

STATE REVENUE UPDATE

Barry Boardman, Ph.D.
Fiscal Research Division
January 28, 2014

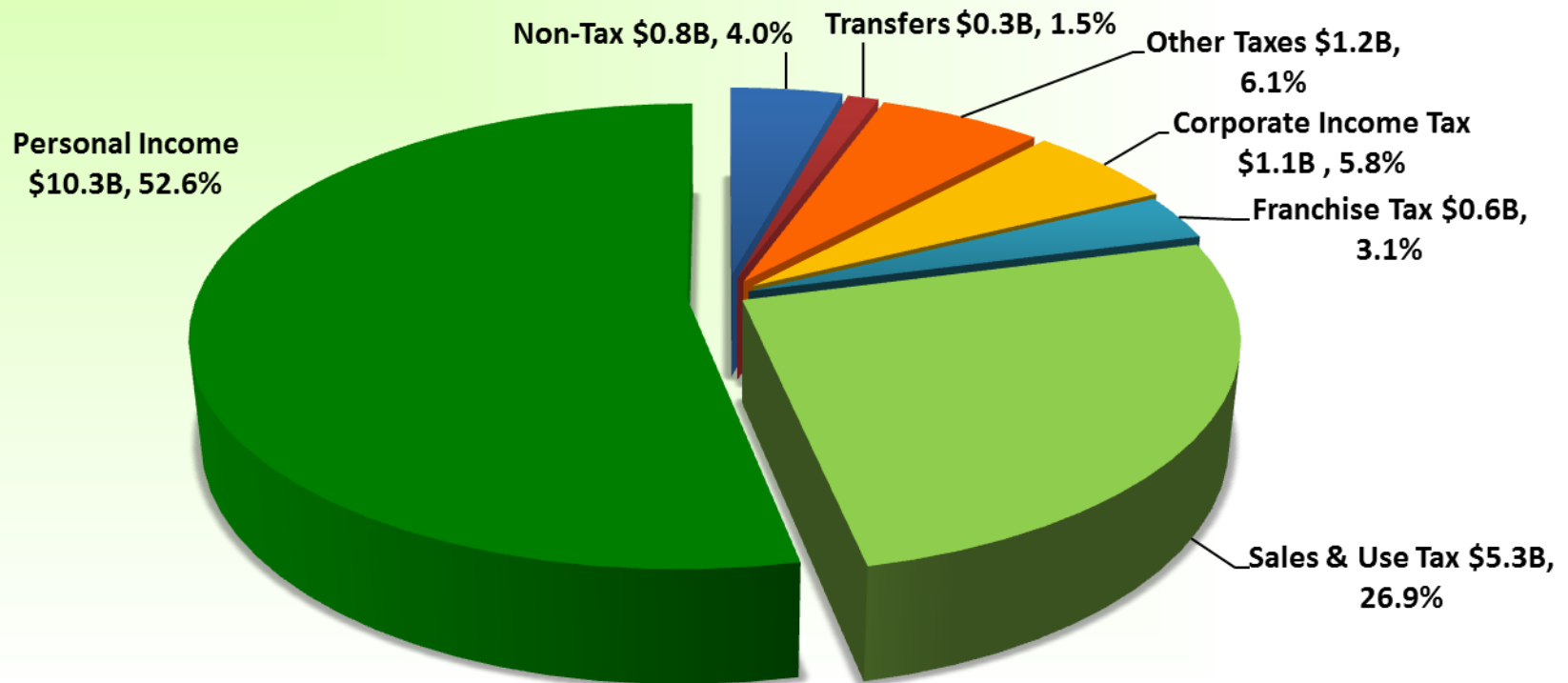


FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Presentation Outline

- State Tax Structure
- Consensus Revenue Forecast
- Current Revenue

State General Fund, FY 2012-13



Consensus Forecast: FY 2013-14

Baseline growth forecast (previous year in parentheses)

- Sales Tax 2.9% (3.1%)
- Personal Income 1.0% (10.9%)
- Corporate Income 2.6% (10.8%)
- Total General Fund 2.3% (7.8%)

FY 2013-14 Revenue Through December

- Collections through December - **\$83.5** million above the \$10.0 billion target.
- Key revenue sources are essentially on target.
- **Caveat:** Most of the forecast risk occurs in second half of the fiscal year.
 - 2013 Final Payments and Refunds, plus 2014 Estimated Payments in April and June

