

ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

October

Research Division

Fiscal Year 2012

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

This report analyzes the major revenues the Illinois Department of Revenue (IDOR) Research Division forecasts. It examines how actual revenues compare with the previous year and with current FY 2012 forecasts.

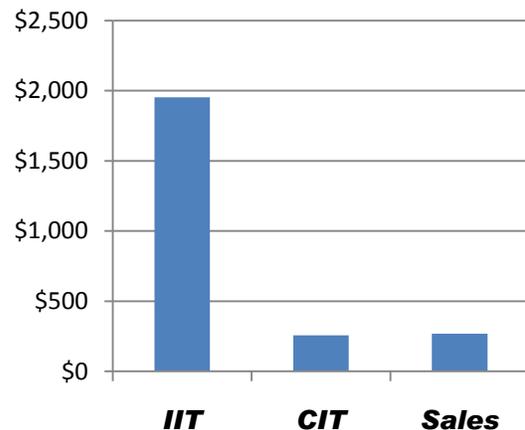
Fiscal Year 2012 revenue receipts through October for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$7,867.0 million. Those receipts are \$2,480.3 million above last year and \$10.4 million above the current forecast.

Individual income tax receipts are \$4,796.7 million. The total is \$1,953.5 million above last year and \$12.4 million below the current forecast.

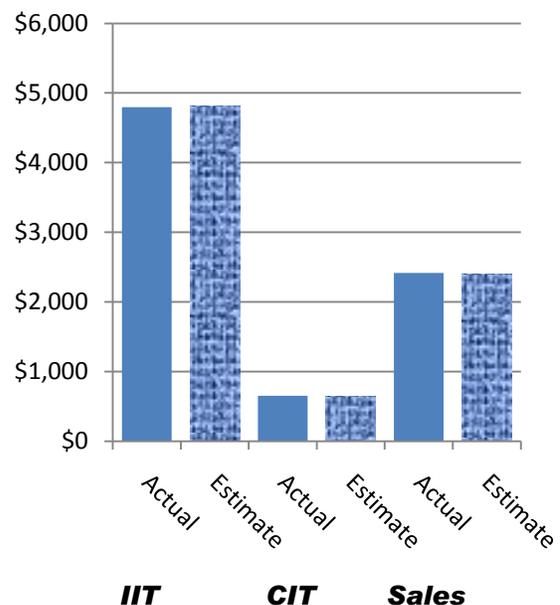
Corporate income tax receipts are \$652.3 million. The total is \$257.6 million above last year and \$5.7 million above the current forecast.

Sales tax receipts are \$2,418.0 million. The total is \$269.2 million above last year and \$17.1 million above the current forecast.

**Increase in Year-to-Date Revenues
FY 2011 and FY 2012 (in millions)**



**FY 2012 Year-to-Date Revenues versus
Forecasts (in millions)**



FEATURE

Illinois Use Tax is a companion to the more familiar sales tax and is designed to distribute the tax burden fairly among buyers and ensure fair competition between in-state and out-of-state businesses. A use tax is essential to tax fairness. Without a state use tax, Illinois buyers purchasing the same good for the same price would end up with different state tax burdens depending on where the seller was located. For example, in the absence of a state use tax, the tax burden would be zero in cases where the buyer made the purchase from an out-of-state business that does not collect Illinois sales tax but 6.25 percent of the sales price in cases where the purchase was made at a business location in Illinois. At the same time, out-of-state businesses would gain an unfair price advantage over businesses located here in Illinois. The absence of a state use tax would thus create an unfair tax system that harms the local businesses that employ Illinois residents.

Although essential to tax fairness, use taxes typically suffer from poor compliance because in most cases the buyer must voluntarily remit the tax due to the IDOR after the purchase has been made. Many buyers, particularly individuals, do not do so, however. (Compliance by businesses, which are regularly audited and assessed Use Tax, is better.) Many are simply not aware of their legal obligation to pay use tax, some do not know how to remit the tax to IDOR or find it too difficult, others still choose to knowingly evade the tax by not reporting the relevant purchases. This poor compliance coupled with the explosion in online shopping has had a significant negative impact on state tax revenue. IDOR economists estimate the revenue loss to state government alone in the current fiscal year will be \$170 million.

