



Revenue Update for CEFC/RFC Retreat – September 14, 2023

Office of Tax Policy
Maine Revenue Services



General Fund Revenue Forecasts March 1, 2020 – September 1, 2023

	General Fund Summary					
	FY20	FY21	FY22	FY23	FY24	FY25
March 1, 2020 Forecast	\$ 3,996,891,025	\$ 4,073,720,452	\$ 4,176,037,522	\$ 4,319,113,893		
Annual % Growth	3.9%	1.9%	2.5%	3.4%		
Net Increase (Decrease) /1	\$ (27,547,323)	\$ (531,250,478)	\$ (435,237,240)	\$ (450,981,952)		
August 1, 2020 Forecast	\$ 3,969,343,702	\$ 3,542,469,974	\$ 3,740,800,282	\$ 3,868,131,941		
Annual % Growth	3.1%	-10.8%	5.6%	3.4%		
Net Increase (Decrease) /1	\$ -	\$ 272,806,942	\$ 231,967,435	\$ 255,473,700		
December 1, 2020 Forecast	\$ 3,969,343,702	\$ 3,815,276,916	\$ 3,972,767,717	\$ 4,123,605,641	\$ 4,276,170,128	\$ 4,431,148,462
Annual % Growth	3.1%	-3.9%	4.1%	3.8%	3.7%	3.6%
Net Increase (Decrease) /1	\$ -	\$ 355,665,917	\$ 275,657,159	\$ 273,243,332	\$ 229,268,397	\$ 219,619,979
May 1, 2021 Forecast	\$ 3,969,343,702	\$ 4,170,942,833	\$ 4,248,424,876	\$ 4,396,848,973	\$ 4,505,438,525	\$ 4,650,768,441
Annual % Growth	3.1%	5.1%	1.9%	3.5%	2.5%	3.2%
Net Increase (Decrease) /1	\$ -	\$ 349,648,312	\$ 373,902,390	\$ 307,611,533	\$ 380,872,595	\$ 397,609,649
December 1, 2021 Forecast	\$ 3,969,343,702	\$ 4,520,591,145	\$ 4,622,327,266	\$ 4,704,460,506	\$ 4,886,311,120	\$ 5,048,378,090
Annual % Growth	3.1%	13.9%	2.3%	1.8%	3.9%	3.3%
Net Increase (Decrease) /1	\$ -	\$ -	\$ 234,855,224	\$ 176,839,781	\$ 162,631,910	\$ 198,124,938
March 1, 2022 Forecast	\$ 3,969,343,702	\$ 4,520,591,145	\$ 4,857,182,490	\$ 4,881,300,287	\$ 5,048,943,030	\$ 5,246,503,028
Annual % Growth	3.1%	13.9%	7.4%	0.5%	3.4%	3.9%
Net Increase (Decrease) /1	\$ -	\$ -	\$ 534,431,079	\$ 159,953,681	\$ 131,056,202	\$ 71,391,422
December 1, 2022 Forecast	\$ 3,969,343,702	\$ 4,520,591,145	\$ 5,391,613,569	\$ 5,041,253,968	\$ 5,179,999,232	\$ 5,317,894,450
Annual % Growth	3.1%	13.9%	19.3%	-6.5%	2.8%	2.7%
Net Increase (Decrease) /1	\$ -	\$ -	\$ -	\$ 159,953,681	\$ 131,056,202	\$ 71,391,422
May 1, 2023 Forecast	\$ 3,969,343,702	\$ 4,520,591,145	\$ 5,391,613,569	\$ 5,264,410,572	\$ 5,206,214,345	\$ 5,362,420,807
Annual % Growth	3.1%	13.9%	19.3%	-2.4%	-1.1%	3.0%
Net Increase (Decrease) /1	\$ -	\$ -	\$ -	\$ 223,156,604	\$ 26,215,113	\$ 44,526,357
As of September 1, 2023	\$ 3,969,343,702	\$ 4,520,591,145	\$ 5,391,613,569	\$ 5,379,492,013	\$ 5,110,178,531	\$ 5,185,737,630
Annual % Growth	3.1%	13.9%	19.3%	-0.2%	-5.0%	1.5%
Total Change since March 1, 2020	\$ (27,547,323)	\$ 446,870,693	\$ 1,215,576,047	\$ 1,060,378,120		
Percent Change	-0.7%	11.0%	29.1%	24.6%		
1/ Includes impact of legislation enacted after release of the revenue forecast						
Bold denotes actual revenue						



