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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:** July 18, 2012

**SUBJ:** Revenues - June

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June General Fund revenues were over budget by \$4.8 million or 1.0%. General Fund revenues ended the fiscal year over budget by \$20.1 million (+0.7%). Total General Fund revenues equaled \$3,015,538,222, an increase of \$70.6 million (+2.4%) over FY11. This is the first fiscal year that General Fund revenues exceeded \$3 billion since the pre-recession peak of \$3.1 billion in FY08.

Most of the monthly and fiscal year surpluses were from the sales & use and corporate income tax lines. Sales & use taxes were over budget for the month by \$7.8 million, which represents most of the fiscal year positive variance (+\$8 million). The taxable sales report for May (June revenue) indicates that auto/transportation sales and tourism related sales (restaurant and lodging) were strong. Auto/transportation increased by 9.4% year-over-year, much stronger than in recent months. Restaurant sales were up 6.3%, while lodging sales increased 8.5% over last May. The meals and lodging data match the anecdotal reports that tourist activity during the Memorial Day holiday period was good. General merchandise and other retail sales were relatively flat in May, increasing by 0.1% and 0.3%, respectively. These categories had been experiencing solid growth during late winter and early spring, but appear to have returned to the weak growth that has been consistently reported since the start of the recession.

Corporate income tax receipts continue to come in over budget (+\$8.1 million for the month). June was an estimated payment month for calendar year corporate filers and corporate estimated

payments were \$3.2 million over budget. Corporate final payments exceeded budget by \$3 million and refunds were below budget by \$1.9 million. For the fiscal year corporate income tax receipts increased by \$23.1 million, an increase of 11.1% over last FY11.

### Sales & Use Taxes

Revenue was \$7.8 million over budget for the month and \$8 million (+0.8%) over budget fiscal year-to-date. Fiscal year-to-date revenue was \$57.6 million (+6.2%) over fiscal year 2011.

### Taxable Sales

Total taxable sales for the month of May (June revenue) were up 4.7% from May 2011. The annual rate of change was 5.0%. Building supply sales were up 2.9% for the month and 12.4% for the year ending in May. Sales of taxable items in food stores were up 7.8% for the month and 3.3% for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 0.1% for the month and 1.7% for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 0.3% for the month and 3.7% for the year. Auto/transportation sector sales were up 9.4% for the month and 6.3% for the year. Sales of meals and other prepared foods were up 6.3% for the month and 5.1% for the year. Lodging sales were up 8.5% for the month and 3.9% for the year. Business operating sales (primarily use tax paid by businesses) were up 4.1% for the month and 3.4% for the year.

### Service Provider Tax

Revenue was \$1.6 million under budget for the month and \$2.1 million (-4.2%) under budget fiscal year-to-date.

### Individual Income Tax

Revenue was \$6.1 million under budget for the month and \$10.7 million (-0.7%) under budget fiscal year-to-date. Fiscal year-to-date withholding payments were 2.5% over fiscal year 2011. Estimated payments were up 2.5% and final payments were up 0.2% fiscal year-to-date. Fiscal year-to-date revenue was \$18.9 million (+1.3%) over fiscal year 2011.

### Corporate Income Tax

Revenue was \$8.1 million over budget for the month and \$13.5 million (+6.2%) over budget fiscal year-to-date. Estimated payments were down 0.1% and final payments were up 22.6% fiscal year-to-date. Fiscal year-to-date revenue was \$23.1 million (+11.1%) over fiscal year 2011.

### Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$3.1 million under budget for the month and \$2.4 million (-1.7%) under budget fiscal year-to-date.

### Insurance Companies Taxes

The Insurance Companies Taxes were \$1.2 million under budget for the month and \$3.8 million over budget fiscal year-to-date.

### Estate Tax

The estate tax was \$643,153 under budget for the month and \$6.6 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 slightly over budget in June by \$0.150 million. For the fiscal year the tax relief programs were over budget by \$0.9 million (+0.8%).

### Municipal Revenue Sharing

Revenue sharing was under budget for the month and ended the fiscal year on budget.

### Lottery

Lottery Revenues were under budget in June by \$1 million. This line ended the fiscal year over budget by \$3.1 million.

### Other Revenues

Other Revenues were under budget for the month by \$4.6 million and ended the fiscal year over budget by \$1.9 million. The monthly variance is from the timing of settlement payment that was budgeted for June but was received by the state in May.

### Highway Fund

Motor fuel tax receipts were over budget in June by \$1.1 million. The Highway Fund as a whole was \$0.450 million over budget for the month. For the fiscal year motor fuel excise taxes were over budget by \$1.4 million (+0.6%). The Highway Fund is over budget year-to-date by \$2.2 million (+0.7%).

### National Economy

As more data is released on the US economy it appears that the second quarter of 2012 grew by just over 1% which means the first half of 2012 increased by less than 2%. The concern going forward is that the continuing crisis in Europe and the fiscal uncertainty in the US will prevent the economy from growing faster during the second half of 2012, and may actually cause it to slow even more. An economy with growth of 2% or less will not generate enough jobs to lower the unemployment rate below 8%.

## Maine Economy

Taxable sale rebounded in May from a weak April, but most of the growth was concentrated in automobile sales and tourism related activity. General merchandise sales which generally reflect the capability of Maine households to spend on a monthly basis flattened in May. This was a bit of a surprise given the drop in energy prices over the last couple of months. It appears that Maine families have the willingness and ability to increase spending activity on a temporary basis, but are unable to sustain an increase in consumption for longer periods. Only when the overall economy attains consistent growth in jobs and incomes will Maine households be able to maintain the level of spending we saw over the holiday season and earlier this spring.

HSM:mja

### Attachments

cc: John McGough  
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