In light of the ongoing and increasing revenue losses and the importance of use tax to tax fairness, IDOR has been working to improve use tax awareness and collection. First, IDOR administered a use tax amnesty under which buyers could report and pay use tax on purchases going back to 2004 without paying any penalties or interest. More than 25,000 taxpayers paid \$3.9 million in state use tax to IDOR during this amnesty. Second, in 2011, pursuant to a new state law, IDOR changed the state individual income tax form IL-1040 to enable residents to easily calculate and pay their state use tax each year along with their state income tax. More than 270,000 taxpayers paid over \$11 million in state use tax using their 2010 IL-1040. Finally, IDOR secured passage of legislation that expanded state use tax collection responsibilities to out-of-state sellers who operate with affiliates in Illinois or have certain corporate licensing agreements with businesses in Illinois. This is important because having the seller collect the tax at the time of sale eliminates the problem of voluntary buyer compliance. The new legislation has been in effect only since July 1, 2011, but IDOR has so far registered dozens of companies to begin collecting Illinois use tax on behalf of their customers in Illinois.

TECHNICAL NOTE

The sum of individual taxes may not equal the total due to rounding.

➤ Individual Income Tax (IIT)

Four months into the fiscal year, IIT receipts are 0.3 percent below forecast. Our forecast is based on a conservative FY2012 outlook for employment and wages in the state. The significant 68.7 percent growth observed over the previous fiscal year is mainly explained by the IIT rate increase effective since January.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$4,796.7	\$4,809.1	-\$12.4	-0.3%
FY 2011	FY 2012	\$ Difference	% Difference
\$2,843.2	\$4,796.7	\$1,953.5	68.7%

Components Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Withholding	\$4,282.1	\$4,255.7	\$26.4	0.6%
Estimated and final	\$514.6	\$553.4	-\$38.8	-7.0%
Total	\$4,796.7	\$4,809.1	-\$12.4	-0.3%

Withholding and estimated and final payments are derived from IDOR collection data and in-transit fund data. Sum of individual components may not equal total due to rounding.

Withholding receipts were 3 percent under forecast for the month of October (\$32 millions). For the first four months of FY 2012 withholding receipts are as, 0.6 percent above forecast.

Non-withholding receipts, on the other hand, were 14.2 percent (\$10.2 million) above our forecast for October. Non-withholding receipts are driven by non-wage variables such as interest, dividends, rents, capital gains, and pass-through income. This source exhibits significant monthly volatility, and for this reason it is important to look at year-to-date figures that put non-withholding receipts 7 percent below forecast.

➤ Corporate income tax (CIT)

October receipts came in as expected, but October is not a significant receipts month. With less than 1 percent difference in our estimate and actual receipts, our forecast remains on target.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$652.3	\$646.6	\$5.7	0.9 %
FY 2011	FY 2012	\$ Difference	% Difference
\$394.7	\$652.3	\$257.6	65.3 %

➤ Sales Tax

Sales tax receipts in October FY 2012 were 10.2 percent (\$55.3 million) greater than the receipts received in October last year and slightly above the revised forecast for FY 2012.

Year-to-Date (\$ millions)

Actual	Forecast	\$ Difference	% Difference
\$2,418.0	\$2,400.9	\$17.1	0.7%

FY 2011	FY 2012	\$ Difference	% Difference
\$2,148.8	\$2,418.0	\$269.2	12.5%

Year-to-Date (\$ millions)

	FY 2011	FY 2012	\$ Difference	% Difference
Vehicles	\$301.4	\$324.1	\$22.7	7.5%
Motor fuel*	\$220.9	\$287.5	\$66.6	30.1%
All else	\$1,626.5	\$1,806.4	\$179.9	11.1%
Total	\$2,148.8	\$2,418.0	\$269.2	12.5%

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

➤ Estate Tax

Illinois Estate Tax was repealed from January 1, 2010 through December 31, 2010. Receipts showed an uptick in October due to the reinstated tax. Receipts are expected to return to pre-repeal levels starting in November 2011.

Year-to-Date (\$ millions)

Actual	Forecast	\$ Difference	% Difference
\$6.8	\$7.7	-\$0.9	-11.7%

FY 2011	FY 2012	\$ Difference	% Difference
\$106.8	\$6.8	-\$100.0	-93.6%

➤ **Tobacco Products Tax**
Long Term Care Fund

The tobacco products tax is significantly exceeding forecast on a percentage basis. But this can be misleading because the tax source is so small. The level of tax receipts exceeds forecast by \$2.1 million in the first four months of the fiscal year.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$10.2	\$8.1	\$2.1	26.6%
FY 2011	FY 2012	\$ Difference	% Difference
\$9.4	\$10.2	\$0.8	8.2%

➤ **Cigarette Taxes**

Receipts continue to run below forecast, due to a below average July. Given the amount of time remaining in the fiscal year and the general return to trend there is no reason to think cigarette taxes will not meet the annual forecast. In the month of October, approximately \$2.1 million was

Year-to-Date (\$ millions)	*Includes the General Revenue Fund			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$166.5	\$178.0	-\$11.4	-6.4%
General Revenue Fund	\$117.8	\$118.3	-\$0.5	-0.4%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$185.3	\$166.5	-\$18.8	-10.1%
General Revenue Fund	\$117.9	\$117.8	-\$0.1	-0.1%

collected by IDOR that will show up as November Comptroller receipts, further suppressing the difference between actual and forecast through October.