May 1, 2023 Revenue Forecast

- FY23 increased by \$223.2 million, \$137.5 million from the individual income tax, \$59.5 from corporate income tax, and \$31.6 million from the sales and use tax.
- FY24/25 biennium increased by a combined \$70.7 million.
- Sales and use tax forecast increased by \$29.1 million in FY24 and \$48.8 million in FY25.
- Individual income tax only increased by \$3.5 million in FY24 and no change for FY25
- Corporate income tax reduced by \$16.0 million in FY24 and \$14.5 million in FY25.



FY23 General Fund Revenues - Actual vs Budget

STATE OF MAINE
Undedicated Revenues - General Fund
For the Twelfth Month Ended June 30, 2023
For the Fiscal Year Ending June 30, 2023
Comparison to Budget

Exhibit I

**PRELIMINARY AND TENTATIVE
 FOR VERIFICATION PURPOSES & INTERNAL USE ONLY**

	Month				Fiscal Year to Date				Total Budgeted Fiscal Year Ending 6/30/2023
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	
Sales and Use Tax	\$ 186,928,833	\$ 182,737,411	\$ 4,191,422	2.3 %	\$ 2,173,045,809	\$ 2,166,711,247	\$ 6,334,562	0.3 %	\$ 2,166,711,247
Service Provider Tax	4,190,892	4,788,753	(597,861)	(12.5)%	51,464,619	52,062,521	(597,902)	(1.1)%	52,062,521
Individual Income Tax	254,972,184	251,066,573	3,905,611	1.6 %	2,473,478,947	2,430,727,867	42,751,080	1.8 %	2,430,727,867
Corporate Income Tax	72,096,389	30,672,078	41,424,311	135.1 %	451,211,056	395,188,198	56,022,858	14.2 %	395,188,198
Cigarette and Tobacco Tax	11,403,062	14,371,195	(2,968,133)	(20.7)%	149,909,124	151,977,357	(2,068,233)	(1.4)%	151,977,357
Insurance Companies Tax	35,956,367	35,765,425	190,942	0.5 %	114,172,706	110,810,000	3,362,706	3.0 %	110,810,000
Estate Tax	220,173	1,499,314	(1,279,141)	(85.3)%	30,117,577	31,400,000	(1,282,423)	(4.1)%	31,400,000
Fines, Forfeits & Penalties	2,260,102	425,400	1,834,702	431.3 %	10,576,399	8,916,686	1,659,713	18.6 %	8,916,686
Income from Investments	8,398,290	3,475,428	4,922,862	141.6 %	33,812,410	29,283,164	4,529,246	15.5 %	29,283,164
Transfer from Lottery Commission	5,467,786	5,115,381	352,405	6.9 %	72,084,673	66,500,000	5,584,673	8.4 %	66,500,000
Transfers for Tax Relief Programs	(436,394)	(203,311)	(233,083)	(114.6)%	(81,514,948)	(81,350,000)	(164,948)	(0.2)%	(81,350,000)
Transfer to Municipal Revenue Sharing	(22,416,979)	(20,053,654)	(2,363,325)	(11.8)%	(263,395,959)	(261,001,187)	(2,394,772)	(0.9)%	(261,001,187)
Other Taxes and Fees	17,079,602	14,124,477	2,955,125	20.9 %	152,641,514	152,448,015	193,499	0.1 %	152,448,015
Other Revenues	11,621,338	12,826,332	(1,204,994)	(9.4)%	11,888,085	10,736,705	1,151,380	10.7 %	10,736,705
Total Collected	\$ 587,741,646	\$ 536,610,802	\$ 51,130,844	9.5 %	\$ 5,379,492,013	\$ 5,264,410,573	\$ 115,081,440	2.2 %	\$ 5,264,410,573

