

# ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

February

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.

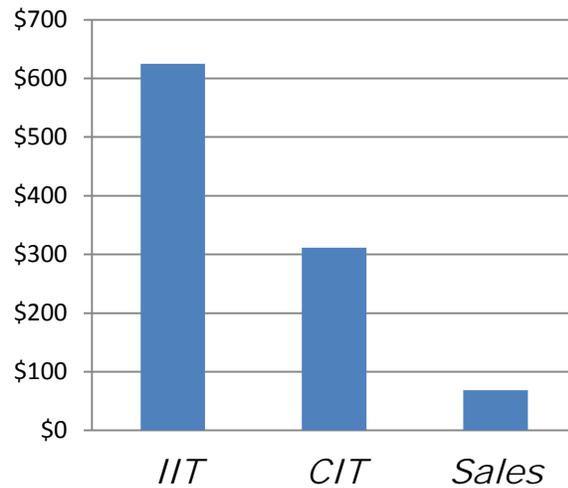
Fiscal Year 2013 revenue receipts through February for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$17,355.0 million. Those receipts are \$1,005.1 million above last year and \$591.2 million above the current estimate.

Individual income tax receipts are \$10,888.1 million. The total is \$625.1 million above last year and \$244.3 million above the current estimate.

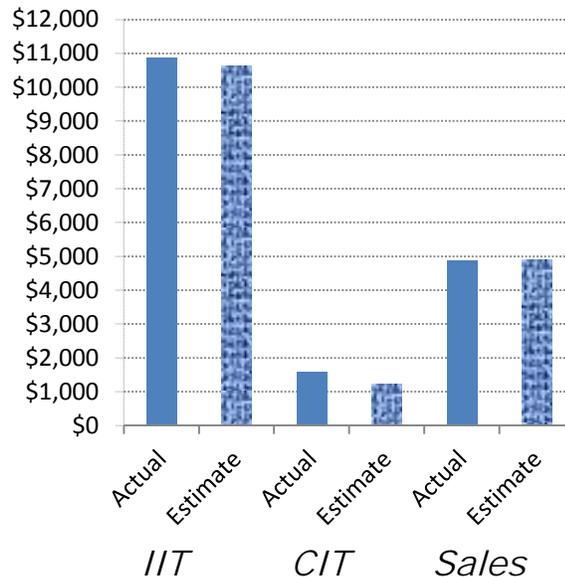
Corporate receipts are \$1,581.4 million. The total is \$311.7 million above last year and \$351.6 million above the current estimate.

Sales tax receipts are \$4,885.4 million. The total is \$68.3 million above last year and \$4.7 million below our estimates.

**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.

## ➤ Individual Income Tax (IIT)

Individual income tax revenue continues to perform above expectations. With just four months remaining in the fiscal year, it is evident that IIT will end the fiscal year above estimate.

This positive result is explained by several factors. First, withholdings are reflecting a better

than initially anticipated improvement in the state's labor market. Second, the non-wage component of IIT revenue experienced a significant surge in January and December. As discussed in last month's report, this was caused by taxpayers realizing capital gains in anticipation of tax year 2013 increases in the federal capital gains tax rate.

In February, the research office presented a revised fiscal year 2013 estimate to the Council of Economic Advisors and the Governor's Office of Management and Budget. These recommendations are reflected in the Governor's 2014 Operating Budget and will be included in our March report.

**Withholding receipts:** Withholding receipts ended the month of February 9.2 percent (or \$107.7 million) below the monthly forecast. This below-than-expected result for the month can be explained by a couple factors. First, February 2013 had one less working day than February 2012. This result in itself explains most of the deviation given the importance of each working day in withholding collections. Second, there was an unusually high amount of in-transit money from February that will be accounted for in March.

**Non-withholding receipts:** February's non-WIT receipts came in above the monthly estimate, primarily because of a larger-than-average amount of in-transit money from January that was deposited in February. By the end of the fiscal year, we anticipate that non-withholding receipts will come in more than \$300 million above our original FY 2013 estimate.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$10,888.1	\$10,643.8	\$244.3	2.3%
FY 2012	FY 2013	\$ Difference	% Difference
\$10,263.0	\$10,888.1	\$625.1	6.1%

Components Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Withholding	\$9,338.7	\$9,278.3	\$60.4	0.7%
Estimated and final	\$1,549.4	\$1,365.6	\$183.9	13.5%
<b>Total</b>	<b>\$10,888.1</b>	<b>\$10,643.8</b>	<b>\$244.3</b>	<b>2.3%</b>

*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 were \$1,581.4 million through February, 28.6 percent above forecast. February receipts resumed the trend of strong monthly performance, at \$69.1 million compared with a forecast of \$46.9 million.

