



# Revenue Update

Maine Revenue Services – Office of Tax Policy  
January 28, 2022

# December 1, 2021 RFC Revenue Forecast

## General Fund Summary

	FY21	FY22	FY23	FY24	FY25
<b>March 2020 Forecast</b>	\$4,070,279,515	\$4,174,531,432	\$4,317,597,709		
Annual % Growth	2.5%	2.6%	3.4%		
<b>May 2021 Forecast Adjusted <sup>1</sup></b>	\$4,520,591,145	\$4,179,154,919	\$4,325,387,503	\$4,484,402,527	\$4,628,688,473
Annual % Growth	13.9%	-7.6%	3.5%	3.7%	3.2%
Net Increase (Decrease)	\$0	\$443,172,347	\$379,073,003	\$401,908,593	\$419,689,617
<b>Dec 2021 Forecast</b>	\$4,520,591,145	\$4,622,327,266	\$4,704,460,506	\$4,886,311,120	\$5,048,378,090
Annual % Growth	13.9%	2.3%	1.8%	3.9%	3.3%
Change \$ from March 2020 RFC	\$450,311,629	\$447,795,834	\$386,862,797	na	na
Change % from March 2020 RFC	11.1%	10.7%	9.0%	na	na

*1/ Reflects FY21 actual revenue and revenue changes enacted subsequent to the May 2021 Forecast*



# Sales Tax Forecast Consistent with CEFC Forecast

## Sales Tax Main Points

- Phenomenal revenue performance in 2021

Revenue from calendar year sales*	Q1	Q2	Q3	CYTD
2020 v. 2021	24.9%	41.6%	21.7%	28.9%
2019 v. 2021	29.4%	32.1%	23.2%	27.8%

- Revisions to the economic forecast partially explain the \$125 million variance since the last revenue forecast and our recommended upward adjustment
- Revenue to date also contributes to the upward revisions
  - Large FY 2022 revision required OR assume near-term revenue collapse
  - Large FY 2023 - 2025 upward revision required OR assume significant revenue decline after CY 2021. We do not believe such a decline is consistent with the economic forecast.

\*For example, Q1 refers to February through April revenue, which arises mainly from January – March sales. Excludes the net accrual in 2021 Q2. With the net accrual, 2021 Q2 YoY growth is 51.1%.



# Sales Tax Forecast Revised Up by Approximately \$200M/YR

## Sales Tax History and Forecast

(\$million)