NOTES:

- (1) Included in the above is \$22,416,979 for the month and \$263,395,959 year to date, that was set aside for Revenue Sharing with cities and towns.
- (2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in May 2023, laws enacted through the 131st Legislature, 1st Regular Session and 1st Special Session for all laws and any emergency laws.
- (3) This report has been prepared from preliminary month end figures and is subject to change.



BSF now at 18% Maximum - \$969.5 Million

Preliminary FY 2023 General Fund Year-End Summary

Sources of General Fund Year-end Surplus:		
General Fund Revenue Variance		\$115,081,440
Unbudgeted Lapsed Balances		\$13,618,657
Lapsed Encumbrances and Prior Period Adjustments		\$12,253,086
Total Increase in Unbudgeted Unappropriated Surplus		\$140,953,183
Uses of General Fund Year-end Surplus:		
Fixed Dollar Transfers		
Replenish Contingent Account up to \$350,000 (5 MRSA §1507)		(\$100,000)
Loan Insurance Reserve up to \$1,000,000 (5 MRSA §1511)		(\$1,000,000)
Retiree Health ISF UAL (flat \$2 m) Title 5, S. 1519		(\$2,000,000)
General Fund Operating Capital (flat \$2.5 m) Title 5, S. 1536		(\$2,500,000)
Maine State Housing Authority (PL 2023 c. 412, Part TT-2)		(\$65,000,000)
Total Fixed Dollar Transfers		(\$70,600,000)
Percentage Transfers - Remaining Surplus after Fixed Dollar Transfers		
Maine Budget Stabilization Fund (80% up to MBSF cap)	74.4%	(\$52,371,763)
Highway and Bridge Capital (20% up to MBSF cap)	25.6%	(\$17,981,420)
Total Closing Transfers		(\$140,953,183)



FY23 General Fund Revenues - YOY

Exhibit II

STATE OF MAINE
Undedicated Revenues - General Fund
For the Twelfth Month Ended June 30, 2023 and 2022
For the Fiscal Year Ending June 30, 2023 and 2022
Comparison to To Prior Year

