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 21, 2022

SUBJECT: Revenues – March 2022

March General Fund revenues are over budget by $87.5 million or 36.3 percent. For the first three
quarters of fiscal year 2022, General Fund revenues are over budget by $97.7 million or 2.9 percent.
Note, the March Controller’s Report has been updated for the new revenue forecast released by the
Revenue Forecasting Committee (RFC) on March 1, 2022.

Compared to last March, General Fund revenues increased by 73.4 percent ($139.1 million). For July
through March 2022, adjusting for the increase in revenue sharing, General Fund revenues are $568.4
million, or 19.2 percent higher compared to the same period in fiscal year 2021.

February taxable sales (March revenue) increased 13.9 percent over last year. Year-over-year (Y.O.Y)
growth returned to double-digits, but it will be challenging to maintain that growth over the next few
months as stimulus payments led to a spike in household spending during the second quarter of 2021.
For the month, sales and use taxes were over budget by $5.6 million. Consumer sales increased by 10.9
percent over February 2021 and 22.5 percent over February 2020. Healthy household balance sheets,
inflation, and a slower shift back to in-person non-taxable services because of the Omicron variant
account for the unprecedented growth compared to 2020.

Individual income tax receipts were over budget in March by $70.8 million (153.1 percent). All
sources of individual income tax contributed to the monthly surplus. Withholding ($42.4 million) and
final payments ($11.0 million) accounted for a combined $53.4 million of the monthly positive
variance. March withholding exceeded budget by 27.5 percent and rose 22.8 percent over last March.
Thursdays are the largest deposit day for withholding and this March had 5 Thursdays compared to a
year ago.
This April has 4 Thursdays, which means some of the surplus withholding in March is a timing issue and withholding this April will likely be more in line with or under budget. In addition to the extra Thursday deposit day, March is a large bonus month and the strong YOY growth likely reflects a significant increase in bonuses associated with 2021 activity. Refunds accounted for most of the remaining positive variance, as the State refunded $12.6 million less in March than budgeted. Through March the number of refunds is down 3.0 percent, but the average refund is up 17.5 percent.

Corporate income tax receipts were under budget in March by $2.1 million. Payments were higher than forecast for the month by approximately $1.3 million and refunds were over budget by $3.4 million. Through the first nine-months of fiscal year 2022 corporate income tax receipts are 48.6 percent higher than the same period last fiscal year.

Sales and Use Tax

Revenue was $5.6 million over budget for the month (4.5 percent) and is over budget for the fiscal year by $7.4 million (0.5 percent). Sales tax receipts have increased $249.1 million or 19.3 percent more than fiscal year 2021 collections through the first nine months of the fiscal year.

Taxable Sales

Total taxable sales for the month of February (March revenue) were 13.9 percent higher than February 2021 and 24.9 percent higher than February 2020. Over the 12-month period ending in February 2022, taxable sales rose at a rate of 21.4 percent. Building supply sales increased 13.5 percent for the month and were up 15.7 percent for the last 12 months. Sales of taxable items in food stores increased by 5.2 percent for the month and were up 4.9 percent for the year. General merchandise sales (primarily sales of goods in large department store and discount stores) rose 10.8 percent for the month and up 21.4 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 6.3 percent for the month and up 18.5 percent for the year. Auto/transportation sector sales increased 5.9 percent for the month and increased 17.2 percent for the year. Restaurant sales increased 27.1 percent compared to the same month a year ago and were up 46.6 percent for the last 12 months. Lodging sales increased 51.9 percent compared to last February and were up 104.7 percent for the 12-month period ending in February. Business operating sales (primarily use tax paid by businesses) increased 18.1 percent for the month and were up 18.9 percent for the year.

Service Provider Tax

Service Provider Tax revenue was under budget for the month by $0.4 million or 8.4 percent. Through the first nine months of fiscal year 2022 service provider tax receipts are $0.2 million under budget (0.6 percent). For the fiscal year revenue is $2.2 million or 5.4 percent under prior fiscal year collections.

Individual Income Tax

Revenue was $70.8 million or 153.1 percent over budget for the month. Compared to last fiscal year individual income tax receipts are up 17.1 percent ($226.5 million). Withholding receipts for fiscal year 2022 are up 14.3 percent. The YOY growth has been impacted in recent months by the timing of refunds and the number of Thursdays in each month which affects withholding. The due date for filing 2021 tax returns and the first estimated payment for tax year 2022 was April 19th.
Corporate Income Tax

Revenue was under budget for the month by $2.1 million. Corporate income tax revenue is up for the fiscal year by $73.7 million (48.6 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 on budget for the month and on budget for the fiscal year. Through the first nine months of the fiscal year cigarette and tobacco tax revenues are up $3.8 million (3.5 percent) compared to fiscal year 2021.

Insurance Companies Taxes

The insurance companies’ tax was over budget in March by $7.5 million and over budget fiscal year-to-date by $9.2 million. For the fiscal year insurance companies’ tax is up 30.0 percent compared to last fiscal year.

Estate Tax

The estate tax was $0.5 million over budget for the month. Estate tax receipts have increased 78.6 percent ($14.8 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 over budget in March by $0.7 million. For the first nine months of the fiscal year, property tax relief payments are $4.0 million under budget.

Municipal Revenue Sharing

Revenue sharing was on budget in March and for the fiscal year. For the fiscal year, revenue sharing payments to local communities are $48.4 million higher than last year (42.7 percent). The improvement in the 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 $2.8 million or 49.8 percent. Compared to last fiscal year, lottery revenue is $3.2 million lower (5.6 percent).

Other Taxes and Fees

Other taxes and fees were over budget for the month by $3.7 million. Year-to-date other taxes and fees are over budget by $2.8 million or 2.4 percent.
Highway Fund

Motor fuel excise tax receipts were over budget in March by $0.1 million (0.7 percent). The Highway Fund, in total, was over budget for the month by $3.8 million (16.5 percent). For the fiscal year total Highway Fund revenues are over budget by $4.9 million (1.9 percent). Motor fuel excise tax receipts are up 6.7 percent ($10.7 million) compared to the first nine months of fiscal year 2021.

National Economy

The March Consumer Price Index (CPI) increased 8.5 percent on a year-over-year basis, the fastest annual rate of growth since December 1981. The core CPI, (excluding food and energy) increased 6.5% from a year earlier, the highest inflation rate since August 1982. Most economists are forecasting the Federal Reserve’s Federal Open Market Committee (FOMC) will increase the federal funds rate by 50 basis points at its next meeting in early May. Fed watchers are also expecting the FOMC to approve at least another three 50 basis point increases during their remaining five meetings in 2022.

Maine Economy

A recent working paper from the National Bureau of Economic Research (NBER) (A Final Report Card on the States’ Response to COVID-19 | NBER) graded states and the District of Columbia on their response to the COVID-19 pandemic. The researcher graded each state on three measures, (1) health outcomes, (2) economic performance, and (3) impact on education. Maine received an “A” grade and was ranked 8th best in the country. Vermont (A+ and 3rd) and New Hampshire (A and 7th) were the only other New England states to rank in the top 10 and were the only other states from the Northeast that ranked in the top half of states. Maine’s economic performance ranked 11th in the nation and first in New England. Maine ranked fourth in the nation for health outcomes, just behind VT (2nd) and NH (3rd).

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Attachments

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