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Consensus Economic Forecasting Commission  
&  
Revenue Forecasting Committee  
Retreat  
February 12, 2021

Maine Revenue Services – Office of Tax Policy

## Current Economic Forecast

- Consensus Economic Forecasting Commission November 1, 2020 Results

Calendar Years	2019	2020	2021	2022	2023	2024	2025
<b>Wage &amp; Salary Employment (Annual Percentage Change)</b>							
CEFC Forecast 02/2020	0.9	0.5	0.2	0.1	0.0	0.0	0.0
CEFC Forecast 07/2020	0.9	-8.0	4.0	2.0	0.0	0.0	0.0
CEFC Forecast 11/2020	0.9	-8.0	4.0	2.0	0.1	0.1	0.1
<b>Personal Income (Annual Percentage Change)</b>							
CEFC Forecast 02/2020	4.7	4.1	4.0	3.7	3.5	3.5	3.5
CEFC Forecast 07/2020	4.6	3.9	-1.2	3.7	3.5	3.6	3.6
CEFC Forecast 11/2020	4.2	5.3	-0.5	3.9	3.9	3.9	4.0
<b>Wage and Salary Income (Annual Percentage Change)</b>							
CEFC Forecast 02/2020	4.5	4.1	3.7	3.4	3.2	3.2	3.2
CEFC Forecast 07/2020	4.6	-5.0	2.0	3.0	3.0	3.0	3.0
CEFC Forecast 11/2020	4.9	-1.5	3.0	4.0	4.0	4.0	4.0
<b>CPI (Annual Percentage Change)</b>							
CEFC Forecast 02/2020	1.8	1.9	2.0	2.0	2.0	2.0	2.0
CEFC Forecast 07/2020	1.8	0.9	1.5	1.7	2.0	2.0	2.0
CEFC Forecast 11/2020	1.8	1.3	2.2	2.2	2.1	2.1	2.1

# Current Revenue Forecast

## Revenue Forecasting Committee December 1, 2020 report

- Relative to the RFC’s pre-pandemic March 1, 2020 forecast, General Fund revenues are now projected to be \$255.0 million lower in FY21 and \$395.8 million lower for the 2022-2023 biennium.
- Almost 90% (\$243.9 million) of the RFC’s \$272.8 million reprojction in FY21 is from sales and use and individual income taxes, and 88% of the FY22 and FY23 net increases are attributable to these two revenue lines.
- The \$136.5 million upward adjustment in FY21 to the sales and use tax forecast reflects a positive variance of \$53.5 million through October and preliminary November receipts that point to another monthly variance of \$20 million or more. The two primary areas fueling the revenue surplus are lodging and automobile sales.
- Changes to the individual income tax are primarily the result of the CEFC’s more optimistic assumption of wage and salary growth over the forecast period.

### General Fund Summary

	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>
<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%		
Net Increase (Decrease)	(\$527,809,542)	(\$433,731,150)	(\$449,465,768)		
<b>August 2020 Forecast</b>	\$3,542,469,974	\$3,740,800,282	\$3,868,131,941		
Annual % Growth	-10.8%	5.6%	3.4%		
Net Increase (Decrease)	\$272,806,942	\$231,967,435	\$255,473,700		
<b>December 2020 Foreca</b>	\$3,815,276,916	\$3,972,767,717	\$4,123,605,641	\$4,276,170,128	\$4,431,148,462
Annual % Growth	-3.9%	4.1%	3.8%	3.7%	3.6%

## Sales Tax: Main Points from August Forecast

- Prepared foods and lodging taxes account for about 2/3 of both the negative variance in FY 2020 sales and use tax and  $\approx$  60% of the FY 21 forecast revision to sales and use tax.
  - Lodging sales stronger than anticipated: +\$14.4 million variance through September sales, recommend +\$21.6 million revision for FY 21
  - Prepared food: +\$7.5 million variance to date, over half from September sales
- Excluding prepared food and lodging, non-marketplace taxable sales are close to flat YoY for April – June sales.
  - April – June: -1.2%
  - April – Sept: +1.7% ( +6% YoY with marketplace)

## Sales Tax: Main Points from August Forecast

- Auto sales tax revenue forecast declines faster than overall sales ex-meals and lodging in FY 21 due to CEFC forecast of new registrations.
  - CEFC revised forecast for new auto registrations in 2020 from -27.9% to -11.8%
  - Auto sales very strong sales growth July - September
  - Auto sales contribute \$42 million to FY 21 forecast revision
- The change to both the personal income and savings rate forecasts reduce forecast revenue from PCE; the employment forecast reduces forecast of revenue from business purchases.
  - Current forecast: Personal income \* (1 – personal savings rate) declines 3% in 2020, declines 4.5% in previous forecast
- Unusually large uncertainty on both upside and downside.