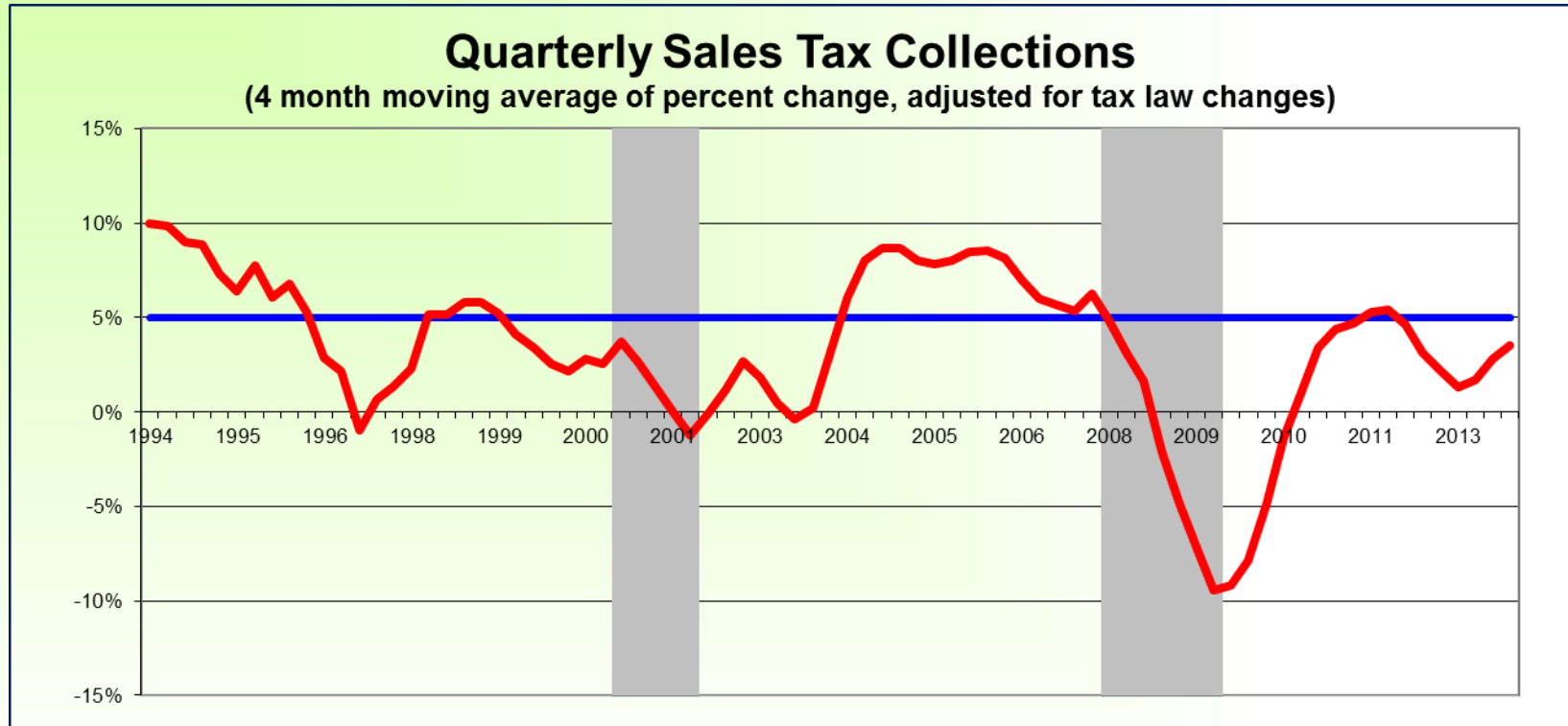
FY 2013-14 Revenue Through December

FISCAL YEAR-TO-DATE (millions)					
	Target	Actual	Target	Actual	Y/Y Pct.
Net Tax Revenue	2013-14	2013-14	Difference	2012-13	Change
Individual Income	\$5,550.4	\$5,520.0	(\$30.4)	\$5,412.4	2.0%
Sales and Use	\$2,738.3	\$2,771.9	\$33.6	\$2,662.9	4.1%
Corporate Income	\$494.9	\$584.5	\$89.6	\$436.5	33.9%
Franchise	\$274.8	\$270.2	(\$4.7)	\$274.8	-1.7%
Other Tax Revenue	\$529.89	\$551.21	\$21.31	\$573.02	-3.8%
Total Tax Revenue	\$9,588.4	\$9,697.9	\$109.5	\$9,359.6	3.6%
Nontax Revenue & Transfers	\$432.0	\$406.0	(\$26.0)	\$413.8	-1.9%
Total General Fund Revenue	\$10,020.4	\$10,103.9	\$83.5	\$9,773.3	3.4%

FY 2013-14 Revenue Through December

- Withholding income tax is up 3.3%.
- Sales tax collections are slightly ahead of target.
- We will not know how holiday sales affected collections until January numbers are tabulated.