PRELIMINARY AND TENTATIVE
FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date			
	Current Year	Prior Year	Variance Over(Under)	Percent Over(Under)	Current Year	Prior Year	Variance Over(Under)	Percent Over(Under)
Sales and Use Tax	\$ 186,928,833	\$ 212,095,895	\$ (25,167,063)	(11.9)%	\$ 2,173,045,809	\$ 2,078,875,746	\$ 94,170,064	4.5 %
Service Provider Tax	4,190,892	5,192,901	(1,002,009)	(19.3)%	51,464,619	51,328,641	135,978	0.3 %
Individual Income Tax	254,972,184	257,906,645	(2,934,460)	(1.1)%	2,473,478,947	2,580,656,661	(107,177,714)	(4.2)%
Corporate Income Tax	72,096,389	81,477,801	(9,381,412)	(11.5)%	451,211,056	415,817,438	35,393,618	8.5 %
Cigarette and Tobacco Tax	11,403,062	12,191,533	(788,471)	(6.5)%	149,909,124	146,424,162	3,484,963	2.4 %
Insurance Companies Tax	35,956,367	32,149,122	3,807,245	11.8 %	114,172,706	101,673,456	12,499,250	12.3 %
Estate Tax	220,173	538,619	(318,446)	(59.1)%	30,117,577	34,183,165	(4,065,589)	(11.9)%
Fines, Forfeits & Penalties	2,260,102	613,963	1,646,139	268.1 %	10,576,399	4,905,201	5,671,198	115.6 %
Income from Investments	8,398,290	2,582,434	5,815,857	225.2 %	33,812,410	9,023,821	24,788,589	274.7 %
Transfer from Lottery Commission	5,467,786	5,032,611	435,176	8.6 %	72,084,673	71,351,415	733,258	1.0 %
Transfers for Tax Relief Programs	(436,394)	(208,008)	(228,385)	(109.8)%	(81,514,948)	(78,022,118)	(3,492,830)	(4.5)%
Transfer to Municipal Revenue Sharing	(22,416,979)	(20,131,914)	(2,285,065)	(11.4)%	(263,395,959)	(232,362,929)	(31,033,029)	(13.4)%
Other Taxes and Fees	17,079,602	18,236,882	(1,157,280)	(6.3)%	152,641,514	160,147,600	(7,506,085)	(4.7)%
Other Revenues	11,621,338	21,202,508	(9,581,170)	(45.2)%	11,888,085	47,611,311	(35,723,226)	(75.0)%
Total Collected	\$ 587,741,646	\$ 628,880,991	\$ (41,139,345)	(6.5)%	\$ 5,379,492,013	\$ 5,391,613,569	\$ (12,121,557)	(0.2)%

NOTE: This report has been prepared from preliminary month end figures and is subject to change.



FY24 General Fund Revenues - Actual vs Budget

Exhibit I

STATE OF MAINE
 Undedicated Revenues - General Fund
 For the Second Month Ended August 31, 2023
 For the Fiscal Year Ending June 30, 2024
 Comparison to Budget

PRELIMINARY AND TENTATIVE
 FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date				Total Budgeted Fiscal Year Ending 6/30/2024
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	
Sales and Use Tax	\$ 225,982,778	\$ 212,340,106	\$ 13,642,672	6.4 %	\$ 444,171,730	\$ 414,902,986	\$ 29,268,744	7.1 %	\$ 2,190,029,171
Service Provider Tax	3,201,102	4,334,220	(1,133,118)	(26.1)%	8,434,332	8,530,984	(96,652)	(1.1)%	49,212,224
Individual Income Tax	190,041,647	197,331,359	(7,289,712)	(3.7)%	337,094,419	348,277,597	(11,183,178)	(3.2)%	2,395,356,715
Corporate Income Tax	1,606,048	1,988,792	(382,744)	(19.2)%	19,124,424	16,278,680	2,845,744	17.5 %	355,903,000
Cigarette and Tobacco Tax	16,886,503	13,075,252	3,811,251	29.1 %	30,922,748	27,543,383	3,379,365	12.3 %	156,599,546
Insurance Companies Tax	(173,225)	13,734	(186,959)	(1,361.3)%	633,991	702,852	(68,861)	(9.8)%	114,490,000
Estate Tax	742,337	2,137,662	(1,395,325)	(65.3)%	2,394,649	4,275,324	(1,880,675)	(44.0)%	25,400,000
Fines, Forfeits & Penalties	1,005,178	453,448	551,730	121.7 %	1,825,262	2,024,912	(199,650)	(9.9)%	16,799,650
Income from Investments	4,801,974	2,307,577	2,494,397	108.1 %	4,801,986	2,307,577	2,494,409	108.1 %	27,009,049
Transfer from Lottery Commission	5,183,984	4,905,660	278,324	5.7 %	14,990,365	11,037,736	3,952,629	35.8 %	65,000,000
Transfer from Liquor Commission	-	2,000,000	(2,000,000)	(100.0)%	7,000,000	7,000,000	-	- %	7,000,000
Transfers for Tax Relief Programs	(300,605)	-	(300,605)	- %	(1,033,133)	-	(1,033,133)	- %	(84,490,000)
Transfer to Municipal Revenue Sharing	(19,399,667)	(18,599,788)	(799,879)	(4.3)%	(45,309,082)	(42,072,522)	(3,236,560)	(7.7)%	(252,899,526)
Other Taxes and Fees	14,306,055	9,823,222	4,482,833	45.6 %	19,609,382	17,258,241	2,351,141	13.6 %	146,874,664
Other Revenues	2,787,672	3,649,529	(861,858)	(23.6)%	(75,308,614)	(73,077,238)	(2,231,376)	(3.1)%	(100,931,748)
Total Collected	\$ 446,671,780	\$ 435,760,773	\$ 10,911,007	2.5 %	\$ 769,352,462	\$ 744,990,512	\$ 24,361,950	3.3 %	\$ 5,111,352,745

