

ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

December

Research Division

Fiscal Year 2012

<http://tax.illinois.gov/AboutIdor/TaxResearch/TaxResearch.htm>

This report analyzes the major revenues the Illinois Department of Revenue (IDOR) Research Division forecasts. It examines how actual revenues compare with the previous year and with current FY 2012 forecasts.

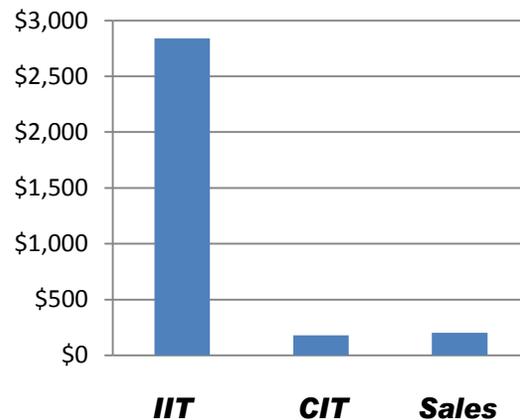
Fiscal Year 2012 revenue receipts through December for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$11,929.3 million. Those receipts are \$3,219.0 million above last year and \$9.1 million below the current forecast.

Individual income tax receipts are \$7,149.8 million. The total is \$2,838.7 million above last year and \$143.5 million below the current forecast.

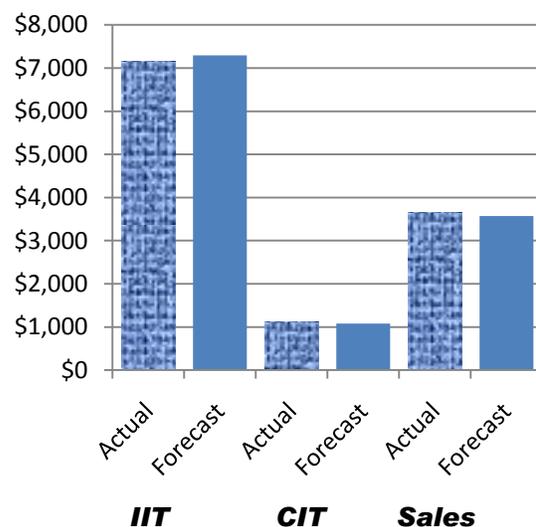
Corporate income tax receipts are \$1,124.8 million. The total is \$178.4 million above last year (an amnesty year) and \$49.3 million above the current forecast.

Sales tax receipts are \$3,654.7 million. The total is \$201.9 million above last year and \$85.1 million above the current forecast.

**Increase in Year-to-Date Revenues
FY 2011 and FY 2012 (in millions)**



**FY 2012 Year-to-Date Revenues versus
Forecasts (in millions)**



FEATURE

Monitoring tax receipts is a tricky business, and the first six months of FY 2012 show why.

Individual Income Tax (IIT) receipts in the first half of FY 2012 are up 65.8 percent over the first half of FY 2011 (\$4,311.1 million in FY 2011 to \$7,149.8 million in FY 2012), largely because of the tax rate increase that took effect last year.

In making our forecast, Department of Revenue economists considered the effects of the tax rate increase and recognized that the Tax Amnesty increased receipts in the first half of FY 2011 and has reduced receipts since.

However receipts fell \$143.3 million (2.0 percent) short of the \$7,293.3 million forecast for the first half of FY 2011. While in many fields 98 percent accuracy would be commendable, when applied to Illinois' \$16.5 billion base, a 2 percent shortfall is a \$330 million hole.

IIT receipts had been relatively on track for the year, so we looked for an explanation. We started by examining withholding income tax deposits that employers make throughout the month and which account for more than 80 percent of IIT receipts. Because the New Year's holiday closes most businesses for three working days at the end of the year, there is always the possibility that money can be shifted from one year into the next.

The withholding deposits for the first two business days of 2012 (see table below) in terms of the number of documents and the amount of deposits were up significantly over 2011. Clearly some payments that should have been received in 2011 were not received until 2012.

