

# General Fund Revenue Forecast

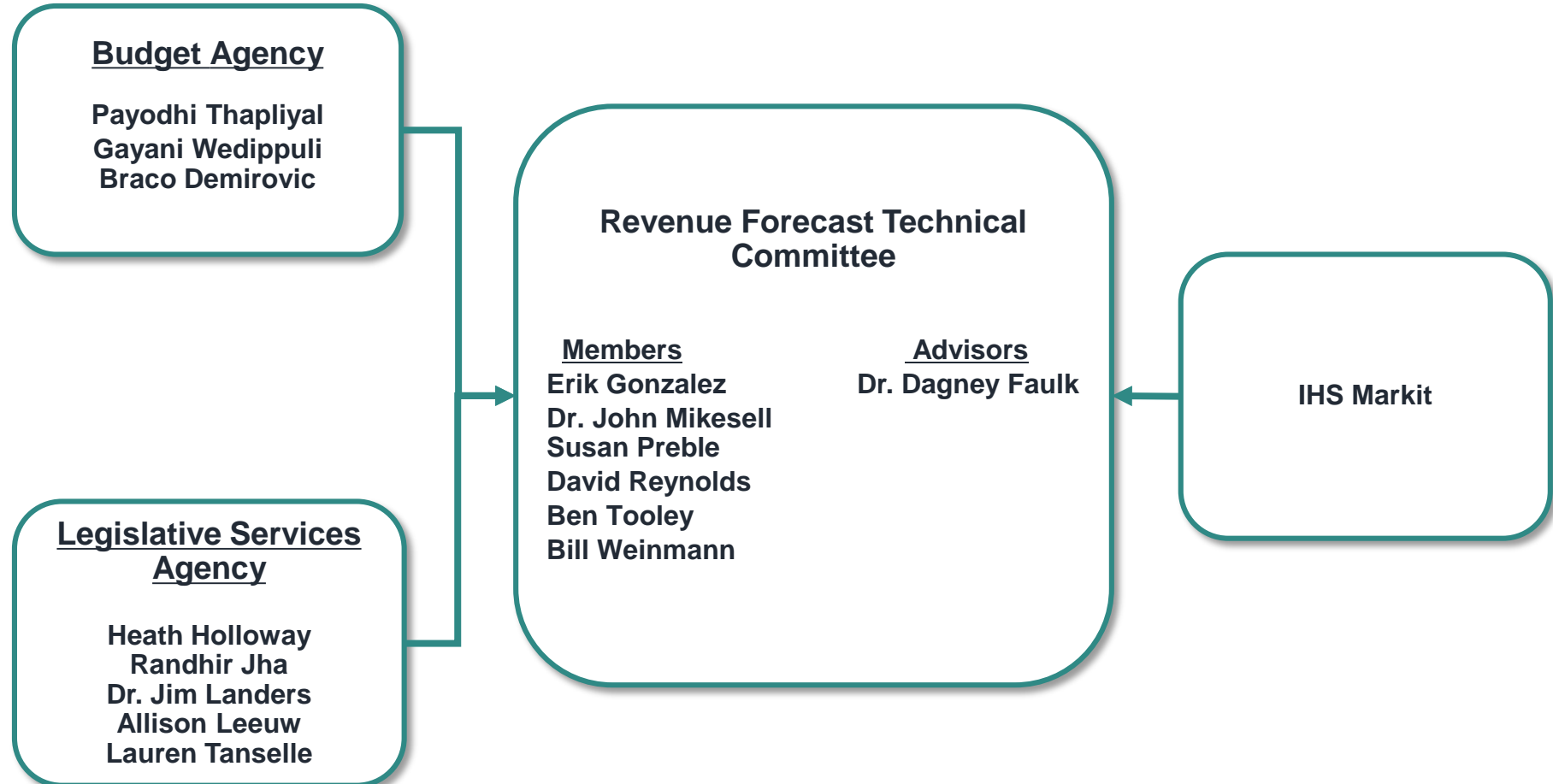
**Fiscal Years 2018-2019**

**Revenue Forecast Technical Committee**

**Presented to the State Budget Committee**

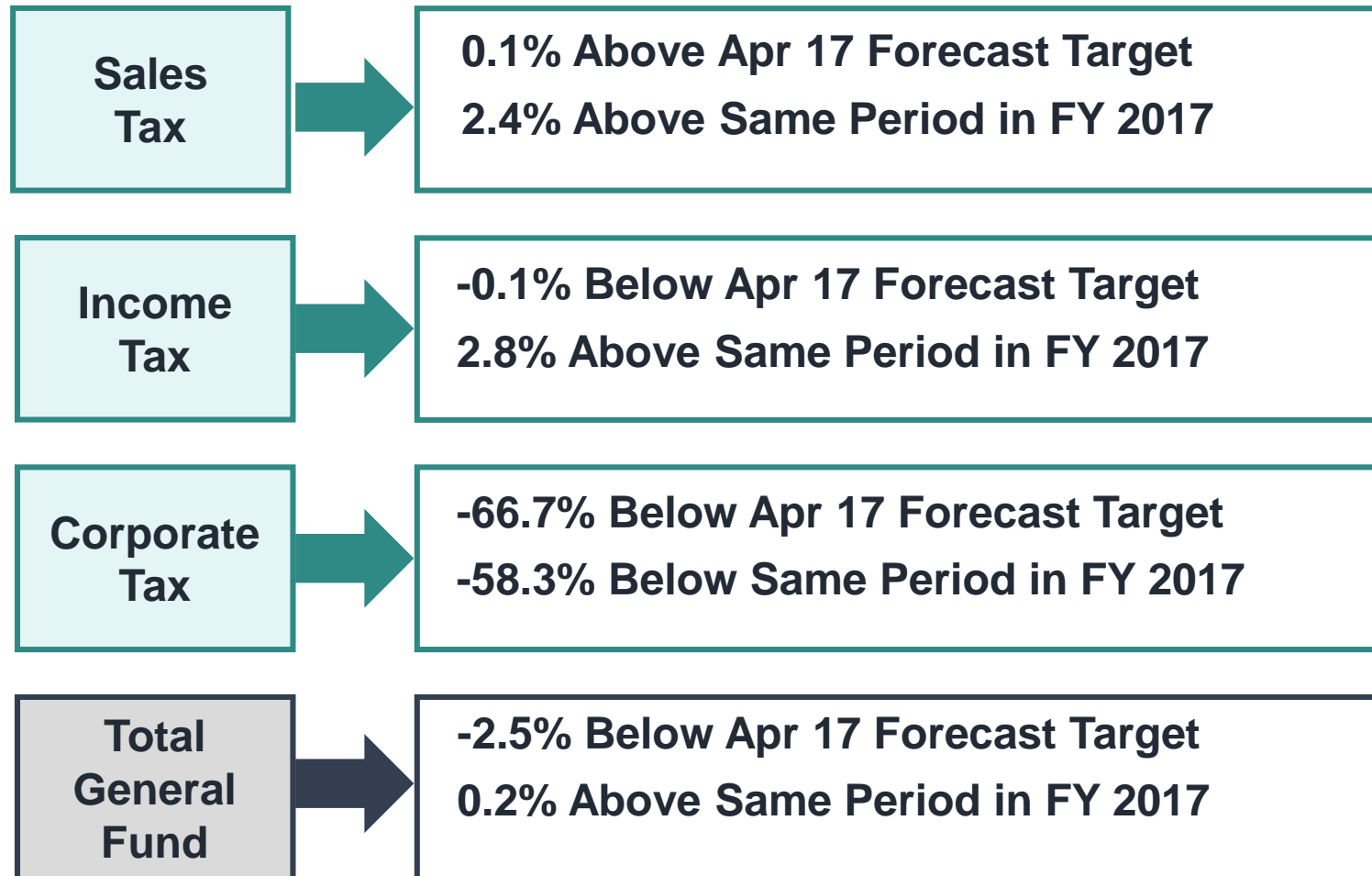
**December 18, 2017**

# Indiana Revenue Forecast



# Performance of Major Revenue Sources

## Year-To-Date Through November 30<sup>th</sup> FY 2018



# Economic Forecast Overview



**U.S. Economy has exhibited sustained growth above 3% for two consecutive quarters, entering 2018 with a strong momentum.**



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



**Housing prices continue to rise due to strong demand leading to surge in housing starts.**



**Conference Board Consumer Confidence Index and Michigan Consumer Sentiment Index remain strong, showing positive outlook towards income and employment.**

# Legislative Changes Incorporated

## Individual Income Tax Rate Reduction

- 3.3% in CY 2016 to 3.23% in CY 2017 & onwards

## Ongoing Corporate Tax Rate Reduction

- 6.25% in FY 2017
- 6.00% in FY 2018
- 5.75% in FY 2019

## Ongoing FIT Rate Reduction

- 6.5% in CY 2017 and CY 2018
- 6.25% in CY 2019

## Gasoline Use Tax (GUT) 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

# Revenue Estimators

## Sales Tax

### Gasoline Use Tax

U.S. Gas Prices	U.S. Highway Fuel Consumption
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### Remaining Sales & Use Tax