NOTES:

- (1) Included in the above is \$19,399,667 for the month and \$45,309,082 year to date, that was set aside for Revenue Sharing with cities and towns.
- (2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in May 2023, laws enacted through the 131st Legislature, 1st Regular Session and 1st Special Session for all laws and any emergency laws.
- (3) This report has been prepared from preliminary month end figures and is subject to change.



FY24 General Fund Revenues - YOY

Exhibit II

STATE OF MAINE

Undedicated Revenues - General Fund
 For the Second Month Ended August 31, 2023 and 2022
 For the Fiscal Year Ending June 30, 2024 and 2023
 Comparison to To Prior Year

PRELIMINARY AND TENTATIVE FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date			
	Current Year	Prior Year	Variance Over(Under)	Percent Over(Under)	Current Year	Prior Year	Variance Over(Under)	Percent Over(Under)
Sales and Use Tax	\$ 225,982,778	\$ 217,191,774	\$ 8,791,004	4.0 %	\$ 444,171,730	\$ 427,070,179	\$ 17,101,551	4.0 %
Service Provider Tax	3,201,102	4,231,707	(1,030,604)	(24.4)%	8,434,332	8,298,564	135,768	1.6 %
Individual Income Tax	190,041,647	188,464,619	1,577,028	0.8 %	337,094,419	329,340,325	7,754,094	2.4 %
Corporate Income Tax	1,606,048	1,608,630	(2,581)	(0.2)%	19,124,424	21,662,090	(2,537,665)	(11.7)%
Cigarette and Tobacco Tax	16,886,503	14,900,305	1,986,198	13.3 %	30,922,748	28,036,999	2,885,749	10.3 %
Insurance Companies Tax	(173,225)	24,516	(197,740)	(806.6)%	633,991	866,339	(232,348)	(26.8)%
Estate Tax	742,337	2,093,408	(1,351,071)	(64.5)%	2,394,649	16,187,114	(13,792,465)	(85.2)%
Fines, Forfeits & Penalties	1,005,178	(486,894)	1,492,072	306.4 %	1,825,262	1,160,191	665,071	57.3 %
Income from Investments	4,801,974	1,442,719	3,359,255	232.8 %	4,801,986	1,442,706	3,359,281	232.8 %
Transfer from Lottery Commission	5,183,984	4,164,540	1,019,444	24.5 %	14,990,365	13,882,026	1,108,340	8.0 %
Transfer from Liquor Commission	-	-	-	- %	7,000,000	-	7,000,000	- %
Transfers for Tax Relief Programs	(300,605)	-	(300,605)	- %	(1,033,133)	-	(1,033,133)	- %
Transfer to Municipal Revenue Sharing	(19,399,667)	(18,743,721)	(655,946)	(3.5)%	(45,309,082)	(46,589,073)	1,279,992	2.7 %
Other Taxes and Fees	14,306,055	12,132,460	2,173,595	17.9 %	19,609,382	18,576,750	1,032,632	5.6 %
Other Revenues	2,787,672	4,752,431	(1,964,760)	(41.3)%	(75,308,614)	(15,949,584)	(59,359,030)	(372.2)%
Total Collected	\$ 446,671,780	\$ 431,776,492	\$ 14,895,287	3.4 %	\$ 769,352,462	\$ 803,984,625	\$ (34,632,163)	(4.3)%

NOTE: This report has been prepared from preliminary month end figures and is subject to change.