## Sales Tax: Main Points for November Forecast

- Sales and use tax has a positive variance of \$53.5 million through October and we expect a November variance of over \$20 million.
- Auto and lodging sales tax upward revisions are particularly important.
- CEFC forecast revisions increase the revenue forecast.
- Technical revisions increase the revenue forecast.
  - Calendar year-fiscal year split issues
  - Attempts to better account for changes in the consumption bundle
  - Corrected error in which savings rate forecast to use
- The forecast assumes YoY revenue growth slows over the coming months.

## Sales Tax: Recent History

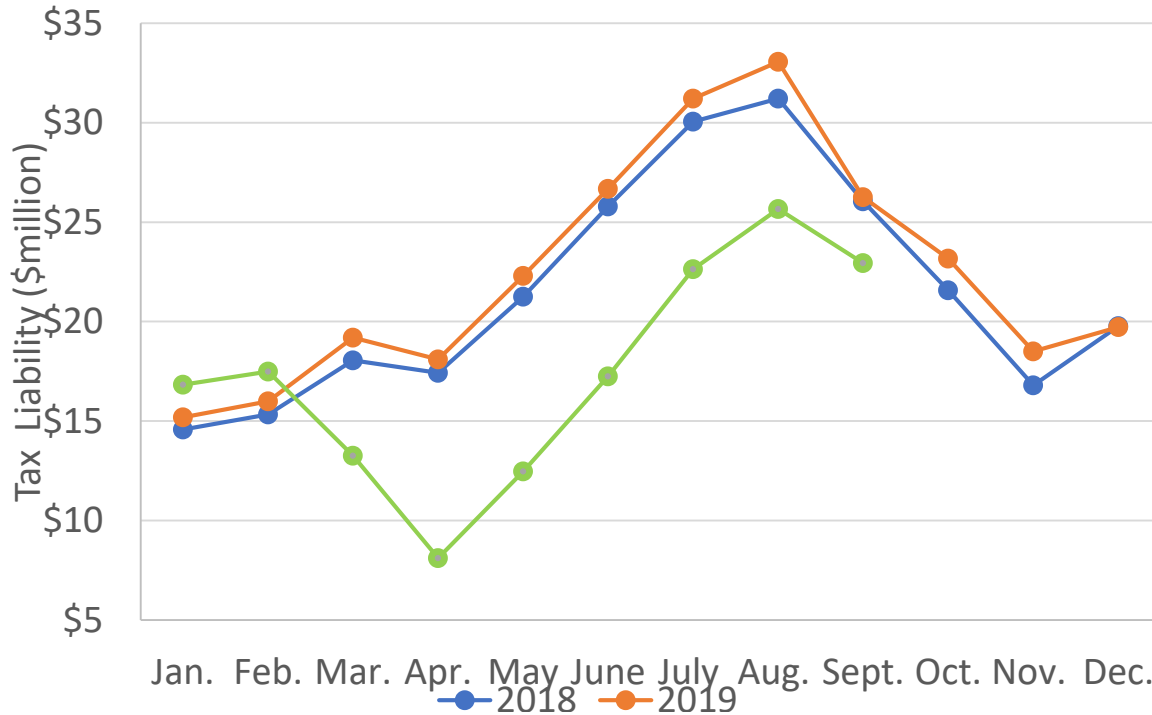
Fiscal Year 2021 Sales & Use Tax YoY Revenue Growth:

April	May	June	July	August	Sept.	October
-6.9%	-16.1%	-6.4%	-0.1%	-1.8%	-0.9%	6.7%

- November 2020 revenue through 11/19/20 is 2.1% above November 2019 revenue.
- The following slides show taxable sales on returns processed by 10<sup>th</sup> day of second month following the end of the account period.