Indiana Personal Income Net of Transfer Payments

Indiana Population 65 Years & Older	Total Indiana Private Housing Starts
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## Personal Income Tax

### Estimated Tax Payments

S&P 500	1 Year Lag of Estimated Payments
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### Withholdings

Wages & Salaries	Extra Pay Period in Quarter
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### Reconciliations

1 Year Lag of Reconciliations

## Corporate Income Tax

### Corporate Adjusted Gross Income

Indiana Manufacturing Employment

1 Year Lag of Corporate Profits

# Other Adjustments to Forecast

## Recognition of:

### Corporate Income Tax:

- ❖ IT-6 Withholding Transfers
- ❖ Increased Level of EDGE Credit
- ❖ Increase in FY 2018 Refund

### Gaming Tax:

- ❖ Revenue Loss to South Bend Tribal Casino

# December 2017 Forecast Results



# Total Tax Revenue Estimates

## December 18, 2017, Revenue Forecast

Sales Tax (in millions)						
Fiscal Year	Apr-17 Forecast	Dec-17 Forecast	Growth over Prior Year		Difference Apr 2017 Forecast to Dec 2017 Forecast	
2018	7,630.2	7,584.1	94.6	1.3%	-46.1	-0.6%
2019	7,885.8	7,837.9	253.8	3.3%	-48.0	-0.6%
Individual Income Tax (in millions)						
Fiscal Year	Apr-17 Forecast	Dec-17 Forecast	Growth over Prior Year		Difference Apr 2017 Forecast to Dec 2017 Forecast	
2018	5,661.0	5,687.1	251.8	4.6%	26.1	0.5%
2019	5,996.5	5,922.9	235.8	4.1%	-73.6	-1.2%
Corporate Income Tax (in millions)						
Fiscal Year	Apr-17 Forecast	Dec-17 Forecast	Growth over Prior Year		Difference Apr 2017 Forecast to Dec 2017 Forecast	
2018	949.2	774.8	-203.9	-20.8%	-174.4	-18.4%
2019	974.8	870.7	95.9	12.4%	-104.1	-10.7%
* Totals may not add due to rounding.						

# Total Tax Revenue Estimates

## December 18, 2017, Revenue Forecast

Gaming Taxes (in millions)						
Fiscal Year	Apr-17 Forecast	Dec-17 Forecast	Growth over Prior Year		Difference Apr 2017 Forecast to Dec 2017 Forecast	
2018	408.5	412.0	-19.6	-4.5%	3.5	0.9%
2019	391.8	378.7	-33.3	-8.1%	-13.1	-3.3%
Other Taxes (Includes MVET/ CVET Recapture) (in millions)						
Fiscal Year	Apr-17 Forecast	Dec-17 Forecast	Growth over Prior Year		Difference Apr 2017 Forecast to Dec 2017 Forecast	
2018	939.3	954.8	15.9	1.7%	15.4	1.6%
2019	931.9	951.4	-3.4	-0.4%	19.5	2.1%
Total General Fund Taxes (in millions)						
Fiscal Year	Apr-17 Forecast	Dec-17 Forecast	Growth over Prior Year		Difference Apr 2017 Forecast to Dec 2017 Forecast	
2018	15,588.2	15,412.7	138.6	0.9%	-175.5	-1.1%
2019	16,180.8	15,961.6	548.9	3.6%	-219.2	-1.4%

\* Totals may not add due to rounding.

# Total General Fund Revenue Forecast Fiscal Years 2018 & 2019

December 18, 2017 (In Millions of Dollars)

