

**DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES  
78 STATE HOUSE STATION  
AUGUSTA, ME 04333-0078**

**PHONE: 207-624-7800  
FAX: 207-624-7804**

**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:** September 21, 2021

**SUBJECT:** Revenues – August 2021

\*\*\*\*\*

August General Fund revenues were over budget by \$42.4 million or 11.8 percent. For the first two months of the fiscal year, fiscal year 2022 General Fund revenues are over budget by \$77.9 million or 11.3 percent.

Compared to last August, General Fund revenues were up by 20.9 percent (\$69.7 million). For the fiscal year, General Fund revenues have increased by \$180 million or 30.6 percent. Adjusting for the increase in revenue sharing, General Fund revenues increased by \$186.5 million or 31.7 percent compared to the first two months of fiscal year 2021.

July taxable sales (August revenue) increased 20.9 percent over last year. Year-over-year (YOY) comparisons are distorted as the COVID-19 pandemic was strongly impacting economic activity during the third quarter of calendar year 2020. For the month, sales and use and service provider taxes, combined, were \$23.4 million over budget. Consumer sales increased by 22.8 percent over July 2020 and 24.3 percent over July 2019. Federal stimulus programs via the American Rescue Plan Act (ARPA), healthy household balance sheets, and pent up demand for in-person taxable services account for the unprecedented growth compared to 2019. July lodging sales, up 27.0 percent over July 2019, indicates what a strong summer tourism season we experienced. Similarly, restaurant sales increased by 59.0 percent compared to year ago, and increased 12.3 percent compared to 2019. The auto/transportation sector posted YOY growth of 4.8 percent as demand for automobiles has slowed because of the lack of inventory for both new and used autos. We expect sales tax receipts to moderate as we get further into the second half of calendar year 2021 though these receipts continue to outperform the May revenue forecast.

Individual income tax receipts were over budget in August by \$11.1 million (7.0 percent). Withholding accounted for most of the monthly surplus (\$9.0 million), increasing for the first two months of the fiscal year by 13.0 percent. Refunds were \$4.6 million over budget for the month bringing the total variance for the fiscal year to \$16.2 million. Final payments exceeded budget by \$1.5 million in August resulting in a total positive variance for the fiscal year of \$3.9 million. Estimated and fiduciary payments combined were over budget by \$5.2 million for the month and are \$4.8 million over for the fiscal year. The third estimated payment for tax year 2021 was due September 15<sup>th</sup>.

Corporate income tax receipts were over budget in August by \$2.7 million. Estimated payments exceeded forecast for the month by \$1.3 million and final payments were over budget by \$1.1 million. Like the individual income tax September 15<sup>th</sup> was the due date of the third estimated payment for calendar year corporate filers. Corporate refunds were on budget for the month and remain \$0.6 million over budget.

### Sales and Use Tax

Revenue was \$23.3 million over budget for the month (13.2 percent) and is over budget for the fiscal year by \$54.1 million (15.6 percent). Sales tax receipts have increased \$92.2 million or 29.8 percent more than fiscal year 2021 collections.

### Taxable Sales

Total taxable sales for the month of July (August revenue) were 20.9 percent higher than July 2020 and 23.5 percent higher than July 2019. The annual rate of change was 19.2 percent. Building supply sales increased 10 percent for the month and were up 25.2 percent for the last 12 months. Sales of taxable items in food stores increased by 6.9 percent for the month and were up 6.7 percent for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 18.9 percent for the month and up 16.0 percent for the year. Sales by remote sellers and other retail stores such as jewelry, drug, sporting goods, book, antique, pet, photo, toy, and craft stores were up 17.8 percent for the month and up 32.0 percent for the year. Auto/transportation sector sales increased 4.8 percent for the month and increased 22.8 percent for the year. Restaurant sales increased 59.0 percent compared to the same month a year ago and were up 9.0 percent for the last 12 months. Lodging sales increased 110.4 percent compared to last July and were up 36.5 percent for the 12-month period ending in July. Business operating sales (primarily use tax paid by businesses) increased 13.3 percent for the month and were up 14.2 percent for the year.

### Service Provider Tax

Revenue was slightly over budget for the month by \$0.1 million. For the fiscal year revenue is \$1.0 million or 11.0 percent under prior fiscal year collections.

### Individual Income Tax

Revenue was \$11.1 million or 7.0 percent over budget for the month. Compared to last fiscal year individual income tax receipts were up 36.9 percent (\$83.9 million). Withholding receipts for fiscal year 2022 are up 13.0 percent.

### Corporate Income Tax

Revenue was over budget for the month by \$2.7 million. Corporate income tax revenue is up for the fiscal year by \$5.3 million (27.6 percent) compared to fiscal year 2021.

