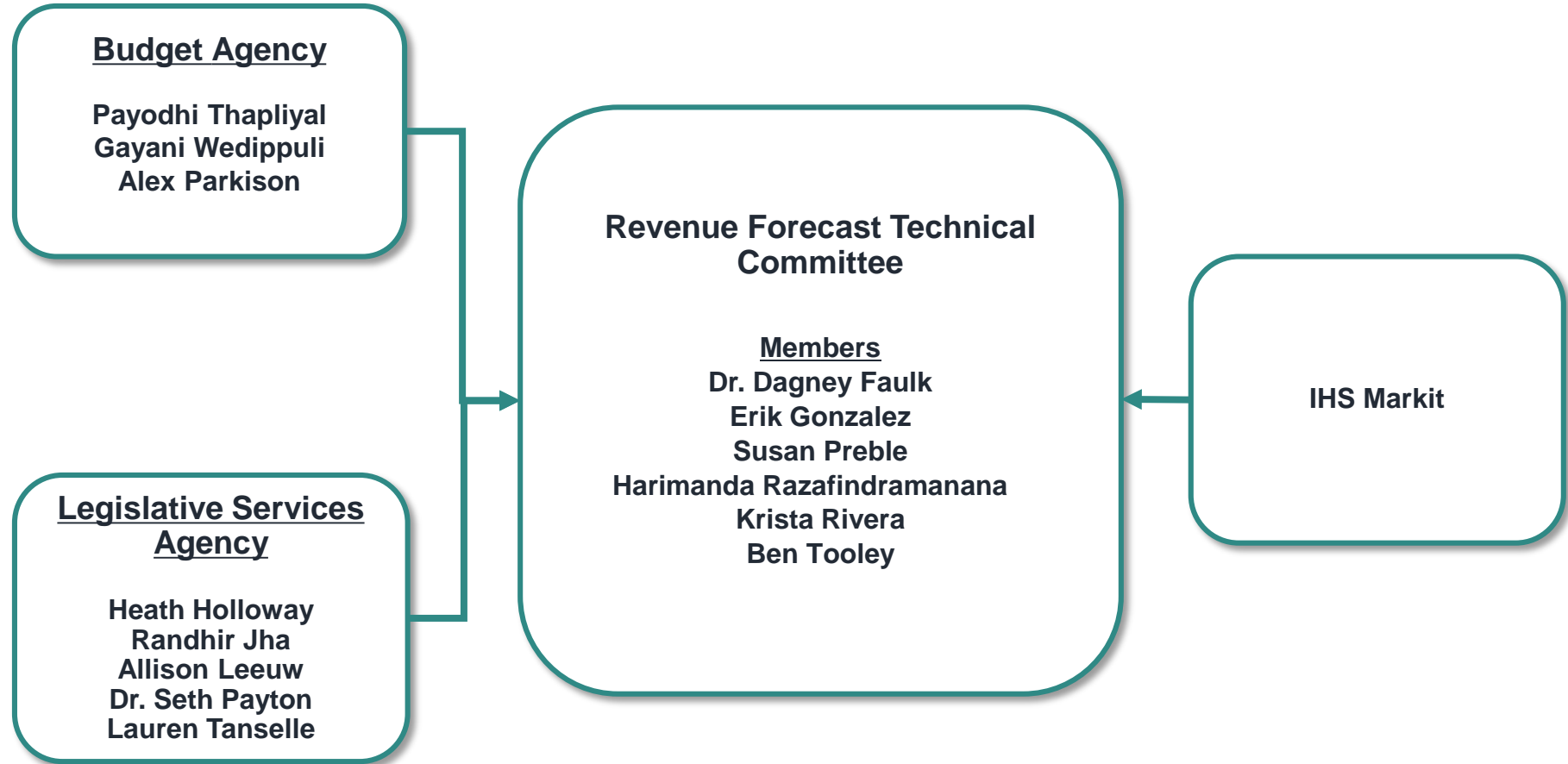


# **General Fund Revenue Forecast**

**Fiscal Years 2020 and 2021  
Revenue Forecast Technical Committee**

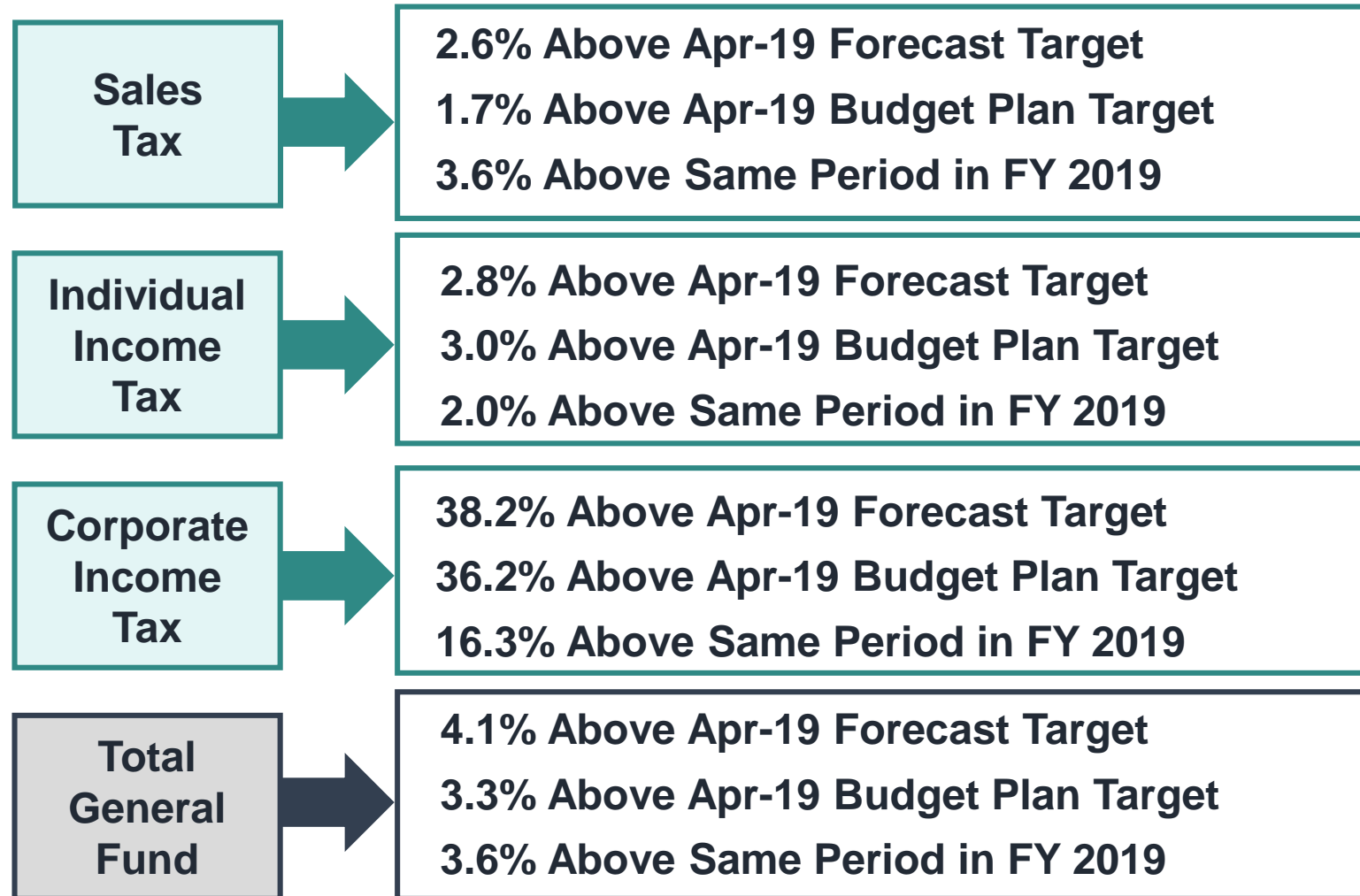
**Presented to the State Budget Committee  
December 20, 2019**

# Indiana Revenue Forecast



# Performance of Major Revenue Sources

## Year-To-Date Through Nov 30<sup>th</sup> FY 2020



# Economic Forecast Overview



U.S. economy is estimated to grow steadily during this biennium. The job market continues to exhibit strength.



With strong labor market but subdued wage growth, the consumer has remained cautious but overall consumer spending has been growing steadily.



Inflation is edging higher but remains around 2% on a sustained basis. Although the forecast is weighted with uncertainties, the odds are still against any 2020 recession.



During this biennium, Indiana unemployment rate is estimated to be below 3.5%, total employment in manufacturing sector will decline and nonmanufacturing sector will grow.

# Legislative Changes Incorporated

## Fiscal Impact from 2019 Session

- Sales tax collections from remote sellers.
- Various gaming tax changes.
- Federal Tax Cut and Jobs Act conformity.

## Ongoing Corporate Income Tax Rate Reduction

- 5.75% in FY 2019
- 5.50% in FY 2020
- 5.25% in FY 2021

