

FASTFACTS

From the House Appropriations Committee

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General Fund Revenue Update: May 2011

We continue to anticipate that an additional \$1 billion is available to offset the \$2.6 billion in cuts proposed by Governor Corbett and by House Republicans. This is based on additional revenues exceeding half a billion dollars for this year (2010/11) that will also be carried forward into the base for next year's (2011/12) estimate. The potential surplus grew again in May to over \$539 million, even though May is one of the smallest revenue collection months. June is a much more significant month and we anticipate that further surplus revenue will be posted. Also, note that six percent year over year growth in tax revenue for the fiscal year through May indicates that Pennsylvania's economy is on the mend.

- **General Fund collections now exceed the official estimate by \$539.4 million (2.3 percent of estimate) for fiscal year 2010/11 through May.**
 - ❖ Total corporation tax collections for the fiscal year are \$213.2 million (5.1 percent) more than expected.
 - ❖ Sales taxes exceed projections by \$180.7 million (2.4 percent).
 - ❖ Personal income tax revenues are now \$195.7 million (2.1 percent) above estimate.
- **May is one of the smallest months in terms of total revenues collected, but collections performed well.**
 - ❖ May collections exceed the estimate by \$33.8 million (1.9 percent).
 - ❖ **Corporation taxes** exceed the estimate by \$25.7 million (29.3 percent).
 - ❖ **Sales taxes** outperform expectations by \$36.6 million (5.6 percent).
 - ❖ **Personal income tax collections**, are lower than expected, but only miss the mark by \$14.7 million out of \$687.3 million (2.1 percent).
 - This shortfall is driven by lower than anticipated employer withholding collections from wages and salaries, which are \$23 million lower than anticipated.
 - Non-withholding collections from other income are higher than expected by \$8.3 million, which helps to offset the shortfall in May's withholding revenues.
 - ❖ **Non-tax revenues** are again short of estimate this month, with collections \$11.1 million below expectations.
- **Compared with the same period last year, revenue growth continues to move in the right direction.**
 - ❖ **Total General Fund tax revenue through May is six percent higher than the same period last year.**
 - Corporation tax collections have increased by 8.7 percent.
 - Sales tax collections have increased by 4.6 percent.
 - Personal income tax collections are 5.6 percent more than last year at this time.
 - ❖ As was the case in April, tax collections are higher, but when non-tax revenue is included, overall 2010/11 General Fund revenues are still 1.7 percent below 2009/10. This is because of one-time revenues and transfers not available this year.
- **Coming up in June**, second quarter estimated payments for corporation and personal income taxes are due from taxpayers whose accounting year coincides with the calendar year. **Performance of first quarter payments, which occurred earlier this year, indicates that second quarter payments due in June will come in ahead of estimate.** Also, June marks the start of a semi-monthly sales tax return filing schedule, which will cause a large one-time bump up in the month's sales tax receipts. This change, which was enacted in 2009, is already assumed in the official revenue estimate. Because sales taxes are also ahead of estimate so far, there is no reason to expect any issues on that collection front. **The combination of these factors should produce solid revenues again in June.**