Withholding Data: January 3 rd			Withholding Data: January 3 rd & 4 th		
	<u>Documents</u>	<u>Revenue (in millions)</u>		<u>Documents</u>	<u>Revenue (in millions)</u>
January 2011	7,763	\$30.2	January 2011	14,493	\$50.1
January 2012	12,272	\$109.2	January 2012	29,786	\$205.5
Percent change	58.1%	261.6%	Percent change	105.5%	310.2%
Absolute change	4,509	\$79.0	Absolute change	15,293	\$155.4

The non-withholding side of IIT consists of quarterly estimated payments made by taxpayers along with the final payments that they make when they file their returns in April. Non-withholding payments so far in FY 2012 are 10.8 percent below our forecast. However, the second estimated payment of FY 2012 is not due until January and although some individuals make their January payment in December, we will get a more complete picture after we average December and January estimated payments next month.

At this point it appears that the precipitous drop in withholding income tax receipts in December was a timing issue related to the holidays, and we feel that our annual forecast is valid and requires no revision.

TECHNICAL NOTE

The sum of individual tax components may not equal the total due to rounding.

➤ Individual Income Tax (IIT)

IIT receipts are performing below our forecast in the first six months of FY 2012. Most of this shortfall occurred in December. As discussed in this month's feature, one factor makes "actual" versus "forecast" comparison appear more negative than it actually is. That factor relates to the timing of payments and processing due to the holidays.

Withholding receipts: December's receipts were 5.0 percent (\$61.4 million) below our forecast, much of which can be explained by a significant amount of withholding payments processed and deposited in January. There is a 2.2 percent decrease in the number of withholding forms received in December compared with last year. We estimate that these forms, processed and deposited in January, represent between \$79.0 and \$155.4 million. As a result, we feel comfortable concluding that the withholding shortfall in December is due to processing lags brought about by the holidays and not an indication of a weakening economy.

Non-withholding receipts: December non-withholdings were 29.3 percent (\$39.7 million) below our forecast. Our data shows that the number of estimated payment documents received in December decreased with respect to the prior fiscal year, although the other hand the average payment per document increased. The average payment per document increases even more when we consider documents received in the first week of January. This suggests that taxpayers with higher tax liability this fiscal year are waiting until closer to the due date (January 17th, 2012) to make their estimated payments. We will be able to confirm or refute our hypothesis in our next monthly report, when we will examine December and January combined non-withholding receipts.

Year-to-Date (\$ millions)		Note: FY2011 includes amnesty-related payments	
Actual	Forecast	\$ Difference	% Difference
\$7,149.8	\$7,293.3	-\$143.5	-2.0%
FY 2011	FY 2012	\$ Difference	% Difference
\$4,311.1	\$7,149.8	\$2,838.7	65.8%

Components Year-to-Date (\$ millions) Note: FY2011 includes amnesty-related payments

	Actual	Forecast	\$ Difference	% Difference
Withholding	\$6,511.3	\$6,577.4	-\$66.1	-1.0%
Estimated and final	\$638.5	\$715.9	-\$77.4	-10.8%
Total	\$7,149.8	\$7,293.3	-\$143.5	-2.0%

Payment totals match the Comptroller's receipts. Withholding and estimated and final payments are derived from IDOR collection data and in-transit fund data. Totals may not equal individual components due to rounding.

➤ Corporate Income Tax (CIT)

Note that one-time amnesty-related payments totaling \$302.2 million were deposited across November (\$251.7 million), December (\$27.2 million), and January (\$23.3 million) of last year. The distorting impact on year-over-year comparisons is masked by the impact of the TY 2011 tax increase.

December is a significant month for CIT receipts as calendar year-end filers made their last estimated payment for the tax year. December receipts are \$35.8 million above forecast, yielding a year-to-date situation where we are almost \$50 million above forecast.

Year-to-Date comparison (\$ millions)

Note: FY2011 includes amnesty-related payments

Actual	Forecast	\$ Difference	% Difference
\$1,124.8	\$1,075.5	\$49.3	4.6%
FY 2011	FY 2012	\$ Difference	% Difference
\$946.4	\$ 1,124.8	\$178.4	18.9%

In developing our monthly revenue forecasts we assumed that the preponderance of the impact of bonus depreciation and net operating loss suspension would be appear in final payments or refunds. We assumed that the combination of a rate change along with these base changes would make it difficult for firms to determine the impact on their bottom line prior to beginning to compile their TY 2011 tax return. It could be that we are seeing some firms making adjustments to their estimated payments rather than waiting until March. However, this is purely speculative. We must wait until we receive the TY 2011 tax return before we can shed more light on actual taxpayer behavior.

