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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: Commissioner Alexander E. Porteous
Department of Administrative & Financial Services

DATE: August 27, 2018

SUBJECT: Revenues – July

July General Fund revenues were over budget by \$20.8 million or 8.3 percent. Compared to the first month of last fiscal year, General Fund revenues increased by 11.5 percent (+\$28.1 million).

June taxable sales (July revenue) increased 3.3 percent over a year ago. For the month, sales and use and service provider taxes, combined, were over budget by \$2.7 million. Once again, tourism-related sales, specifically those tied to restaurants and lodging, were strong—increasing by 6.8 percent and 7.5 percent, respectively. Building supply (+2.8 percent) sales were weaker compared to previous months, but other retail sales (+10.9 percent) continue to experience robust year-over-year results. Auto/Transportation sales were flat compared to last June, which played a major role in June total sales growth being lower than the 5.7 percent growth experienced during the first-half of 2018.

Individual income tax revenues were over budget in July by \$14.1 million. The biggest contributor to the monthly variance was from withholding being over budget by \$7.2 million. Withholding receipts have grown by 6.2 percent during the first 7 months of calendar year 2018. Refunds were under budget by \$3.7 million and final payments exceeded budget by \$1.8 million, accounting for most of the remaining monthly surplus.

Sales & Use Taxes

Revenue was \$3.2 million over budget for the month. Revenue was \$6.9 million or 5 percent over prior fiscal year-to-date collections.

Taxable Sales

Total taxable sales for the month of June (July revenue) were 3.3 percent over June 2017. The annual rate of change, excluding utilities, was 3.4 percent. Building supply sales were up 2.8 percent for the month and 8 percent for the year ending in June. Sales of taxable items in food stores were up 3.4 percent for the month and 3.8 percent for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were down 3.5 percent for the month and up 5 percent for the year. Sales in other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 10.9 percent for the month and 6.9 percent for the year. Auto/transportation sector sales were down 0.2 percent for the month and up 3.4 percent for the year. Sales of meals and other prepared foods were up 6.8 percent for the month and 4.4 percent for the year. Lodging sales were up 7.5 percent for the month and 7 percent for the year. Business operating sales (primarily use tax paid by businesses) were up 7.1 percent for the month and 4.3 percent for the year.

Service Provider Tax

Revenue was \$0.5 million under budget for the month. Revenue was \$0.4 million or 6.7 percent under prior fiscal year-to-date collections.

Individual Income Tax

Revenue was \$14.1 million or 15.5 percent over budget for the month. Revenue was \$16.6 million or 18.7 percent over prior fiscal year-to-date collections. Withholding receipts increased 12 percent year-over-year, and final and estimated payments grew by over 9 percent compared to last July.

Corporate Income Tax

Revenue was \$2.3 million or 20.7 percent over budget for the month. Estimated payments were up 32.3 percent and final payments were up 13.5 percent compared to last July. Revenue was \$2.3 million or 20.2 percent over prior fiscal year collections.

Cigarette & Tobacco Taxes

Cigarette and tobacco products tax revenue was \$3 million over budget for the month. Revenue was \$3.3 million or 54.4 percent more than prior fiscal year collections. Last July's receipts on this revenue line were depressed because of a shifting of purchases by distributors from July to late June based on concerns surrounding the state government shutdown.

Insurance Companies Taxes

The Insurance Companies Taxes were over budget for the month by \$0.3 million.

Estate Tax

The estate tax was \$1.1 million under budget for the month.

Municipal Revenue Sharing

Revenue sharing was slightly over budget in July.

Lottery

Lottery revenues were under budget for the month by \$0.3 million.

Other Revenues

Other Revenues were under budget for the month by \$0.8 million.

Highway Fund

Motor fuel excise tax receipts were over budget in July by \$0.2 million. Total Highway Fund revenue was over budget for the month by \$1.4 million (+4.7 percent).

National Economy

US GDP growth exceeded 4 percent in the second quarter, as the fiscal stimulus from the federal tax cuts began to have their full effect, and strong job growth continued. A draw down in inventories was a drag on second quarter growth, which is giving economists a reason to project similar GDP growth in the third quarter as businesses restock their inventories. Early projections from the Atlanta Federal Reserve Bank's GDPNow model is that third quarter GDP is growing at a 4.3 percent growth rate through mid-August.

Maine Economy

With Maine's unemployment rate at 3 percent or lower in recent months, federal tax cuts and energy prices receding, Maine consumers and businesses are spending and investing at a solid rate. It appears that the summer tourism season will end on a strong note, and the prospects for a good fall season are positive, too. There is little evidence of the Maine economy slowing over the remainder of the calendar year, meaning revenues should continue to meet or exceed the monthly forecast for the foreseeable future, as well.

AP: mja

Attachments

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