	Actual 2017	Apr. 2017 Forecast 2018	Updated Forecast 2018	Percent			Apr. 2017 Forecast 2019	Updated Forecast 2019	Percent		
				Diff. From Prior Forecast	Diff. From Prior Forecast	Percent Growth Over 2017			Diff. From Prior Forecast	Diff. From Prior Forecast	Percent Growth Over 2018
<b>Major Taxes</b>											
Sales & Use	7,489.5	7,630.2	7,584.1	-46.1	-0.6%	1.3%	7,885.8	7,837.9	-48.0	-0.6%	3.3%
Individual Income	5,435.3	5,661.0	5,687.1	26.1	0.5%	4.6%	5,996.5	5,922.9	-73.6	-1.2%	4.1%
Corporate - AGI, URT, USUT, FIT	978.7	949.2	774.8	-174.4	-18.4%	-20.8%	974.8	870.7	-104.1	-10.7%	12.4%
Riverboat Wagering	317.6	296.2	296.5	0.3	0.1%	-6.6%	279.9	269.8	-10.0	-3.6%	-9.0%
Racino Wagering	114.0	112.3	115.5	3.2	2.8%	1.3%	111.9	108.9	-2.9	-2.6%	-5.7%
<b>Subtotal Major Taxes</b>	<b>14,335.2</b>	<b>14,648.9</b>	<b>14,457.9</b>	<b>-190.9</b>	<b>-1.3%</b>	<b>0.9%</b>	<b>15,248.8</b>	<b>15,010.2</b>	<b>-238.7</b>	<b>-1.6%</b>	<b>3.8%</b>
<b>Other Revenue</b>											
Cigarette	249.9	239.3	238.5	-0.8	-0.3%	-4.6%	235.8	233.9	-1.9	-0.8%	-1.9%
Insurance	230.6	240.7	235.0	-5.7	-2.4%	1.9%	246.3	239.6	-6.7	-2.7%	1.9%
Inheritance	0.8	0.0	0.0	0.0	N/A	N/A	0.0	0.0	0.0	N/A	N/A
Alcoholic Beverages	18.4	20.1	19.7	-0.4	-2.0%	6.9%	20.8	20.4	-0.4	-1.9%	3.6%
Riverboat Admissions**	10.5	10.0	9.7	-0.3	-3.0%	-8.0%	9.9	9.3	-0.6	-6.1%	-4.1%
Interest	28.4	23.8	46.4	22.6	95.0%	63.4%	24.3	46.4	22.0	90.5%	0.0%
Motor & Commercial Vehicle Excise	246.3	238.6	244.9	6.3	2.6%	-0.6%	239.3	245.6	6.3	2.6%	0.3%
Miscellaneous Revenue	154.0	166.9	160.6	-6.3	-3.8%	4.3%	155.5	156.2	0.7	0.4%	-2.7%
<b>Subtotal Other Revenue</b>	<b>938.9</b>	<b>939.3</b>	<b>954.8</b>	<b>15.4</b>	<b>1.6%</b>	<b>1.7%</b>	<b>931.9</b>	<b>951.4</b>	<b>19.4</b>	<b>2.1%</b>	<b>-0.4%</b>
<b>Total General Fund</b>	<b>15,274.1</b>	<b>15,588.2</b>	<b>15,412.7</b>	<b>-175.5</b>	<b>-1.1%</b>	<b>0.9%</b>	<b>16,180.8</b>	<b>15,961.6</b>	<b>-219.2</b>	<b>-1.4%</b>	<b>3.6%</b>

\* Totals may not add due to rounding.

\*\* Riverboat Supplemental Wagering tax in FY 2019.