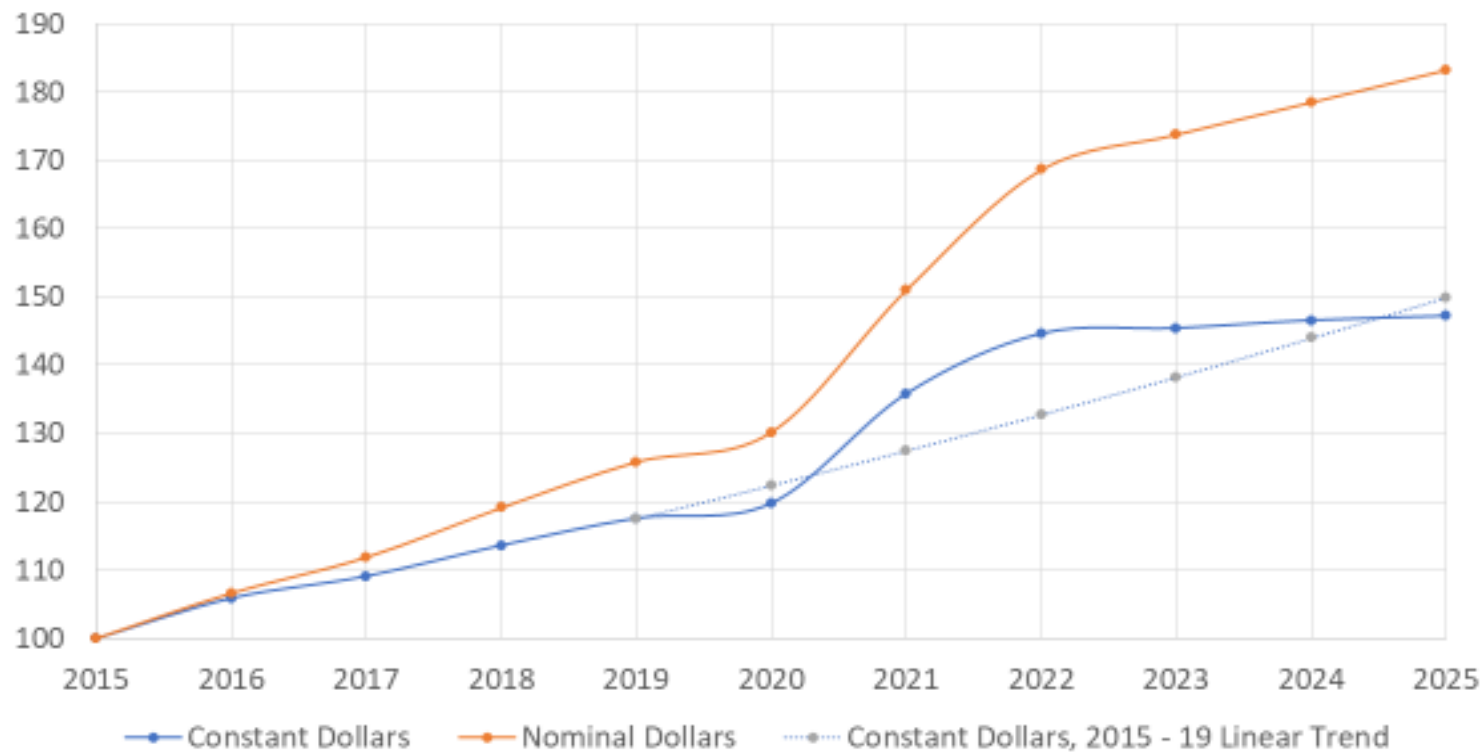
Fiscal Year	Actual and Recommended Forecast	Annual Growth	Revision to current forecast
2017	\$1,336.9		
2018	\$1,423.6	6.5%	
2019	\$1,503.8	5.6%	
2020	\$1,555.7	3.5%	
2021	\$1,804.2	16.0%	
2022	\$2,014.8	11.7%	\$209.2
2023	\$2,076.7	3.1%	\$204.6
2024	\$2,133.1	2.7%	\$198.0
2025	\$2,189.7	2.6%	\$207.3



# Sales Tax Forecast is Reasonable Given Economic Forecast

## Sales & Use Tax Revenue by Fiscal Year

Actual and December Forecast Recommendation; 2015=100



# Individual Income Tax Forecast – Volatility of High-Income Taxpayers

## Individual Income Tax: Main Points

- Tax year 2020 liability growth much better than expected:  $\approx 12\%$  growth before refundable credits
  - In tax year 2020, the income tax liability of the top 30 taxpayers (\$68.4 million) is 94% higher than top 30 in 2019 (\$35.2 million).
- Withholding and estimated payment growth in 2021 supports optimism about 2021 tax liability growth.
- Changes to the economic forecast and BEA personal income revisions are also positive for revenue. The change to the wage forecast is especially relevant.
- The largest risk is that the strong revenue performance is partially attributable to income being pulled forward in anticipation of tax increases. The exact timing and magnitude of this response is unclear.



# Individual Income Tax Forecast Revised Up by Approximately \$175M/YR

## Individual Income Tax: Annual Growth and Forecast Revision

(\$million)

Fiscal Year	Actual and Forecast	Recommended Change
2017-18	6.5%	
2018-19	5.6%	
2019-20*	7.9%	
2020-21	12.7%	
2021-22	-1.0%	\$203.75
2022-23	2.7%	\$155
2023-24	4.8%	\$171
2024-25	4.5%	\$175

Dollar values in millions. \*Without 1040 estimated and final payment accruals FY 20 growth would have been -14.1%.