➤ **Liquor Tax**

Liquor tax receipts for the first four months of FY 2012 were slightly greater than the year-to-date forecast in the FY 2012 Operating Budget Book, posting modest growth over the same period in FY 2011.

Year-to-Date (\$ millions)	*Includes the General Revenue Fund			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$95.7	\$93.4	\$2.3	2.5%
General Revenue Fund	\$56.4	\$55.6	\$0.7	1.3%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$92.9	\$95.7	\$2.8	3.0%
General Revenue Fund	\$54.5	\$56.4	\$1.9	3.5%

➤ Hotel Operator's Occupation Tax (HOOT)

Comparing FY 2012 year-to-date information with the same period in FY 2011, average daily room rates in the Chicago hotel market increased \$6 per night from \$172 to \$178 per night.¹ In addition, the average hotel room occupancy rate increased by 1 percentage point in the first quarter from 81.9 percent to 82.9 percent.² These factors are the primary drivers of increased hotel tax revenue.

Year-to-Date (\$ millions)		*Includes the General Revenue Fund		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$84.2	\$81.6	\$2.5	3.1%
General Revenue Fund	\$13.1	\$12.6	\$0.5	3.6%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$75.4	\$84.2	\$8.7	11.6%
General Revenue Fund	\$9.2	\$13.1	\$3.8	41.5%

➤ Public Utilities Taxes

Telecommunications:

September was the first month in many where large taxpayers did not make overpayments. If this continues and they do not use their accumulated credit, we expect that receipts will come closer to our forecast. We will continue to monitor payment and return data and adjust expectations accordingly.

Electricity: Receipts continue to be greater than forecast because warmer than normal temperatures have resulted in an increase in demand to cool homes, offices and other buildings.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Telecommunications	\$172.7	\$168.8	\$3.8	2.3%
Electricity	\$146.3	\$143.6	\$2.7	1.9%
Natural gas	\$20.3	\$25.3	-\$4.9	-19.5%
	\$339.3	\$337.7	\$1.6	0.5%
	FY 2011	FY 2012	\$ Difference	% Difference
Telecommunications	\$183.7	\$172.7	-\$11.1	-6.0%
Electricity	\$145.3	\$146.3	\$1.0	0.7%
Natural gas	\$18.9	\$20.3	\$1.4	7.6%
	\$347.9	\$339.3	-\$8.6	-2.5%

Natural gas: Natural gas receipts continue to lag behind our forecast. However, the year-to-date receipts for the first few months of FY 2012 typically only represent a small portion of the total year's receipts. We have not received any receipts associated with the months during the heating season of January through April. The majority of our natural gas taxes are collected when natural gas demand increases as customers use it to heat homes and office buildings.

¹ Arithmetic averages calculated from Smith's Travel Research data obtained from the Chicago Convention and Tourism Bureau. http://www.choosechicago.com/media/statistics/hotel_industry/Pages/monthly_occupancy.aspx

² Ibid.

➤ Motor Fuel Taxes

Includes Motor Fuel Tax (Regular MFT), International Fuel Tax Agreement (IFTA), and Underground Storage Tank (UST) Tax.

In September we revised our FY 2012 Motor Fuel Taxes forecasts so it is not surprising that October year-to-date receipts are very close to our revised forecasts.

Year-to-Date (\$ millions) Regular MFT			
Actual	Forecast	\$ Difference	% Difference
\$390.6	\$390.0	\$0.5	0.1%
FY 2011	FY 2012	\$ Difference	% Difference
\$402.5	\$390.6	-\$12.0	-3.0%

Year-to-Date (\$ millions) IFTA			
Actual	Forecast	\$ Difference	% Difference
\$23.9	\$24.4	-\$0.4	-1.8%
FY 2011	FY 2012	\$ Difference	% Difference
\$24.0	\$23.9	-\$0.0	-0.2%

Year-to-Date (\$ millions) UST			
Actual	Forecast	\$ Difference	% Difference
\$23.5	\$24.6	-\$1.1	-4.4%
FY 2011	FY 2012	\$ Difference	% Difference
\$24.5	\$23.5	-\$0.9	-3.9%

➤ Real Estate Transfer Tax (RETT)

The Illinois Association of Realtors (IAR) reports Illinois' September home sales were up 13.5 percent from last September, but the median price declined 5.6 percent for the same period. The IAR president states, "The slow economy and job recovery are several drags on the market, plus many able buyers are hitting roadblocks on financing a home purchase due to the overcorrection in mortgage underwriting requirements.

