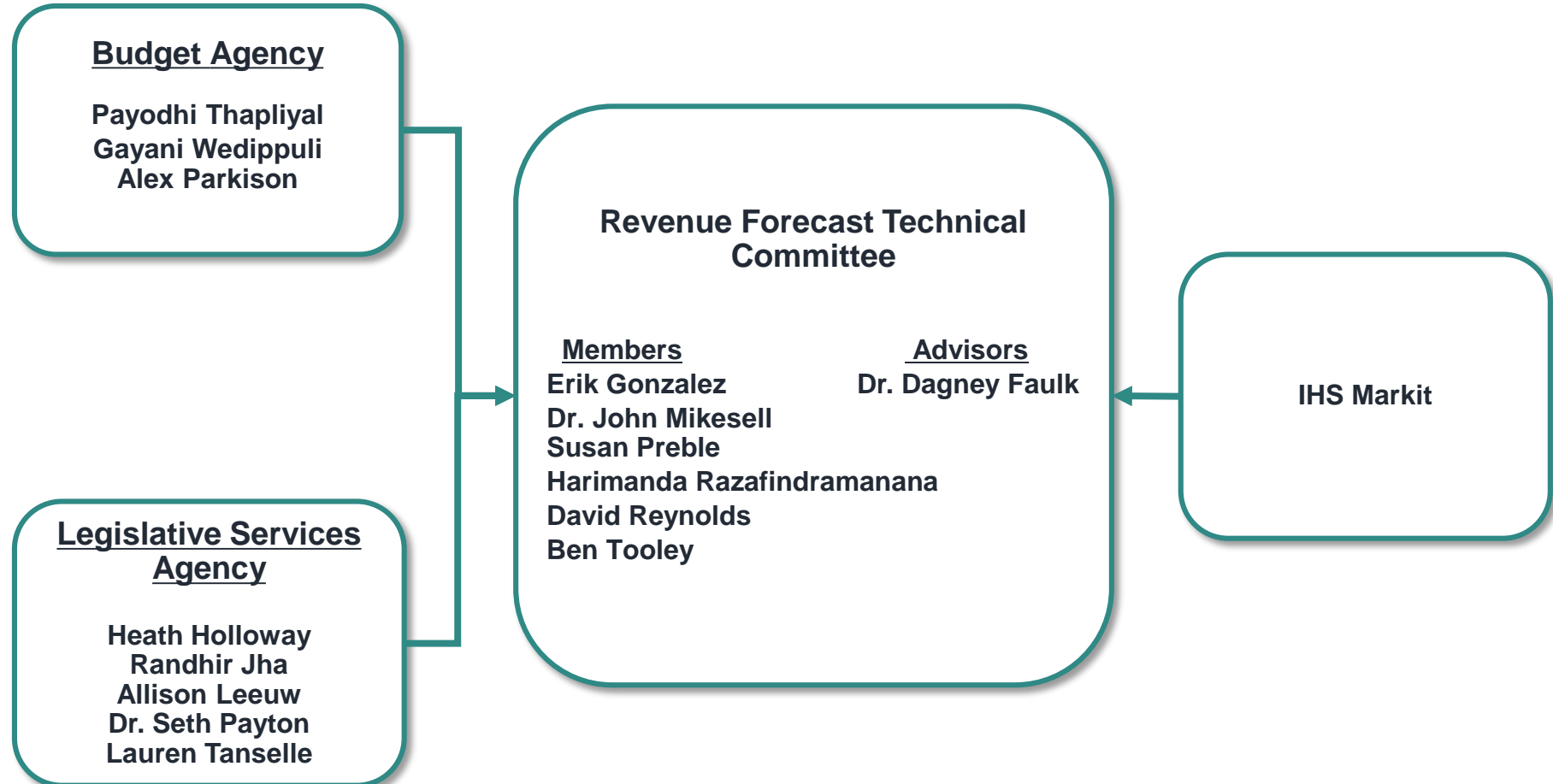


General Fund Revenue Forecast

**Fiscal Years 2019, 2020, and 2021
Revenue Forecast Technical Committee**

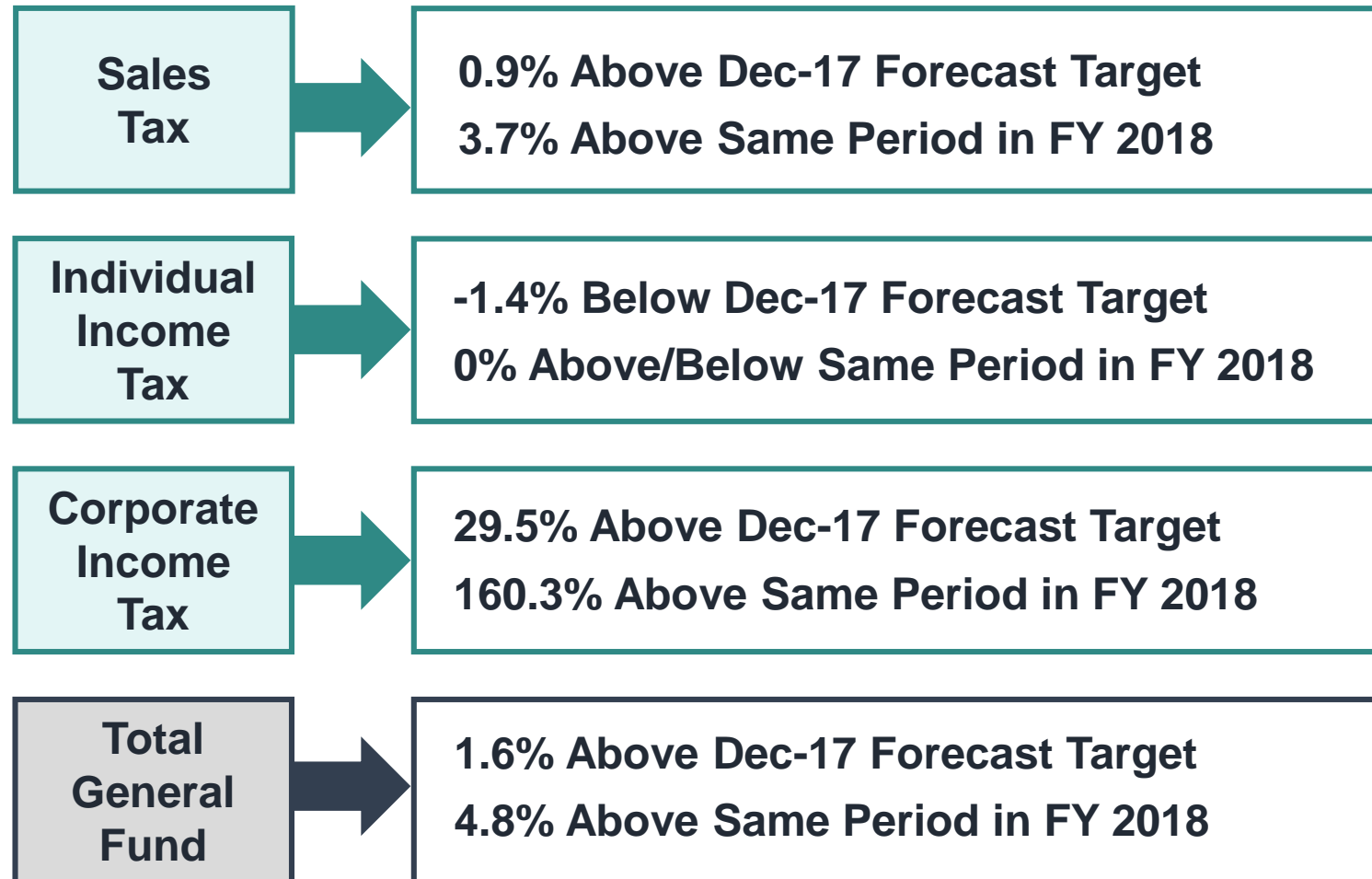
**Presented to the State Budget Committee
December 17, 2018**

Indiana Revenue Forecast



Performance of Major Revenue Sources

Year-To-Date Through November 30th FY 2018



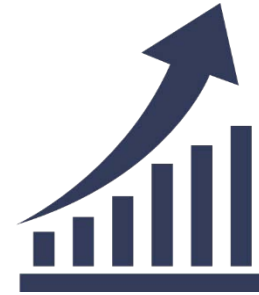
Economic Forecast Overview



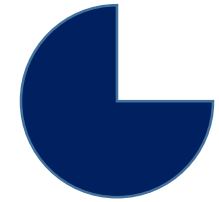
U.S. economy has exhibited sustained growth with strong consumer spending, low inflation and modest interest rates.



Indiana unemployment rate has remained at 4% or below since March 2017.



Leading economic indicators point to consistent economic growth throughout 2019.



Some troubling indicators are uncertainties in trade policies, slowing international growth, and shrinking domestic auto sector.