Year-to-Date Comparison (\$ millions)			
<b>Actual</b>	<b>Estimate</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>\$1,581.4</b>	<b>\$1,229.8</b>	<b>\$351.6</b>	<b>28.6%</b>
<b>FY 2012</b>	<b>FY 2013</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>\$1,269.7</b>	<b>\$1,581.4</b>	<b>\$311.7</b>	<b>24.5%</b>

Due to CIT receipts performing consistently above forecast, we will recommend an upward revision for CIT in the Governor's 2014 Operating Budget. However, this revision will be conservative as we remain concerned that recent changes in tax law – the tax rate increase, federal 100% expensing, and the suspension/cap of Net Operating Losses, may have changed firm's timing in making payments. If there is such a shift, we are concerned about a potential decrease in final payments for tax year 2012 and initial estimated payments for tax year 2013, which will come due in March through June of 2013, the latter half of FY 2013.

## ➤ Sales & Use Tax

State sales and use tax receipts for the first eight months of fiscal year 2013 were 1.4 percent above the same period in fiscal year 2012 and just 0.1 percent below our forecast year to date. Year-to-date growth has been concentrated mostly in sales and use tax receipts from motor vehicle sales.

Year-to-Date Comparison (\$ millions)			
<b>Actual</b>	<b>Forecast</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>\$4,885.4</b>	<b>\$4,890.1</b>	<b>-\$4.7</b>	<b>-0.1%</b>
<b>FY 2012</b>	<b>FY 2013</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>\$4,817.2</b>	<b>\$4,885.4</b>	<b>\$68.3</b>	<b>1.4%</b>

February 2013 sales and use tax receipts increased 8.5 percent compared to February receipts last year. This is in marked contrast to the 2.2 percent year-over-year decline observed just last month (January 2013).

Part of February's strong growth was caused by a receipts adjustment related to a prior accounting change. This receipts adjustment inflated February's receipts by about \$8 million. In addition, we believe that a record-high volume of gift card purchases during the 2012 holiday shopping period contributed to both the weak January receipts and the strong February receipts by shifting the timing of tax receipts from January to February. According to preliminary statistics from the National Retail Federation, gift card purchases compared to last year were up 40 percent during the 2012 "Black Friday" shopping weekend and up 25 percent during December 2012. Since gift cards are not taxed until they are used, they can delay the taxable activity associated with some holiday shopping until after the holidays have passed. If more consumers substituted gift card purchases for traditional gift purchases during 2012's holiday shopping period, it could cause a weaker January and a stronger February in 2013 compared to 2012. Consider a simple example in which the holiday shopping economy consists of only one consumer. If this consumer spent \$100 on a traditional gift in December 2011, she would have generated tax receipts for the month of January 2012. If the same consumer instead spent \$100 on a gift card in December 2012, she would generate no tax receipts for January 2013. Instead, assuming the gift card was used in January 2013, the \$100 spent would generate tax receipts for February 2013. The shift in receipts makes January 2013 look weak relative to January 2012 while making February 2013 look strong relative to February 2012. We believe this sort of consumer substitution multiplied over many consumers helped skew the receipts for January and February 2013.

Year-to-Date Comparison (\$ millions)				
	<b>FY 2012</b>	<b>FY 2013</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>Vehicles</b>	\$618.7	\$673.0	\$54.3	8.8%
<b>Motor fuel*</b>	\$503.2	\$511.2	\$7.9	1.6%
<b>All else</b>	\$3,695.2	\$3,701.3	\$6.1	0.2%
	<b>\$4,817.2</b>	<b>\$4,885.4</b>	<b>\$68.3</b>	<b>1.4%</b>

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

## ➤ Public Utilities Taxes

### Telecommunications –

General Fund receipts were \$330.3 million through February, 4.8 percent (approximately \$16 million) below forecast year to date. Approximately \$3.1 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 return as the Telecom Excise Tax and allocated before state receipts are accounted for.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
<b>Telecommunications</b>	<b>\$330.3</b>	<b>\$346.9</b>	<b>-\$16.6</b>	<b>- 4.8%</b>
<b>Electricity</b>	<b>\$273.5</b>	<b>\$278.5</b>	<b>- \$5.0</b>	<b>- 1.8%</b>
<b>Natural gas</b>	<b>\$65.3</b>	<b>\$86.0</b>	<b>-\$20.7</b>	<b>-24.0%</b>
	FY 2012	FY 2013	\$ Difference	% Difference
<b>Telecommunications</b>	<b>\$321.1</b>	<b>\$330.3</b>	<b>\$9.2</b>	<b>2.9%</b>
<b>Electricity</b>	<b>\$267.7</b>	<b>\$273.5</b>	<b>\$5.7</b>	<b>2.1%</b>
<b>Natural gas</b>	<b>\$79.7</b>	<b>\$65.3</b>	<b>-\$14.3</b>	<b>-18.0%</b>

**Electricity** – Receipts through February were \$278.5 million, which is 1.8 percent below our forecast.

**Natural gas** – Receipts through February are \$65.3 million year to date, 24.0% (\$20.7 million) below forecast. Year to date, large taxpayers have used a net \$9.6 million in credit for overpayments to meet their current tax liabilities. These credits are due to overpayments made during FY 2012 due to the unusually warm weather. We suspect that revenue from this source will fall short of our original forecast.