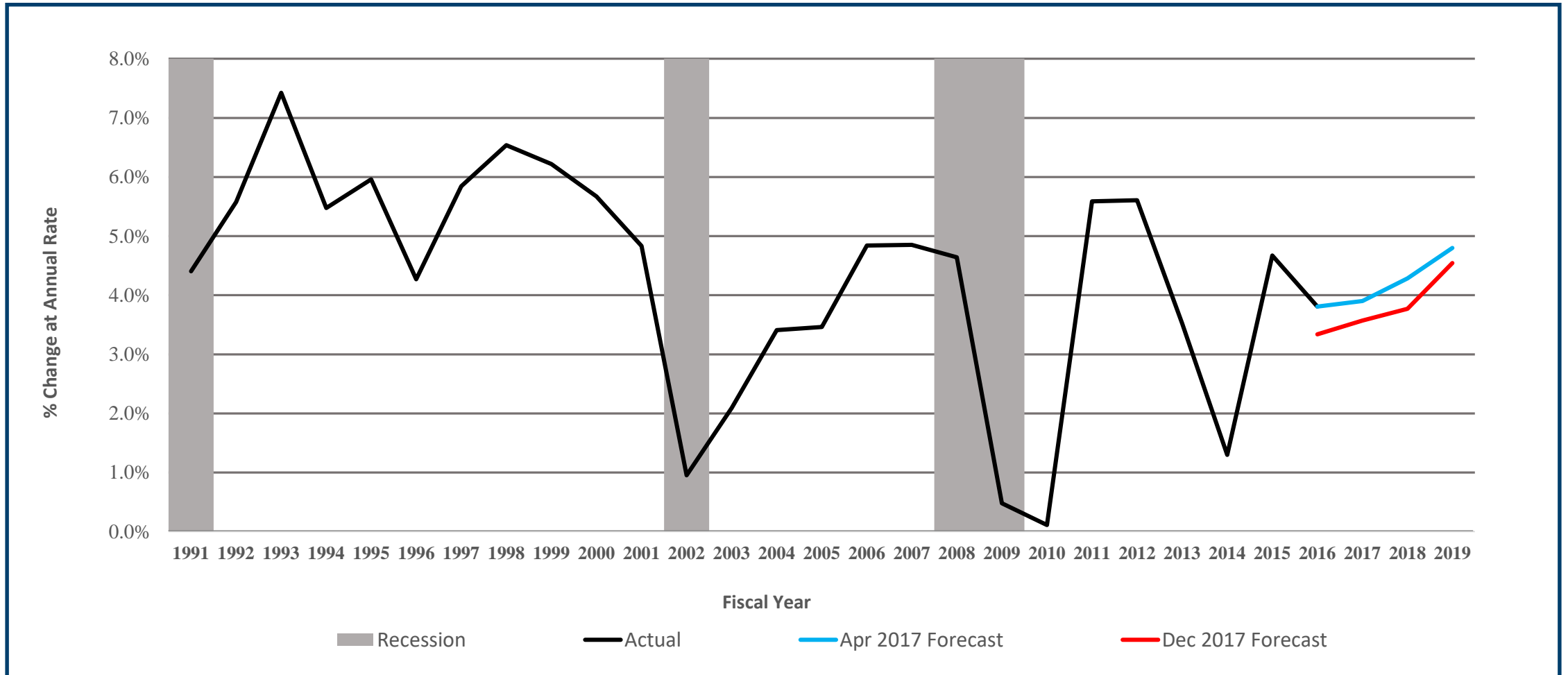
# December 2017 Forecast Compared to Budget Plan

(In Millions of Dollars)

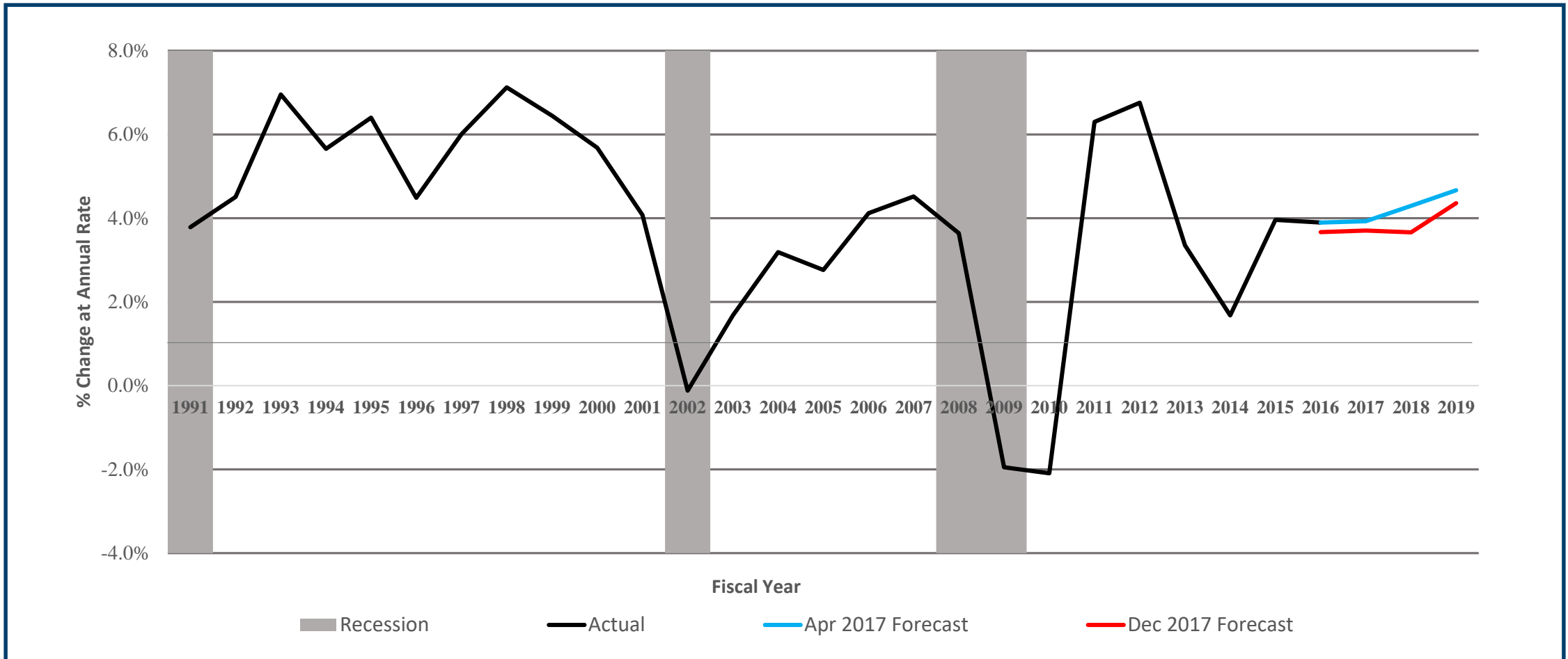
Fiscal Year	April 2017 Forecast	2017 Session Legislative Changes	Budget Plan Revenues	December 2017 Forecast	Difference (\$) Budget Plan to December 2017 Forecast	Difference (%) Budget Plan to December 2017 Forecast
2018	\$15,588.2	-\$31.4	\$15,556.8	\$15,412.7	-\$144.1	-0.9%
2019	\$16,180.8	-\$25.8	\$16,155.0	\$15,961.6	-\$193.4	-1.2%