Legislative Changes Incorporated

Fiscal Impact from 2018 Session & 2018 Special Session

- Internal Revenue Code update (IRC)
- Sales tax exemption on prewritten computer software

Ongoing Corporate Income Tax Rate Reduction

- 5.75% in FY 2019
- 5.50% in FY 2020
- 5.25% in FY2021

Ongoing Financial Institutions Tax Rate Reduction

- 6.50% in CY 2018
- 6.25% in CY 2019
- 6.00% in CY 2020
- 5.50% in CY 2021

Gasoline Use Tax Distributions to State General Fund

- Distributed same as rest of the Sales & Use tax in FY 2016
- 85.714% in FY 2017
- 71.428% in FY 2018
- 64.285% in FY 2019
- 53.575% in FY 2020
- 42.865% in FY 2021

Revenue Estimators

Sales Tax

Gasoline Use Tax

Indiana Real GSP, Retail Trade	U.S. Demand for Petroleum as a % of All Fuel
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U.S. Summer Gas Price * Fuel Efficiency

Remaining Sales & Use Tax

Indiana Personal Income Net of Transfer Payments & Proprietors Income Per Household

U.S. Household Financial Obligation Ratio	Indiana PCE Goods/ PCE Services
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Prior FY Rate on Mortgage

Individual Income Tax

Estimated Pay & Others

U.S. Dividend & Interest Income	U.S. Household Holding of Corp. Equities
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Withholdings

Indiana Adj. Wages & Salaries

Extra Pay Period in Q4

Prior Year Births	AR1
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Refunds

A set share of Withholding + Estimated Pay & Others

Corporate Income Tax

Corporate Adjusted Gross Income

U.S. Before Tax Corporate Profits with Adjustments

Industrial Production Index

Net U.S. International Investment Position

FY Tax Rate Change

Other Adjustments to Forecast

Recognition of:

Sales Tax:

- ❖ **U.S. Supreme Court Decision on Wayfair Online Sales**
(*South Dakota v. Wayfair, Inc.*, 2018)

Gaming Tax:

- ❖ **Revenue Loss to South Bend Tribal Casino**

December 2018 Forecast Results

Total Tax Revenue Estimates

December 17, 2018, Revenue Forecast

Sales Tax (in millions \$)						
Fiscal Year	Dec-17 Forecast	Dec-18 Forecast	Growth Over Prior Year		Difference Dec-2017 Forecast to Dec-2018 Forecast	
2019	7,837.9	7,921.8	259.2	3.4%	83.9	1.1%
2020		8,115.7	193.9	2.4%		
2021		8,252.7	137.0	1.7%		
Individual Income Tax (in millions \$)						
Fiscal Year	Dec-17 Forecast	Dec-18 Forecast	Growth Over Prior Year		Difference Dec-2017 Forecast to Dec-2018 Forecast	
2019	5,922.9	6,037.0	220.9	3.8%	114.1	1.9%
2020		6,249.0	212.0	3.5%		
2021		6,468.1	219.1	3.5%		
Corporate Income Tax (in millions \$)						
Fiscal Year	Dec-17 Forecast	Dec-18 Forecast	Growth Over Prior Year		Difference Dec-2017 Forecast to Dec-2018 Forecast	
2019	870.7	773.4	113.0	17.1%	-97.3	-11.2%
2020		790.4	17.0	2.2%		
2021		792.7	2.3	0.3%		

Total Tax Revenue Estimates

December 17, 2018, Revenue Forecast

Gaming Taxes (in millions \$)						
Fiscal Year	Dec-17 Forecast	Dec-18 Forecast	Growth Over Prior Year		Difference Dec-2017 Forecast to Dec-2018 Forecast	
2019	378.7	411.5	-20.6	-4.8%	32.8	8.7%
2020		415.4	3.9	0.9%		
2021		417.6	2.2	0.5%		
Other Taxes (Includes MVET/ CVET Recapture) (in millions \$)						
Fiscal Year	Dec-17 Forecast	Dec-18 Forecast	Growth Over Prior Year		Difference Dec-2017 Forecast to Dec-2018 Forecast	
2019	951.4	996.7	-3.5	-0.3%	45.3	4.8%
2020		1,012.8	16.1	1.6%		
2021		1,038.0	25.2	2.5%		
Total General Fund Taxes (in millions \$)						
Fiscal Year	Dec-17 Forecast	Dec-18 Forecast	Growth Over Prior Year		Difference Dec-2017 Forecast to Dec-2018 Forecast	
2019	15,961.6	16,140.4	569.1	3.7%	178.8	1.1%
2020		16,583.2	442.8	2.7%		
2021		16,969.2	386.0	2.3%		

