

**DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
78 STATE HOUSE STATION
AUGUSTA, ME 04333-0078**

**PHONE: 207-624-7800
FAX: 207-624-7804
TDD: 207-287-4537**

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: Richard W. Rosen, Commissioner
Department of Administrative & Financial Services

DATE: August 11, 2016

SUBJ: Revenues – July

July General Fund revenues were under budget by \$3.1 million or -1.3%. Compared to last fiscal year, General Fund revenues for the first month of FY17 were down by 3.3% (-\$8.2 million). The comparison to last fiscal year is impacted by the fact that last July budgeted transfers from the General Fund to the Tourism Marketing and Multimodal Transportation Funds did not occur until August. This fiscal year those transfers took place in July as scheduled.

June taxable sales (July revenue) rebounded from a relatively weak May increasing by 5.3% over a year ago. For the month, sales and use and service provider taxes combined were \$1.6 million over budget. Auto/transportation sales decreased by 0.2% over last June, and are up only 1.0%, year-over-year, for the second quarter of calendar year 2016. Auto sales have flattened out in recent months; most of the robust growth first half of 2016 (+5.7% year-over-year) came in the first quarter of the calendar year. Tourism related sales, restaurants and lodging, increased over last June, growing 6.9% and 6.1%, respectively. Building supply store sales in June increased by 5.3% year-over-year, and have risen by 10.4% during the first half of CY16 compared to a year ago.

Cigarette and tobacco taxes were under budget in July by \$2.1 million, a negative variance of -15.1%. Cigarette and tobacco tax receipts ended FY16 over budget by \$4.8 million, leading us to conclude at this time that the negative variance in July is a timing issue with cigarette stamp sales. Cigarette stamp sales historically decline on an annual basis by 1 to 2%, but in recent months have been increasing consistent with the increase in other consumption based taxes.

Sales & Use Taxes

Revenue was \$2.1 million over budget for the first month of the fiscal year.

Taxable Sales

Total taxable sales for the month of June (July revenue) were 5.3% over June 2015. The annual rate of change, excluding utilities, was 6.2%. Building supply sales were up 5.3% for the month and 7.4% for the year ending in June. Sales of taxable items in food stores were up 27.5% for the month and 13.6% for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 9.0% for the month and 4.2% for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 5.4% for the month and 6.3% for the year. Auto/transportation sector sales were down 0.2% for the month and up 7.1% for the year. Sales of meals and other prepared foods were up 6.9% for the month and 6.4% for the year. Lodging sales were up 6.1% for the month and 6.4% for the year. Business operating sales (primarily use tax paid by businesses) were down 2.3% for the month and flat for the year.

Service Provider Tax

Revenue was \$539,448 under budget for the first month of the fiscal year.

Individual Income Tax

Revenue was \$2.4 million over budget for the month.

Corporate Income Tax

Revenue was \$1.8 million under budget for the month.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$2.1 million under budget for the month.

Insurance Companies Taxes

The Insurance Companies Taxes were \$51,487 under budget for the month.

Estate Tax

The estate tax was \$713,585 under budget for the month.

Transfers for Tax Relief Programs

Refunds for the Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs were over budget in July. July is a very minor month for both these programs. The next program year for BETR begins in August and BETE reimbursement to municipalities won't begin until December.

Municipal Revenue Sharing

Revenue sharing was very close to budget in July, coming in under budget by \$0.058 million.

Lottery

Lottery Revenues were under budget for the month by \$0.2 million.

Other Revenues

Other Revenues were under budget for the month by \$2.2 million. Transfers to the Tourism Marketing and Multimodal Transportation Funds, as well as the Milk Pool accounted for the variance in July.

Highway Fund

Motor fuel excise tax receipts were on budget in July. The Highway Fund, as a whole, was over budget for the month by \$0.541 million (+1.8%).

RWR:mja

Attachments

cc: John McGough
Aaron Chadbourne
Grant Pennoyer
Chris Nolan
Marc Cyr
Amanda Rector
Jim Breece
Jerome Gerard
Melissa Gott