# Wage Growth Represents Significant Portion of Revenue Increase

## Income Tax Forecast: Wages

### CEFC Wage Forecast

	2020	2021	2022	2023	2024	2025
Nov. 21	2.9%	5.5%	5.0%	5.0%	5.0%	4.0%
Apr. 21	1.4%	5.0%	4.0%	4.0%	4.0%	4.0%
New wage forecast/previous*	1.2%	1.7%	2.6%	3.6%	4.6%	4.6%
Increase in resident revenue forecast due to wage revisions (\$million)		\$38.8	\$60.3	\$83.7	\$109.9	\$115.2

\*There was a downward revision to 2019 wages.





# Capital Gains are Volatile and Represent a Risk

## Income Tax Forecast: Capital Gains

Tax Year	2019	2020	2021	2022	2023	2024	2025
December 2021	-1.7%	40%	25.1%	-14.9%	-15.0%	0%	0%
May 2021	9.3%	10.2%	8.2%	1.3%	-7.5%	-3.9%	-1.4%
CBO July 2021	10.4%	11.6%	10.1%	0.0%	-0.3%	-7.3%	-4.1%
CBO January 2021	10.6%	-7.7%	23.8%	1.3%	-7.5%	-3.9%	-1.4%
Contribution to resident liability revision (\$million)			\$63.8	\$16.1	-\$5.1	\$1.9	\$4.2

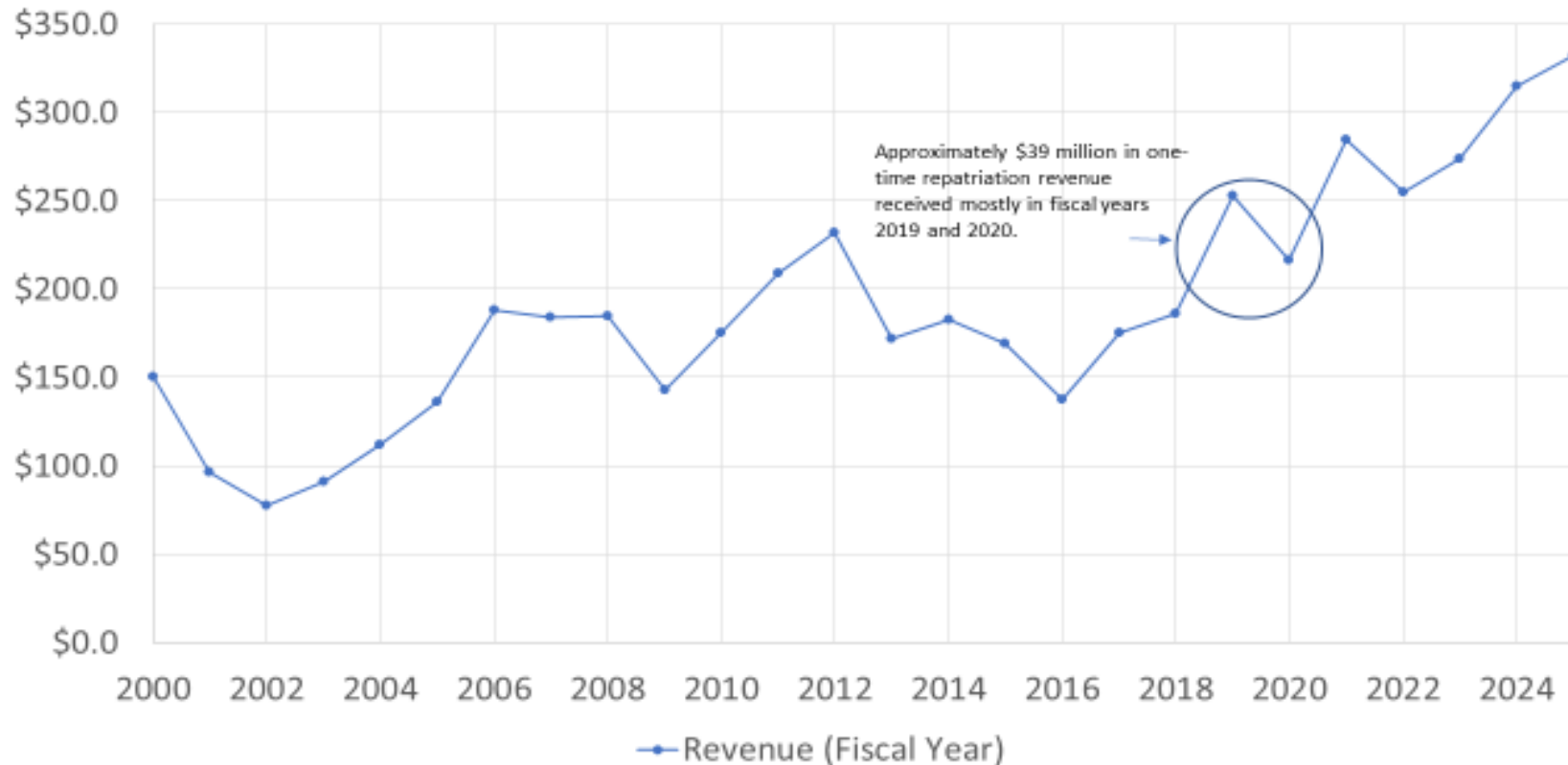
- We are assuming much stronger growth in tax years 2020 and 2021 compared to the last forecast, but from a lower 2019 base.
  - In the May forecast we did not have data on 2019 AGI components.
  - Our assumptions overstated capital gains and understated taxable interest and dividend income.
  - Raised approximately \$17 million more from taxable interest and dividends in 2019 than originally forecast; this base difference affects the forecast years
- 2021 capital gains growth assumption is driven by revenue performance to date.