## ➤ Cigarette Taxes

Year-to-date receipts for the Cigarette and Use Tax are consistent with the revised forecast, made after PA097-0688 became law.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	<b>\$497.3</b>	<b>\$554.4</b>	<b>-\$57.1</b>	<b>-10.3%</b>
General Revenue Fund	<b>\$233.6</b>	<b>\$236.7</b>	<b>- \$3.1</b>	<b>- 1.3%</b>
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	<b>\$329.3</b>	<b>\$497.3</b>	<b>\$168.0</b>	<b>51.0%</b>
General Revenue Fund	<b>\$236.3</b>	<b>\$233.6</b>	<b>- \$2.7</b>	<b>- 1.1%</b>

## ➤ Tobacco Products Tax

February lower receipts are a reflection of the change in taxation of moist snuff from a percent of the wholesale price to a weight based tax. The drop is in line with expectations.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$30.4	\$29.7	\$0.7	2.4%
FY 2012	FY 2013	\$ Difference	% Difference
\$19.3	\$30.4	\$11.1	57.5%

## ➤ Estate Tax

Year-to-date receipts are still ahead of forecast due to the change in reporting of July receipts from counties to the Illinois State Treasurer.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$199.7	\$161.6	\$38.1	23.6%
FY 2012	FY 2013	\$ Difference	% Difference
\$133.7	\$199.7	\$66.0	49.4%

## ➤ Liquor Tax

Receipts for the first eight months of fiscal year 2013 increased 1.4 percent compared to the same period last year and were 2.0 percent above our forecast year to date.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$192.8	\$189.0	\$3.9	2.0%
General Revenue Fund	\$113.5	\$111.3	\$2.3	2.0%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$190.1	\$192.8	\$2.7	1.4%
General Revenue Fund	\$112.0	\$113.5	\$1.6	1.4%

## ➤ Hotel Operator's Occupation Tax (HOOT)

Receipts are coming in close to forecast.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$159.8	\$160.8	-\$1.0	-0.6%
General Revenue Fund	\$22.8	\$22.6	\$0.2	0.9%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$156.3	\$159.8	\$3.5	2.2%
General Revenue Fund	\$20.5	\$22.8	\$2.3	11.2%

## ➤ Motor Fuel Taxes

Year-to-Date (\$ millions)		IFTA	
Actual	Forecast	\$ Difference	% Difference
\$46.0	\$51.7	-\$5.8	-11.2%
FY 2012	FY 2013	\$ Difference	% Difference
\$50.4	\$46.0	-\$4.4	-8.8%

Year-to-Date (\$ millions)		Regular MFT	
Actual	Forecast	\$ Difference	% Difference
\$746.1	\$791.5	-\$45.3	-5.7%
FY 2012	FY 2013	\$ Difference	% Difference
\$770.7	\$746.1	-\$24.6	-3.2%

Year-to-Date (\$ millions)		UST	
Actual	Forecast	\$ Difference	% Difference
\$44.8	\$48.0	-\$3.1	-6.5%
FY 2012	FY 2013	\$ Difference	% Difference
\$46.7	\$44.8	-\$1.9	-4.0%

Combined motor fuel tax receipts (regular MFT, IFTA, and UST) for the first eight months of fiscal year 2013 were 3.6 percent (-\$30.9 million) below the same period last year and 6.1 percent (-\$54.3 million) below our forecast year to date.

## ➤ Real Estate Transfer Tax (RETT)

February receipts came in above forecast pushing year-to-date ahead of forecast by 19.5 percent. As this is only the second month of higher-than-anticipated growth, we will be monitoring the upcoming months' receipts to see if this upward trend signals a better than expected recovery in the real estate market.

