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The monthly revenue report for January 2022 state tax collections was released today.

Note to readers: The monthly revenue estimates are based on the December 16, 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 2022 began on July 1, 2021 and ends June 30, 2022.

Results

- General Fund revenues for January totaled \$2,025.4 million, which is \$41.2 million (2.1%) above estimate based on the December 16, 2021 revenue forecast and \$202.6 million (11.1%) above revenue in January 2021.

Notably, better than expected collections from individual income tax, corporate taxes, gaming taxes, and interest outweighed lower than expected collections in sales tax, insurance, and miscellaneous.

Monthly fluctuations and year-over-year comparisons are influenced by seasonal factors as well as changing dynamics compared to FY 2021 relative to the pandemic, timing of tax deadlines, and evolving federal policy actions on assistance programs, economic impact payments, interest rates, and more.

- Sales tax collections totaled \$976.2 million for January, which is \$15.1 million (1.5%) below the monthly estimate but \$116.0 million (13.5%) above revenue in January 2021.

Monthly collections attributable to sales tax excluding gasoline use tax were \$16.1 million below the monthly estimate but \$111.8 million above prior year actuals. The January performance, which mostly reflects December economic activity, shows continued momentum in growth relative to prior year actuals (13.1%).

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, estimates on revenue collections attributable to compliance from marketplace facilitators continue to suggest robust year-over-year growth.

Gasoline use tax monthly collections came in \$0.9 million above the monthly estimate and \$4.2 million above prior year actuals. Despite lower taxable gallons and the lower statutory share of collections distributed to the General Fund in FY 2022 relative to FY 2021, the gasoline use tax rate was above prior year actuals.

- Individual income tax collections totaled \$906.0 million for January, which is \$34.9 million (4.0%) above the monthly estimate and \$61.2 million (7.2%) above revenue in January 2021.

Monthly collections related to tax withholdings came in \$13.8 million above the monthly estimate and \$129.2 million above prior year actuals. Other monthly individual income tax collections, net of refunds, came in \$21.1 million above the monthly estimate and \$68.0 million below prior year actuals. For perspective, monthly tax collections were particularly impacted by the 5 Fridays effect and the opening of tax season in January 2022 compared to February 2021 a year ago.

January withholdings tax collections are better interpreted relative to the current year monthly estimate because January 2022 was positively impacted by the 5 Fridays effect and January 2021 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.

With important quarterly payment due dates, September, January, April, and June are the most important revenue months for individual income taxes.

- Corporate tax collections totaled \$46.7 million for January, which is \$26.6 million (132.0%) above the monthly estimate and \$17.3 million (58.6%) above revenue in January 2021.

Monthly collections attributable to corporate adjusted gross income tax came in \$22.7 million above the monthly estimate and \$14.2 million above prior year actuals. Additionally, monthly collections attributable to utility receipt tax came in \$3.0 million above the monthly estimate and \$2.0 million above prior year actuals. The difference compared to prior year actuals is due to the timing of refunds.

With important quarterly payment due dates, September, December, April, and June are the most important revenue months for corporate taxes.

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- Riverboat wagering collections totaled \$36.6 million for January, which is \$7.5 million (25.7%) above the monthly estimate and \$10.0 million (37.4%) above revenue in January 2021.
 - Racino wagering collections totaled \$13.0 million for January, which is \$2.5 million (23.6%) above the monthly estimate and \$3.4 million (35.6%) above revenue in January 2021.

Commentary

Year-to-date General Fund revenues totaled \$11,029.1 million, which is \$64.6 million (0.6%) above the December 2021 revenue forecast and \$338.1 million (3.2%) above revenues through the same period in the prior fiscal year.

Year-to-date sales tax collections totaled \$5,873.3 million, which is \$8.3 million (0.1%) below the December 2021 revenue forecast but \$653.0 million (12.5%) above collections through the same period in the prior fiscal year. Year-to-date collections attributable to sales tax excluding gasoline use tax are \$11.0 million below the December 2021 revenue forecast but \$627.7 million (12.2%) above collections through the same period in the prior fiscal year. Year-to-date collections attributable to gasoline use tax are \$2.8 million above the December 2021 revenue forecast and \$25.4 million (33.4%) above collections through the same period in the prior fiscal year.

Year-to-date individual income tax collections totaled \$3,945.3 million, which is \$52.0 million (1.3%) above the December 2021 revenue forecast but \$376.3 million (8.7%) below collections through the same period in the prior fiscal year. Prior fiscal year collections were impacted by approximately \$700 million of payments initially due in FY 2020 but collected in FY 2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15, 2020.

Year-to-date corporate tax collections totaled \$622.0 million, which is \$21.8 million (3.6%) above the December 2021 revenue forecast and \$8.5 million (1.4%) above collections through the same period in the prior fiscal year. Prior fiscal year collections were impacted by approximately \$200 million of payments initially due in FY 2020 but collected in FY 2021 due to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15, 2020.

Comparisons to estimates and prior year actuals will be better interpreted over the coming months as several important tax payment due dates and seasonally higher economic activity months are ahead. For perspective, about 45% of the total General Fund revenue forecasted for Fiscal Year 2022 is projected to be collected between February and June.

Overall, monthly collections and the year-to-date trend should be interpreted within the context of the full fiscal year forecast as significant fluctuations are expected, and deviations from monthly estimates are likely.

As previously noted, monthly collections will be influenced by multiple factors including temporary and seasonal economic dynamics, tax payment timing, changing restrictions related to the pandemic, developments on the vaccine front, as well as changes in federal policy actions on unemployment insurance benefits, economic impact payments, interest rates, and more.