FY24 Revenues through August

- Over budget for the fiscal year by 24.4 million (3.3%) and below last fiscal year by \$34.6 million (-4.3%). \$54.1 million of YOY change is related to transfer of auto sales tax revenue to HWF.
- Sales and Use Tax accounts over budget through August by \$29.3 million (7.1%) and up 4% over same two-month period last fiscal year. May forecast assumed -2.8% YOY change.
- Individual income tax is \$11.2 million under budget (-3.2%) most from higher than budgeted refunds and lower than budgeted estimated and fiduciary payments.
- Corporate income tax is over budget by \$2.8 million (17.5%) but 11.7% below last fiscal year. September is an estimated payment month for calendar year filers.

Sales & Use Tax Forecast



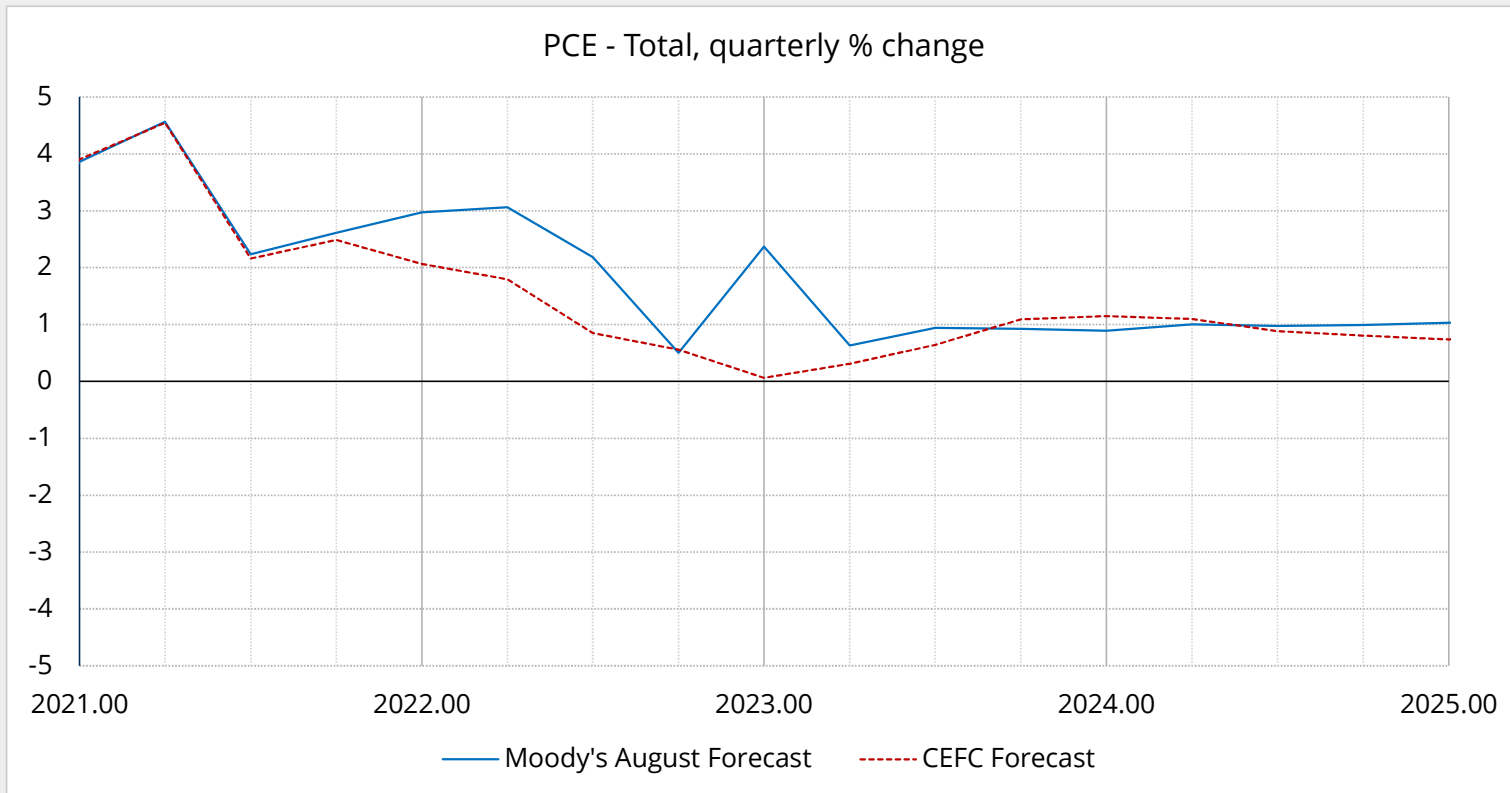
Revenues vs. Forecast May-Aug 2023

Category		May 2023 Forecast	Actual Revenue	Variance	% Variance
Sales & Use Tax		759,387,361	794,982,569	35,595,208	4.69%
Sales Tax	621	735,571,605	770,362,980	34,791,375	4.73%
Use Tax	623	14,639,997	16,886,968	2,246,971	15.35%
Adult Use Cannabis Sales Tax	627	8,910,073	7,349,667	-1,560,407	-17.51%
Service Provider Tax	675	17,235,647	16,541,092	-694,555	-4.03%
Cigarette, Tobacco, and Cannabis Excise Tax		54,310,090	59,818,887	5,508,797	10.14%