# Prepared Foods Sales Tax

Includes sales at both restaurants and food stores



CY 2019 liability = \$269.4 million

Share of total CY 2019 sales & use tax = 17.5%

CY 2019 Share of Taxable Sales by Quarter:

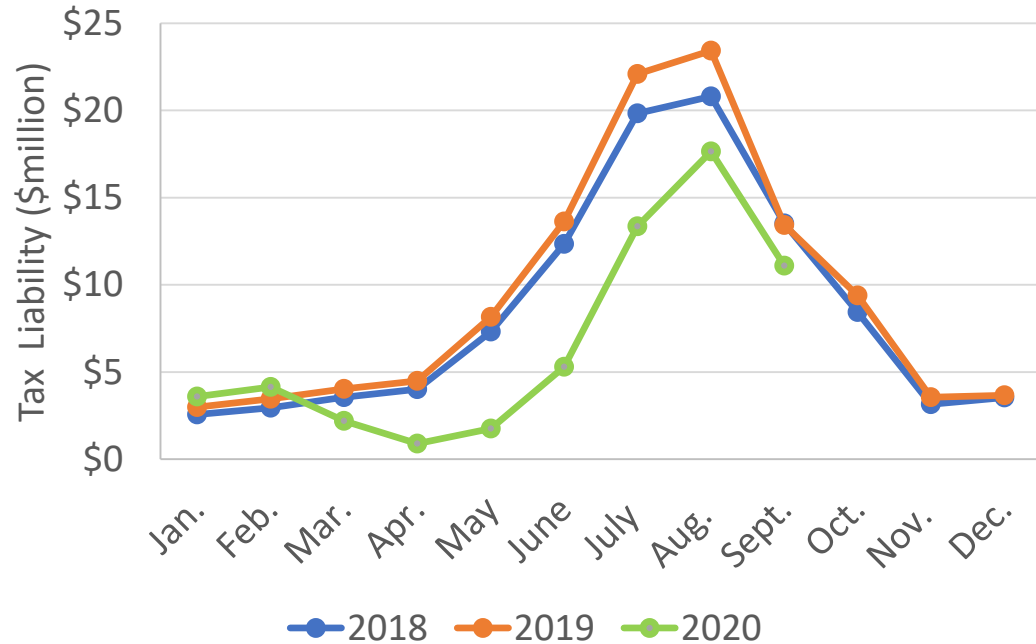
1	18.7%
2	24.9%
3	33.6%
4	22.8%

## YoY Growth, 2020

July 19 – Feb.20	Mar.	April	May	June	July	August	Sept.	Mar. – June	July-Sept.
5.4%	-30.9%	-55.2%	-44.1%	-35.4%	-27.5%	-22.4%	-12.6%	-40.8%	-21.3%



# Rental of Lodging Sales Tax



CY 2019 liability = \$112.3 million

Share of total CY 2019 sales & use tax = 7.3%

CY 2019 Share of Taxable Sales by Quarter:

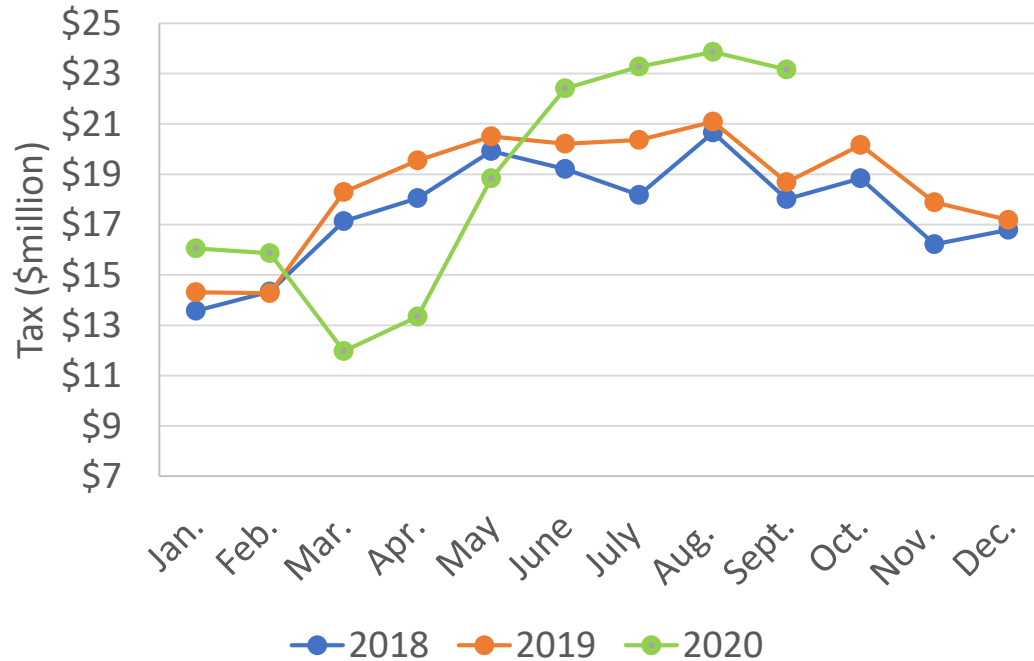
1	9.3%
2	23.4%
3	52.5%
4	14.8%

## YoY Growth, 2020

July 19 – Feb.20	Mar.	April	May	June	July	August	Sept.	Mar. – June	July-Sept.
10.0%	-45.6%	-80.2%	-78.5%	-61.1%	-39.5%	-24.7%	-17.5%	-66.5%	-28.6%

# Auto Dealer & Lease Sales Tax

Includes use tax paid on auto sales



CY 2019 liability = \$222.5 million

Share of total CY 2019 sales & use tax = 14.5%

CY 2019 Share of Taxable Sales by Quarter:

1	21.1%
2	27.1%
3	27.0%
4	24.8%

## YoY Growth, 2020

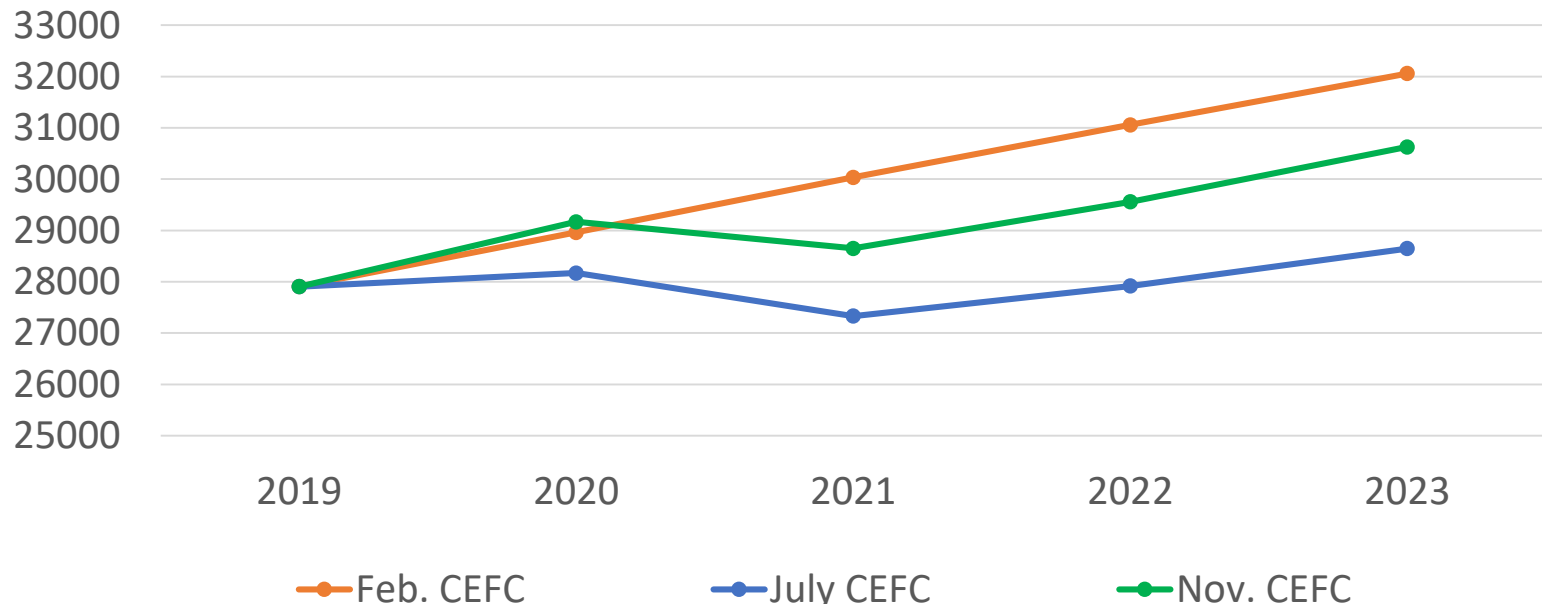
July 19 – Feb.20	Mar.	April	May	June	July	August	Sept.	Mar. – June	July-Sept.
7.3%	-34.6%	-31.7%	-8.1%	10.9%	14.3%	13.1%	24.0%	-15.3%	16.9%