➤ Sales Tax

One-time amnesty-related payments totaling \$163.9 million were deposited across November (\$122.5 million), December (\$36.0 million), and January (\$5.4 million) of last year. Comparisons that exclude FY 2011's amnesty-related payments are a better indicator of changes in actual taxable spending, since they are not skewed by one-time special payments.

The component table below shows that year-to-date growth in FY 2012, excluding FY 2011's amnesty related payments, was 10.8 percent. For the month of December alone, receipts increased just 0.8 percent—if we include amnesty-related payments in December FY 2011's total. If we exclude FY 2011's amnesty-related payments, however, state sales/use tax receipts increased 7.0 percent in December FY 2012.

Year-to-Date comparison (\$ millions)

Note: FY2011 includes amnesty-related payments

Actual	Forecast	\$ Difference	% Difference
\$3,654.7	\$3,569.7	\$85.1	2.4%
FY 2011	FY 2012	\$ Difference	% Difference
\$3,452.8	\$3,654.7	\$201.9	5.8%

Year-to-Date comparison (\$ millions)

Note: FY2011 excludes amnesty-related

	FY 2011	FY 2012	\$ Difference	% Difference
Vehicles	\$449.8	\$473.8	\$24.0	5.3%
Motor fuel*	\$335.9	\$418.6	\$82.6	24.6%
All else	\$2,508.7	\$2,762.4	\$253.7	10.1%
Total	\$3,294.4	\$3,654.7	\$360.3	10.9%

*Estimated. IDOR does not have actual data on sales tax from Motor Fuel.

➤ Sales Tax (continued)

We expect growth to continue but at lower rates as we move through the second half of FY 2012. The personal savings rate will be one indicator to watch. It's been about 3.5 percent over the last three months, which is lower than at any point since 2007. Consumers appear to be saving less to help support consumption. Motor fuel prices will be another indicator to watch. Forecasts over the last few months put motor fuel prices in the second half of FY 2012 at levels close to what they were in the second half of FY 2011, meaning the strong growth in this component observed over the recent past should fade away. Even though the market paid little attention to the Iranian government's recent threats to obstruct shipping in the Strait of Hormuz, oil prices did jump following the European Union's prospective agreement to ban Iranian oil imports. Additional provocations, sanctions, or an escalation of hostilities could put additional upward pressure on oil prices.

For anyone looking for the receipt impact of December's holiday shopping, you will have to wait until the January report. Due to tax return filing schedules, there is generally a one month lag between when a sale occurs and when the Illinois Department of Revenue receives the tax from that particular sale. Hence, sales that occurred in December will affect January receipts. It's also worth noting that gift cards aren't taxed until they are redeemed. This has the effect of spreading some of November and December's holiday shopping impact all the way into February receipts. Preliminary data from the International Council of Shopping Centers and Goldman Sachs show that gift card purchases accounted for 18 percent of holiday shopping in 2011.

➤ Cigarette Taxes

December cigarette tax receipts were below forecast by \$10.3 million. However, a significantly higher than average amount of receipts (\$5.6 million) was in transit between December and January. After taking this into consideration, we still anticipate ending the fiscal year at or around forecast.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$256.9	\$267.2	- \$10.3	-3.8%
General Revenue Fund	\$177.0	\$177.5	- \$0.5	-0.3%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$280.2	\$256.9	- \$23.3	-8.3%
General Revenue Fund	\$177.0	\$177.0	- \$0.1	0.0%

➤ Tobacco Products Tax

Long Term Care Fund

The Tobacco Products Tax continues to outperform forecast. Receipts for the month totaled \$2.3 million, exceeding forecast by 17 percent.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$14.9	\$12.0	\$2.9	24.2%
FY 2011	FY 2012	\$ Difference	% Difference
\$13.9	\$14.9	\$1.1	7.6%

