



# STATE OF INDIANA

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The monthly revenue report of May 2012 state tax collections was released today.

## Results

- With one month remaining in FY 2012, state general revenues are almost exactly on target, only slightly behind (-0.2%) the most recent forecast updated on December 14, 2011.
- Precisely as predicted last month, May revenue collections underperformed the target by a similar amount to April's over-performance. Total revenue collections were \$989 million, \$143 million less than projected by the revenue forecast updated on December 14, 2011. Total collections for May were \$210 million below collections for the same period last year (-17.5%).
- Sales tax collections totaled \$543 million for the month, \$21 million (+4.1%) above collections for the same period last year.
- Individual income tax collections totaled \$305 million for the month, \$258 million (-45.9%) below collections for the same period last year. Payroll withholdings decreased 9.1% compared to the same period last year.
- Through May, state general fund revenues are \$194 million ahead of the budget plan, which was based upon the April 15, 2011 revenue forecast.

## Commentary

With one month remaining in the fiscal year, state general fund revenues are only \$25 million (-0.2%) below the most recent revenue forecast updated on December 14, 2011. Through May, state general fund revenues have increased 6.3% compared to the same period last year. The December 2011 forecast projects annual growth of 6.0%.

As predicted, individual income tax collections significantly underperformed the May target, primarily as a result of the Department of Revenue's dramatic improvement in the processing of tax returns. As a result, the Department of Revenue processed significantly more payments in April 2012 than it did in April 2011, leaving fewer returns and payments to be processed in May. Through May, individual income tax collections have increased 3.7% compared to the same period last year.

The timing issue related to payroll withholding also reversed itself this month as predicted. The timing issue is caused by the number of payrolls in a given month compared to that same month in the prior year (e.g., 3 payrolls in a month compared to only 2). Consequently, payroll withholdings decreased by 9.1% in May, following an increase of 20.0% in April. When viewed over the two month period (April and May), payroll withholdings increased 5.5% compared to the same period last year.

Sales tax collections increased 4.1% over the same period last year. Through May, sales tax collections have increased 6.6% over the prior year, just slightly ahead of the 6.4% growth rate projected in the latest revenue forecast.

Actual general fund revenues through May are tracking closely (-0.2%) to the most recent revenue forecast updated on December 14, 2011. With June being the second largest revenue month of the year, next month's revenue performance will determine whether the state closes FY 2012 slightly above or below the latest forecast.

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