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The monthly revenue report for March 2023 state tax collections was released today.

Note to readers: The monthly revenue estimates are based on the December 15, 2022 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 2023 began on July 1, 2022 and ends June 30, 2023.

Results

- General Fund revenues for March totaled \$1,499.7 million, which is \$66.2 million (4.6%) above estimate based on the December 15, 2022 revenue forecast and \$36.8 million (2.5%) above revenue in March 2022.

Notably, better-than-expected collections from sales tax, individual income tax, corporate tax, and interest revenues are driving this month's better-than-expected performance.

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 \$787.5 million for March, which is \$24.9 million (3.3%) above the monthly estimate and \$54.6 million (7.5%) above revenue in March 2022.

Monthly collections attributable to sales tax excluding gasoline use tax were \$22.1 million above the monthly estimate and \$57.7 million (8.0%) above prior year actuals. The March performance of 8.0% year-over-year growth, which mostly reflects February economic activity, compares to 7.4% year-over-year growth in February and 6.5% year-over-year growth for the period of July through February.

Gasoline use tax monthly collections came in \$2.9 million above the monthly estimate but \$3.0 million (23.0%) below prior year actuals. Gasoline use tax

collections are impacted by the lower statutory share of collections distributed to the General Fund in FY 2023 relative to FY 2022.

- Individual income tax collections totaled \$527.3 million for March, which is \$17.8 million (3.5%) above the monthly estimate but \$10.0 million (1.9%) below revenue in March 2022. Year-over-year comparisons are impacted by the reduction in the state individual income tax rate (effective January 1, 2023), and more.

Monthly collections related to tax withholdings came in \$14.7 million above the monthly estimate and \$51.7 million (6.2%) above prior year actuals. The March performance of 6.2% year-over-year growth mostly reflects February economic activity.

Other monthly individual income tax collections, net of refunds, came in \$3.1 million above the monthly estimate but \$61.6 million (20.5%) below prior year actuals.

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, January, April, and June are the most important revenue months for individual income tax.

- Corporate tax collections totaled \$79.6 million for March, which is \$30.0 million (60.6%) above the monthly estimate and \$18.3 million (29.9%) above revenue in March 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 \$35.4 million for March, which is \$1.7 million (5.1%) above the monthly estimate but \$19.6 million (35.6%) below revenue in March 2022.

Racino wagering tax collections totaled \$13.0 million for March, which is \$1.8 million (12.1%) below the monthly estimate and \$0.2 million (1.7%) below revenue in March 2022.

Commentary

Year-to-date General Fund revenues totaled \$14,292.6 million, which is \$273.9 million (2.0%) above the December 2022 revenue forecast and \$665.2 million (4.9%) above revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$7,835.0 million, which is \$43.8 million (0.6%) above the December 2022 revenue forecast and \$467.4 million (6.3%) above collections through the same period in the prior fiscal year.

Year-to-date collections attributable to sales tax excluding gasoline use tax are \$40.4 million (0.5%) above the December 2022 revenue forecast and \$484.6 million (6.7%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$4,942.3 million, which is \$106.1 million (2.2%) above the December 2022 revenue forecast and \$175.5 million (3.7%) above collections through the same period in the prior fiscal year.

Year-to-date corporate tax collections totaled \$536.6 million, which is \$31.7 million (6.3%) above the December 2022 revenue forecast but \$161.4 million (23.1%) 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 coming months as April and June are the two highest revenue activity months.

As previously noted, monthly collections and comparisons relative 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.