➤ Liquor Tax

Liquor tax receipts for the first six months of FY 2012 were very close to the year-to-date forecast, posting modest growth over the same period in FY 2011.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$143.0	\$141.1	\$1.9	1.3%
General Revenue Fund	\$84.2	\$84.1	\$0.1	0.1%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$139.1	\$143.0	\$3.9	2.8%
General Revenue Fund	\$81.7	\$84.2	\$2.5	3.1%

➤ Hotel Operator's Occupation Tax (HOOT)

Through the first half of FY 2012 the Hotel Operator's Occupancy Tax is coming in 2.5 percent above forecast.

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$128.6	\$125.4	\$3.1	2.5%
General Revenue Fund	\$20.2	\$20.0	\$0.2	0.8%
	FY 2011	FY 2012	\$ Difference	% Difference
All Funds*	\$116.6	\$128.6	\$12.0	10.3%
General Revenue Fund	\$15.1	\$20.2	\$5.0	33.4%

➤ Estate Tax

The Estate Tax was reinstated in January 2011 and we started to receive associated revenue in November.

During the twelve months the tax was repealed, the state continued to receive payments, which were primarily from "installment" payments (the estate tax can be paid in installments up to ten years). During this twelve month period, the number of monthly payments averaged 31 and monthly receipts averaged \$1.8 million.

During the last two months, the number of monthly payments received has averaged 93 and monthly receipts have averaged \$37.4 million. Most of the payments received in November and December are "full" payments as opposed to the "installment" payments that were made while the tax was repealed.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$81.5	\$51.3	\$30.2	58.9%
FY 2011	FY 2012	\$ Difference	% Difference
\$112.6	\$81.5	-\$31.1	-27.6%

➤ Motor Fuel Taxes

Halfway through FY 2012, receipts are on forecast for each Motor Fuel Tax component.

Year-to-Date (\$ millions) IFTA			
Actual	Forecast	\$ Difference	% Difference
\$41.0	\$41.0	\$0	0.1%
FY 2011	FY 2012	\$ Difference	% Difference
\$39.8	\$41.0	\$1.2	3.0%

Year-to-Date (\$ millions) Regular MFT			
Actual	Forecast	\$ Difference	% Difference
\$583.4	\$583.5	-\$0.1	0.0%
FY 2011	FY 2012	\$ Difference	% Difference
\$595.9	\$583.4	-\$12.5	-2.1%

Year-to-Date (\$ millions) UST			
Actual	Forecast	\$ Difference	% Difference
\$35.0	\$35.4	-\$0.4	-1.0%
FY 2011	FY 2012	\$ Difference	% Difference
\$36.4	\$35.0	-\$1.4	-3.8%

➤ Public Utilities Taxes

Telecommunications:

Halfway through FY 2012, receipts are coming in at forecast. FY 2012 receipts are below FY 2011 due to lower payments relating to the cessation of taxing wireless data services and increased use in credits carried over from FY 2011.

Electricity: Through the first half of FY 2012, receipts are running 1.9 percent below forecast and 2.3 percent less than last year. This is consistent with electricity sales data provided by the Energy Information

Administration (EIA) that indicates Illinois retail sales of electricity for the months July through September are 2.0 percent less than last year for the same period.

Natural gas: Through the first half of the FY 2012, year-to-date FY 2012 revenues are coming in \$3.8 million below forecast.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Telecommunications	\$255.6	\$255.0	\$0.7	0.3%
Electricity	\$206.3	\$210.2	-\$4.0	-1.9%
Natural gas	\$41.4	\$45.3	-\$3.8	-8.5%
	\$503.3	\$510.5	-\$7.2	-1.4%
	FY 2011	FY 2012	\$ Difference	% Difference
Telecommunications*	\$289.2	\$255.6	-\$33.6	-11.6%
Electricity	\$211.2	\$206.3	-\$4.9	-2.3%
Natural gas	\$40.0	\$41.4	\$1.4	3.5%
	\$540.4	\$503.3	-\$37.1	-6.9%

➤ Real Estate Transfer Tax (RETT)

Receipts continue to perform slightly above forecast. According to the November Illinois Association of Realtors (IAR) report the number of homes sold was 14.2 percent greater while the median price was 11.4 percent less for the same period.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$21.2	\$20.2	\$0.9	4.7%
FY 2011	FY 2012	\$ Difference	% Difference
\$18.4	\$21.2	\$2.8	15.1%

➤ Lottery

Common School Fund (CSF) Transfers

At the end of December lottery transfers to the Common School Fund were -0.3 percent below the statutorily required transfer level. As of the end of December no money has been reserved for transfer to the capital projects fund at the end of the fiscal year.

