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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: August 24, 2021

SUBJECT: Revenues – July 2021

July General Fund revenues were over budget by \$32.7 million or 9.8 percent. Compared to last fiscal year, fiscal year 2022 General Fund revenues were up by 43.2 percent (\$110.3 million). Adjusting for the increase in revenue sharing from 3.75 percent to 4.5 percent the year-over-year (YOY) growth was 44.7 percent. Note, revenue accrued into fiscal year 2020 because of the delay in income tax payments from April and June 2020 until July 2020 was reversed last July thereby reducing net General Fund revenue in the first month of fiscal year 2021.

June taxable sales (July revenue) increased 24.5 percent over last year, 15.6 percent excluding restaurant and lodging sales. For the month, sales and use and service provider taxes, combined, were \$30.9 million over budget. Consumer sales increased by 26.8 percent over June 2020 and 31.4 percent over June 2019. Stimulus programs related to the federal American Rescue Plan (ARP), healthy household balance sheets, and pent up demand for in-person services account for the unprecedented growth compared to 2019. June lodging sales, up 28.0 percent over June 2019, provides further evidence that the summer tourism season will exceed 2019 activity. Restaurant sales increased by 75.7 percent YOY and increased 8.8 percent compared to 2019. The auto/transportation sector posted YOY growth of 12.9 percent as demand for automobiles remains strong despite the lack of inventory for both new and used autos. Rising prices for new and used automobiles is likely affecting the growth in tax revenue from the auto/transportation sector. Except for meals and lodging, we continue to expect the YOY and 2019 sales comparisons to moderate as we get further into the second half of calendar year 2021.

Individual income tax receipts were under budget in July by \$4.1 million (2.8 percent). Most of the negative variance was from refunds exceeding budget by \$11.6 million. Final and estimated payments and withholding all exceeded budget by a combined \$12 million. The next big month for individual income tax is September when the third estimated payment of the tax year is due.

Corporate income tax receipts were \$14.0 million over budget in July, 77 percent higher than last July. Estimated payments were \$11.1 million over budget and final payments by \$3.7 million. Like individual income tax, the next big month for corporate is September when the third estimated payment for calendar year filers is due.

Sales and Use Taxes

Revenue was \$30.9 million over budget for the month (18.1 percent). Fiscal year 2022 revenue was \$50.3 million or 33.2 percent more than fiscal year 2021 collections.

Taxable Sales

Total taxable sales for the month of June (July revenue) were 24.5 percent higher than June 2020. The annual rate of change was 17.3 percent. Building supply sales increased 16.0 percent for the month and were up 25.7 percent for the last 12 months. Sales of taxable items in food stores were up 11.2 percent for the month and up 5.9 percent for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 21.9 percent for the month and 13.9 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 20.4 percent for the month and up 34.2 percent for the year. Auto/transportation sector sales increased 12.9 percent for the month and increased 24.0 percent for the year. Sales of meals and other prepared foods increased 75.7 percent for the month and down 0.9 percent for the year. Lodging sales were up 229.9 percent for the month and 8.0 percent for the year. Business operating sales (primarily use tax paid by businesses) increased 15.9 percent for the month and were up 13.9 percent for the year.

Service Provider Tax

Revenue was essentially on budget for the month, coming in over budget by \$58,952 (1.4 percent). Revenue was 0.6 million or 11.8 percent under prior fiscal year collections.

Individual Income Tax

Revenue was \$4.1 million or 2.8 percent under budget for the month. Compared to last fiscal year individual income tax receipts were up 60.0 percent (\$53.2 million). Withholding payments were up 3.9 percent for the month and have increased 9.8 percent through the first seven months of calendar year 2021.

Corporate Income Tax

Revenue was over budget for the month by \$14.0 million or 225.7 percent. Compared to last fiscal year corporate income tax revenue was \$8.8 million higher or 76.9 percent.

Cigarette and Tobacco Taxes

Cigarette and tobacco products tax revenue was \$2.3 million over budget for the month and fiscal year. Compared to last July, cigarette and tobacco tax revenue was up 5.0 percent.

Insurance Companies Taxes

The Insurance Companies Tax was over budget for the month by \$1.1 million and was \$1.1 million more than the first month of last fiscal year.

Estate Tax

The estate tax was \$1.5 million under budget for the month or -108.2 percent. Estate tax receipts were \$0.6 million less than last fiscal year.

Property Tax Relief Programs

The Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs were under budget in July by \$0.6 million. The variance in July is associated with BETE reimbursements that were delayed until fiscal year 2022. BETR applications for property taxes paid during CY20 began August 1st.

Municipal Revenue Sharing

Revenue sharing was over budget in July by \$8.5 million. For the fiscal year revenue sharing was \$9.6 million higher than last year. The increase in revenue sharing from 3.75 percent to 4.5 percent contribute to the increase compared to a year ago.

Lottery

Lottery revenues were over budget for the month by \$2.4 million or 51.8 percent. Compared to last July, lottery revenue was \$1.7 million higher or 31.8 percent.

Other Taxes and Fees

Other taxes and fees were over budget for the month of July by \$0.85 million. Revenues were \$7.8 million higher than a year ago.

Highway Fund

Motor fuel excise tax receipts were over budget in July by \$0.2 million (1.1 percent). The Highway Fund, in total, was over budget for the month by \$0.8 million (2.7 percent). Motor fuel excise tax receipts were up 13.3 percent compared to fiscal year 2021 but remain down 3.8 percent compared to 2019.

National Economy

The July retail sales report from the Census Bureau shows consumer spending on goods, while still solid on a year-over-year basis, is slowing. Economists attribute the slowdown to the shifting of household spending from goods to services, the continued supply-side issues affecting new and used automobile sales, and the growing concerns about the Delta variant of COVID-19. Later this month the Bureau of Economic Analysis will release July figures on personal consumption expenditures that will provide more information on the changing split between consumer spending on goods and services.

Maine Economy

Most of the states reporting July revenues are experiencing positive variances like Maine and of similar percentages. While some of the stimulus enacted as part of the American Rescue Plan has ended or near ending, other parts such as the advance Child Tax Credit payments are in the early stage of implementation. These payments along with the historic level of savings should provide sufficient resources for households to continue spending at recent levels through the remainder of the calendar year.

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Attachments

cc: Jeremy Kennedy
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