# Individual Income Tax: Main Points from August Forecast

- Timing issues related to filing and payment deadline delays and accruals of delayed payments increase FY 2020 revenue and reduce FY 2021 revenue.
- The evolution of wage income and unemployment insurance compensation are key to understanding why the downward forecast revision grows over time.
  - The wage income forecast has increased significantly from the July CEFC forecast and is the major contributor to the recommended revenue revision.
- Business income and capital gains contribute to the downward revisions. The relatively strong stock market performance YTD and the effect of the PPP on business income reduce the magnitude of these forecast revisions compared to what otherwise may be expected given economic conditions.
  - We recommend relatively minor positive adjustments to business income and capital gains growth rates and capital gains. For the tax liability revision, the higher growth rates are mostly offset by starting from a lower 2019 base than previously assumed.
- A decline in IRA distributions due to the suspension of required minimum distributions in 2020 reduces FY 2021 revenue.

# Individual Income Tax: Resident 1040 Wages + Unemployment Insurance Income

(\$million)



	2020	2021	2022	2023
June wages relative to Feb.	-8.7%	-10.2%	-10.5%	-10.7%
July wages + UI relative to Feb.	-2.7%	-9%	-10.1%	-10.6%
Nov. wages + UI relative to Feb.	.7%	-4.6%	-4.8%	-4.5%
Nov. wages + UI relative to July	3.5%	4.8%	5.9%	6.9%

STATE OF MAINE  
Undedicated Revenues - General Fund  
For the Seventh Month Ended January 31, 2021  
For the Fiscal Year Ending June 30, 2021  
Comparison to Budget

Exhibit I

PRELIMINARY AND TENTATIVE  
FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date				Total Budgeted Fiscal Year Ending 6/30/2021
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	
Sales and Use Tax	\$ 158,318,499	\$ 134,354,077	\$ 23,964,422	17.8 %	\$ 1,056,737,114	\$ 1,023,177,822	\$ 33,559,292	3.3 %	\$ 1,592,262,678
Service Provider Tax	4,570,095	4,836,097	(266,002)	(5.5)%	31,730,483	32,575,421	(844,938)	(2.6)%	56,562,000
Individual Income Tax	260,089,308	200,987,553	59,101,755	29.4 %	1,180,340,365	1,089,241,533	91,098,832	8.4 %	1,697,011,248
Corporate Income Tax	13,934,965	5,999,719	7,935,246	132.3 %	132,682,241	106,359,191	26,323,050	24.7 %	201,505,002
Cigarette and Tobacco Tax	6,490,716	12,097,254	(5,606,538)	(46.3)%	86,360,256	86,085,479	274,777	0.3 %	144,401,400
Insurance Companies Tax	28,962	119,408	(90,446)	(75.7)%	14,702,472	14,761,745	(59,273)	(0.4)%	84,400,000
Estate Tax	790,317	710,000	80,317	11.3 %	15,397,782	14,470,811	926,971	6.4 %	18,050,000
Fines, Forfeits & Penalties	381,347	748,276	(366,929)	(49.0)%	4,524,827	5,282,448	(757,621)	(14.3)%	9,387,746
Income from Investments	570,534	449,702	120,832	26.9 %	2,891,706	2,745,026	146,680	5.3 %	5,383,431
Transfer from Lottery Commission	10,216,388	4,625,630	5,590,758	120.9 %	44,603,969	36,013,014	8,590,955	23.9 %	60,000,000
Transfers for Tax Relief Programs	(9,340,072)	(11,450,510)	2,110,438	18.4 %	(67,144,985)	(61,992,384)	(5,152,601)	(8.3)%	(75,667,000)
Transfer to Municipal Revenue Sharing	(13,113,056)	(10,926,929)	(2,186,127)	(20.0)%	(86,786,304)	(84,600,181)	(2,186,123)	(2.6)%	(137,566,408)
Other Taxes and Fees	10,548,963	12,020,780	(1,471,817)	(12.2)%	82,144,086	81,341,411	802,675	1.0 %	144,027,645
Other Revenues	3,617,283	3,048,780	568,503	18.6 %	(7,255,360)	(8,878,913)	1,623,553	18.3 %	15,519,173
<b>Total Collected</b>	<b>\$ 447,104,249</b>	<b>\$ 357,619,837</b>	<b>\$ 89,484,412</b>	<b>25.0 %</b>	<b>\$ 2,490,928,652</b>	<b>\$ 2,336,582,423</b>	<b>\$ 154,346,229</b>	<b>6.6 %</b>	<b>\$ 3,815,276,915</b>

