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The Office of the Chief Economist & Tax Analysis Hari Razafindramanana released the monthly revenue report for state tax collections for the month of December 2023.

Note to readers: The monthly revenue estimates are based on the December 19, 2023 revenue forecast which considers revenue developments and the economic outlook presented on that date. This includes previously discussed changes in tax deadlines, payment timing, as well as assumptions related to federal and state policy actions leading up to the release of the forecast.

Information on the latest forecast is available at <https://www.in.gov/sba/2837.htm>.

Fiscal Year 2024 began on July 1, 2023 and ends June 30, 2024.

Results

- General Fund revenues for December totaled \$1,997.1 million, which is \$234.9 million (13.3%) above the estimate based on the December 19, 2023 revenue forecast and \$285.2 million (16.7%) above revenue in December 2022.

Notably, collections from individual income taxes came in above monthly estimate due to unusual timing factors that are currently expected to normalize near the fiscal year forecast over the coming months. Individual income tax revenues will be better interpreted after April.

Differences relative to monthly estimates and prior year actuals will be influenced by various factors including payment timing, federal policy actions, and changes to law.

- Sales tax collections totaled \$855.1 million for December, which is \$2.6 million (0.3%) below the monthly estimate and \$0.03 million (0.0%) below revenue in December 2022.

Comparisons relative to prior year actuals will be impacted by HEA 1001-2023 which removed the allocation of gasoline use tax collections to the General Fund, beginning in FY 2024.

The December performance of 1.4% year-over-year growth, which mostly reflects November economic activity, compares to -0.5% and -0.4% year-over-growth in the two preceding months.

Sales tax collections excluding gasoline use tax are projected to grow by 1.3% year-over-year for FY 2024 compared to 5.2% in FY 2023, 9.9% in FY 2022, and 13.9% in FY 2021.

Beginning in FY 2024, gasoline use tax is no longer allocated to the General Fund. As a result, gasoline use tax monthly collections came in \$0.0 million below the monthly estimate and \$11.8 million (100.0%) below prior year actuals.

- Individual income tax collections totaled \$768.1 million for December, which is \$232.1 million (43.3%) above the monthly estimate and \$228.5 million (42.3%) above revenue in December 2022.

It is estimated that more than \$200 million of the monthly collections is attributable to unusual payment timing as taxpayers adjust to recent tax law changes (2023 legislative session). Year-over-year comparisons are impacted by the reduction in the state individual income tax rate (effective January 1, 2023), changes in tax requirements associated with the pass-through entity tax, and more.

Over the coming months, monthly collections are expected to fluctuate significantly but are currently expected to normalize near the fiscal year forecast.

With important quarterly payment due dates, September, January, April, and June are the most important revenue months for individual income tax.

- Corporate tax collections totaled \$170.3 million for December, which is \$11.4 million (6.3%) below the monthly estimate but \$19.8 million (13.1%) above revenue in December 2022.

Differences relative to monthly estimates are likely as various factors may impact monthly revenue activity including payment and refund timing, late payments, and more.

With important quarterly payment due dates, September, December, April, and June are the most important revenue months for corporate taxes.

- Riverboat wagering tax collections totaled \$24.7 million for December, which is \$0.4 million (1.7%) above the monthly estimate but \$2.2 million (8.0%) below revenue in December 2022.
- Racino wagering tax collections totaled \$10.4 million for December, which is \$0.03 million (0.2%) below the monthly estimate and \$0.4 million (3.6%) below revenue in December 2022.

Commentary

Year-to-date General Fund revenues totaled \$9,922.7 million, which is \$245.6 million (2.5%) above the December 2023 revenue forecast and \$293.4 million (3.0%) above revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$5,149.9 million, which is \$3.5 million (0.1%) above the December 2023 revenue forecast but \$43.5 million (0.8%) below collections through the same period in the prior fiscal year.

Year-to-date collections attributable to sales tax excluding gasoline use tax are \$3.5 million (0.1%) above the December 2023 revenue forecast and \$37.9 million (0.7%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$3,568.3 million, which is \$232.1 million (7.0%) above the December 2023 revenue forecast and \$171.5 million (5.0%) above collections through the same period in the prior fiscal year.

As previously mentioned, individual income tax collections are expected to fluctuate significantly but are currently expected to normalize near the fiscal year forecast. It is estimated that more than \$200 million of the fiscal year-to-date collections is attributable to unusual payment timing as taxpayers adjust to recent tax law changes (2023 legislative session). Year-over-year comparisons are impacted by the reduction in the state individual income tax rate (effective January 1, 2023), changes in tax requirements associated with the pass-through entity tax, and more.

Year-to-date corporate tax collections totaled \$420.9 million, which is \$11.9 million (2.8%) below the December 2023 revenue forecast and \$4.1 million (1.0%) below collections through the same period in the prior fiscal year. Year-over-year comparisons are impacted by the repeal of the utility receipts tax and utility services use tax as well as other factors such as timing of payments and refunds, additional changes in law, and more.

Comparisons to estimates and prior-year actuals will be better interpreted over the April and June months since those months are the two highest revenue activity months.

As previously noted, monthly collections and comparisons relative to monthly estimates are better interpreted looking at the full fiscal year perspective. In addition to the factors mentioned throughout this commentary, various aspects to consider include federal policy actions, temporary and seasonal economic dynamics, interest rates, and more.