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MEMORANDUM

**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:** April 17, 2020

**SUBJECT:** Revenues – March 2020

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March General Fund revenues were under budget by \$4.7 million or -2.2 percent. For the first three quarters of the fiscal year General Fund revenues are under budget by \$10.9 million or -0.4 percent. Compared to the first nine months of last fiscal year, fiscal year 2020 General Fund revenues are up by 4.4 percent (\$116.2 million). Adjusted for the increase in revenue sharing, fiscal year 2020 General Fund revenues have increased by 5.4 percent compared to the same period last fiscal year. Please note that this report is relative to the March 1, 2020 revenue forecast. In addition, most of the revenue recorded in March is based on economic activity that preceded the outbreak of the COVID-19 crisis.

February taxable sales (March revenue) increased 9.4 percent over last year. For the month, sales and use and service provider taxes, combined, were \$0.8 million under budget. Consumer sales increased by 13.7 percent over a year ago, with all business categories exhibiting very strong year-over-year growth. Other retail sales grew by 38.6 percent buoyed by the marketplace facilitators bill that became effective October 1, 2019. Auto/transportation posted year-over-year growth of 10.7 percent, well above the 6.4 percent growth recorded for the last 12 months. Lodging sales increased by 20.6 percent in February, and 10.4 percent for the 12-month period. Business operating sales growth declined in February by 5.4 percent over a year ago, but last February's business operating sales increased by 24.9 percent. It's important to note that February sales were prior to the outbreak of the coronavirus disease 2019 (COVID-19) in the United States. March sales (April revenue) will likely be the first month where the impact of COVID-19 first becomes apparent in certain business sectors.

Individual income tax receipts were under budget in March by \$13 million (-24.7 percent). Refunds in March, reflecting 2019 tax filings, exceeded expectations by \$16.6 million which accounts for most of the monthly negative variance. Through the end of March MRS has processed 14,000 more returns than the same time last year. The faster processing of income tax returns has resulted in refunds increasing by \$14 million through March 29<sup>th</sup> compared to a year ago. At this time the average refund amount is not significantly different than last year which suggests that the March variance is a timing issue that should correct itself over the next couple of months. Withholding receipts were very strong in March, increasing by 10.4 percent over last year and exceeding budget by \$8 million. Some of March's receipts may have come at the expense of April. Withholding has increased 6.5 percent through the first three quarters of FY20.

Corporate income tax receipts were under budget in March by \$2.5 million. For the fiscal year corporate income tax is under budget by \$2.5 million or -1.8 percent. Total corporate income tax revenue is 9.5 percent (\$14.4 million) below fiscal year 2019 receipts through the first three-quarters of the fiscal year. The monthly variance is from final and estimated payments being below budget by \$1.1 and \$2.0 million, respectively.

### Sales and Use Taxes

Revenue was \$0.7 million under budget for the month and fiscal year. Fiscal year 2020 revenue is \$86.2 million or 7.5 percent over fiscal year 2019 collections.

### Taxable Sales

Total taxable sales for the month of February (March revenue) were 9.4 percent higher than February 2019. The annual rate of change, excluding utilities, was 11.2 percent. Building supply sales increased 13.4 percent for the month and were up 2.6 percent for the last 12 months. Sales of taxable items in food stores were up 6.5 percent for the month and up 4.3 percent for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 5.6 percent for the month and up 4.6 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 38.6 percent for the month and up 22.4 percent for the year. Auto/transportation sector sales were up 10.7 percent for the month and 6.4 percent for the year. Sales of meals and other prepared foods increased 8.8 percent for the month and up 5.3 percent for the year. Lodging sales were up 20.6 percent for the month and up 10.4 percent for the year. Business operating sales (primarily use tax paid by businesses) decreased 5.1 percent for the month and were up 5.4 percent for the year.

### Service Provider Tax

Revenue was very close to budget for the month and for the fiscal year. Revenue is \$2.0 million or 4.6 percent under prior fiscal year collections.

### Individual Income Tax

Revenue was \$13.0 million or 24.7 percent under budget for the month. For the fiscal year, individual income tax receipts are \$13.0 million under budget (-1.1 percent). Compared to the first nine months of fiscal year 2019 withholding payments are up 6.5 percent, estimated payments are up 9.7 percent, and final payments are up 8.7 percent.