## Ongoing Financial Institutions Tax Rate Reduction

- 6.50% in CY 2018
- 6.25% in CY 2019
- 6.00% in CY 2020
- 5.50% in CY 2021

## Gasoline Use Tax Distributions to State General Fund

- Distributed same as rest of the sales tax in FY 2016
- 85.714% in FY 2017
- 71.428% in FY 2018
- 64.285% in FY 2019
- 53.575% in FY 2020
- 42.865% in FY 2021

# Revenue Estimators

## Sales Tax

Gasoline Use Tax	
Indiana Real GSP, Retail Trade	U.S. Demand for Petroleum as a % of All Fuel
U.S. Summer Gas Price * Fuel Efficiency	
Remaining Sales & Use Tax	
Indiana Personal Income Net of Transfer Payments Per Household	
U.S. Household Financial Obligation Ratio	Prior FY Home Sales

## Individual Income Tax

Estimated Payment & Others	
U.S. Dividend & Interest Income	U.S. Household Holding of Corp. Equities
Withholdings	
Indiana Adj. Wages & Salaries	
Prior Year Births	AR1
Refunds	
A Set Share of Withholding + Estimated Payment & Others	

## Corporate Income Tax

Corporate Adjusted Gross Income
U.S. Before Tax Corporate Profits with Adjustments
Industrial Production Index
Net U.S. International Investment Position
FY Tax Rate Change

# Other Adjustments to Forecast

## Recognition of:

### Sales Tax:

- ❖ Enforcement of Economic Nexus Threshold Following U.S. Supreme Court Decision (*South Dakota v. Wayfair, Inc., 2018*)
- ❖ Marketplace Facilitators Required to Collect Sales Tax

