast. The taxes for the Underground Storage Tank Fund increased 0.3 percent in fiscal year 2015 and were 1.2 percent below IDOR's forecast. The regular motor fuel tax applies to fuel used in motor vehicles or watercraft operating on Illinois' public highways or waterways. The taxes for the Underground Storage Tank Fund have a slightly broader base, which includes all gasoline, diesel, aviation fuel (unless sold at O'Hare or Midway Airports), kerosene, and home heating oil sold or used in Illinois.

Cigarette and Cigarette Use Tax

At the end of fiscal year 2015, Cigarette Tax receipts finished nearly on forecast. Year-to-date Cigarette Tax receipts exceeded estimates by 0.8 percent ($6.2 million). Compared to last year, receipts are almost flat coming in at 0.2 percent ($1.4 million) above the previous year. May receipts drove much of the much of the unexpected growth in the fourth quarter. May receipts came in 17.0 percent ($10.0 million) over forecast.

Year-to-Date ($ millions)		***Includes the General Revenue Fund**		
	Actual	**Estimate**	**$ Difference**	**% Difference**
All Funds*	**$825.2**	**$819.0**	**$6.2**	**0.8%**
General Revenue Fund	**$353.4**	**$355.0**	**-$1.6**	**-0.5%**
	FY 2014	**FY 2015**	**$ Difference**	**% Difference**
All Funds*	**$823.8**	**$825.2**	**$1.4**	**0.2%**
General Revenue Fund	**$353.5**	**$353.4**	**-$0.1**	**0.0%**

Other Tobacco Products Tax (OTP)

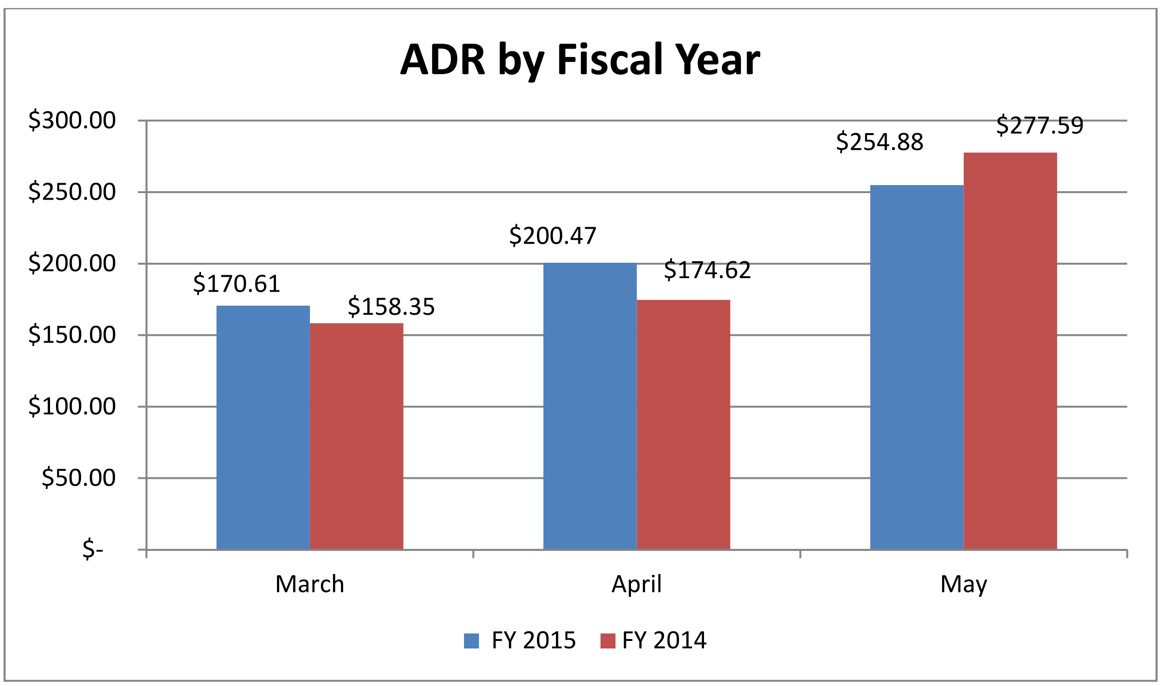
At the end of fiscal year 2015, Other Tobacco Products Tax receipts finished the year below expectation. Total year-to-date receipts are 8.0 percent ($3.2 million) below forecast. Compared to fiscal year 2014 receipts show a growth of 2.2 percent ($0.8 million). At this point, lower than expected annual growth likely indicates that the Illinois tobacco products market has returned to the long-term trend following the tax changes that occurred in 2012 and 2013. Lower than expected receipts in the months of April and June explain the expansion of the gap between actual receipts and forecast. Both June and April receipts were each 14.0 percent ($0.5 million) short of forecast.

