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The monthly revenue report for September 2020 state tax collections was released today.

Note to readers: The monthly revenue estimates are based on the December 20, 2019 revenue forecast and include the estimated impact of legislative actions taken by the General Assembly in the 2019 legislative session, prior to the onset of the pandemic. The monthly revenue estimates have not been adjusted for any developments since December 2019.

In addition, the reader is reminded that income tax payments with due dates starting April 15 through June 30 were extended through executive orders to July 15, 2020 within FY 2021.

Fiscal Year 2021 begins on July 1, 2020 and ends June 30, 2021.

Results

- General Fund revenues for September totaled $1,621.5 million, which is $17.0 million (1.0%) below estimate based on the December 20, 2019 revenue forecast and $88.2 million (5.2%) below revenue in September 2019.

  Notably, better than expected collections from corporate adjusted gross income tax and sales tax were outweighed by lower than expected collections in individual income tax, gaming, interest, and miscellaneous revenues. September is one of the months with the highest revenue activity as estimated payments for income taxes are due.

  While General Fund revenues are currently $908.5 million above the December 2019 forecast on a fiscal year-to-date basis, it is estimated that approximately $900 million of income taxes received in FY 2021 were initially due in FY 2020 and were deferred to FY 2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15. Additionally, an estimated $50 million of individual income tax payments, attributable to taxes due in FY 2020 for recent federal policy actions on unemployment insurance benefits, were collected in August of FY 2021.

  Fifteen months in the FY 2020-2021 biennium (from July 2019 through September 2020), General Fund revenues are $507.8 million below estimates for that period based on the December 2019 Forecast.

- Sales tax collections totaled $718.0 million for September, which is $10.0 million (1.4%) above the monthly estimate and $7.4 million (1.0%) above revenue in September 2019.

  While monthly collections attributable to sales tax excluding gasoline use tax continued to come in above the monthly estimate, the year-over-year growth rate decelerated relative to July and August. September monthly collections, which mostly reflect August economic activity, may have been influenced by the recent developments related to unemployment insurance benefits and other federal policy actions that either expired or saw changes after July.

  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 fiscal year-to-date tax collections, some data on revenue collections attributable to compliance from marketplace facilitators suggest continued year-over-year growth.

  On gasoline use tax, gasoline consumption and gasoline use tax rates continued to come in lower than monthly estimates and prior year actuals. Additionally, the statutory share of total gasoline use tax collections distributed to the General Fund has decreased from last fiscal year.

  Overall, the period of July 2020 to September 2020 may have been influenced by unusual factors including the phased reopening of the economy in June as well as recent federal policy actions on assistance programs, economic impact payments, interest rates and more.

- Individual income tax collections totaled $579.5 million for September, which is $24.7 million (4.1%) below the monthly estimate and $104.3 million (15.2%) below revenue in September 2019.

  Collections related to tax withholdings came in $15.5 million below the monthly estimate and $78.2 million below prior year actuals. September individual income tax collections are better interpreted relative to the current year monthly estimate because September 2019 was positively impacted by the 5 Fridays effect while September 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 one more Friday than the more common four Fridays in a month.

  Estimated payments (typically expected in September, January, April and June) came in $9.2 million below the monthly estimate and in line with prior year actuals. From a fiscal year-to-date perspective, estimated payments are above the same period a year ago when excluding payments potentially deferred from FY 2020 to FY 2021 due to the alignment of Indiana’s tax filing and payment due dates with the federal deferral to July 15.

- Corporate tax collections totaled $209.6 million for September, which is $14.6 million (7.5%) above the monthly estimate and $22.9 million (12.3%) above revenue in September 2019. Overall, collections attributable to corporate adjusted gross income tax came in above the monthly estimate due to higher than expected payments.

  Notably, estimated payments (typically expected in September, December, April and June), came in $16 million above the monthly estimate and $26.1 million above prior year actuals. From a fiscal year-to-date perspective, estimated payments are above the same period a year ago when excluding payments potentially deferred from FY 2020 to FY 2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15.

- Riverboat wagering collections totaled $15.1 million for September, which is $4.3 million (22.1%) below the monthly estimate and $5.7 million (27.3%) below revenue in September 2019.

  Racino wagering collections totaled $8.8 million for September, which is $1.5 million (14.4%) below the monthly estimate and $0.5 million (5.7%) below revenue in September 2019.

  With the reopening of casinos and recent legislative changes impacting Indiana gaming activity, gaming collections will be better interpreted in the coming months relative to the full fiscal year outlook.

Commentary

Year-to-date sales tax collections totaled $2,216.0 million, which is $79.9 million (3.7%) above the December 2019 revenue forecast and $136.4 million (6.6%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled $2,169.2 million, which is $680.2 million (45.7%) above the December 2019 revenue forecast and $732.9 million (51.0%) above collections through the same period in the prior fiscal year. About $700M of individual income tax payments are estimated to have been deferred from FY 2020 to FY 2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15.

Year-to-date corporate tax collections totaled $392.0 million, which is $189.9 million (94.0%) above the December 2019 revenue forecast and $195.3 million (99.3%) above collections through the same period in the prior fiscal year. About $200 million of corporate tax payments are estimated to have been deferred from FY 2020 to FY 2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15.

Overall, monthly collections for the period of July through September were atypically impacted by deferred and late payments initially attributable to FY 2020 and may have been influenced by unusual factors including the phased reopening of the economy in June as well as recent changes in federal policy actions on unemployment insurance benefits, economic impact payments, interest rates and more. For instance, most of the income tax collections deferred from FY 2020 to FY 2021, due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15, are attributable to tax year 2019 and income earned prior to March 2020.

As most of the General Fund revenues come in between December and June and nearly 80 percent of revenues typically come in between October and June, trends between revenue actuals and estimates will be better interpreted in the coming months within the context of the longer trend for FY 2021. Going into the rest of the fiscal year, significant fluctuations are expected and deviations from monthly estimates are likely as the rapidly changing economic outlook and federal policy actions will most likely impact monthly collections.