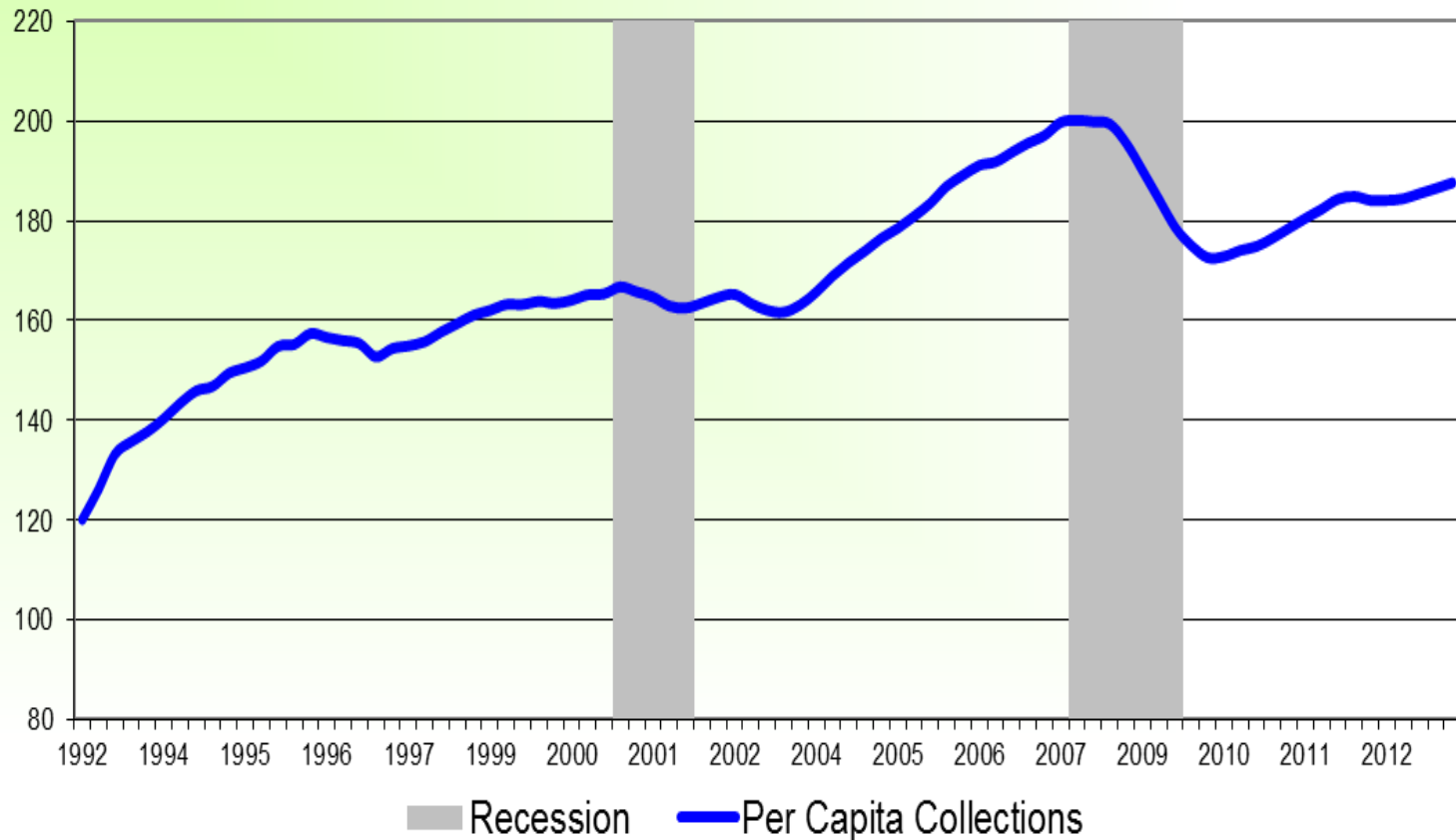
Tracking Economy-Based Collections



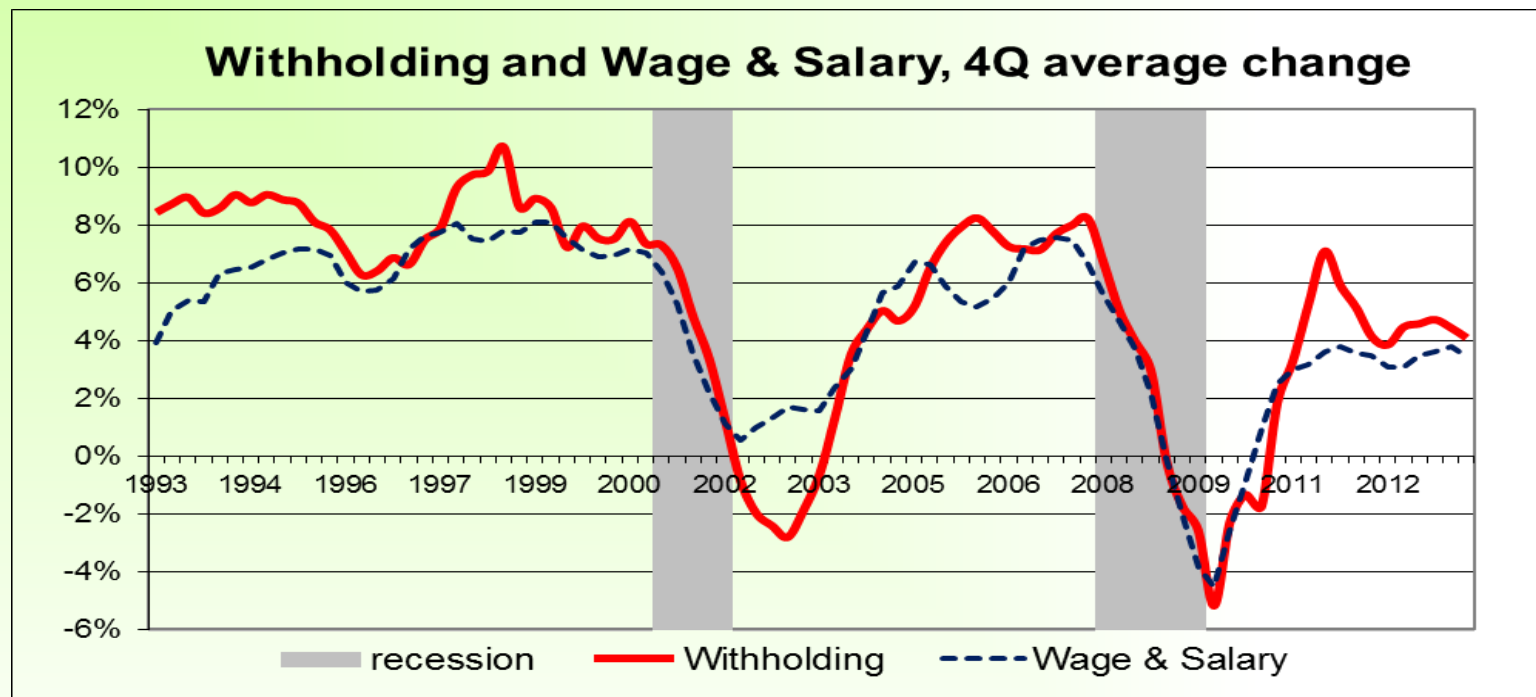
The consensus forecast growth rate for the current fiscal year is 2.9 percent. In the first quarter growth was at a revised 3.9 percent, and second quarter growth was 4.1 percent.

Tracking Economy-Based Collections

Per Capita, Quarterly Sales Tax Collections (baseline)



Tracking Economy-Based Collections



Withholding income (the income tax on wages and salaries) improved the first-half of 2013 with 4.9 percent growth, but has weakened the second-half of the year growing only 3.3 percent. The growth rate target for the current fiscal year is 4.3 percent.

Challenges to Revenue Outlook

Looking ahead -

- Economic conditions are on track; however,
- New tax laws enacted this past session (S.L. 2013-316) add complexity to forecast.
- The added uncertainty will warrant greater caution when assessing the revenue picture for the rest of this fiscal year and what revisions may look like next year.