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**M E M O R A N D U M**

**TO:** Governor Janet T. Mills  
Members, Legislative Council  
Members, Joint Standing Committee on Appropriations and Financial Affairs  
Members, Joint Standing Committee on Taxation

**FROM:** Commissioner Kirsten LC Figueroa  
Department of Administrative and Financial Services

**DATE:** June 17, 2019

**SUBJECT:** Revenues – May 2019

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May General Fund revenues were under budget by \$5.1 million or 1.8 percent. For the first 11 months of fiscal year 2019, General Fund revenues are \$10.2 million over budget (+0.3 percent). Compared to the same eleven-month period of last fiscal year, fiscal year 2019 General Fund revenues are up by 8 percent (+\$256.4 million). Please note, the May Controller's Report has been updated for the new revenue forecast released by the Revenue Forecasting Committee on May 1, 2019.

April taxable sales (May revenue) increased 5.6 percent over last year. For the month, sales and use and service provider taxes, combined, were \$2.15 million under budget. Consumer sales increased by 5.7 percent over a year ago, with solid growth in most business categories. Auto/transportation and other retail posted high single digit year-over-year growth of 7.3 and 9.9 percent, respectively. Lodging sales increased by 12.7 percent in April, and 17.7 percent for the quarter ending in April. Business operating sales continued to grow at a robust rate of 8.9 percent. Only restaurants and building supply stores reported weak year-over-year sales of 1.3 percent and 1.1 percent, respectively. Dreary weather may explain the slow month for both of those sectors.

Individual income tax revenues were under budget in May by \$2.9 million or -2.3 percent. Small negative variances for withholding, final payments and fiduciary payments combined with higher than budgeted refunds (\$4.1 million) were partially offset by an overage in estimated payments of \$2.4 million. Year-to-date individual income tax receipts are 7.0 percent higher than a year ago. The second estimated payment of the calendar year is due June 15<sup>th</sup> and will provide additional information on the strength of the national and Maine economies during the first half of calendar year 2019.

Corporate income tax receipts were over budget for the month by \$1.4 million. The monthly variance came from final payments (+\$1.3 million) and refunds (+\$0.8 million). Estimated payments offset the monthly surplus in the other two lines by \$0.7 million. This is the second month in a row that corporate estimated payments were under budget. The second estimated payment for 2019 calendar year filers is due June 15<sup>th</sup> and will provide more information on the direction of corporate income tax revenues.

### Sales and Use Taxes

Revenue was \$1.6 million under budget for the month and \$0.6 million under budget for the fiscal year. Revenue is \$78.1 million or 6.0 percent over prior fiscal year-to-date collections.

### Taxable Sales

Total taxable sales for the month of April (May revenue) were 5.6 percent over April 2018. The annual rate of change, excluding utilities, was 5.6 percent too. Building supply sales were up 1.1 percent for the month and up 5.6 percent for the last 12 months. Sales of taxable items in food stores were up 3.0 percent for the month and up 3.2 percent for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 7.7 percent for the month and down 2.0 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 9.9 percent for the month and up 14.1 percent for the year. Auto/transportation sector sales were up 7.3 percent for the month and 5.6 percent for the year. Sales of meals and other prepared foods were up 1.3 percent for the month and up 4.9 percent for the year. Lodging sales were up 12.7 percent for the month and up 6.9 percent for the year. Business operating sales (primarily use tax paid by businesses) increased 8.9 percent for the month and up 10.9 percent for the year.

### Service Provider Tax

Revenue was under budget for the month by \$0.5 million and is now \$0.4 million over budget for the fiscal year. Revenue is \$0.2 million or 0.4 percent over prior fiscal year-to-date collections.

### Individual Income Tax

Revenue was \$2.9 million or 2.3 percent under budget for the month and fiscal year-to-date. Fiscal year-to-date withholding payments were 5.7 percent over fiscal year 2018. Estimated payments were down 7.5 percent and final payments were up 25.4 percent fiscal year-to-date.

### Corporate Income Tax

Revenue was over budget for the month by \$1.4 million and over budget for the fiscal year-to-date by the same amount. Estimated payments and final payments were up 21.9 percent and 50.4 percent fiscal year-to-date, respectively. Revenue was \$61.4 million or 40.9 percent over prior fiscal year-to-date collections.

### Cigarette and Tobacco Taxes

Cigarette and tobacco products tax revenue was \$0.85 million over budget for the month and \$2.9 million or 2.4 percent under budget fiscal year-to-date. Fiscal year-to-date revenue was \$1 million greater than prior fiscal year-to-date collections.

### Insurance Companies Taxes

The Insurance Companies Taxes were \$1.5 million under budget for the month and \$0.7 million under budget fiscal year-to-date.

### Estate Tax

The estate tax was \$0.6 million over budget for the month and \$0.9 million over budget fiscal year-to-date.

### Property Tax Relief Programs

Refunds for the Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs were over budget in May by \$3 million and are now \$5.9 million under budget year-to-date.

### Municipal Revenue Sharing

Revenue sharing was slightly under budget in May by \$0.2 million and is now close to budget for the first 11 months of the fiscal year.

### Lottery

Lottery revenues were close to budget for the month and are over budget for the fiscal year by \$2.7 million.

### Other Revenues

Other Revenues were over budget for the month by \$0.2 million. For the fiscal year, other revenues are over budget by \$2.3 million or 144.9 percent.

### Highway Fund

Motor fuel excise tax receipts were under budget in May by \$1.2 million. The Highway Fund, in total, was over budget for the month by \$1.4 million. For the first eleven months of the fiscal year, motor fuel excise tax revenues are under budget by \$1.4 million and total Highway Fund receipts are over budget by \$1.6 million (0.5 percent).

### National Economy

The Federal Reserve System released their latest Beige Book Report on June 5<sup>th</sup> and reported that the economy is expanding at a “modest pace”, a slight improvement over the previous report. While the manufacturing sector was positive about recent activity, manufacturers remain concerned about trade issues with China. Consumer sentiment remains upbeat, but did vary somewhat across the districts. Auto sales was one area seeing a slowdown as unit sales continue to be flat or slightly declining on a year-over-year basis. The labor market remains strong across the country for both high and low skilled workers. While the tight labor market is leading to higher wages, improvements in benefits appears to be the area many employers are utilizing to attract and retain workers.

## Maine Economy

The Boston Federal Reserve's report on the New England region was slightly more positive than the rest of the nation. The Boston Fed reported that the region continues to expand "at a modest to moderate pace in recent weeks." Consumer spending generally increased from low to mid-single digits. The cool rainy spring was the reason given by some retailers for low growth in recent weeks, but they believe sales were merely delayed and as the weather improves clothing and outdoor furnishings sales will increase. The forecast for summer and fall tourism is positive, with Boston tourism expecting a very strong season. Semiconductor manufacturers continue to operate in a difficult environment as China and tariffs remain a concern for them going into the second half of the year. Boston and Portland were singled out as both having strong demand for commercial real estate. The report noted that, "a Portland contact noted that average rents for both office and industrial space increased roughly 10 percent from one year ago". Residential real estate remains solid in most of the region, with Maine being one of the states experiencing increased sales over the year.

KF: mja

### Attachments

cc: Jeremy Kennedy  
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