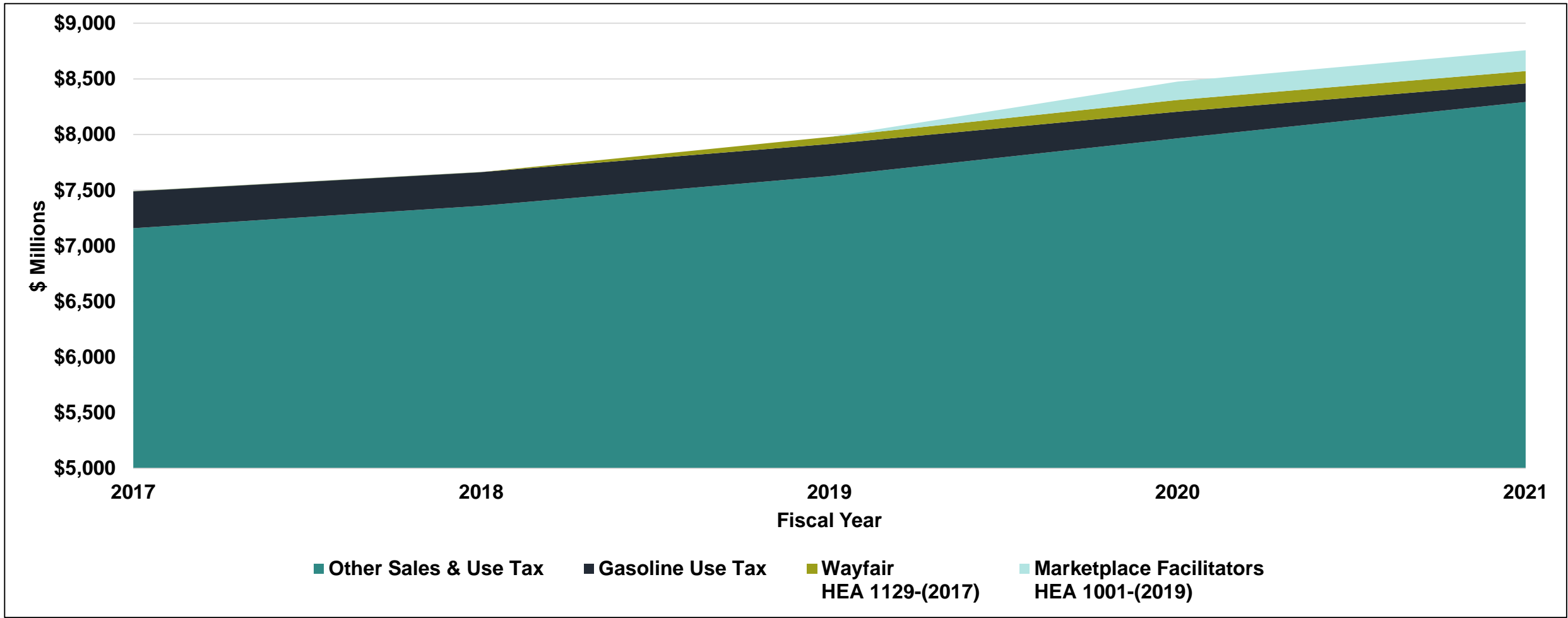
### Gaming Tax:

- ❖ Table Games at the Racinos
- ❖ Vigo County Casino

### Miscellaneous:

- ❖ Sports Wagering Tax
- ❖ Casino License Fees

# Components of the Sales Tax Forecast



HEA 1129 (2017): Enforcement of the economic nexus threshold requirements began on October 1st, 2018.

HEA 1001 (2019): Enforcement of marketplace facilitator collections began on July 1st, 2019.



# December 2019 Forecast Results

# Total Tax Revenue Estimates

## December 20, 2019, Revenue Forecast

Sales Tax (in millions)						
Fiscal Year	Apr-19 Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Apr 2019 Forecast to Dec 2019 Forecast	
2020	8,075.8	8,205.0	290.0	3.7%	129.3	1.6%
2021	8,277.2	8,459.8	254.7	3.1%	182.6	2.2%
Individual Income Tax (in millions)						
Fiscal Year	Apr-19 Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Apr 2019 Forecast to Dec 2019 Forecast	
2020	6,174.1	6,202.1	145.1	2.4%	28.0	0.5%
2021	6,379.9	6,395.5	193.4	3.1%	15.5	0.2%
Corporate Income Tax (in millions)						
Fiscal Year	Apr-19 Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Apr 2019 Forecast to Dec 2019 Forecast	
2020	850.9	874.9	-73.4	-7.7%	24.0	2.8%
2021	834.3	872.4	-2.5	-0.3%	38.1	4.6%

\*Totals may not add due to rounding.

# Total Tax Revenue Estimates

## December 20, 2019, Revenue Forecast

Gaming Taxes (in millions)						
Fiscal Year	Apr-19 Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Apr 2019 Forecast to Dec 2019 Forecast	
2020	417.9	435.9	4.9	1.1%	18.0	4.3%
2021	420.9	454.5	18.6	4.3%	33.6	8.0%
Other Taxes (Includes MVET/ CVET Recapture) (in millions)						
Fiscal Year	Apr-19 Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Apr 2019 Forecast to Dec 2019 Forecast	
2020	1,033.4	1,072.8	17.9	1.7%	39.5	3.8%
2021	1,055.9	1,077.7	4.9	0.5%	21.8	2.1%
Total General Fund Taxes (in millions)						
Fiscal Year	Apr-19 Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Apr 2019 Forecast to Dec 2019 Forecast	
2020	16,552.0	16,790.8	384.6	2.3%	238.8	1.4%
2021	16,968.2	17,259.9	469.1	2.8%	291.7	1.7%

\*Totals may not add due to rounding.