The fact that FHA home loan limits were lowered on Oct. 1 for Chicago area counties and several downstate counties is another blow for would-be buyers."

We continue to expect only a modest increase in RETT receipts this fiscal year, rather than a full recovery to pre-recession levels.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$15.1	\$14.7	\$0.4	2.9%
FY 2011	FY 2012	\$ Difference	% Difference
\$13.7	\$15.1	\$1.5	10.8%

➤ Lottery

Common School Fund (CSF) Transfers

FY 2012 sales are up \$66.6 million (9.3 percent) compared with FY 2011.

FY 2012 transfers are down -5.9 million (-3.1 percent) compared with FY 2011. Increasing sales with corresponding decreasing transfers can be explained by changes in the mix of games. Instant ticket sales are up \$77.5 million (19.5 percent) while traditional online lotto style games are down -\$11.0 million (-3.5 percent).

Through October 31, 2011, FY 2012 instant sales represent 60.8 percent of total sales while online sales are at 39.2 percent. FY 2011 year-to-date instant sales represented 55.6 percent of total sales while online sales were at 44.4 percent. The change of play preference in favor of instant tickets rather than traditional online games has reduced lottery transfers.

The year-to-date FY 2012 average weekly lottery transfers is \$10.84 million compared with \$11.2 million for the same period in FY 2011. October 2011 transfers were -\$6.2 million or less than in October 2010, a decline of -11.2 percent.

The Illinois Lottery is currently -\$8.3 million behind the statutory transfers schedule to the common school fund (CSF). At this time, no money has been set aside for transfer to the capital projects fund.

Year-to-Date (\$ millions)

Actual	Forecast	\$ Difference	% Difference
\$184.3	\$194.1	-\$9.9	-5.1%
FY 2011	FY 2012	\$ Difference	% Difference
\$190.2	\$184.3	-\$5.9	-3.1%

Riverboat gaming

Education Assistance Fund and General Revenue Fund Transfers

October was a bad month, with adjusted gross receipts (AGR) and admissions falling below one year ago for the 8 of the 9 casinos that were operating one year ago. The new Rivers Casino in Des Plaines saw October admissions decline 5.7 percent compared with September while AGR increased 1.8 percent. The October decline in AGR from the four original Chicago-area riverboats declined \$12.2 million which is equal to 40 percent of AGR at the new River's casino.

Although the Rivers casino is responsible for total AGR being up in Illinois, tax receipts are hurt substantially by the spending shift away from old casinos toward the new casino. Dollars at older casinos are taxed at a higher rate because they have been open more days during the tax year. Additionally, law requires that 15 cents of every dollar wagered at the new Rivers casino is set aside for later payment to the horse racing industry. This further reduces the gaming transfer.

Year-to-Date (\$ millions)

Actual	Forecast	\$ Difference	% Difference
\$198.3	213.5	-\$15.2	-7.1%
FY 2011	FY 2012	\$ Difference	% Difference
\$119.5	\$198.3	\$78.8	66.0%