Hotel Operator's Occupation Tax (HOOT)

The Hotel Operator's Occupation Tax ended the fiscal year with receipts finishing above expectation. At the end of the year, receipts were 7.0 percent ($16.7 million) above forecast for 2015. Compared with last year, this quarter's receipts grew 13.0 percent ($29.5 million) year over year. June accounted for a portion of the growth above forecast. The month's total came in at 38.2 percent ($7.6 million) above forecast.

The following two tables show average daily room rate (ADR) and the occupancy rate (Occ) statistics for the Chicago hotel market. Both tables show data by month compared with last year's level. This growth, particularly in ADR, is significant and helps explain performance. Based on available information, this kind of year-over-year growth in these indicators, and therefore state receipts, is likely to continue into the first quarter of 2016 with the continued increase in activity relating to conventions, events, and the summer tourism season. However, given that May posted ADR below last year's level and Occ just about held flat compared to last year, annual growth may begin to plateau during 2016.

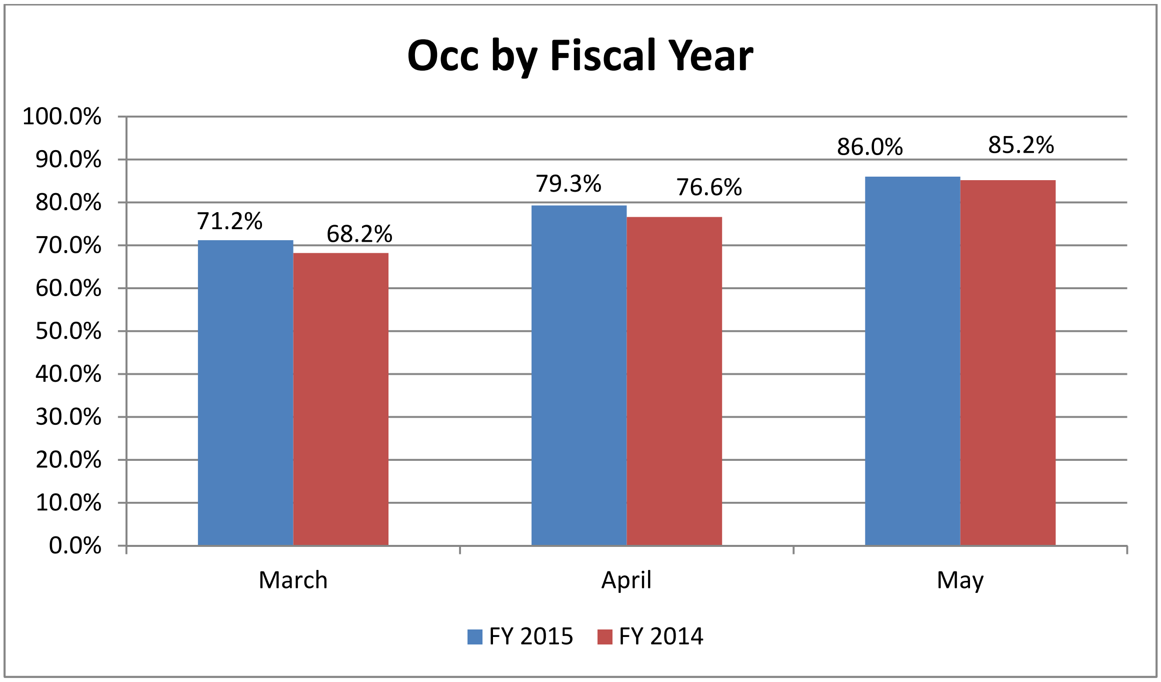
Chart 9



Source: Choose Chicago. Monthly Occupancy and ADR Statistics.[23]