# Total General Fund Revenue Forecast

(Compared to Budget Plan)

December 20, 2019 (in millions \$)

Fiscal Year	April 2019 Forecast	2019 Session Legislative Changes	Budget Plan Forecast	December 2019 Forecast	Difference Budget Plan to December 2019 Forecast	% Difference Budget Plan to December 2019 Forecast
2020	\$16,552.0	\$114.7	\$16,666.7	\$16,790.8	\$124.1	0.74%
2021	\$16,968.2	\$156.0	\$17,124.2	\$17,259.9	\$135.7	0.79%

# Total General Fund Revenue Forecast

## Fiscal Years 2020 & 2021

### December 20, 2019 (in millions \$)

	Actual 2019	FISCAL YEAR 2020										FISCAL YEAR 2021									
		Apr. 2019 Forecast 2020	Budget Plan Forecast 2020	Updated Forecast 2020	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Diff. From Prior Budget Plan	Percent Diff. From Prior Budget Plan	Apr. 2019 Forecast Percent Growth Over 2019	Updated Forecast Percent Growth Over 2019	Apr. 2019 Forecast 2021	Budget Plan Forecast 2021	Updated Forecast 2021	Diff. From Prior Forecast	Percent Diff. From Prior Forecast	Diff. From Prior Budget Plan	Percent Diff. From Prior Budget Plan	Apr. 2019 Forecast Percent Growth Over 2020	Updated Forecast Percent Growth Over 2020		
<b>Major Taxes</b>																					
Sales & Use	7,915.0	8,075.8	8,156.5	8,205.0	129.3	1.6%	48.5	0.6%	2.0%	3.7%	8,277.2	8,360.4	8,459.8	182.6	2.2%	99.4	1.2%	2.5%	3.1%		
Individual Income	6,057.0	6,174.1	6,164.2	6,202.1	28.0	0.5%	37.9	0.6%	1.9%	2.4%	6,379.9	6,350.0	6,395.5	15.5	0.2%	45.4	0.7%	3.3%	3.1%		
Corporate - AGI, URT, USUT, FIT	948.3	850.9	864.2	874.9	24.0	2.8%	10.7	1.2%	-10.3%	-7.7%	834.3	881.4	872.4	38.1	4.6%	-9.0	-1.0%	-1.9%	-0.3%		
Riverboat Wagering	311.6	306.0	300.4	304.5	-1.5	-0.5%	4.1	1.4%	-1.8%	-2.3%	308.4	303.5	311.0	2.6	0.8%	7.5	2.5%	0.8%	2.1%		
Racino Wagering	119.4	111.9	123.9	131.4	19.5	17.4%	7.5	6.1%	-6.3%	10.1%	112.5	136.5	143.5	31.0	27.6%	7.0	5.1%	0.6%	9.2%		
<b>Subtotal Major Taxes</b>	<b>15,351.2</b>	<b>15,518.6</b>	<b>15,609.2</b>	<b>15,717.9</b>	<b>199.3</b>	<b>1.3%</b>	<b>108.8</b>	<b>0.7%</b>	<b>1.1%</b>	<b>2.4%</b>	<b>15,912.3</b>	<b>16,031.8</b>	<b>16,182.2</b>	<b>269.9</b>	<b>1.7%</b>	<b>150.4</b>	<b>0.9%</b>	<b>2.5%</b>	<b>3.0%</b>		
<b>Other Revenue</b>																					
Cigarette	232.4	228.0	228.0	227.5	-0.5	-0.2%	-0.5	-0.2%	-1.9%	-2.1%	220.3	220.3	219.4	-0.9	-0.4%	-0.9	-0.4%	-3.4%	-3.5%		
Insurance	251.6	242.8	242.8	257.3	14.6	6.0%	14.6	6.0%	-3.5%	2.3%	248.6	248.6	263.3	14.6	5.9%	14.6	5.9%	2.4%	2.3%		
Inheritance	0.2	0.0	0.0	0.0	0.0	N/A	0.0	N/A	N/A	N/A	0.0	0.0	0.0	0.0	N/A	0.0	N/A	N/A	N/A		
Alcoholic Beverages	19.4	20.4	20.4	19.8	-0.6	-2.9%	-0.6	-2.9%	5.0%	1.9%	20.9	20.9	19.9	-1.0	-4.8%	-1.0	-4.8%	2.5%	0.5%		
Riverboat Supplemental Wagering	12.2	9.3	9.3	9.4	0.1	0.8%	0.1	0.8%	-24.1%	-23.6%	9.3	9.3	9.3	-0.1	-0.6%	-0.1	-0.6%	0.4%	-1.0%		
Interest	115.3	103.0	103.0	115.0	12.0	11.7%	12.0	11.7%	-10.7%	-0.3%	108.0	108.0	95.0	-13.0	-12.0%	-13.0	-12.0%	4.9%	-17.4%		
Motor & Commercial Vehicle Excise	275.2	283.8	283.8	283.3	-0.5	-0.2%	-0.5	-0.2%	3.1%	2.9%	293.1	293.1	291.3	-1.8	-0.6%	-1.8	-0.6%	3.3%	2.8%		
Miscellaneous Revenue	148.6	146.1	170.2	160.6	14.5	9.9%	-9.7	-5.7%	-1.7%	8.1%	155.6	192.1	179.6	24.0	15.4%	-12.5	-6.5%	6.5%	11.8%		
<b>Subtotal Other Revenue</b>	<b>1,054.9</b>	<b>1,033.4</b>	<b>1,057.5</b>	<b>1,072.8</b>	<b>39.5</b>	<b>3.8%</b>	<b>15.3</b>	<b>1.5%</b>	<b>-2.0%</b>	<b>1.7%</b>	<b>1,055.9</b>	<b>1,092.4</b>	<b>1,077.7</b>	<b>21.8</b>	<b>2.1%</b>	<b>(14.7)</b>	<b>-1.3%</b>	<b>2.2%</b>	<b>0.5%</b>		
<b>Total General Fund</b>	<b>16,406.2</b>	<b>16,552.0</b>	<b>16,666.7</b>	<b>16,790.8</b>	<b>238.8</b>	<b>1.4%</b>	<b>124.1</b>	<b>0.7%</b>	<b>0.9%</b>	<b>2.3%</b>	<b>16,968.2</b>	<b>17,124.2</b>	<b>17,259.9</b>	<b>291.7</b>	<b>1.7%</b>	<b>135.7</b>	<b>0.8%</b>	<b>2.5%</b>	<b>2.8%</b>		

