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**M E M O R A N D U M**

**TO:** Governor Paul R. LePage  
Members, Legislative Council  
Members, Joint Standing Committee on Appropriations and Financial Affairs  
Members, Joint Standing Committee on Taxation

**FROM:** H. Sawin Millett Jr., Commissioner  
Department of Administrative & Financial Services

**DATE:** May 17, 2012

**SUBJ:** Revenues – April

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April General Fund revenues were over budget by \$3.9 million or 1.1%. For the first ten months of the fiscal year General Fund revenues are \$9.2 million over budget (+0.4%). Compared to the same ten month period last fiscal year, General Fund revenues are up \$42.3 million (+1.9%). Note the Controller's report for April has been updated to reflect the latest revenue forecast by the Revenue Forecasting Committee (RFC).

Once again sales & use tax receipts had a very strong month in April (March sales). Sales & use tax revenues increased by 8.2% over April, 2011, and are now up 6.3% for the fiscal year. Growth for the month was solid across all business sectors. The general merchandise sector has had back-to-back months of moderate growth, something that has not happened since the start of the recession. Some of this pick-up in the general merchandise sector may be a timing issue associated with the unusually warm weather we had in later winter and early spring, but some base amount is likely reflective of an improving economy.

Similar to last year there was no "April surprise" with the filing of 2011 individual income tax returns. While final payments in April were slightly weaker than originally projected, refunds associated with 2011 returns have been under budget by a similar amount. Overall the filing of 2011 tax returns unfolded as expected. Most states and the federal government are reporting similar results after completing the processing of April individual income tax returns...

## Sales & Use Taxes

Revenue was \$391,155 over budget for the month and \$428,772 (+0.1%) over budget fiscal year-to-date. Fiscal year-to-date revenue was \$43.4 million (+6.3%) over fiscal year 2011.

## Taxable Sales

Total taxable sales for the month of March (April revenue) were up 5.1% from March 2011. The annual rate of change was 4.3%. Building supply sales were up 10.9% for the month and 10.2% for the year ending in March. Sales of taxable items in food stores were up 2.9% for the month and 2.0% for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 4.2% for the month and 1.2% for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 4.2% for the month and 3.9% for the year. Auto/transportation sector sales were up 3.4% for the month and 5.6% for the year. Sales of meals and other prepared foods were up 6.9% for the month and 4.3% for the year. Lodging sales were up 5.9% for the month and up 3.6% for the year. Business operating sales (primarily use tax paid by businesses) were up 5.6% for the month and 3.3% for the year.

## Service Provider Tax

Revenue was \$15,186 under budget for the month and \$15,188 (0.0%) under budget fiscal year-to-date.

## Individual Income Tax

Revenue was \$14,756 over budget for the month and \$14,756 (0.0%) over budget fiscal year-to-date. Fiscal year-to-date withholding payments were 3.5% over fiscal year 2011. Estimated payments were up 1.5% and final payments were up 2.3% fiscal year-to-date. Fiscal year-to-date revenue was \$19.3 million (+1.7%) over fiscal year 2011.

## Corporate Income Tax

Revenue was \$196,708 under budget for the month and \$196,706 (-0.1%) under budget fiscal year-to-date. Estimated payments were up 1.7% and final payments were up 23.5% fiscal year-to-date. Fiscal year-to-date revenue was \$13.7 million (+8.1%) over fiscal year 2011.

## Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$1.4 million under budget for the month and \$1.7 million (-1.4%) under budget fiscal year-to-date.

## Insurance Companies Taxes

The Insurance Companies Taxes were \$5.1 million over budget for the month and \$6.9 million over budget fiscal year-to-date.

## Estate Tax

The estate tax was \$126,553 under budget for the month and \$1.9 million over budget fiscal year-to-date.

### Transfers for Tax Relief Programs

Refunds for the tax & rent, Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) were over budget in April by \$0.4 million. Fiscal year-to-date the tax relief programs are over budget by \$0.6 million (+0.5%).

### Municipal Revenue Sharing

Revenue sharing was over budget for the month and fiscal year by \$386,287.

### Lottery

Lottery Revenues were over budget in April by \$1.3 million. Year-to-date this line is over budget by \$3.5 million.

### Other Revenues

Other Revenues are over budget for the month by \$0.6 million and year-to-date by \$832,706.

### Highway Fund

Motor fuel tax receipts were over budget in April by \$0.6 million. The Highway Fund as a whole was \$0.8 million over budget for the month. For the fiscal year motor fuel excise taxes are over budget by \$0.4 million (+0.3%). The Highway Fund is over budget year-to-date by \$1.9 million (+0.8%).

### National Economy

The warm weather across the nation during late winter and early spring has made it difficult to fully understand the economic data being released for the first half of the calendar year. The most recent economic reports seem to imply that the first quarter was heavily impacted by the weather and that the second quarter growth will be slower due to a boomerang effect. The general view of economists is that the economy is growing at a sustainable rate of 2.5%; strong enough to slowly reduce the unemployment rate, but still much slower than normal economic recoveries. The European debt crisis, tensions with Iran and uncertainty with US fiscal policy is expected to keep economic growth muted until mid-2013 when growth is expected to accelerate.

### Maine Economy

Taxable sales data for the first quarter of calendar year 2012 shows increased consumer activity by Maine households. Taxable sales increased by 6.3% during the January-March quarter, up from 5.2% growth during the final quarter of 2011. Similar to the rest of the nation, Maine has had an unusually warm winter and spring and therefore some of the increased activity during the first quarter is likely weather related. While second quarter sales growth is expected to slow to

the 3%-4% range because of a shifting of sales from the second quarter to the first, solid growth is forecasted for the second half of the calendar year. The recent reduction in oil and gasoline prices will provide additional support for the upcoming Memorial Day weekend and summer tourism season.

HSM:mja

Attachments

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