# Appendices for December 2017 Revenue Forecast

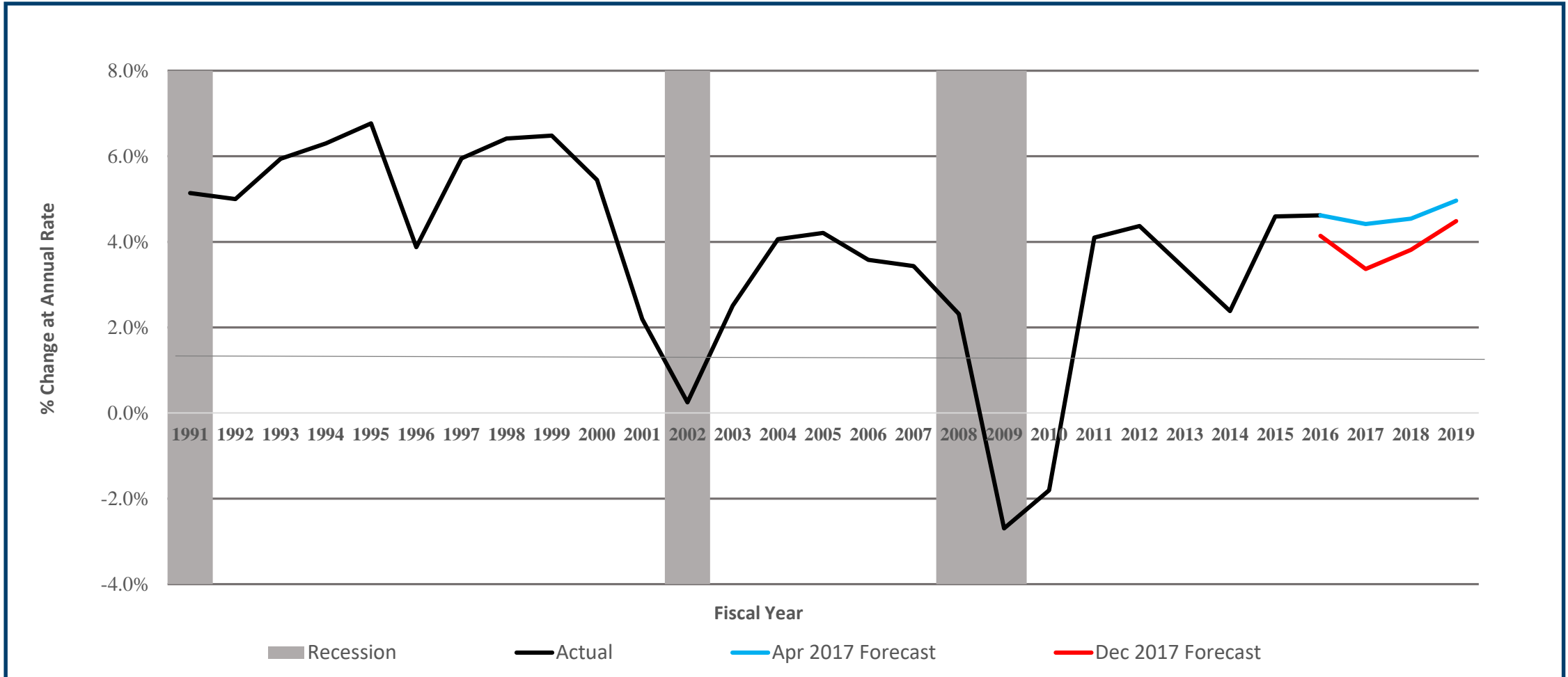
# Indiana Personal Income (IPI)