# Corporate Income Tax Receipts are Very Volatile

## Corporate Income Tax Revenue: History and Forecast

(\$million)



# December General Fund Revenues

## STATE OF MAINE

Undedicated Revenues - General Fund  
For the Sixth Month Ended December 31, 2021  
For the Fiscal Year Ending June 30, 2022  
Comparison to Budget

Exhibit I

### PRELIMINARY AND TENTATIVE FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date				Total Budgeted Fiscal Year Ending 6/30/2022
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	
Sales and Use Tax	\$ 151,399,239	\$ 143,828,468	\$ 7,570,771	5.3 %	\$ 1,102,345,623	\$ 1,093,649,182	\$ 8,696,441	0.8 %	\$ 2,012,416,156
Service Provider Tax	8,203,899	4,188,559	4,015,340	95.9 %	25,330,429	25,131,356	199,073	0.8 %	51,000,000
Individual Income Tax	185,264,159	146,931,297	38,332,862	26.1 %	1,076,846,025	1,038,513,169	38,332,856	3.7 %	2,048,250,000
Corporate Income Tax	62,905,708	26,751,535	36,154,173	135.1 %	192,272,260	156,118,088	36,154,172	23.2 %	255,033,737
Cigarette and Tobacco Tax	13,955,294	14,401,471	(446,177)	(3.1)%	77,445,849	78,414,007	(968,158)	(1.2)%	150,745,000
Insurance Companies Tax	21,138	20,076	1,062	5.3 %	15,831,688	14,002,210	1,829,478	13.1 %	88,250,000
Estate Tax	12,607,140	10,000,000	2,607,140	26.1 %	25,202,296	22,595,156	2,607,140	11.5 %	31,950,000
Fines, Forfeits & Penalties	588,840	751,633	(162,793)	(21.7)%	3,022,469	3,349,448	(326,979)	(9.8)%	9,889,346
Income from Investments	578,356	422,905	155,451	36.8 %	2,898,939	2,745,200	153,739	5.6 %	5,227,906
Transfer from Lottery Commission	7,560,351	6,235,267	1,325,084	21.3 %	35,956,380	33,663,456	2,292,924	6.8 %	65,000,000
Transfers for Tax Relief Programs	(58,142,091)	(56,716,587)	(1,425,504)	(2.5)%	(59,463,619)	(58,043,636)	(1,419,983)	(2.4)%	(76,150,000)
Transfer to Municipal Revenue Sharing	(15,532,891)	(15,721,333)	188,442	1.2 %	(112,218,653)	(112,469,970)	251,317	0.2 %	(203,301,782)
Other Taxes and Fees	10,101,185	10,190,084	(88,899)	(0.9)%	73,299,639	73,289,733	9,906	- %	150,101,084
Other Revenues	531,209	4,127,830	(3,596,621)	(87.1)%	(765,497)	(3,326,190)	2,560,693	77.0 %	33,915,819
<b>Total Collected</b>	<b>\$ 380,041,535</b>	<b>\$ 295,411,205</b>	<b>\$ 84,630,330</b>	<b>28.6 %</b>	<b>\$ 2,458,003,829</b>	<b>\$ 2,367,631,209</b>	<b>\$ 90,372,620</b>	<b>3.8 %</b>	<b>\$ 4,622,327,266</b>

