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The monthly revenue report for July 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 2022 begins on July 1, 2021 and ends June 30, 2022.

Results

- General Fund revenues for July totaled \$1,334.9 million, which is \$65.2 million (5.1%) above estimate based on the April 15, 2021 revenue forecast and \$664.4 million (33.2%) below revenue in July 2020.

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

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

In particular, approximately \$900 million of income taxes received in July 2020 were initially due in FY 2020 but 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, 2020.

Overall, July is a relatively lower revenue activity month and revenues will be better interpreted across several months as payment timing can influence monthly differences relative to estimates and prior year actuals. Monthly fluctuations are expected going forward as tax collections are influenced by seasonal factors as well as changing dynamics compared to FY 2021 relative to the pandemic and evolving federal policy actions on assistance programs, economic impact payments, interest rates, and more.

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- Sales tax collections totaled \$830.4 million for July, which is \$38.0 million (4.8%) above the monthly estimate and \$66.8 million (8.7%) above revenue in July 2020.

Monthly collections attributable to sales tax excluding gasoline use tax were \$36.6 million above the monthly estimate and \$61.5 million above prior year actuals. The July performance, which mostly reflects June economic activity, is trending at multi-year highs and shows continued momentum in growth relative to prior year actuals (8.1%). July 2020 was impacted by unusual factors such as the changing restrictions related to the pandemic.

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 \$1.3 million above the monthly estimate and \$5.3 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 \$419.2 million for July, which is \$0.3 million (0.1%) above the monthly estimate and \$602.2 million (59.0%) below revenue in July 2020.

Monthly collections related to tax withholdings came in \$14.3 million below the monthly estimate and \$1.7 million above prior year actuals. Other monthly individual income tax collections, net of refunds, came in \$14.6 million above the monthly estimate and \$603.9 million below prior year actuals.

When taking into account various unique payment timing factors in July 2020 relative to deferred payments and more, monthly collections related to tax withholdings were about 3 percent above prior year actuals, and other individual income tax collections were above prior year actuals.

As there are no significant due dates for estimated payments and final payments this July, individual income tax collections should be interpreted over the next few months. With important quarterly due dates, September, January, April, and June are the most important revenue months for individual income taxes.

- Corporate tax collections totaled \$43.5 million for July, which is \$28.9 million (197.2%) above the monthly estimate and \$126.9 million (74.5%) below revenue in July 2020.

Notably, collections attributable to corporate adjusted gross income tax came in \$28.2 million above the monthly estimate and \$114.2 million below prior year actuals.

While July is a relatively lower revenue activity month, payments attributable to corporate adjusted gross income tax were about \$20 million above historical averages for July, and refunds were lower than estimate and prior year actuals.

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 2021 relative to the alignment of Indiana's tax filing and payment due dates with the federal deferral to July 15, 2020. When taking into account the unique payment timing factors in July 2020 relative to deferred payments, monthly collections related to corporate adjusted gross income tax were above prior year actuals.

As there are no significant due dates for estimated payments and final payments this July, corporate tax collections should be interpreted over the next few months. With important quarterly due dates, September, December, April, and June are the most important revenue months for corporate taxes.

- Riverboat wagering collections totaled \$1.3 million for July, which is \$0.2 million (10.2%) below the monthly estimate and \$1.0 million (245.8%) above revenue in July 2020.

Racino wagering collections totaled \$11.6 million for July, which is \$0.2 million (1.7%) above the monthly estimate and \$2.3 million (24.3%) above revenue in July 2020.

With the changing restrictions related to the pandemic 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.