Total General Fund Revenue Forecast Fiscal Years 2019, 2020 & 2021

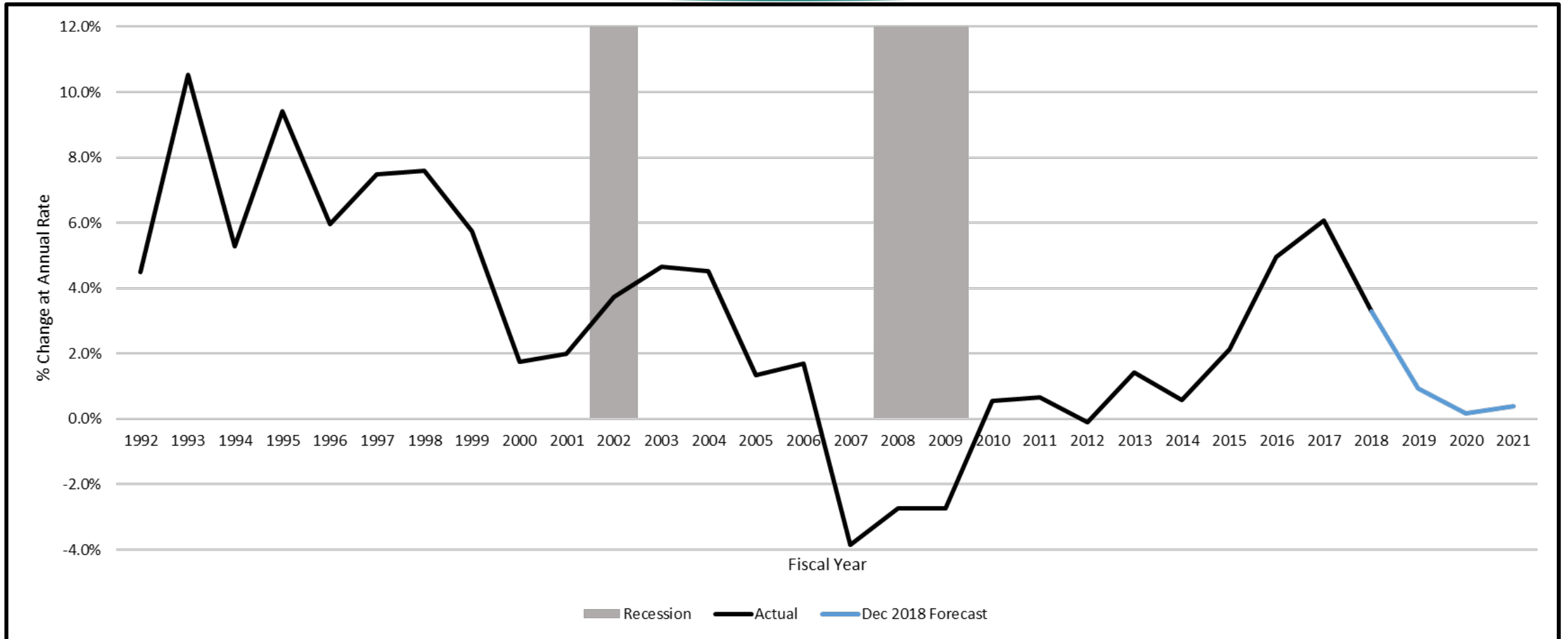
December 17, 2018 (in millions \$)