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

Revenue Source Receipts	Oct. FY2011	Oct. FY2012	FY 2011 YTD	FY 2012 YTD	YTD FY 2012 vs. YTD FY 2011		FY 2012 YTD Forecast	YTD FY 2012 vs. YTD Forecast		FY 2008 Total	FY 2009 Total	FY 2010 Total	FY 2011 Total	FY 2012 Forecasts
Ind. Income Tax (IIT)	\$708.3	\$1,132.9	\$2,843.2	\$4,796.7	\$1,953.5	68.7%	\$4,809.1	-\$12.4	-0.3%	\$11,187.2	\$10,219.4	\$9,429.8	\$12,301.8	\$16,506.2
Corp Income Tax (CIT)	\$73.5	\$78.3	\$394.7	\$652.3	\$257.6	65.3%	\$646.6	\$5.7	0.9%	\$2,200.9	\$2,072.5	\$1,648.9	\$2,285.7	\$2,852.7
Sales Tax (general funds)	\$543.1	\$598.4	\$2,148.8	\$2,418.0	\$269.2	12.5%	\$2,400.9	\$17.1	0.7%	\$7,214.6	\$6,772.8	\$6,308.0	\$6,833.0	\$6,910.0
Public Utilities	\$82.9	\$72.3	\$347.9	\$339.3	-\$8.6	-2.5%	\$337.7	\$1.6	0.5%	\$1,157.1	\$1,167.8	\$1,089.2	\$1,147.2	\$1,082.0
Telecom	\$40.7	\$37.5	\$183.7	\$172.7	-\$11.1	-6.0%	\$168.8	\$3.8	2.3%	\$578.9	\$593.3	\$549.5	\$586.9	\$509.0
Electricity	\$36.2	\$31.3	\$145.3	\$146.3	\$1.0	0.7%	\$143.6	\$2.7	1.9%	\$410.3	\$402.9	\$381.4	\$401.1	\$409.0
Gas	\$6.0	\$3.5	\$18.9	\$20.3	\$1.4	7.6%	\$25.3	-\$4.9	-19.5%	\$168.0	\$171.5	\$158.3	\$159.1	\$164.0
Lottery	\$55.3	\$49.1	\$190.2	\$184.3	-\$5.9	-3.1%	\$194.1	-\$9.9	-5.1%	\$657.0	\$625.0	\$625.0	\$631.9	\$645.0
Riverboat Gaming	\$39.5	\$30.8	\$119.5	\$198.3	\$78.8	66.0%	\$213.5	-\$15.2	-7.1%	\$564.0	\$430.0	\$430.5	\$324.2	\$451.0
Estate Tax	\$17.0	\$2.7	\$106.8	\$6.8	-\$100.0	-93.6%	\$7.7	-\$0.9	-11.7%	\$372.8	\$287.7	\$243.4	\$122.2	\$182.1
Cigarette (All Funds)	\$45.2	\$40.8	\$185.3	\$166.5	-\$18.8	-10.1%	\$178.0	-\$11.4	-6.4%	\$592.2	\$564.0	\$557.8	\$560.8	\$532.0
Tobacco Products	\$2.4	\$2.5	\$9.4	\$10.2	\$0.8	8.2%	\$8.1	\$2.1	26.6%	\$21.2	\$21.4	\$24.0	\$27.4	\$24.0
PP Replacement Tax	\$46.8	\$37.7	\$223.0	\$255.0	\$32.0	14.3%	\$260.0	-\$5.0	-1.9%	\$1,486.2	\$1,263.6	\$1,012.6	\$1,334.2	\$1,201.3
Reg Motor Fuel Tax	\$97.7	\$97.3	\$402.5	\$390.6	-\$12.0	-3.0%	\$390.0	\$0.5	0.1%	\$1,117.1	\$1,248.6	\$1,165.4	\$1,157.6	\$1,160.0
Motor Fuel - IFTA	\$4.2	\$3.9	\$24.0	\$23.9	\$0.0	-0.2%	\$24.4	-\$0.4	-1.8%	\$146.5	\$144.0	\$103.0	\$84.9	\$83.0
Ug. Storage Tank	\$5.2	\$5.9	\$24.5	\$23.5	-\$0.9	-3.9%	\$24.6	-\$1.1	-4.4%	\$71.1	\$74.8	\$70.8	\$71.2	\$68.0
Liquor (GRF only)	\$12.8	\$13.3	\$54.5	\$56.4	\$1.9	3.5%	\$55.6	\$0.7	1.3%	\$158.1	\$157.6	\$158.5	\$157.4	\$162.0
Insurance Tax	\$0.2	\$0.9	\$84.0	\$82.8	-\$1.2	-1.4%	\$84.5	-\$1.7	-2.0%	\$294.6	\$334.3	\$322.4	\$316.1	\$316.1
Franchise Tax /Fees	\$16.2	\$14.6	\$74.2	\$68.2	-\$6.0	-8.1%	\$71.0	-\$2.8	-3.9%	\$225.2	\$201.5	\$208.0	\$207.3	\$204.0
Real Estate Transfer Tax	\$3.5	\$3.4	\$13.7	\$15.1	\$1.5	10.8%	\$14.7	\$0.4	2.9%	\$76.8	\$45.6	\$40.3	\$38.0	\$35.0
Private Vehicle Use Tax (GRF only)	\$2.1	\$2.2	\$10.0	\$10.2	\$0.1	1.1%	\$11.2	-\$1.1	-9.5%	\$32.0	\$27.3	\$30.2	\$30.3	\$32.0
Hotel Tax (All Funds)	\$17.3	\$18.4	\$75.4	\$84.2	\$8.7	11.6%	\$81.6	\$2.5	3.1%	\$219.2	\$203.3	\$173.1	\$191.7	\$209.0