### Corporate Income Tax

Revenue was under budget for the month by \$2.5 million, bringing the year-to-date negative variance to \$2.5 million or -1.8 percent. Compared to last fiscal year corporate income tax revenue is \$14.4 million lower or -9.5 percent. Year-to-date, final payments are down 6.8 percent and estimated payments are down 15.1 percent.

### Cigarette and Tobacco Taxes

Cigarette and tobacco products tax revenue was \$6.5 million over budget for the month, bringing the year-to-date variance to \$3.9 million. Compared to the same nine-month period last year, cigarette and tobacco tax revenue is up 10.5 percent. The exceptional monthly variance and year-to-date growth is a timing issue associated with wholesalers stocking up on cigarette stamps and the tax rate increase in the other tobacco tax to 43 percent of the wholesale price.

### Insurance Companies Taxes

The Insurance Companies Tax was over budget for the month by \$2.8 million and is \$2.5 million over budget for the fiscal year.

### Estate Tax

The estate tax was \$0.3 million over budget for the month and is now \$0.3 million over budget year-to-date. Estate tax receipts are \$14.0 million higher than last fiscal year.

### Property Tax Relief Programs

Refunds for the Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs were under budget in March by \$1.9 million. For the fiscal year, property tax relief payments are under budget by \$1.9 million. BETR payments are the primary reason for the shortfall and are believed to be a timing issue because of a delay in processing of returns.

### Municipal Revenue Sharing

Revenue sharing was under budget in March by \$0.9 million. For the first nine months of the fiscal year revenue sharing is \$6.1 million over budget.

### Lottery

Lottery revenues were under budget for the month by \$0.2 million or -4.9 percent. For the first nine months of the fiscal year lottery revenues are \$4.6 million over budget (10.7 percent).

### Other Revenues

Other Revenues were under budget for the month of March by \$1.0 million and are now under budget for the fiscal year by \$1.3 million.

## Highway Fund

Motor fuel excise tax receipts were under budget in March by \$0.5 million. The Highway Fund, in total, was under budget for the month by \$3.4 million as Motor Vehicle Registration and Fees fell below budget by \$2.9 million. For the fiscal year, motor fuel excise tax revenues are under budget by \$3.6 million (2.0 percent) and total Highway Fund receipts are under budget by \$3.9 million (-1.5 percent). For the first three quarters of the fiscal year motor fuel excise tax receipts are down 0.5 percent compared to fiscal year 2019.

## National Economy

The U.S. economy has entered a deep recession over the last month as the COVID-19 pandemic has shut down a significant portion of the economy. Economists associated with the National Association of Business Economists (NABE) are estimating that first quarter GDP fell by 2.4 percent at an annualized rate and will decrease by 26.5 percent during the second quarter. The post-war record for quarterly GDP decline is 10 percent which occurred in the first quarter of 1958. For the most part this is the consensus forecast for the first half of calendar year 2020. The timing and strength of the recovery during the second half of 2020 is what economic forecasters are now focused on.

## Maine Economy

On Tuesday, March 24, 2020, the U.S. Bureau of Economic Analysis released preliminary estimates of state personal income for the fourth quarter of 2019 and annual 2019 along with revised estimates for the first three quarters of 2019. Note that this data precedes any impacts related to COVID-19. Total personal income for Maine increased from \$65.454 billion in 2018 to an estimated \$68.487 billion in 2019. This is an increase of 4.6%, which ranks Maine 18th in the nation for growth and first in New England. Nationally, personal income increased 4.4% on average. Overall, this release provides additional confirmation that Maine's economy saw robust growth in 2019. Per capita personal income for Maine was \$50,950 in 2019, which ranks 29th in the nation (up from 30th in 2018).

First quarter 2020 personal income by state will be released at the end of June and that will be the first state level information on the impact the COVID-19 crisis is having on Maine personal income.

KF: mja

## Attachments

cc: Jeremy Kennedy  
Mary Anne Turowski  
Grant Pennoyer  
Chris Nolan  
Marc Cyr  
Amanda Rector  
Jim Breece  
Jerome Gerard  
Jenny Boyden  
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