# Appendices for December 2019 Revenue Forecast

# Total Tax Revenue Estimates

## December 20, 2019, Revenue Forecast (Compared to Budget Plan Forecast)

Sales Tax (in millions)						
Fiscal Year	Budget Plan Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Budget Plan Forecast to Dec 2019 Forecast	
2020	8,156.5	8,205.0	290.0	3.7%	48.5	0.6%
2021	8,360.4	8,459.8	254.7	3.1%	99.4	1.2%
Individual Income Tax (in millions)						
Fiscal Year	Budget Plan Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Budget Plan Forecast to Dec 2019 Forecast	
2020	6,164.2	6,202.1	145.1	2.4%	37.9	0.6%
2021	6,350.0	6,395.5	193.4	3.1%	45.4	0.7%
Corporate Income Tax (in millions)						
Fiscal Year	Budget Plan Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Budget Plan Forecast to Dec 2019 Forecast	
2020	864.2	874.9	-73.4	-7.7%	10.7	1.2%
2021	881.4	872.4	-2.5	-0.3%	-9.0	-1.0%

\*Totals may not add due to rounding.

# Total Tax Revenue Estimates

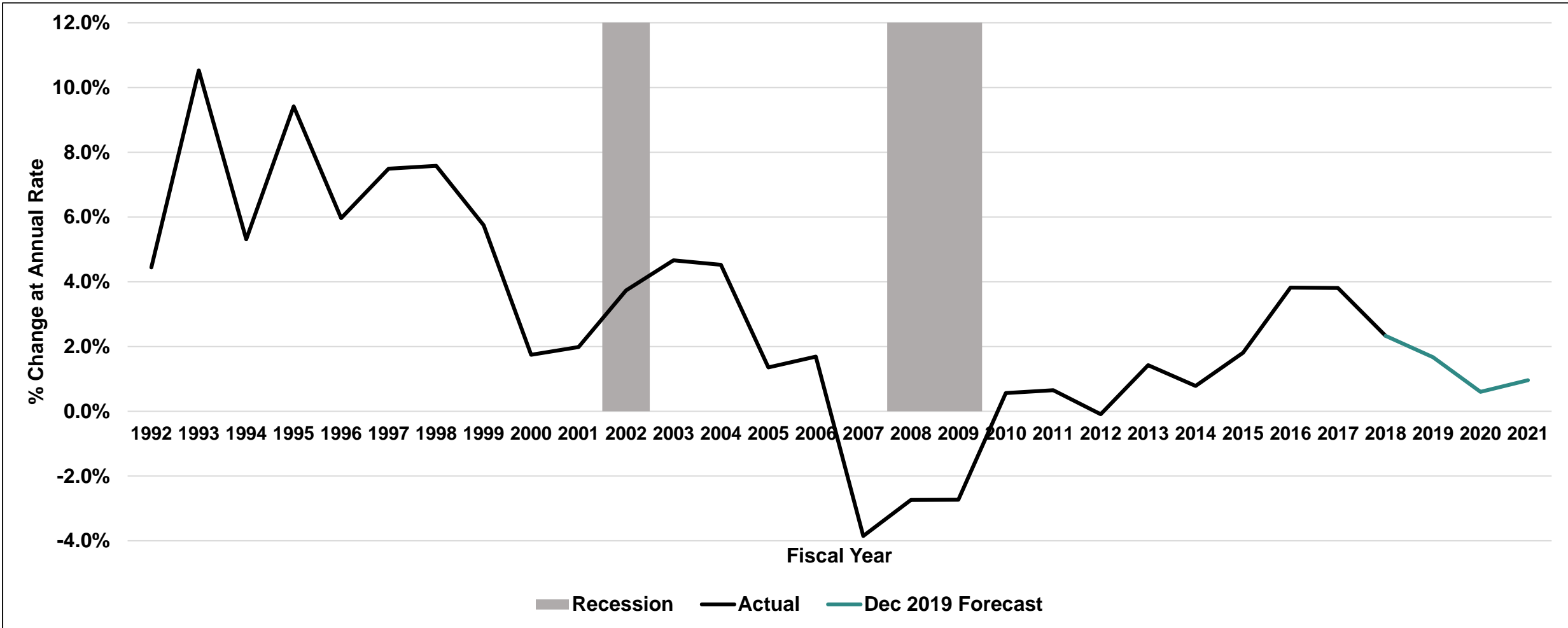
## December 20, 2019, Revenue Forecast (Compared to Budget Plan Forecast)