	Actual 2018	Dec. 2017 Forecast 2019	Updated Forecast 2019	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Percent Growth Over 2018	Updated Forecast 2020	Percent Growth Over 2019	Updated Forecast 2021	Percent Growth Over 2020
Major Taxes										
Sales & Use	7,662.6	7,837.9	7,921.8	83.9	1.1%	3.4%	8,115.7	2.4%	8,252.7	1.7%
Individual Income	5,816.1	5,922.9	6,037.0	114.1	1.9%	3.8%	6,249.0	3.5%	6,468.1	3.5%
Corporate - AGI, URT, USUT, FIT	660.4	870.7	773.4	-97.3	-11.2%	17.1%	790.4	2.2%	792.7	0.3%
Riverboat Wagering	317.3	269.8	299.5	29.7	11.0%	-5.6%	304.1	1.5%	305.8	0.6%
Racino Wagering	114.8	108.9	112.0	3.0	2.8%	-2.5%	111.3	-0.6%	111.8	0.4%
Subtotal Major Taxes	14,571.2	15,010.2	15,143.7	133.5	0.9%	3.9%	15,570.4	2.8%	15,931.2	2.3%
Other Revenue										
Cigarette	240.7	233.9	236.0	2.1	0.9%	-1.9%	230.0	-2.5%	222.1	-3.4%
Insurance	231.5	239.6	237.1	-2.5	-1.0%	2.4%	242.8	2.4%	248.6	2.4%
Inheritance	0.3	0.0	0.0	0.0	N/A	N/A	0.0	N/A	0.0	N/A
Alcoholic Beverages	19.2	20.4	20.2	-0.2	-1.0%	5.0%	20.8	3.0%	21.2	1.9%
Riverboat Admissions*	10.0	9.3	9.4	0.1	1.3%	-5.9%	9.3	-1.4%	9.3	0.4%
Interest	57.1	46.4	62.0	15.6	33.7%	8.6%	80.0	29.0%	88.0	10.0%
Motor & Commercial Vehicle Excise	266.1	245.6	274.8	29.2	11.9%	3.3%	283.8	3.3%	293.1	3.3%
Miscellaneous Revenue	175.2	156.2	157.2	1.0	0.6%	-10.3%	146.1	-7.1%	155.6	6.5%
Subtotal Other Revenue	1,000.2	951.4	996.7	45.3	4.8%	-0.3%	1,012.8	1.6%	1,038.0	2.5%
Total General Fund	15,571.3	15,961.6	16,140.4	178.8	1.1%	3.7%	16,583.2	2.7%	16,969.2	2.3%

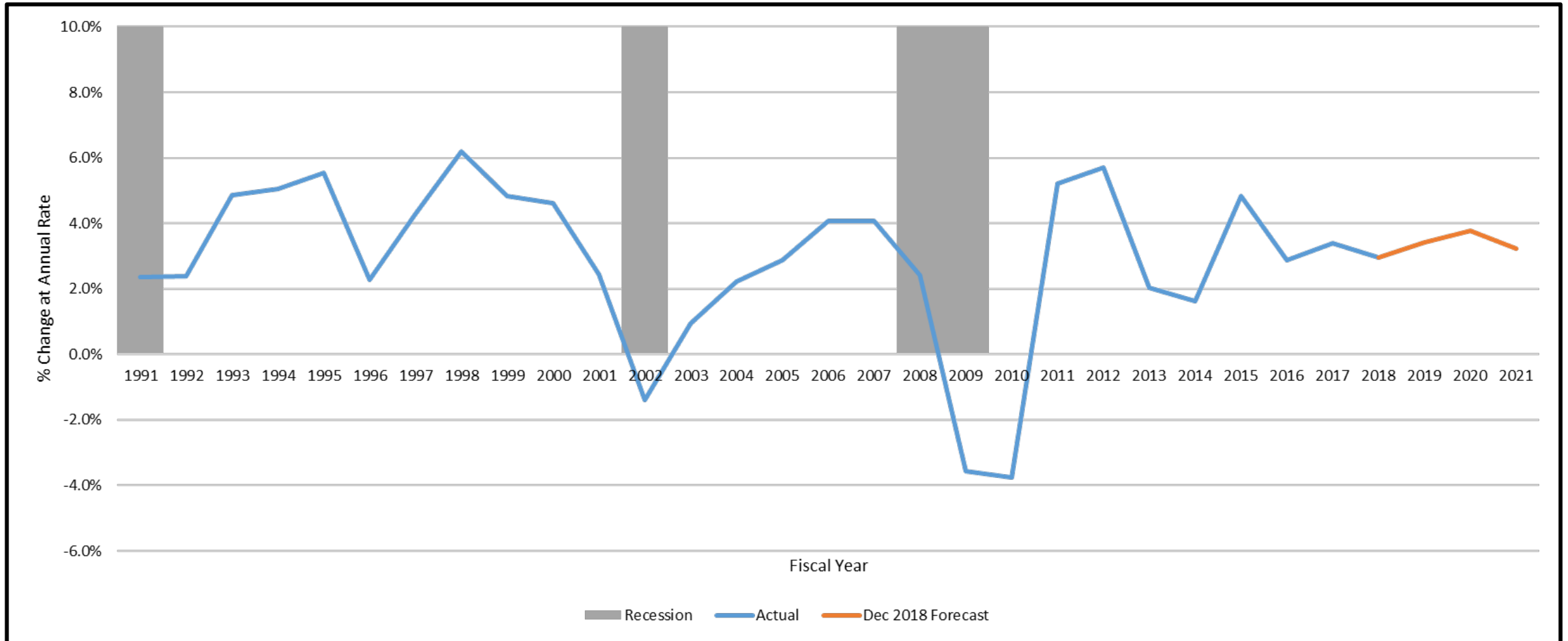
*Riverboat Supplemental Wagering tax in FY 2019 onward