### Cigarette and Tobacco Taxes

Cigarette and tobacco products tax revenue was \$2.3 million over budget for the month and \$4.18 million over budget for the fiscal year. All the year-to-date surplus is from cigarette excise tax revenue. Through the first two months of the fiscal year cigarette and tobacco tax revenues are up \$3.6 million (14.1 percent) compared to fiscal year 2021.

### Insurance Companies Taxes

The insurance companies' tax was over budget in August by \$0.4 million. For the fiscal year insurance companies' tax is up 247.2 percent compared to last fiscal year.

### Estate Tax

The estate tax was \$0.6 million under budget for the month. Estate tax receipts are up 49.2 percent (\$0.2 million) compared to last fiscal year.

### Property Tax Relief Programs

Refunds for the Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs were very close to budget in August. The property tax relief payments were \$0.7 million over budget for the fiscal year.

### Municipal Revenue Sharing

Revenue sharing was over budget in August by \$1.8 million and was over budget for the fiscal year by \$7.4 million. For the fiscal year, revenue sharing payments to local communities are already \$16.5 million higher than last year (72.8 percent). The increase in revenue sharing rate from 3.75 percent to 4.5 percent contributes to the increase compared to a year ago as well as the strong performance of sales and income taxes.

### Lottery

Lottery revenues were over budget for the month by \$0.6 million or 11.7 percent. Compared to last fiscal year, lottery revenue is \$0.3 million higher (2.1 percent).

## Other Taxes and Fees

Other taxes and fees were over budget for the month of August by \$3.4 million. Year-to-date other taxes and fees are on budget.

## Highway Fund

Motor fuel excise tax receipts were over budget in August by \$0.1 million (0.6 percent). The Highway Fund, in total, was over budget for the month by \$0.8 million (2.4 percent). For the fiscal year total Highway Fund revenues exceed budget by \$1.6 million (2.5 percent). The fiscal year positive variance is mostly from motor vehicle registration and fees. Motor fuel excise tax receipts are up 11.3 percent for the fiscal year. Demand for gasoline and special fuels has steadily improved over last year but remain slightly below the same period of 2019.

## National Economy

The significance of Federal stimulus to combat the economic impacts of the pandemic was on full display last week as the U.S. Census Bureau released estimates for 2020 poverty rates. The official national poverty rate in 2020 was 11.4 percent, which surprised many analysts as it is just 1.0 percentage point higher than 2019. Similarly, the Supplemental Poverty Measure (SPM), which builds on the official measure by deducting taxes (adding refundable tax credits) and other necessary expenses as well as considering government programs and transfer payments, was 9.1 percent nationally and 7.3 percent in Maine. Nationally, this is lower than in 2019 by 2.6 percentage points and came in lower than the official poverty rate for the first time in history, highlighting the impact that government support during the pandemic-induced recession had on households in need in 2020. Maine was one of 30 states where the SPM was lower than the official measure. U.S. Census data indicates that social security payments moved 26.5 million people out of poverty, while unemployment benefits and stimulus payments moved 5.5 million and 11.7 million out of poverty, respectively. Without Federal stimulus payments and other Federal pandemic relief in 2020, analysis shows that the SPM would have been a full 3.6 percentage points worse, coming in at 12.7 percent rather than 9.1 percent.

## Maine Economy

The Boston Federal Reserve Bank's portion of the September 8, 2021 Beige Book Report from the Federal Reserve System provided a relatively upbeat report for the region's economy through August 30, 2021. The Boston Fed' reported that the economy grew at a "modest to strong pace" over the summer, with contacts reporting "strong demand" for their goods and services. Supply issues remain the biggest concern, as labor and inputs remain in short supply. Those surveyed by the Boston Fed' are more concerned about the inability to hire workers or purchase supplies and less about the rising costs or inflation. Retail and tourism related businesses reported solid summer activity, which is consistent with revenues to Maine, though some businesses did note that the lack of Canadian tourists had moderated sales. Manufacturers were upbeat, particularly contacts in the semiconductor industry. While the prices of residential properties across the region continue to rise, they are beginning to slow. Commercial property remains mixed, with life science, warehousing, and industrial properties in high demand, the market for office space described as "anemic," and retail space mixed depending on the product or service being

provided. The rise of the delta variant has brought pessimism for a recovery to office space properties.

KF: mja

#### Attachments

cc: Jeremy Kennedy  
Mary Anne Turowski  
Suzanne Gresser  
Chris Nolan  
Marc Cyr  
Amanda Rector  
Jim Breece  
Jerome Gerard  
Jenny Boyden  
Beth Ashcroft