#### NOTES:

- (1) Included in the above is \$15,532,891 for the month and \$112,218,653 year to date, that was set aside for Revenue Sharing with cities and towns.
- (2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in December 2021, laws enacted through the end of the 130th Legislature, 1st Special Session for all laws and any emergency laws.
- (3) This report has been prepared from preliminary month end figures and is subject to change.



# December General Fund Revenues

Exhibit II

## STATE OF MAINE

Undedicated Revenues - General Fund  
For the Sixth Month Ended December 31, 2021 and 2020  
For the Fiscal Year Ending June 30, 2022 and 2021  
Comparison to To Prior Year

### PRELIMINARY AND TENTATIVE FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date			
	Current Year	Prior Year	Variance Over(Under)	Percent Over(Under)	Current Year	Prior Year	Variance Over(Under)	Percent Over(Under)
Sales and Use Tax	\$ 151,399,239	\$ 127,648,917	\$ 23,750,323	18.6 %	\$ 1,102,345,623	\$ 898,418,615	\$ 203,927,008	22.7 %
Service Provider Tax	8,203,899	4,222,757	3,981,142	94.3 %	25,330,429	27,160,388	(1,829,958)	(6.7)%
Individual Income Tax	185,264,159	175,422,021	9,842,137	5.6 %	1,076,846,025	920,251,057	156,594,968	17.0 %
Corporate Income Tax	62,905,708	42,387,805	20,517,902	48.4 %	192,272,260	118,747,276	73,524,984	61.9 %
Cigarette and Tobacco Tax	13,955,294	16,738,314	(2,783,020)	(16.6)%	77,445,849	79,869,539	(2,423,691)	(3.0)%
Insurance Companies Tax	21,138	53,068	(31,930)	(60.2)%	15,831,688	14,673,510	1,158,179	7.9 %
Estate Tax	12,607,140	1,646,654	10,960,486	665.6 %	25,202,296	14,607,465	10,594,832	72.5 %
Fines, Forfeits & Penalties	588,840	389,446	199,394	51.2 %	3,022,469	4,143,480	(1,121,011)	(27.1)%
Income from Investments	578,356	493,139	85,217	17.3 %	2,898,939	2,321,172	577,767	24.9 %
Transfer from Lottery Commission	7,560,351	6,588,148	972,202	14.8 %	35,956,380	34,387,581	1,568,799	4.6 %
Transfers for Tax Relief Programs	(58,142,091)	(57,273,129)	(868,963)	(1.5)%	(59,463,619)	(57,804,913)	(1,658,707)	(2.9)%
Transfer to Municipal Revenue Sharing	(15,532,891)	(11,537,288)	(3,995,604)	(34.6)%	(112,218,653)	(73,673,248)	(38,545,406)	(52.3)%
Other Taxes and Fees	10,101,185	11,814,540	(1,713,355)	(14.5)%	73,299,639	71,595,123	1,704,517	2.4 %
Other Revenues	531,209	454,322	76,887	16.9 %	(765,497)	(10,872,643)	10,107,146	93.0 %
<b>Total Collected</b>	<b>\$ 380,041,535</b>	<b>\$ 319,048,716</b>	<b>\$ 60,992,819</b>	<b>19.1 %</b>	<b>\$ 2,458,003,829</b>	<b>\$ 2,043,824,403</b>	<b>\$ 414,179,426</b>	<b>20.3 %</b>

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