Tax On Cigarettes	511	36,464,240	44,058,079	7,593,839	20.83%
Tax On Tobacco Products	512	11,328,734	10,598,374	-730,360	-6.45%
Cannabis Excise Tax-Gross Amount	626	6,517,117	5,162,434	-1,354,683	-20.79%

- Higher than expected Personal Consumption
- Adult use cannabis tax revenue still growing, but growth has slowed; seasonal pattern remains uncertain
- Service provider tax declining faster than forecast
- Irregular seasonal patterns in cigarette and tobacco taxes



Consumption forecast increased





Revenues vs. Forecast May-Aug 2023

Category		May 2023 Forecast	Actual Revenue	Variance	% Variance
Gas Tax		69,081,655	69,071,240	-10,415	-0.02%
Gas Tax	321	69,401,403	69,195,409	-205,995	-0.30%
Gas Tax Refunds	322	-73,288	-77,046	-3,758	5.13%
Gasoline Shrinkage	333	-246,460	-47,123	199,337	-80.88%
Special Fuel Tax		14,823,669	16,484,500	1,660,831	11.20%
Special Use Fuel Tax	311	18,098,180	18,487,616	389,436	2.15%
Refunds Use Fuel Tax	312	-1,157,943	-770,561	387,382	-33.45%
Diesel Off-Highway	325	-2,116,568	-1,232,556	884,013	-41.77%

- Gas Tax close to forecast
- Special Fuel refund amounts lower than forecast; these have an irregular seasonal pattern

Individual Income Tax Forecast



Individual Income Tax: May 2023 Forecast

Decomposition of Individual Income Tax Variance Since May 2023 Forecast (\$million):

