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Maine Department of Administrative and Financial Services

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Maine's General Fund Revenue Up \$65 Million Over Projections

Federal pandemic relief and State's sound fiscal management help weather the storm of COVID-19

AUGUSTA, Maine – The Department of Administrative and Financial Services (DAFS) announced today that revenues to the State's General Fund have exceeded the latest nonpartisan revenue forecasts by \$65 million, or 3.3 percent, for the first half of the fiscal year. When adjusted to reflect the increased funds Maine is sending to cities and towns via revenue sharing, DAFS's revenue report for the month of December shows that State revenues have increased by 4 percent compared to the same six-month period last fiscal year.

“Thanks in large part to the effects of federal pandemic relief to Maine and Maine people – including funding for Maine businesses – revenues are beating projections. While still below pre-pandemic estimates, revenues have grown and appear to have become relatively stable, though we know the pandemic can change that at any moment,” **said Kirsten Figueroa, Commissioner for DAFS**. “Nonetheless, this is welcome news that also supports the Governor's goals of bolstering public health infrastructure and maintaining services important to Maine families, schools, and communities amid this deadly pandemic. Federal relief, combined with our sound fiscal management, has provided stability as we weather the storm of COVID-19 and provide crucial programs for Maine people during these unprecedented times.”

Overall, December sales tax revenue, which measures November sales activity, increased 7.7 percent over last year.

Despite declines in restaurant and lodging sales, down 26.8 and 25 percent respectively compared to the same period last fiscal year, combined sales and use and service provider tax receipts came in over budget by \$9 million. Building supply stores continue to have strong demand for their products, increasing by 25 percent, and business operating sales increased in November by 9.3 percent over a year ago. Consumer sales increased by 7.6 percent over a year ago. General merchandise stores came in relatively flat on a year-over-year basis while the auto and transportation category posted growth of 3.1 percent and is up 12.2 percent for the September-November period. Other retail sales grew by 37.9 percent as e-commerce sales continue to increase in the COVID-19 economy.

“Nationally, including here in Maine, concerns remain that sales tax receipts may begin to weaken because of the late passage of the federal stimulus package, the recent surge in COVID-19 cases, and the home heating season now at its peak period,” **said Dr. Michael Allen, DAFS' Associate Commissioner of Tax Policy**.

Individual income tax receipts were over budget in December by \$32 million or 22.3 percent relative to projections. For the first half of the fiscal year withholding receipts are 10.1 percent higher than the same period a year ago. Estimated payments in December exceeded budget by 63.5 percent and increased 47 percent compared to last December.

“Some of the extraordinary monthly withholding growth is because this December had one extra Thursday than last year, but that doesn't fully explain growth of this magnitude,” **said Allen**. “The final estimated payment for tax year 2020 is due in January, but some taxpayers prepay their final state estimated payment

in December to get an itemize deduction for that tax year at the federal level. This timing incentive has diminished greatly in recent years because of the State and Local Tax deduction cap of \$10,000 that was part of the 2017 federal tax reform act. We will watch the January estimated payment carefully to see if the strong December payment was a timing issue or was a signal of much better final estimated payments than projected.”

Corporate income tax receipts were over budget in December by \$18.4 million, the vast majority of which can be attributed to the final 2020 estimated payment for calendar year filers which was due in December. Estimated payments exceeded budget by 44.5 percent and bested last December’s estimated payment by 37.3 percent.

“I have spoken with my counterparts and this spike is consistent with states across the nation that have similar corporate income tax structure,” **said Allen**. “The consensus, for now, is that many corporations reduced their first three estimated tax payments expecting weak profits due to COVID-19, but at year-end realized that 2020 will be a profitable year despite it all.”

The revenue report is [attached](#).

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