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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: June 14, 2012

May General Fund revenues were over budget by \$15.7 million or 6.6%. With one month remaining in the fiscal year General Fund revenues are \$24.9 million over budget (+1.0%). Compared to the same eleven month period last fiscal year, General Fund revenues are up \$63.3 million (+2.5%). Note that \$5.4 million of the monthly surplus is due to early receipt of a mortgage foreclosure settlement by the Office of the Attorney General which was projected to be received in June by the Revenue Forecasting Committee. Also, the taxable sales table is not included in this month's report because of the late receipt of some returns; payments were remitted on time.

May sales tax receipts (April sales) were on budget for the month; up 2.8% compared to year ago. As expected April sales growth was much lower than the previous nine months of the fiscal year. This abrupt slowdown in sales growth is consistent with national data and likely attributable to second quarter 2012 sales being shifted into the first quarter because of unseasonably warm weather in late winter and early spring. Falling gasoline prices should provide a boost to consumer spending going forward and strengthen the upcoming summer tourism season.

The receipt of a \$4 million estate tax payment and much lower than projected corporate income tax refunds resulted in estate and corporate income taxes being over budget in May by \$5.3 and \$5.6 million, respectively.

Sales & Use Taxes

Revenue was \$206,601 under budget for the month and \$222,171 over budget fiscal year-to-date. Fiscal year-to-date revenue was \$45.3 million (6.0%) over fiscal year 2011.

Taxable Sales

Total taxable sales for the month of April (May revenue) were up 3.9% from April 2011. Building supply sales were up 13.5%. Sales of taxable items in food stores were up 2.8%. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 0.3%. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were down 0.1%. Auto/transportation sector sales were up 3.8%. Sales of meals and other prepared foods were up 1.9%. Lodging sales were up 5.9%. Business operating sales (primarily use tax paid by businesses) were up 6.0%.

Service Provider Tax

Revenue was \$514,343 under budget for the month and \$529,530 (-1.3%) under budget fiscal year-to-date.

Individual Income Tax

Revenue was \$4.6 million under budget for the month and \$4.6 million (-0.4%) under budget fiscal year-to-date. Fiscal year-to-date withholding payments were 3.8% over fiscal year 2011. Estimated payments were up 1.6% and final payments were up 1.2% fiscal year-to-date. Fiscal year-to-date revenue was \$20.4 million (+1.7%) over fiscal year 2011.

Corporate Income Tax

Revenue was \$5.6 million over budget for the month and \$5.4 million (+2.9%) over budget fiscal year-to-date. Estimated payments were up 1.5% and final payments were up 23.5% fiscal year-to-date. Fiscal year-to-date revenue was \$20.8 million (+12.2%) over fiscal year 2011.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$2.4 million over budget for the month and \$695,632 (+0.5%) over budget fiscal year-to-date.

Insurance Companies Taxes

The Insurance Companies Taxes were \$2 million under budget for the month and \$4.9 million over budget fiscal year-to-date.

Estate Tax

The estate tax was \$5.3 over budget for the month and \$7.2 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 May by \$0.2 million. Fiscal year-to-date the tax relief programs are over budget by \$0.8 million (+0.7%).

Municipal Revenue Sharing

Revenue sharing was on budget for the month and is now over budget for the fiscal year by \$343,512.

Lottery

Lottery Revenues were over budget in May by \$0.6 million. Year-to-date this line is over budget by \$4.1 million.

Other Revenues

Other Revenues are over budget for the month by \$5.7 million and year-to-date by \$6.5 million.

Highway Fund

Motor fuel tax receipts were under budget in May by \$0.1 million. The Highway Fund as a whole was \$0.2 million under budget for the month. For the fiscal year motor fuel excise taxes are over budget by \$0.3 million (+0.2%). The Highway Fund is over budget year-to-date by \$1.8 million (+0.7%).

National Economy

Unfortunately recent economic data is pointing to another mid-year slowdown for the US economy. Continued weakness in Europe and growing evidence that warm weather shifted economic activity from the second quarter into the first quarter of calendar year 2012, is leading economists to downgrade their forecasts for US economic growth. While no one is forecasting another recession, the slowdown is expected to once again delay the date in which US employment gets back to levels seen before the recession.

Maine Economy

Taxable sales data for April supports the view of the Revenue Forecasting Committee that the surge in sales during the first quarter of 2012 was largely driven by unseasonably warm weather in February and March. Early reports from retailers regarding the Memorial Day holiday weekend was that the summer tourism got off to a good start. If gasoline prices remain relatively low and the weather is warm and dry over the next few months, Maine should have a very good summer tourism season.

HSM:mja

Attachments

cc: John McGough
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Grant Pennoyer
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