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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:** March 1, 2022

**SUBJECT:** Revenues – January 2022

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January General Fund revenues are over budget by \$43.0 million or 9.6 percent. For the seven months of fiscal year 2022, General Fund revenues are over budget by \$133.4 million or 4.7 percent.

Compared to last January, General Fund revenues are up by 10.1 percent (\$45.3 million). For July through January 2022, adjusting for the increase in revenue sharing, General Fund revenues are \$481.2 million, or 19.3 percent higher compared to the same period in fiscal year 2021.

December taxable sales (January revenue) increased 12.6 percent over last year. Year-over-year (YOY) comparisons continue to moderate and will be challenging over the next few months as stimulus payments led to a spike in household spending during the first half of 2021. For the month, sales and use taxes were \$3.4 million over budget. Consumer sales increased by 12.4 percent over December 2020 and 26.3 percent over December 2019. Healthy household balance sheets, inflation, and a slower shift back to in-person non-taxable services because of the emerging Omicron variant account for the unprecedented growth compared to 2019.

Individual income tax receipts were over budget in January by \$20.0 million (7.9 percent). Estimated and fiduciary payments were both over budget, contributing a combined \$22.7 million to the monthly positive variance. Withholding was slightly under budget in January by \$0.7 million, increasing 19.5 percent over last year. Withholding receipts through the first seven months of fiscal year 2022 are up 13.2 percent compared to the same seven-month period last year. Refunds were \$0.9 million over budget for January and final payments were under budget by \$1.1 million.

Corporate income tax receipts were over budget in January by \$11.5 million. Payments exceeded forecast for the month by approximately \$6.1 million and refunds were under budget by \$5.4 million. Through the first seven-months of fiscal year 2022 corporate income tax receipts are 56.6 percent higher than the same period last fiscal year.

### Sales and Use Tax

Revenue was \$3.4 million over budget for the month (1.9 percent) and is over budget for the fiscal year by \$12.1 million (1.0 percent). Sales tax receipts have increased \$226.1 million or 21.4 percent more than fiscal year 2021 collections through the first seven months of the fiscal year.

### Taxable Sales

Total taxable sales for the month of December (January revenue) were 12.6 percent higher than December 2020 and 26.9 percent higher than December 2019. Over the 12-month period ending in December 2021, taxable sales rose at a rate of 21.8 percent. Building supply sales increased 8.6 percent for the month and were up 17.7 percent for the last 12 months. Sales of taxable items in food stores decreased by 1.2 percent for the month and were up 5.0 percent for the year. General merchandise sales (primarily sales of goods sold in large department and discount stores) were up 14.8 percent for the month and up 22.6 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 11.9 percent for the month and up 22.7 percent for the year. Auto/transportation sector sales increased 6.3 percent for the month and increased 19.0 percent for the year. Restaurant sales increased 41.2 percent compared to the same month a year ago and were up 39.3 percent for the last 12 months. Lodging sales increased 91.6 percent compared to last December and were up 97.8 percent for the 12-month period ending in December. Business operating sales (primarily use tax paid by businesses) increased 12.0 percent for the month and were up 18.3 percent for the year.

### Service Provider Tax

SPT revenue was over budget for the month by \$0.1 million or 3.1 percent. Through the first seven months of fiscal year 2022 service provider tax receipts are \$0.3 million over budget (1.1 percent). For the fiscal year revenue is \$2.1 million or 6.6 percent under prior fiscal year collections.

### Individual Income Tax

Revenue was \$38.3 million or 26.1 percent over budget for the month. Compared to last fiscal year individual income tax receipts were up 17.0 percent (\$156.6 million). Withholding receipts for fiscal year 2022 are up 12.1 percent.

### Corporate Income Tax

Revenue was over budget for the month by \$11.5 million. Corporate income tax revenue is up for the fiscal year by \$75.0 million (56.6 percent) compared to fiscal year 2021. The Federal government and other States with a corporate income tax are seeing similar growth rates.

### Cigarette and Tobacco Taxes

Cigarette and tobacco products tax revenue was \$1.7 million under budget for the month and \$0.7 million under budget for the fiscal year. Through the first seven months of the fiscal year cigarette and tobacco tax revenues are up \$3.2 million (3.7 percent) compared to fiscal year 2021.

### Insurance Companies Taxes

The insurance companies' tax was very close to budget in December and over budget fiscal year-to-date by \$1.8 million. For the fiscal year insurance companies' tax is up 7.9 percent compared to last fiscal year.

### Estate Tax

The estate tax was \$3.7 million over budget for the month. Estate tax receipts have increased 98.1 percent (\$15.1 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 under budget in January by \$2.9 million. For the first seven months of the fiscal year, property tax relief payments are \$1.5 million under budget.

### Municipal Revenue Sharing

Revenue sharing was over budget in January by \$3.9 million and was over budget for the fiscal year by \$3.6 million, meaning that more funds than expected have flowed to Maine's towns and cities. For the fiscal year, revenue sharing payments to local communities are \$43.8 million higher than last year (50.4 percent). The improvement 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 \$0.3 million or 6.7 percent. Compared to last fiscal year, lottery revenue is \$3.4 million lower (7.7 percent).

## Other Taxes and Fees

Other taxes and fees were over budget for the month by \$2.8 million. Year-to-date other taxes and fees are over budget by a similar amount.

## Highway Fund

Motor fuel excise tax receipts were under budget in January by \$0.2 million (1.3 percent). The Highway Fund, in total, was over budget for the month by \$0.7 million (2.5 percent). For the fiscal year total Highway Fund revenues exceed budget by \$3.0 million (1.5 percent). Motor fuel excise tax receipts are up 7.0 percent (\$9.0 million) compared to the first seven months of fiscal year 2021.

## National Economy

The Consumer (CPI) and Producer (PPI) price indices for January both came in higher than economists were forecasting. The CPI increased 7.5 percent compared to a year ago, while the PPI increased by 9.8 on a year ago basis. The hotter than expected reports are likely to accelerate the Federal Reserve's process of pulling back on monetary stimulus that began two years ago. The Fed is expected to begin increasing interest rates when they meet again next month, and to continue increasing rates at each of their scheduled meetings in 2022.

## Maine Economy

The Revenue Forecasting Committee is scheduled to meet to review the February 1, 2022 economic forecast from the Consensus Economic Forecasting Commission (CEFC) and to develop a new revenue forecast that will be issued on March 1<sup>st</sup>. The new economic forecast, December and January revenue, and preliminary February revenues will play a significant role in the RFC's updated revenue forecast.

KF: mja

## Attachments

cc: Jeremy Kennedy  
Mary Anne Turowski  
Suzanne Gresser  
Chris Nolan  
Marc Cyr  
Beth Ashcroft  
Amanda Rector  
Ryan Wallace  
Jerome Gerard  
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