On December 24, 2011 the lottery received word that the U.S. Department of Justice issued a ruling that will allow the state's internet lottery pilot program to move forward. Under the pilot program, the state will sell certain traditional lotto style tickets over the internet. Additional state revenue from internet lottery was contemplated in lottery private manager Northstar's business plan and is expected to help fund the current capital program.

Players continue to favor (61 percent) instant tickets over traditional on-line lotto games. Ticket sales for the first six months were comprised 61 percent of instant tickets and 39 percent online lotto style games. Total sales increased \$125.6 million (11.4 percent) fiscal year to date. Instant sales increased \$132.3 million (21.4 percent) while online ticket sales declined -\$6.7 million (-1.4 percent) fiscal year to date.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$300.0	\$300.8	-\$0.8	-0.3%
FY 2011	FY 2012	\$ Difference	% Difference
\$297.0	\$300.0	\$3.0	1.0%

➤ Riverboat Gaming

Education Assistance Fund and General Revenue Fund Transfers

Adjusted Gross Receipt (AGR) increased in December compared to last year at five of the nine original riverboat casinos. AGR increased 18.3 percent at Rock Island, 10.9 percent at East St. Louis, 7.2 percent at East Peoria, 6.6 percent at Joliet - Harrah's and 2.3 percent at Metropolis. The new River's Casino in Des Plaines experienced a 3.0 percent increase in AGR compared with November.

Although Joliet – Harrah's AGR increased, Joliet – Hollywood AGR declined - 7.3 percent. The net effect is an AGR decline of - 0.4 percent between the two Joliet casinos. AGR fell by 12.2 percent and 5.8 percent at Elgin and Aurora respectively. The declines represent gambling diluted by the new Rivers Casino. Alton AGR was essentially flat for the month, declining just -0.2 percent.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$279.9	279.9	\$0.0	0.0%
FY 2011	FY 2012	\$ Difference	% Difference
\$187.5	\$279.9	\$92.4	49.3%

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December and Year-to-Date Receipts and Forecasts (\$ in millions)