Gaming Taxes (in millions)						
Fiscal Year	Budget Plan Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Budget Plan Forecast to Dec 2019 Forecast	
2020	424.3	435.9	4.9	1.1%	11.6	2.7%
2021	440.0	454.5	18.6	4.3%	14.5	3.3%
Other Taxes (Includes MVET/ CVET Recapture) (in millions)						
Fiscal Year	Budget Plan Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Budget Plan Forecast to Dec 2019 Forecast	
2020	1,057.5	1,072.8	17.9	1.7%	15.3	1.5%
2021	1,092.4	1,077.7	4.9	0.5%	-14.7	-1.3%
Total General Fund Taxes (in millions)						
Fiscal Year	Budget Plan Forecast	Dec-19 Forecast	Growth over Prior Year		Difference Budget Plan Forecast to Dec 2019 Forecast	
2020	16,666.7	16,790.8	384.6	2.3%	124.1	0.7%
2021	17,124.2	17,259.9	469.1	2.8%	135.7	0.8%

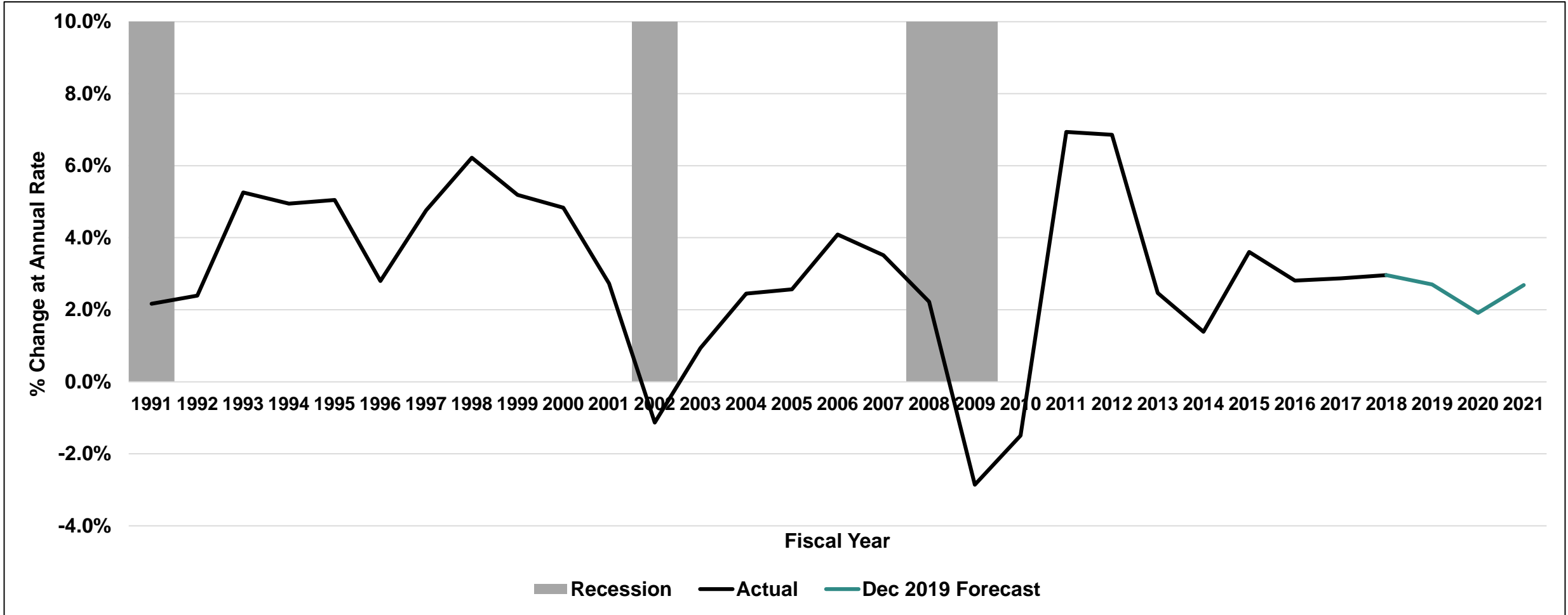
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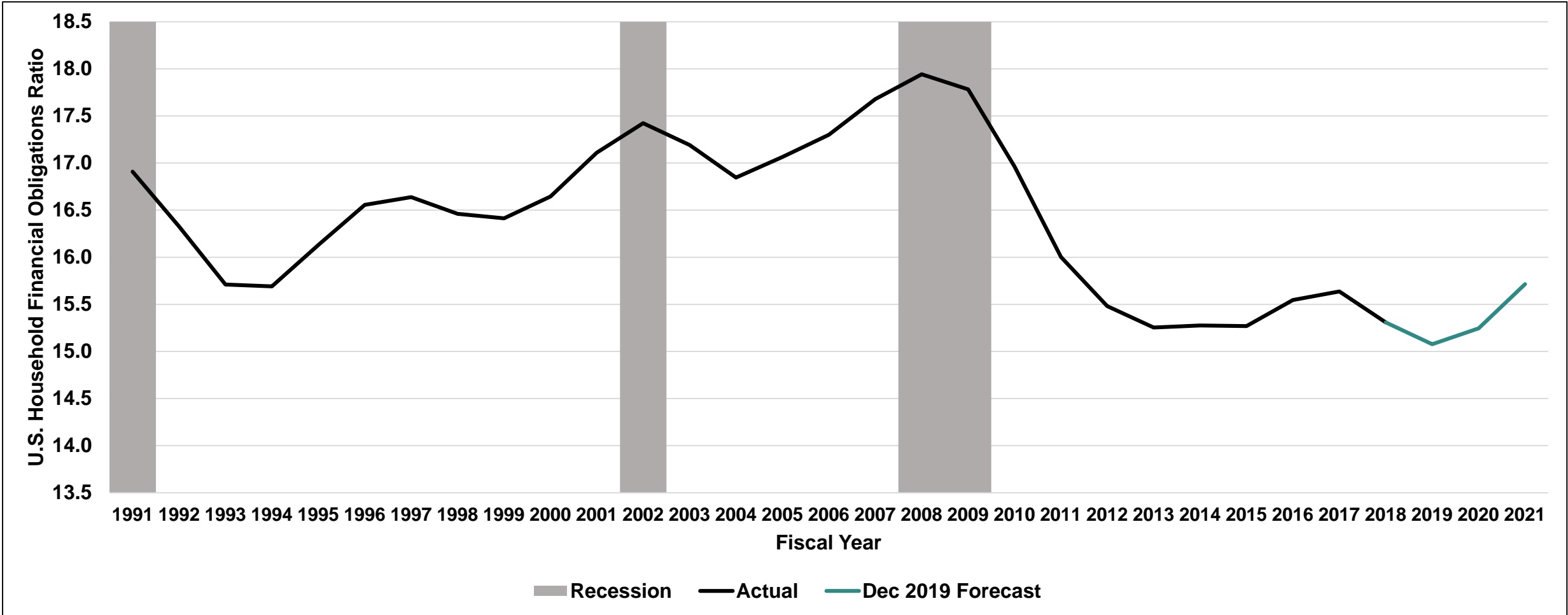
# Indiana Real GSP, Retail Trade