Appendices for December 2018 Revenue Forecast

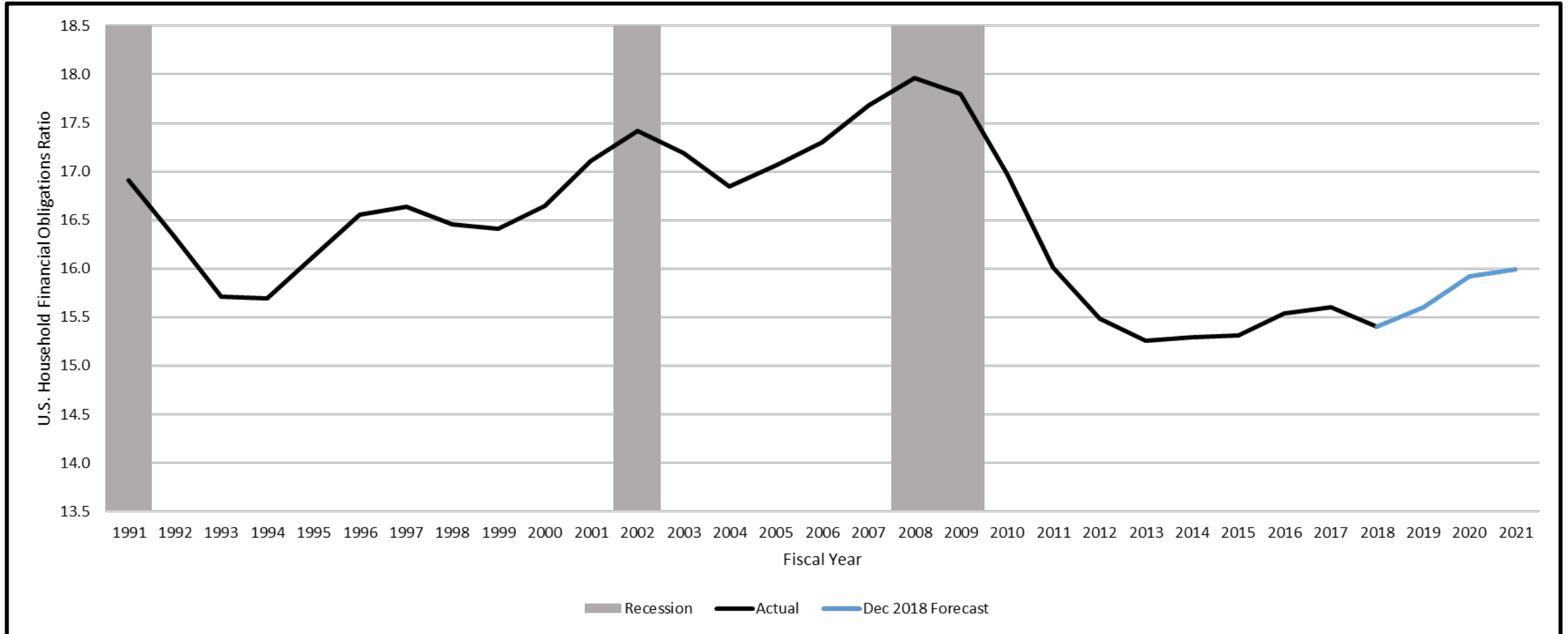
Indiana Real GSP, Retail Trade



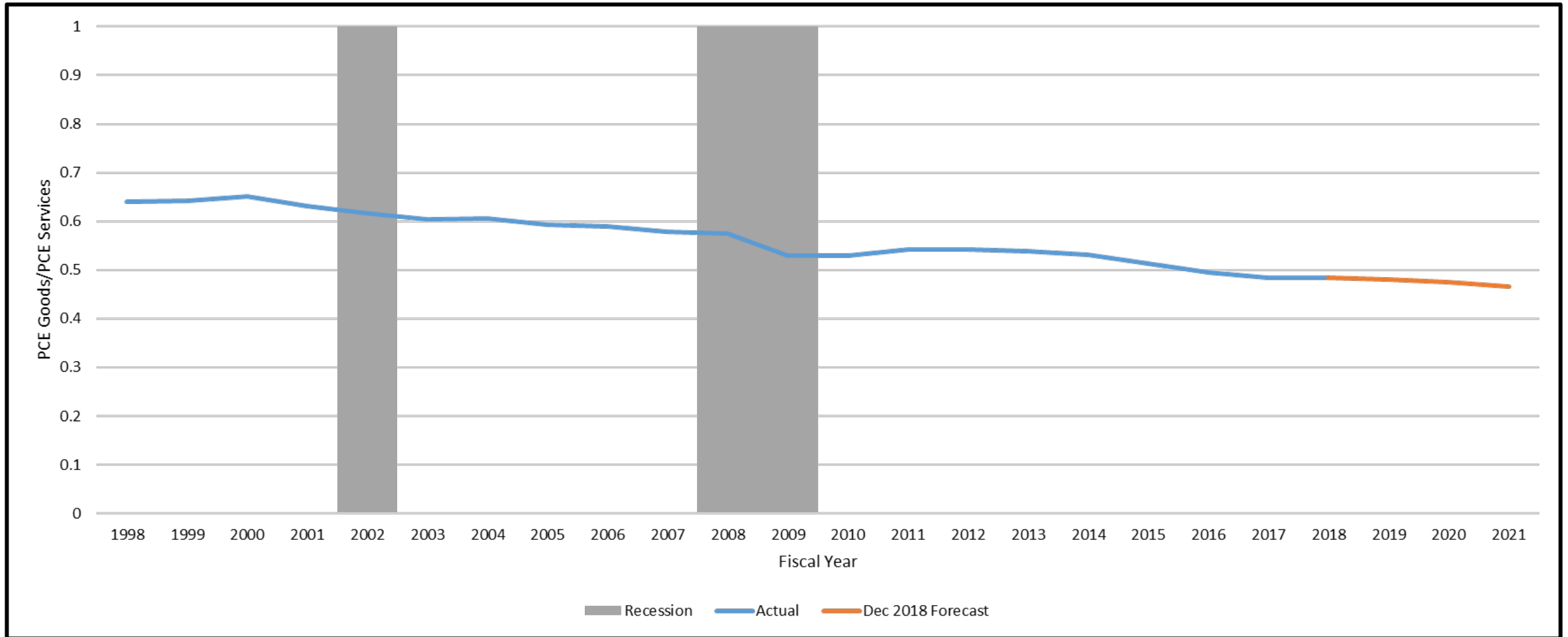