Revenue Source Receipts	Dec FY 2011	Dec FY 2012	FY 2011 YTD	FY 2012 YTD	YTD FY 2012 vs. YTD FY 2011			FY 2012 YTD Forecast	YTD FY 2012 vs. YTD Forecast			FY 2008 Total	FY 2009 Total	FY 2010 Total	FY 2011 Total	FY 2012 Forecast
Individual Income (IIT)	\$757.4	\$1,254.4	\$4,311.1	\$7,149.8	\$2,838.7	65.8%		\$7,293.3	-\$143.5	-2.0%		\$11,187.2	\$10,219.4	\$9,429.8	\$12,301.8	\$16,506.2
Corporate Income (CIT)	\$258.5	\$429.7	\$946.4	\$1,124.8	\$178.4	18.9%		\$1,075.5	\$49.3	4.6%		\$2,200.9	\$2,072.5	\$1,648.9	\$2,285.7	\$2,852.7
Sales (general funds only)	\$629.3	\$634.6	\$3,452.8	\$3,654.7	\$201.9	5.8%		\$3,569.7	\$85.1	2.4%		\$7,214.6	\$6,772.8	\$6,308.0	\$6,833.0	\$6,910.0
Public Utilities	\$110.3	\$77.5	\$540.4	\$503.3	-\$37.1	-6.9%		\$510.5	-\$7.2	-1.4%		\$1,157.1	\$1,167.8	\$1,089.2	\$1,147.2	\$1,082.0
Telecom	\$59.7	\$40.8	\$289.2	\$255.6	-\$33.6	-11.6%		\$255.0	\$0.7	0.3%		\$578.9	\$593.3	\$549.5	\$586.9	\$509.0
Electricity	\$36.4	\$24.1	\$211.2	\$206.3	-\$4.9	-2.3%		\$210.2	-\$4.0	-1.9%		\$410.3	\$402.9	\$381.4	\$401.1	\$409.0
Gas	\$14.2	\$12.5	\$40.0	\$41.4	\$1.4	3.5%		\$45.3	-\$3.8	-8.5%		\$168.0	\$171.5	\$158.3	\$159.1	\$164.0
Lottery	\$61.0	\$64.0	\$297.0	\$300.0	\$3.0	1.0%		\$300.8	-\$0.8	-0.3%		\$657.0	\$625.0	\$625.0	\$631.9	\$645.0
Riverboat Gaming	\$24.5	\$116.9	\$187.5	\$279.9	\$92.4	49.3%		\$279.9	\$0.0	0.0%		\$564.0	\$430.0	\$430.5	\$324.2	\$451.0
Estate	\$4.6	\$32.3	\$112.6	\$81.5	-\$31.1	-27.6%		\$51.3	\$30.2	58.9%		\$372.8	\$287.7	\$243.4	\$122.2	\$182.1
Cigarette (All Funds)	\$54.2	\$37.1	\$280.2	\$256.9	-\$23.3	-8.3%		\$267.2	-\$10.3	-3.8%		\$592.2	\$564.0	\$557.8	\$560.8	\$532.0
Tobacco Products	\$2.2	\$2.3	\$13.9	\$14.9	\$1.1	7.6%		\$12.0	\$2.9	24.2%		\$21.2	\$21.4	\$24.0	\$27.4	\$24.0
PP Replcmnt Tax	\$133.2	\$160.1	\$508.7	\$433.2	-\$75.5	-14.8%		\$420.6	\$12.6	3.0%		\$1,486.2	\$1,263.6	\$1,012.6	\$1,334.2	\$1,201.3
Reg Motor Fuel	\$94.5	\$95.3	\$595.9	\$583.4	-\$12.5	-2.1%		\$583.5	-\$0.1	0.0%		\$1,117.1	\$1,263.6	\$1,165.4	\$1,157.6	\$1,160.0
Motor Fuel - IFTA	\$9.2	\$9.2	\$39.8	\$41.0	\$1.2	3.0%		\$41.0	\$0.0	0.1%		\$146.5	\$144.0	\$103.0	\$84.9	\$83.0
Ug. Storage Tank	\$6.1	\$5.3	\$36.4	\$35.0	-\$1.4	-3.8%		\$35.4	-\$0.4	-1.0%		\$71.1	\$74.8	\$70.8	\$71.2	\$68.0
Liquor (GRF only)	\$14.4	\$14.9	\$81.7	\$84.2	\$2.5	3.1%		\$84.1	\$0.1	0.1%		\$158.1	\$157.6	\$158.5	\$157.4	\$162.0
Insurance	\$58.2	\$62.4	\$143.4	\$147.9	\$4.5	3.1%		\$142.3	\$5.6	4.0%		\$294.6	\$334.3	\$322.4	\$316.1	\$316.1
Franchise	\$22.6	\$13.1	\$112.0	\$100.1	-\$11.9	-10.6%		\$105.4	-\$5.3	-5.1%		\$225.2	\$201.5	\$208.0	\$207.3	\$204.0
Real Estate Transfer	\$2.6	\$3.6	\$18.4	\$21.2	\$2.8	15.1%		\$20.2	\$0.9	4.7%		\$76.8	\$45.6	\$40.3	\$38.0	\$35.0
Private Vehicle Use (GRF only)	\$2.9	\$1.9	\$16.1	\$14.7	-\$1.3	-8.3%		\$17.0	-\$2.3	13.4%		\$32.0	\$27.3	\$30.2	\$30.3	\$32.0
Hotel (All Funds)	\$24.1	\$21.6	\$116.6	\$128.6	\$12.0	10.3%		\$125.4	\$3.1	2.5%		\$219.2	\$203.3	\$173.1	\$191.7	\$209.0