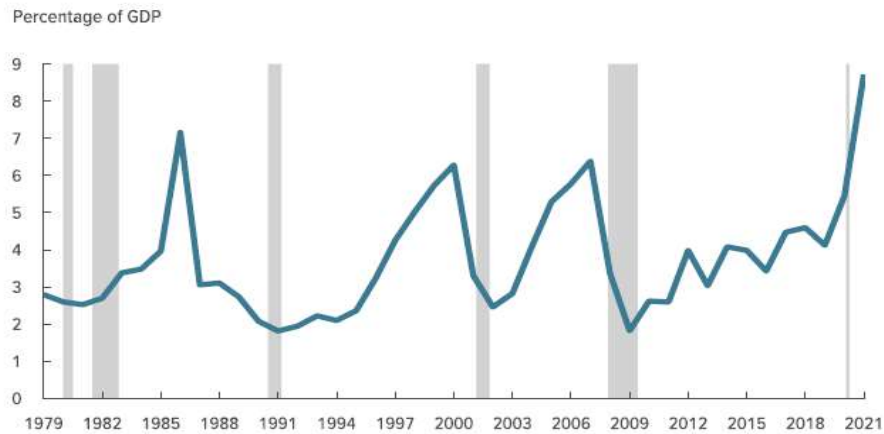
Variance primarily associated with:	FY 23	FY 24	Total
TY 2022 1040	\$27.6	-\$4.4	\$23.2
TY 2023 1040	\$16.9	-\$3.7	\$13.2
Fiduciary	-\$1.7	-\$3.1	-\$4.8
Total	\$42.8	-\$11.2	\$31.6

- The new capital gains forecast was the main contributor to the upward revision to the revenue forecast.
- We likely underestimated tax year 2022 liability based on the collections and tax return data available at the time of the forecast.

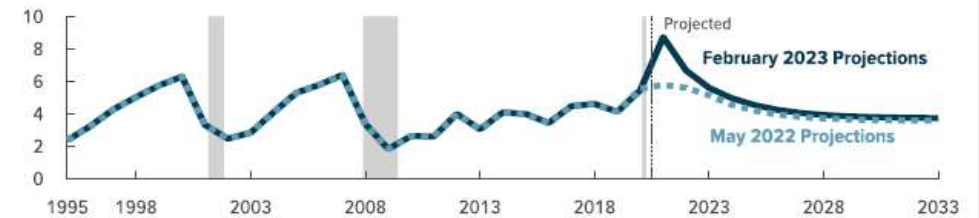


Capital Gains: National Data and Projections from the Congressional Budget Office

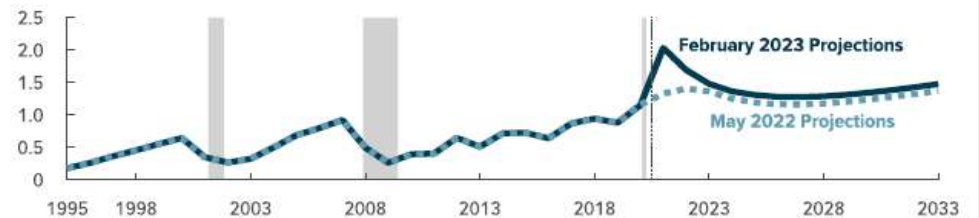
Realized Capital Gains as a Percentage of GDP



Percentage of GDP



Trillions of Dollars



From the presentation "CBO's Projections of Realized Capital Gains Subject to the Individual Income Tax", February 2023. Available at: https://www.cbo.gov/system/files/2023-02/58914_capital_gains.pdf

Corporate Income Tax Forecast



Corporate Income Tax – Historic Levels in Last Three Fiscal Years





Corporate Income Tax

Corporations may be building up excess balances.

Corporations that filed a return for a period ending in 2021 or 2022

Tax liability on most recent filed return = \$320.7 million

For almost all significant calendar year taxpayers, the most recent filed return is from 2021

Payments and credits applied to tax period following most recent filed return \approx \$552 million

The transition to amortizing research and experimental expenditures causes an initial increase in taxable income/liability that fades over time.

Starting with expenses incurred in tax years beginning in 2022, taxpayers must spread deduction over five years (in some cases 15 years) rather than fully deduct the expense in the year incurred.