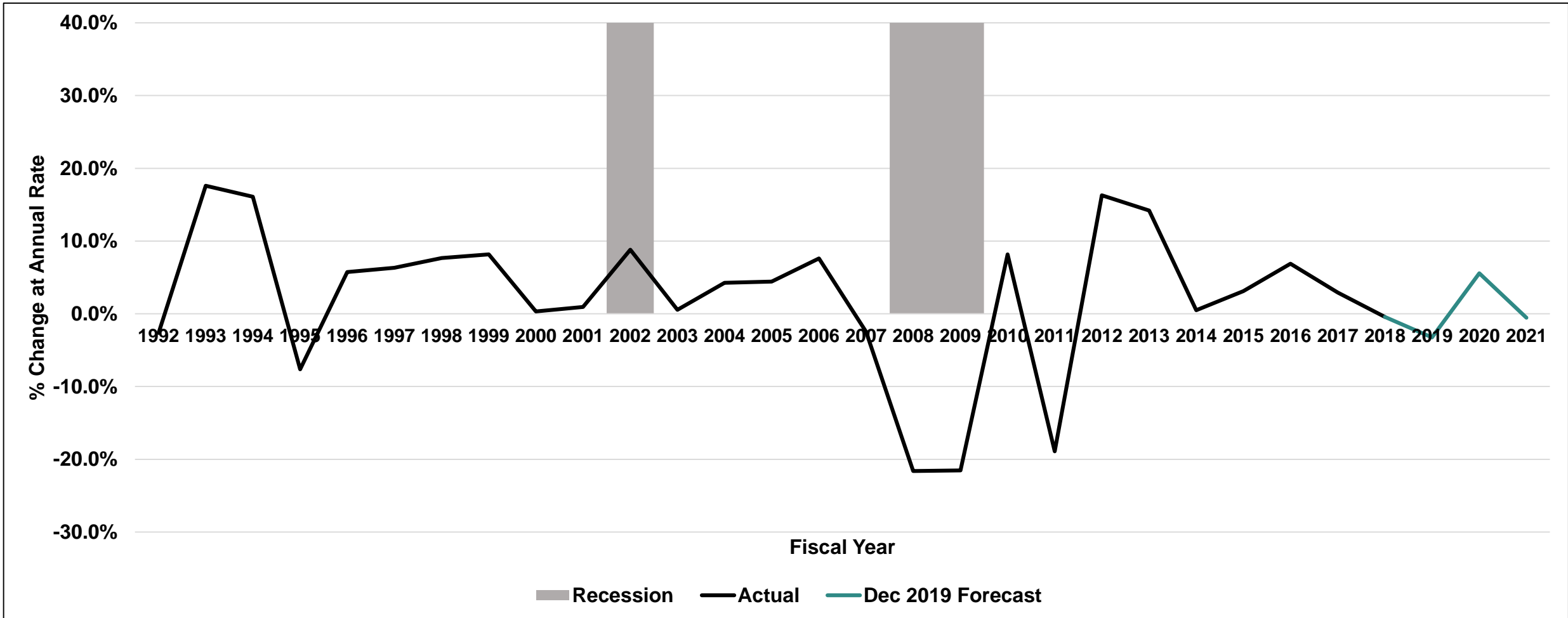
# Indiana Personal Income Net of Transfer Payments Per Household