# Indiana Personal Income Net of Transfer Payments

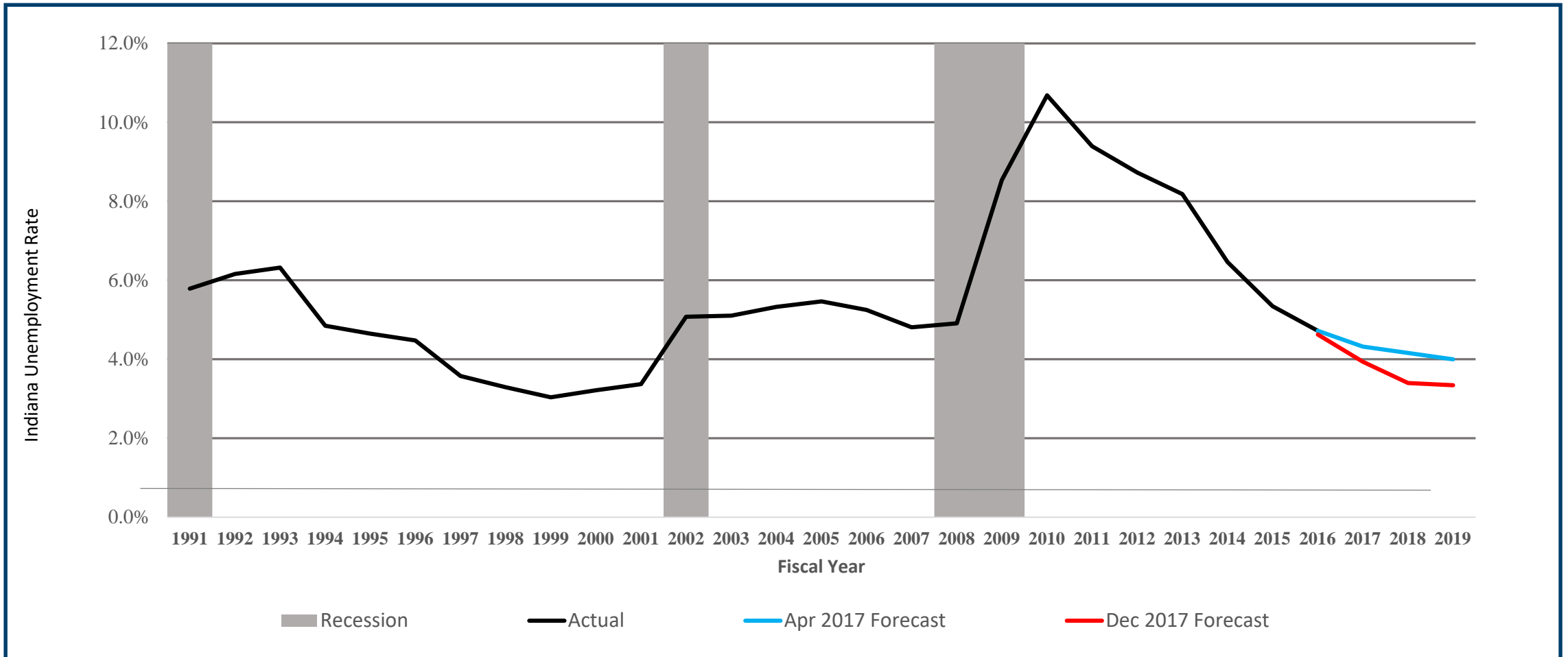


# Indiana Wages & Salary

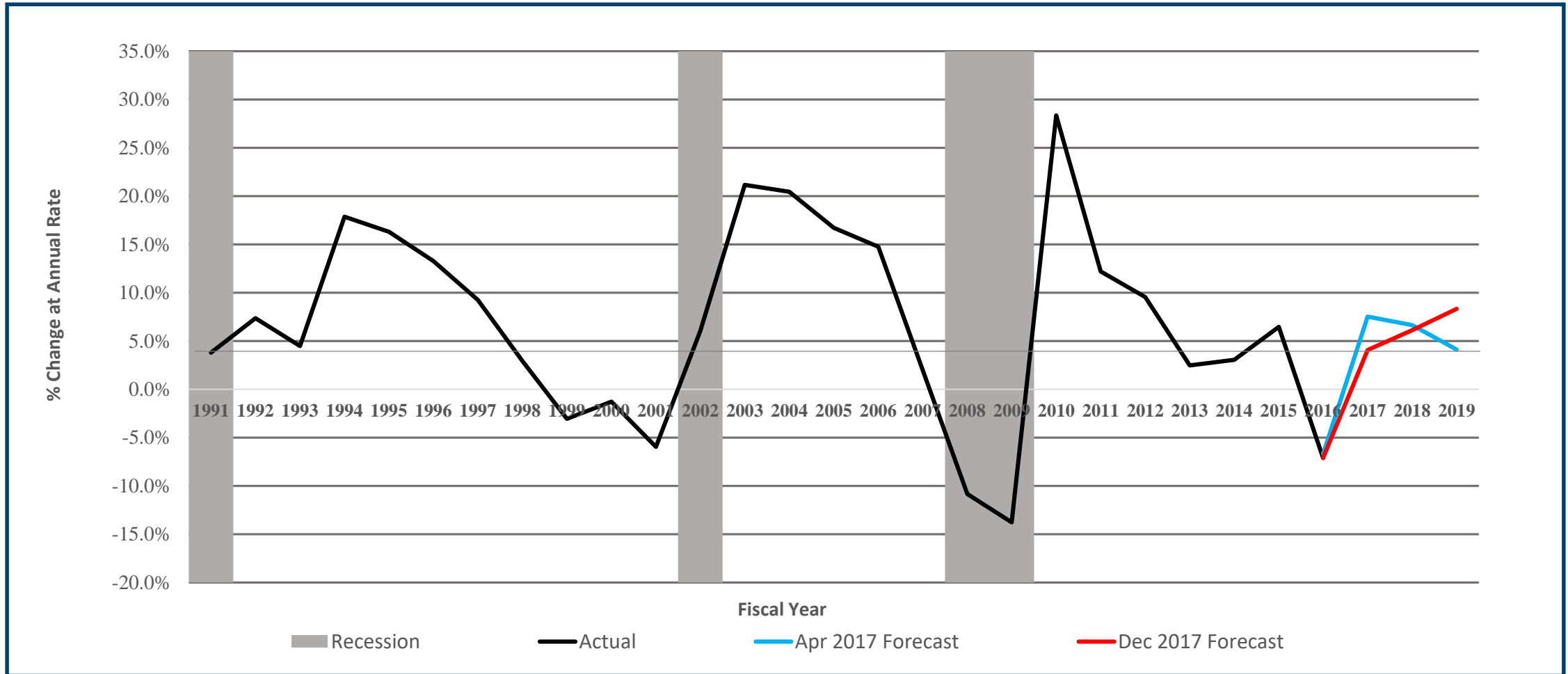




# Indiana Unemployment Rate



# U.S. Corporate Profits



# Economic Variables

## FY 2017, FY 2018, FY 2019

Indicator	Estimate Year	April 2017 Forecast	December 2017 Forecast*		Difference (%) Apr 2017 to Dec 2017
<b>Nominal Indiana Personal Income (in millions)</b>	2017*	293,947	291,233	actual	-0.92%
	2018	306,544	302,212		-1.41%
	2019	321,262	315,946		-1.65%
<b>Nominal Indiana Personal Income Net of Transfer Payments (in millions)</b>	2017*	236,470	234,372	actual	-0.89%
	2018	246,628	242,947		-1.49%
	2019	258,139	253,532		-1.78%
<b>Nominal Indiana Wages &amp; Salary (in millions)</b>	2017*	147,712	145,745	actual	-1.33%
	2018	154,422	151,299		-2.02%
	2019	162,090	158,087		-2.47%
<b>Indiana Unemployment Rate</b>	2017*	4.32%	3.94%	actual	-8.89%
	2018	4.16%	3.40%		-18.38%
	2019	4.00%	3.34%		-16.39%
<b>U.S. Corporate Profits (in billions)</b>	2017*	2,182	2,122	actual	-2.74%
	2018	2,327	2,252		-3.23%
	2019	2,423	2,440		0.69%