Year-to-Date (\$ millions)			
<b>Actual</b> \$34.3	<b>Forecast</b> \$28.7	<b>\$ Difference</b> \$5.6	<b>% Difference</b> 19.5%
<b>FY 2012</b> \$25.4	<b>FY 2013</b> \$34.3	<b>\$ Difference</b> \$8.9	<b>% Difference</b> 35.0%

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

Revenue Source Receipts	February FY2012	February 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)	\$1,249.5	\$1,184.1	\$10,263.0	\$10,888.1	\$625.1	6.1%	\$10,643.8	\$244.3	2.3%	\$10,219.4	\$9,429.8	\$12,301.8	\$16,999.8	\$16,922.4
Corporate Income Tax (CIT)	\$56.8	\$69.1	\$1,269.7	\$1,581.4	\$311.7	24.5%	\$1,229.8	\$351.6	28.6%	\$2,072.5	\$1,648.9	\$2,285.7	\$2,983.0	\$2,921.0
Sales Tax (GRFs)	\$505.0	\$548.1	\$4,817.2	\$4,885.4	\$68.3	1.4%	\$4,890.1	-\$4.7	-0.1%	\$6,772.8	\$6,308.0	\$6,833.0	\$7,225.6	\$7,335.0
Public Utilities (GRFs)	\$67.9	\$90.2	\$668.5	\$669.1	\$0.6	0.1%	\$711.4	-\$42.3	-5.9%	\$1,167.8	\$1,089.2	\$1,147.2	\$994.7	\$1,101.0
Telecommunications	\$28.8	\$38.8	\$321.1	\$330.3	\$9.2	2.9%	\$346.9	-\$16.6	-4.8%	\$593.3	\$549.5	\$586.9	\$459.6	\$525.0
Electricity	\$21.9	\$32.3	\$267.7	\$273.5	\$5.7	2.1%	\$278.5	-\$5.0	-1.8%	\$402.9	\$381.4	\$401.2	\$390.0	\$409.0
Gas	\$17.3	\$19.1	\$79.7	\$65.3	-\$14.3	-18.0%	\$86.0	-\$20.7	-24.0%	\$171.5	\$158.3	\$159.1	\$145.2	\$167.0
Estate Tax (GRFs)	\$22.9	\$20.2	\$133.7	\$199.7	\$66.0	49.4%	\$161.6	\$38.1	23.6%	\$287.7	\$243.4	\$122.2	\$234.8	\$242.0
Cigarette (All Funds)	\$36.9	\$63.4	\$329.3	\$497.3	\$168.0	51.0%	\$554.4	-\$57.1	-10.3%	\$564.0	\$557.8	\$560.8	\$577.4	\$853.0
Tobacco Products	\$2.0	\$2.0	\$19.3	\$30.4	\$11.1	57.5%	\$29.7	\$0.7	2.4%	\$21.4	\$24.0	\$27.4	\$29.0	\$40.0
Regular Motor Fuel Tax	\$93.1	\$75.3	\$770.7	\$746.1	-\$24.6	-3.2%	\$791.5	-\$45.3	-5.7%	\$1,248.6	\$1,165.4	\$1,157.6	\$1,145.3	\$1,176.0
Motor Fuel - IFTA	\$5.6	\$6.9	\$50.4	\$46.0	-\$4.4	-8.8%	\$51.7	-\$5.8	-11.2%	\$144.0	\$103.0	\$84.9	\$75.1	\$77.0
Ug. Storage Tank	\$5.9	\$4.4	\$46.7	\$44.8	-\$1.9	-4.0%	\$48.0	-\$3.1	-6.5%	\$74.8	\$70.8	\$71.2	\$69.5	\$71.0
Liquor (GRF)	\$15.2	\$16.9	\$112.0	\$113.5	\$1.6	1.4%	\$111.3	\$2.3	2.0%	\$157.6	\$158.5	\$157.4	\$164.4	\$163.0
Insurance Tax (GRFs)	\$14.9	\$13.7	\$166.6	\$178.4	\$11.8	7.1%	\$147.5	\$30.9	20.9%	\$334.3	\$322.4	\$316.1	\$344.6	\$285.0
Franchise Tax (Corp Division)	\$19.5	\$14.8	\$133.3	\$143.7	\$10.4	7.8%	\$135.2	\$8.5	6.3%	\$201.5	\$208.0	\$207.3	\$191.6	\$203.0
Real Estate Transfer Tax	\$1.6	\$4.6	\$25.4	\$34.3	\$8.9	35.0%	\$28.7	\$5.6	19.5%	\$45.6	\$40.3	\$38.0	\$42.0	\$43.0
Private Vehicle Use (GRFs)	\$1.8	\$0.9	\$18.0	\$15.7	-\$2.3	-12.7%	\$19.2	-\$3.5	-18.3%	\$27.3	\$30.2	\$30.3	\$28.7	\$29.0
Hotel Tax (All Funds)	\$12.8	\$10.5	\$156.3	\$159.8	\$3.5	2.2%	\$160.8	-\$1.0	-0.6%	\$203.3	\$173.1	\$191.7	\$207.9	\$216.0