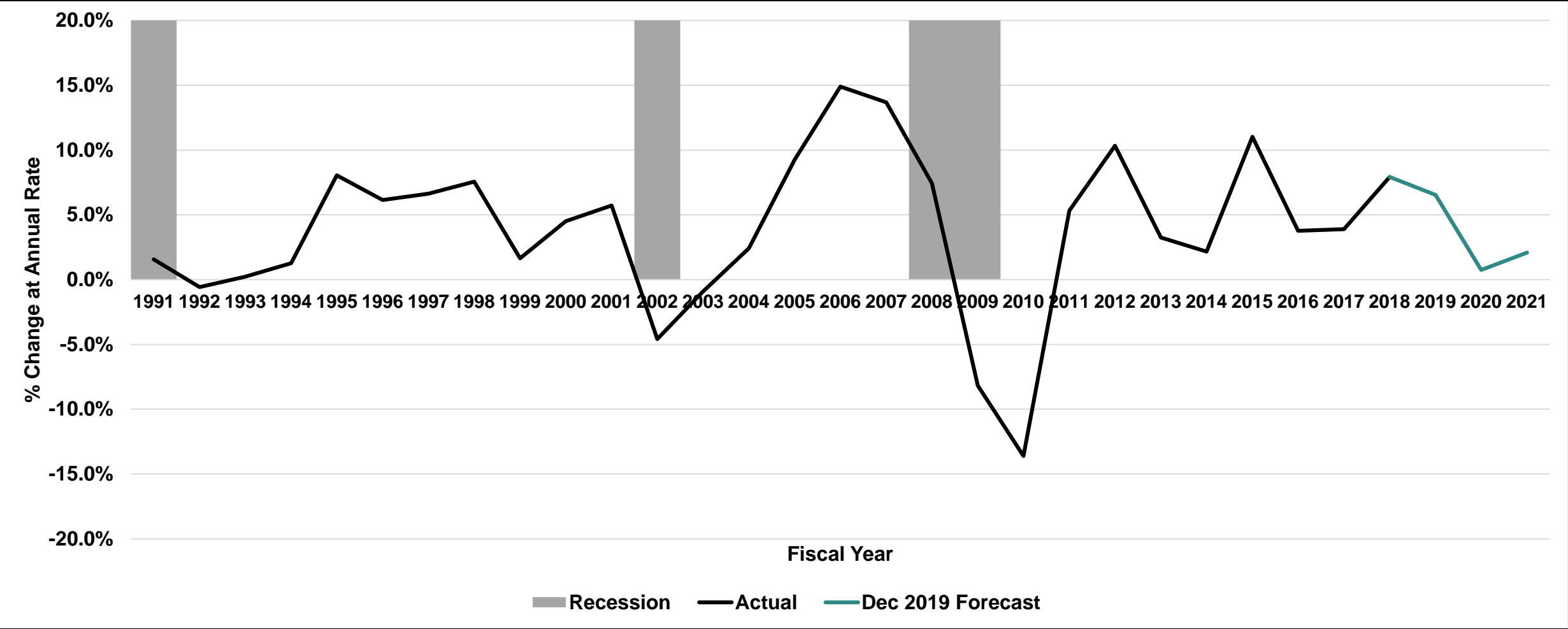
# U.S. Household Financial Obligations Ratio



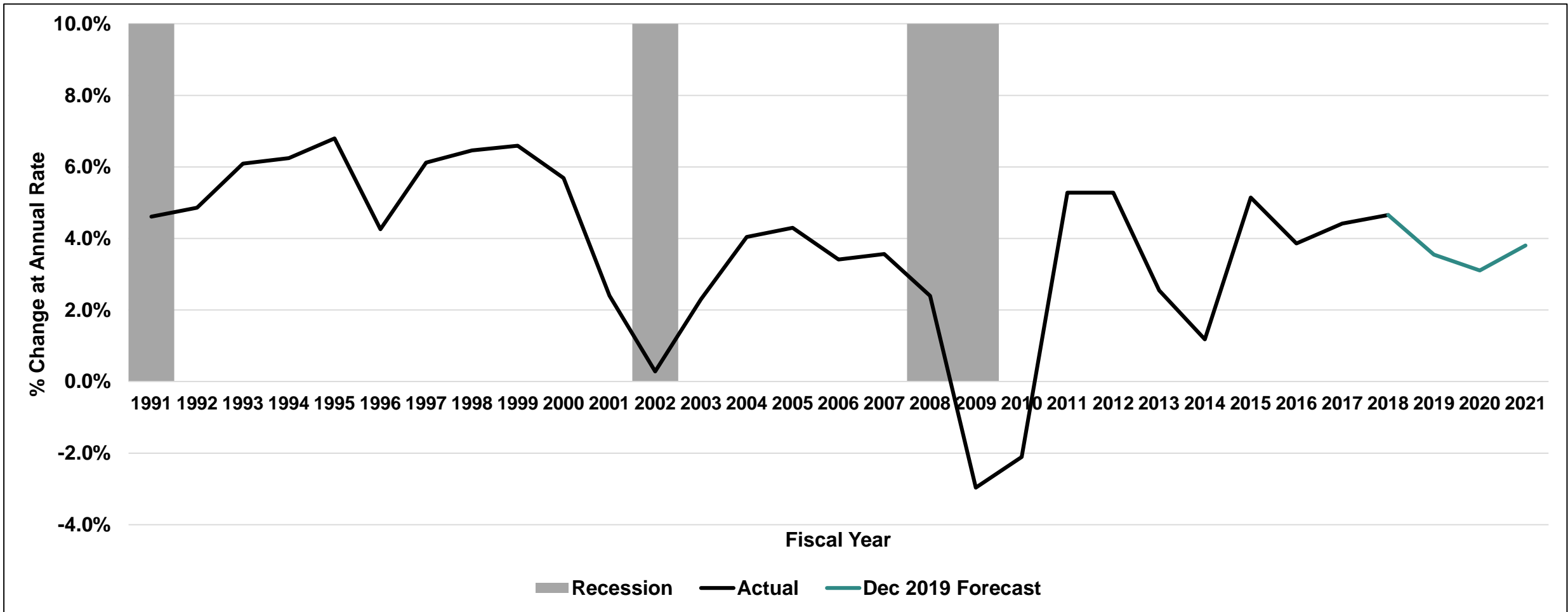
# Indiana Existing Single-Family Home Sales



# Dividend and Interest Income



# Adjusted Wages and Salaries



# Before-Tax Corporate Profits with IVA and Capital Consumption Adjustment