[23] http://www.choosechicago.com/articles/view/monthly-occupancy-and-adr-statistics/72/

Chart 10



Source: Choose Chicago. Monthly Occupancy and ADR Statistics.[24]

Year-to-Date ($ millions)	*Includes the General Revenue Fund			
	Actual	**Estimate**	**$ Difference**	**% Difference**
All Funds*	**$256.7**	**$240.0**	**$16.7**	**7.0%**
General Revenue Fund	**$46.1**	**$39.9**	**$6.2**	**15.5%**
	FY 2014	**FY 2015**	**$ Difference**	**% Difference**
All Funds*	**$227.2**	**$256.7**	**$29.5**	**13.0%**
General Revenue Fund	**$37.5**	**$46.1**	**$8.6**	**22.9%**

[24] http://www.choosechicago.com/articles/view/monthly-occupancy-and-adr-statistics/72/

Estate Tax

Estate Tax General Revenue Funds (GRF) receipts ended fiscal year 2015 28.9 percent ($74.8 million) above forecast. When compared with last year, GRF receipts finished year-to-date up 20.5 percent ($56.8 million). The receipts from May and June significantly added to the year-end total. May saw receipts 106.2 percent ($22.9 million) above forecast while June receipts totaled 56.0 percent ($12.0 million) above forecast.

Year-to-Date ($ millions)	***Includes the General Revenue Fund**			
	Actual	**Estimate**	**$ Difference**	**% Difference**
All Funds*	$354.6	$275.0	$79.6	28.9%
General Revenue Fund	$333.3	$258.5	$74.8	28.9%
	FY 2014	**FY 2015**	**$ Difference**	**% Difference**
All Funds*	$294.1	$354.6	$60.5	20.6%
General Revenue Fund	$276.5	$333.3	$56.8	20.5%

Real Estate Transfer Tax (RETT)

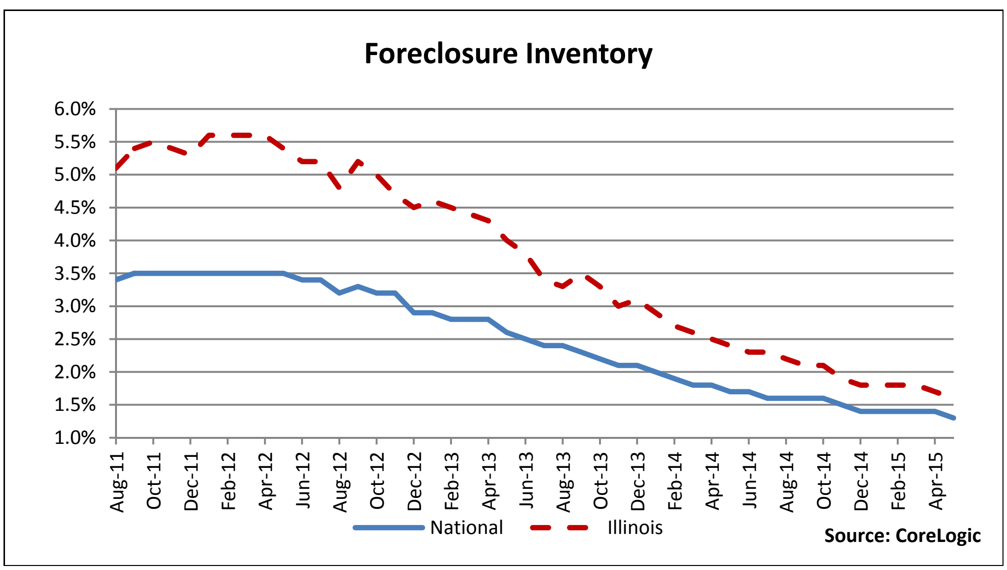
Year to date fiscal year 2015 fourth quarter RETT receipts totaled $66.1 million, which was 10.1 percent ($6.1 million) higher than the forecast of $60.0 million. The month of June drove receipts with a total that was 43.5 percent ($2.4 million) over forecast. This was offset somewhat by performance in May which was 25.2 below ($1.5 million) forecast.

