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The revenue report of state tax collections was released today for the third quarter of Fiscal Year 2013 and the month of March 2013.

Results

- For the third quarter of FY 2013, state general fund revenues were \$4.5 million above forecast and \$10.4 million below collections for the third quarter of FY 2012.
 - In the third quarter, sales tax revenues were \$1,688.9 million, \$40.6 million below forecast and \$41.6 million above the third quarter of FY 2012.
 - In the third quarter, individual income tax revenues were \$1,013.6 million, \$78.8 million above forecast and \$5.2 million below the third quarter of FY 2012.
 - Third quarter corporate income tax revenues were negative \$8.4 million, \$35.4 million below forecast and \$37.1 million below the third quarter of FY 2012.
- For March 2013, state general revenues totaled \$919.9 million, \$80.0 million (-8.0%) below forecast and \$119.3 million (-11.5%) below collections for the same period last year.
 - The forecast miss for March 2013 is mostly due to a delay in individual income tax refunds, which pushed at least \$68 million in refunds from January and February to March.
 - Excluding these refunds, January and February individual income tax revenues were a combined \$63.8 million above forecast (originally \$131.8 million) and March was \$15 million above forecast.
- Year to date, state general fund revenues have increased \$192.1 million (+2.0%) and are \$74.4 million (0.8%) above forecast.

Commentary

Through the first nine months of FY 2013, state general fund revenues have increased 2.0%, one-third higher than the rate projected in the December 17, 2012 forecast (1.5%). Total general fund revenues are now \$74.4 million ahead of the December forecast.

Individual income tax was a strong performer in the third quarter, bringing in \$78.8 million above forecast. Sales tax was \$40.6 million below forecast, and corporate income tax was \$35.4 million below forecast for the quarter. Compared to the third quarter of FY 2012, sales tax was a strong performer, bringing in \$41.6 million above the third quarter last year. Individual income tax was \$5.2 million below and corporate income tax was \$37.1 million below the third quarter of FY 2012.

Sales tax collections in March were down 1.8% from March 2012 and were 2.4% below forecast for the month. Fiscal year-to-date sales tax revenues have grown 2.5% from March 2012 and are slightly below forecast (-1.2%) for the current month.

Individual income tax collections in March were down 29% from March 2012 as expected due partially to timing issues related to processing of individual income tax returns and associated refunds. We believe that approximately \$68 million in refunds were processed in March instead of January and February, which caused individual income tax collections for those months to be overstated and March collections to be understated. After accounting for this shift, we believe individual income tax collections were \$63.8 million

above forecast in January and February combined (instead of the reported \$131.8 million) and \$15.0 million above forecast in March (compared to negative \$53.0 million in this report).

Through March, individual income tax collections have increased 3.0% compared to the same nine-month period last year. Individual income tax collections are running 3.9% ahead of forecast through the first nine months of FY 2013, despite the transfer of \$139.9 million in individual income tax receipts into a local option income tax (LOIT) reserve since December 2012. This reserve will smooth out fluctuations in the state's individual income tax revenue collections and provide a first layer of protection in the event of an economic downturn.

Corporate income tax collections in March were up 6.8% from March 2012 and were 3.0% above forecast for the month. Through March, corporate income tax collections have increased 4.5% for the year and are running 4.9% ahead of forecast for the year.