NOTES:

- (1) Included in the above is \$13,113,056 for the month and \$86,786,304 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 2020, laws enacted through the end of the 130th Legislature, 1st Regular Session for all laws and any emergency laws.
- (3) The Fiscal Year to Date figures above include adjustments of (\$257,992,054) for Individual Income Tax and (\$46,788,400) for Corporate Income Tax to reflect the reversal of amounts accrued in April and June for which collections were deferred until July 15th in response to the COVID-19 pandemic.
- (4) This report has been prepared from preliminary month end figures and is subject to change.

## STATE OF MAINE

Undedicated Revenues - General Fund

For the Seventh Month Ended January 31, 2021 and 2020

For the Fiscal Year Ending June 30, 2021 and 2020

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	\$ 158,318,499	\$ 146,955,175	\$ 11,363,324	7.7 %	\$ 1,056,737,114	\$ 1,024,766,647	\$ 31,970,467	3.1 %
Service Provider Tax	4,570,095	4,729,526	(159,431)	(3.4)%	31,730,483	33,899,892	(2,169,409)	(6.4)%
Individual Income Tax	260,089,308	230,311,127	29,778,181	12.9 %	1,180,340,365	1,101,855,408	78,484,957	7.1 %
Corporate Income Tax	13,934,965	15,822,705	(1,887,740)	(11.9)%	132,682,241	117,251,384	15,430,857	13.2 %
Cigarette and Tobacco Tax	6,490,716	8,420,668	(1,929,952)	(22.9)%	86,360,256	81,451,779	4,908,477	6.0 %
Insurance Companies Tax	28,962	(50,697)	79,660	157.1 %	14,702,472	13,911,961	790,511	5.7 %
Estate Tax	790,317	3,313,826	(2,523,508)	(76.2)%	15,397,782	16,790,668	(1,392,886)	(8.3)%
Fines, Forfeits & Penalties	381,347	1,712,152	(1,330,805)	(77.7)%	4,524,827	7,030,793	(2,505,966)	(35.6)%
Income from Investments	570,534	1,124,283	(553,749)	(49.3)%	2,891,706	7,417,745	(4,526,039)	(61.0)%
Transfer from Lottery Commission	10,216,388	4,715,297	5,501,091	116.7 %	44,603,969	36,786,494	7,817,475	21.3 %
Transfers for Tax Relief Programs	(9,340,072)	(6,993,619)	(2,346,453)	(33.6)%	(67,144,985)	(52,561,011)	(14,583,974)	(27.7)%
Transfer to Municipal Revenue Sharing	(13,113,056)	(9,336,413)	(3,776,643)	(40.5)%	(86,786,304)	(66,528,831)	(20,257,473)	(30.4)%
Other Taxes and Fees	10,548,963	11,927,316	(1,378,353)	(11.6)%	82,144,086	78,282,891	3,861,195	4.9 %
Other Revenues	3,617,283	3,421,805	195,478	5.7 %	(7,255,360)	(5,215,758)	(2,039,602)	(39.1)%
<b>Total Collected</b>	<b>\$ 447,104,249</b>	<b>\$ 416,073,149</b>	<b>\$ 31,031,100</b>	<b>7.5 %</b>	<b>\$ 2,490,928,652</b>	<b>\$ 2,395,140,064</b>	<b>\$ 95,788,588</b>	<b>4.0 %</b>