Indiana Personal Income Net of Transfer Payments and Proprietors' Income Per Household



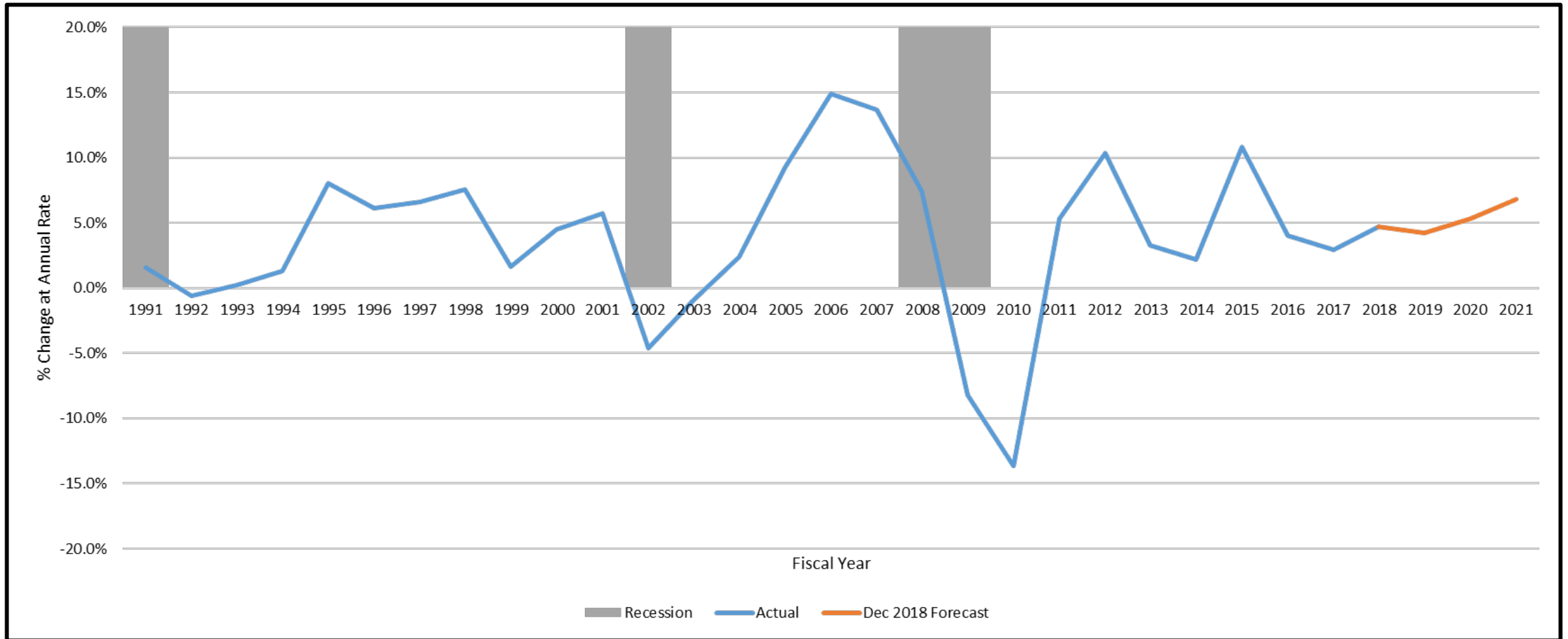
U.S. Household Financial Obligations Ratio



