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The monthly revenue report for May 2021 state tax collections was released today.

Note to readers: The monthly revenue estimates are based on the April 15, 2021 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 2021 begins on July 1, 2020 and ends June 30, 2021.

Results

- General Fund revenues for May totaled $1,878.3 million, which is $518.8 million (38.2%) above estimate based on the April 15, 2021 revenue forecast and $926.0 million (97.2%) above revenue in May 2020.

  Notably, monthly collections from sales tax, individual income tax, corporate adjusted gross income tax, and gaming taxes came in above monthly estimates and are trending at multi-year highs.

  Year-over-year comparisons are particularly impacted by the different economic developments and federal policy actions associated with the onset of the pandemic since 2020 as well as the different tax payment schedules in FY 2020 and FY 2021 relative to the alignment of Indiana's tax filing and payment due dates with the federal deferral.

  Overall, monthly fluctuations and differences relative to estimates from July 2020 to May 2021 are most likely influenced by unusual factors including the changing restrictions related to the pandemic, vaccine development and distribution, and recent federal policy actions on assistance programs, economic impact payments, interest rates, and more.

- Sales tax collections totaled $812.3 million for May, which is $119.0 million (17.2%) above the monthly estimate and $228.8 million (39.2%) above revenue in May 2020.

  Monthly collections attributable to sales tax excluding gasoline use tax were $117.0 million above the monthly estimate and $221.1 million above prior year actuals. The May performance, which mostly reflects April economic activity, is trending at multi-year highs and shows continued momentum in growth relative to prior year actuals (38.7%) as May 2020 collections saw a particularly negative impact from the onset of the pandemic. Fiscal year-to-date collections are 13.5 percent above the same period a year ago.

While it is difficult to identify the specific impact of the state enforcement of the recent changes in the taxation of remote sales on the year-to-date tax collections, some data on revenue collections attributable to compliance from marketplace facilitators continues to suggest robust year-over-year growth.

Gasoline use tax monthly collections came $2.0 million above the monthly estimate and $6.7 million above prior year actuals. Year-over-year comparisons are impacted by the onset of the pandemic in 2020 as well as the lower statutory share of total gasoline use tax collections distributed to the General Fund in FY 2021 relative to FY 2020.

- Individual income tax collections totaled $934.1 million for May, which is $251.9 million (36.9%) above the monthly estimate and $598.0 million (177.9%) above revenue in May 2020.

  Monthly collections related to tax withholdings came in $54.1 million above the monthly estimate and $189.9 million above prior year actuals. Other monthly individual income tax collections, net of refunds, came in $197.8 million above the monthly estimate and $408.1 million above prior year actuals.

  Withholdings and other individual income tax collections, which include final and estimated payments net of refunds, are trending at multi-year highs and collections over the January to May period, particularly April and May combined, came in better than expected.

  As aforementioned, year-over-year comparisons are most likely influenced by various federal tax law changes, policy actions on assistance programs and economic impact payments, the pandemic impact on May 2020 collections and the different tax payment schedules in FY 2020 and FY 2021 relative to the alignment of Indiana’s tax filing and payment due dates with the federal deferral.

  May tax collections were particularly impacted by the 5 Fridays effect and the extension of Indiana’s tax filing and payment due date for individuals for the 2020 tax year from April 15, 2021, to May 17, 2021. May withholdings tax collections are better interpreted relative to the current year monthly estimate because May 2021 was positively impacted by the 5 Fridays effect and May 2020 was not. Historically, the number of Fridays affects the timing of payments from month to month and the revenue impact has typically been between 10 to 20 percent greater whenever a month has the fifth Friday compared to the more common four Fridays in a month.

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Overall, individual income tax collections should be interpreted within the full fiscal year context as a large volume of payments are still due in June.

- Corporate tax collections totaled $46.2 million for May, which is $137.9 million (150.4%) above the monthly estimate and $38.3 million (481.7%) above revenue in May 2020.

  Notably, collections attributable to corporate adjusted gross income tax came in $142.0 million above the monthly estimate and $40.6 million above prior year actuals.

  Corporate tax collections, which include final and estimated payments net of refunds, are trending at multi-year highs and collections over the January to May period, particularly April and May combined, came in better than expected. Multiple factors such federal tax law changes and policy actions as well as payment and refund timing may impact monthly fluctuations and differences relative to estimates.

  As mentioned above with individual income taxes, year-over-year comparisons in corporate tax collections are impacted by the different tax payment schedules in FY 2020 and FY 2021 relative to the alignment of Indiana's tax filing and payment due dates with the federal deferral.

  Corporate tax collections will be better interpreted within the context of the April-June period as a large volume of payments are still due in June.

- Riverboat wagering collections totaled $40.9 million for May, which is $10.3 million (33.7%) above the monthly estimate and $40.9 million above revenue in May 2020 (no taxes were collected due to public health emergency closures).

  Racino wagering collections totaled $14.5 million for May, which is $4.8 million (49.6%) above the monthly estimate and $14.5 million above revenue in May 2020 (no taxes were collected due to public health emergency closures).

<u>Commentary</u>

Year-to-date General Fund revenues totaled $16,983.6 million, which is $617.9 million (3.8%) above the April 2021 revenue forecast and $3,396.6 million (25.0%) above revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled $8,246.6 million, which is $178.4 million (2.2%) above the April 2021 revenue forecast and $900.8 million (12.3%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled $6,860.9 million, which is $276.0 million (4.2%) above the April 2021 revenue forecast and $2,084.8 million (43.7%) above collections through the same period in the prior fiscal year.

Year-to-date corporate tax collections totaled $963.5 million, which is $164.1 million (20.5%) above the April 2021 revenue forecast and $424.4 million (78.7%) above collections through the same period in the prior fiscal year.

As previously noted, monthly collections for the period of July through May were atypically impacted by more than $900 million in deferred and late payments initially attributable to FY 2020 and are likely to have been influenced by unusual factors including the changing restrictions related to the pandemic, developments on the vaccine front, as well as recent changes in federal policy actions on unemployment insurance benefits, economic impact payments, interest rates, federal tax processing schedules, and more.

Monthly collections and the year-to-date trend should be interpreted within the context of the longer term forecast as significant fluctuations are expected in the context of the rapidly changing economic outlook and various federal policy actions.