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

STATE OF MAINE  
 Undedicated Revenues - Highway Fund  
 For the Seventh Month Ended January 31, 2021  
 For the Fiscal Year Ending June 30, 2021  
 Comparison to Budget

Exhibit V

PRELIMINARY AND TENTATIVE  
 FOR VERIFICATION PURPOSES & INTERNAL USE ONLY

	Month				Fiscal Year to Date				Total Budgeted Fiscal Year Ending 6/30/2021
	Actual	Budget	Variance Over(Under)	Percent Over(Under)	Actual	Budget	Variance Over(Under)	Percent Over(Under)	
Fuel Taxes	\$ 16,006,562	\$ 17,363,945	\$ (1,357,383)	(7.8)%	\$ 127,824,079	\$ 128,473,832	\$ (649,753)	(0.5)%	\$ 214,788,352
Motor Vehicle Registration & Fees	9,598,371	9,173,625	424,746	4.6 %	58,902,021	57,136,764	1,765,257	3.1 %	92,815,021
Motor Vehicle Inspection Fees	254,235	455,858	(201,624)	(44.2)%	1,514,869	1,717,093	(202,224)	(11.8)%	3,092,771
Miscellaneous Taxes & Fees	108,245	75,983	32,262	42.5 %	924,279	807,810	116,469	14.4 %	1,267,454
Fines, Forfeits & Penalties	70,404	18,714	51,690	276.2 %	628,483	298,532	329,951	110.5 %	412,286
Earnings on Investments	16,134	37,115	(20,981)	(56.5)%	129,586	110,124	19,462	17.7 %	174,622
All Other	565,400	655,738	(90,338)	(13.8)%	9,497,064	9,489,808	7,256	0.1 %	12,119,901
<b>Total Collected</b>	<b>\$ 26,619,350</b>	<b>\$ 27,780,978</b>	<b>\$ (1,161,628)</b>	<b>(4.2)%</b>	<b>\$ 199,420,382</b>	<b>\$ 198,033,963</b>	<b>\$ 1,386,419</b>	<b>0.7 %</b>	<b>\$ 324,670,407</b>

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

**STATE OF MAINE**

Undedicated Revenues - Highway Fund

For the Seventh Month Ended January 31, 2021 and 2020

For the Fiscal Year Ending June 30, 2021 and 2020

Comparison to To Prior Year

Exhibit VI

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)
Fuel Taxes	\$ 16,006,562	\$ 17,631,058	\$ (1,624,496)	(9.2)%	\$ 127,824,079	\$ 141,126,494	\$ (13,302,416)	(9.4)%
Motor Vehicle Registration & Fees	9,598,371	10,069,050	(470,679)	(4.7)%	58,902,021	55,653,798	3,248,223	5.8 %
Motor Vehicle Inspection Fees	254,235	249,208	5,027	2.0 %	1,514,869	2,158,797	(643,928)	(29.8)%
Miscellaneous Taxes & Fees	108,245	88,099	20,146	22.9 %	924,279	781,121	143,158	18.3 %
Fines, Forfeits & Penalties	70,404	103,227	(32,823)	(31.8)%	628,483	520,526	107,957	20.7 %
Earnings on Investments	16,134	(16,141)	32,276	200.0 %	129,586	209,090	(79,504)	(38.0)%
All Other	565,400	485,008	80,392	16.6 %	9,497,064	9,370,142	126,922	1.4 %
<b>Total Collected</b>	<b>\$ 26,619,350</b>	<b>\$ 28,609,508</b>	<b>\$ (1,990,158)</b>	<b>(7.0)%</b>	<b>\$ 199,420,382</b>	<b>\$ 209,819,968</b>	<b>\$ (10,399,587)</b>	<b>(5.0)%</b>

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



# Urban Institute – Tax Policy Center

## Percent Change in State Tax Revenues Since the Start of COVID-19

*March-December 2020 vs March-December 2019, percent change*