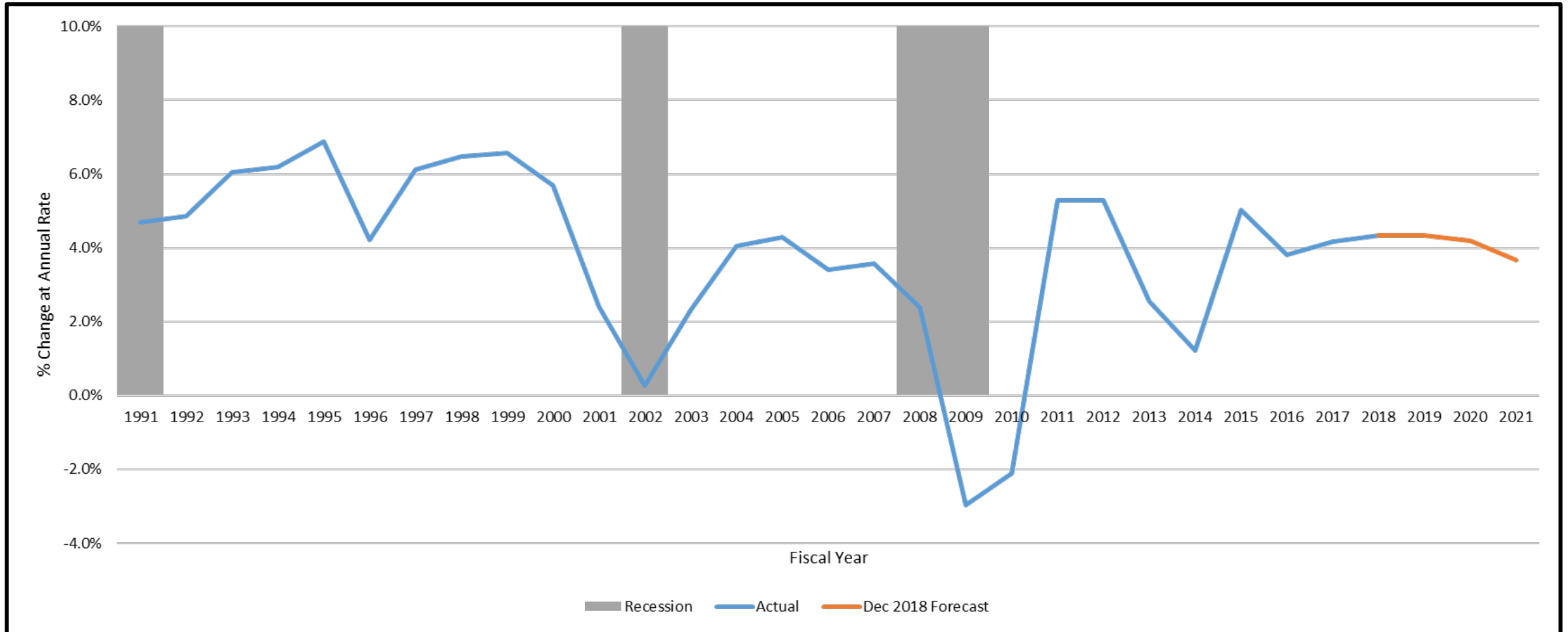
Indiana PCE Goods/ PCE Services



U.S. Dividend and Interest Income



Indiana Adjusted Wages and Salaries



U.S. Before-Tax Corporate Profits with IVA and Capital Consumption Adjustment