Market Factors Impact on RETT Receipts

Illinois Home Prices:
According to data released by the Illinois Association of Realtors, Illinois May 2015 median home prices had an increase of 8.7 percent over May of 2014. Homes sold in May increased by 5.6 percent when compared with May 2014. As RETT receipts are a function of both prices and number of sales, an increase in price and volume of sales over last year helps explain the level of receipts for the source at the end of the quarter.

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. The analytics firm releases a monthly National Foreclosure Report which tracks foreclosure inventory at the national and state level. The latest May 2015 report shows a decrease in the foreclosure inventory rates both at the national level and in Illinois. The Illinois rate dropped to 1.6 percent, and nationally, the rate dropped to 1.3 percent.[25] This is the first drop in the level of foreclosed inventory for both the state and the nation in five months. High foreclosure inventory rates can have a negative impact on "pure market" sales especially those in close proximity to a foreclosure sale. Generally, a reduction in the foreclosure inventory can have a positive effect on median sale price.

Chart 11

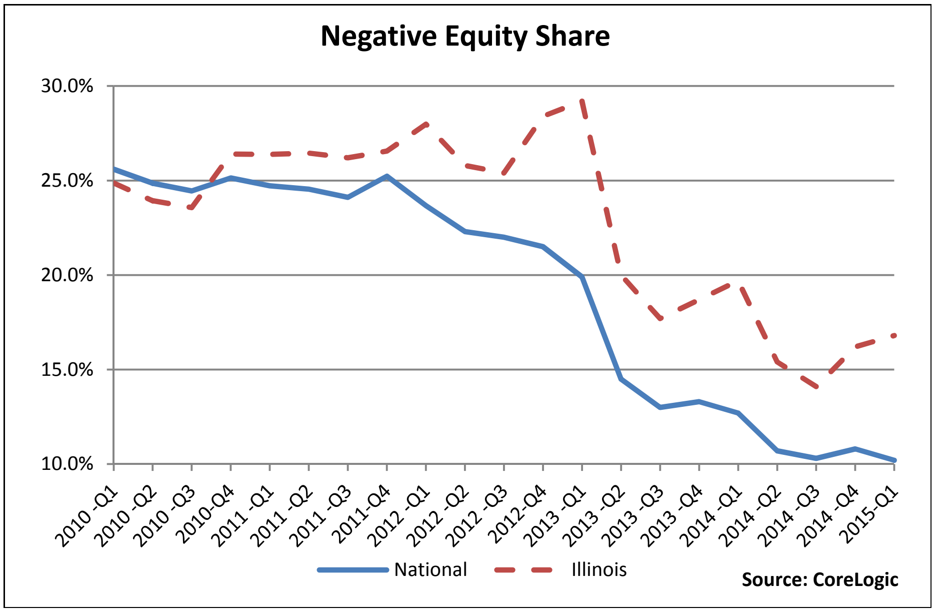


[25] *National Foreclosure Report*. Rep. May 2015. Corelogic, 2015. Web. 16 July. 2015. http://www.corelogic.com/research/foreclosure-report/national-foreclosure-report-february-2015.pdf

Negative Equity Share:

Corelogic, in its 2015 first quarter equity report, showed that Illinois' negative equity rate increased to 16.8 percent, 6.6 percentage points higher than the national rate of 10.2 percent.[26] Illinois remains one of thirteen states with a higher negative equity share than the national average. This relatively high rate continues to be a contributing factor in the current tight inventory of homes available on the market.

Chart 12



[26] *Equity Report*. Rep. First Quarter 2015. CoreLogic, 2015. Web. 16 July. 2015. http://www.corelogic.com/about-us/researchtrends/equity-report.aspx#

Comparison with Last Fiscal Year and IDOR Forecast

Illinois Department of Revenue

Research Division

June Monthly Revenue Report

FY 2015

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		
Revenue Source Receipts (millions)	June FY2014 Actual	June 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
Individual Income Tax (All Funds)	$1,679.8	$1,445.7	$18,387.7	$17,682.0	-$705.7	-3.8%	$16,993.1	$688.9	4.1%	$18,323.8	$18,387.7	$16,993.1
Corporate Income Tax (All Funds)	$462.7	$391.1	$3,640.0	$3,129.1	-$510.9	-14.0%	$3,100.0	$29.1	0.9%	$3,679.1	$3,640.0	$3,100.0
Sales Tax (GRFs)	$690.4	$704.9	$7,675.4	$8,030.2	$354.8	4.6%	$7,950.0	$80.2	1.0%	$7,354.5	$7,675.4	$7,950.0
Public Utilites (GRFs)	$63.5	$79.8	$1,013.3	$1,005.4	-$7.8	-0.8%	$1,015.0	-$9.6	-0.9%	$1,033.0	$1,013.3	$1,015.0
Telecommunications	$19.5	$37.3	$422.3	$434.2	$11.8	2.8%	$444.0	-$9.8	-2.2%	$491.4	$422.3	$444.0
Electricity	$35.4	$34.7	$402.5	$393.1	-$9.4	-2.3%	$403.0	-$9.9	-2.5%	$397.8	$402.5	$403.0
Gas	$8.7	$7.8	$188.4	$178.2	-$10.2	-5.4%	$168.0	$10.2	6.0%	$143.8	$188.4	$168.0
Estate Tax (GRF)	$24.9	$33.6	$276.5	$333.3	$56.8	20.5%	$258.5	$74.8	28.9%	$293.3	$276.5	$258.5
Cigarette (All Funds)	$68.2	$82.8	$823.8	$825.2	$1.4	0.2%	$819.0	$6.2	0.8%	$813.4	$823.8	$819.0
Tobacco Products	$3.1	$3.1	$36.0	$36.8	$0.8	2.2%	$40.0	-$3.2	-8.0%	$43.0	$36.0	$40.0
Regular Motor Fuel Tax	$106.8	$88.3	$1,157.0	$1,171.0	$14.0	1.2%	$1,174.2	-$3.2	-0.3%	$1,123.3	$1,157.0	$1,174.0
Motor Fuel - IFTA	$1.1	$0.4	$66.2	$51.3	-$14.9	-22.5%	$67.2	-$15.9	-23.7%	$67.6	$66.2	$67.0
Underground Storage Tank	$6.1	$5.0	$70.5	$70.7	$0.2	0.3%	$71.6	-$0.8	-1.2%	$68.6	$70.5	$72.0
Liquor (GRF)	$14.9	$14.2	$164.5	$166.8	$2.3	1.4%	$166.0	$0.8	0.5%	$164.8	$164.5	$166.0
Insurance Tax (GRF)	$64.3	$63.2	$332.6	$353.4	$20.8	6.3%	$325.0	$28.4	8.8%	$333.9	$332.6	$325.0
Corp. Franchise Tax (GRF)	$12.8	$13.1	$202.6	$211.0	$8.4	4.2%	$201.0	$10.0	5.0%	$204.6	$202.6	$201.0
Real Estate Transfer Tax	$5.1	$7.9	$56.5	$66.1	$9.5	16.9%	$60.0	$6.1	10.1%	$54.0	$56.6	$65.0
Private Vehicle Use Tax (GRF)	$2.6	$3.2	$28.9	$31.9	$3.0	10.4%	$29.0	$2.9	9.9%	$25.3	$28.9	$29.0
Hotel Tax (All Funds)	$19.2	$19.9	$227.2	$256.7	$29.5	13.0%	$240.0	$16.7	7.0%	$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 HJR100 Estimate
Individual Income Tax (All Funds)	$17,682.0	$16,942.0	$740.0	4.4%	$16,942.0
Corporate Income Tax (All Funds)	$3,129.1	$3,267.0	-$137.9	-4.2%	$3,267.0
Sales Tax (GRFs)	$8,030.2	$7,842.0	$188.2	2.4%	$7,842.0
Public Utilites (GRFs)	$1,005.4	$1,005.0	$0.4	0.0%	$1,005.0
Estate Tax (GRF)	$333.3	$205.0	$128.3	62.6%	$205.0
Liquor (GRF)	$166.8	$165.0	$1.8	1.1%	$165.0
Insurance Tax (GRFs)	$353.4	$330.0	$23.4	7.1%	$330.0
Corp. Franchise Tax (GRF)	$211.0	$205.0	$6.0	2.9%	$205.0
Private Vehicle Use Tax (GRF)	$31.9	$29.0	$2.9	9.9%	$29.0

Each month this table will be updated. Each quarter, we will provide a written report.

http://tax.illinois.gov/AboutIdor/TaxResearch/MonthlyRevenueReports.htm

U.S. and Illinois Employment

U.S. & Illinois Labor Market News							
U.S.	June	May	June	Change from January		Change from year ago	
(Seasonally adjusted, thousands)	2015	2015	2014	Number	Percent	Number	Percent
Labor Force	157,037	157,469	155,700	-432	-0.3%	1,337	0.9%
Employment	148,739	148,795	146,247	-56	0.0%	2,492	1.7%
Unemployment	8,299	8,674	9,453	-375	-4.3%	-1,154	-12.2%
Unemployment Rate	5.3	5.5	6.1	-0.2	-3.6%	-0.8	-13.1%
Illinois	June	May	June	Change from May		Change from year ago	
(Seasonally adjusted)	2015	2015	2014	Number	Percent	Number	Percent
Labor Force	6,489,608	6,497,868	6,516,460	-8,260	-0.1%	-26,852	-0.4%
Employment	6,107,239	6,105,787	6,069,344	1,452	0.0%	37,895	0.6%
Unemployment	382,369	392,081	447,116	-9,712	-2.5%	-64,747	-14.5%
Unemployment Rate	5.9	6.0	6.9	-0.1	-1.7%	-1.0	-14.5%

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

Illinois wage and salary employment							
Industry Title	June	May	June	Change from February		Change from year ago	
	2015	2015	2014	Number	Percent	Number	Percent
Total Nonfarm	5,920,200	5,927,700	5,872,700	-7,500	-0.1%	47,500	0.8%
Mining	9,400	9,600	10,000	-200	-2.1%	-600	-6.0%
Construction	208,600	213,300	201,400	-4,700	-2.2%	7,200	3.6%
Manufacturing	573,700	573,100	580,000	600	0.1%	-6,300	-1.1%
Trade, Transportation, & Utilities	1,190,500	1,186,000	1,176,000	4,500	0.4%	14,500	1.2%
Information	98,300	98,500	99,200	-200	-0.2%	-900	-0.9%
Financial Activities	366,100	363,900	368,700	2,200	0.6%	-2,600	-0.7%
Professional and Business Services	939,400	941,500	915,900	-2,100	-0.2%	23,500	2.6%
Educational and Health Services	899,500	898,500	883,700	1,000	0.1%	15,800	1.8%
Leisure and Hospitality	559,400	562,500	556,200	-3,100	-0.6%	3,200	0.6%
Other Services	250,000	253,200	253,700	-3,200	-1.3%	-3,700	-1.5%
Government	825,300	827,600	827,900	-2,300	-0.3%	-2,600	-0.3%

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

Michael Pijan, M.P.A.
Tax Economist

Hector Vielma, Ph.D.
Macroeconomist