



Economic and Revenue Update

A Briefing for the Money Committees

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Topics for Discussion

- National and State Economic Indicators
- December Year-to-Date Revenue Collections, Fiscal Year 2018
- Next Steps

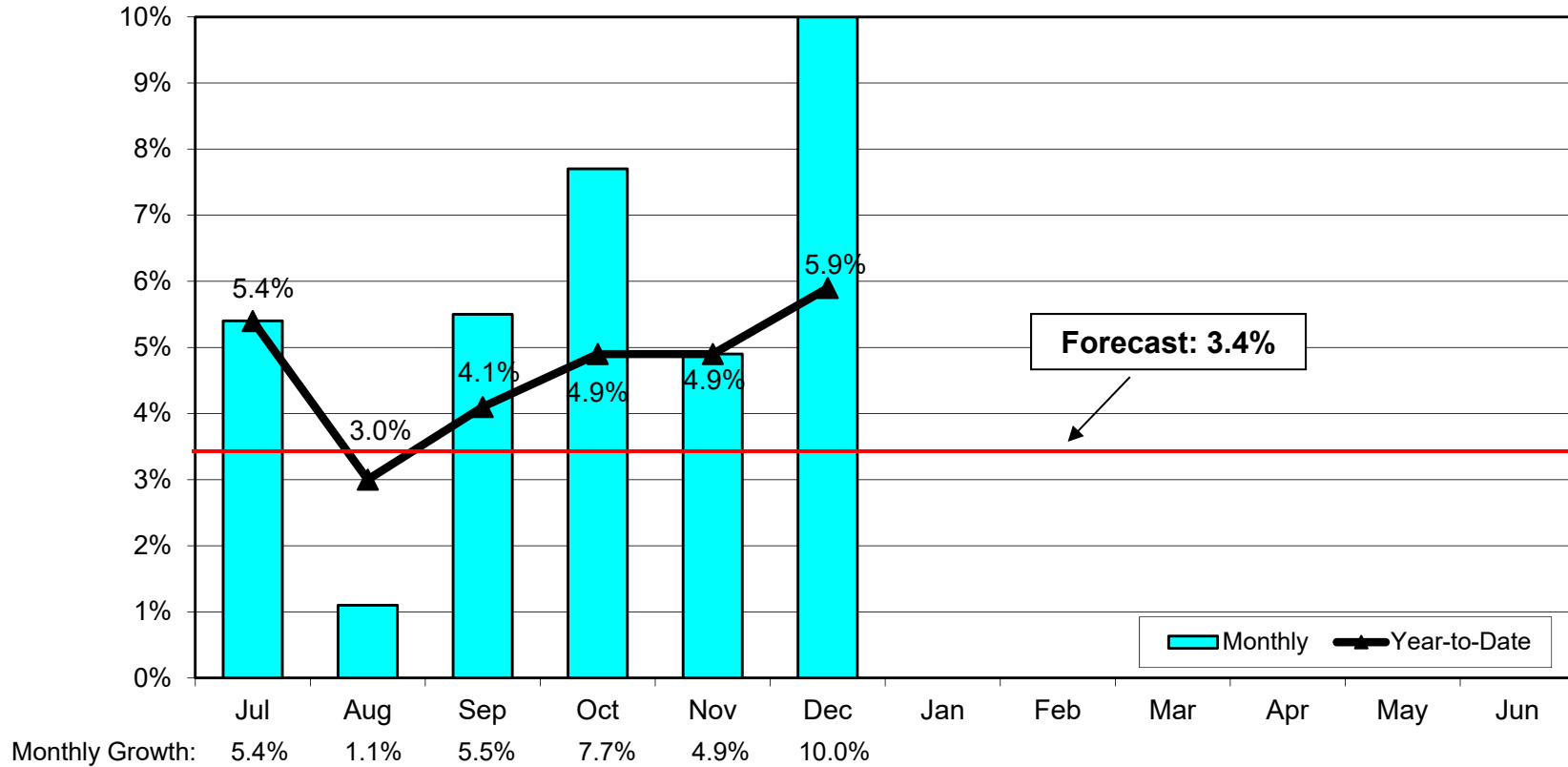
National and State Economic Indicators

- According to the final estimate, real GDP grew at an annualized rate of 3.2 percent in the third quarter of 2017, up from 3.1 percent in the first quarter.
- Payroll employment rose by 148,000 jobs in December and the November number was revised up by 24,000 for a gain of 252,000.
- The national unemployment rate was unchanged at 4.1 percent in December.
- Initial claims for unemployment rose by 3,000 to 250,000 during the week ending December 30.
 - The four-week moving average rose by 3,500 to 241,750.
- The Conference Board's index of leading indicators rose 0.4 percent in November following a 1.2 percent increase in October, suggesting the economic expansion should continue.
- The Conference Board's index of consumer confidence dropped from 128.6 to 122.1 in December; the present conditions component increased while the expectations component declined for the month.
- Conditions in the manufacturing sector were weaker than expected in November. The Institute of Supply Management index fell from 58.7 to 58.2.

National and State Economic Indicators

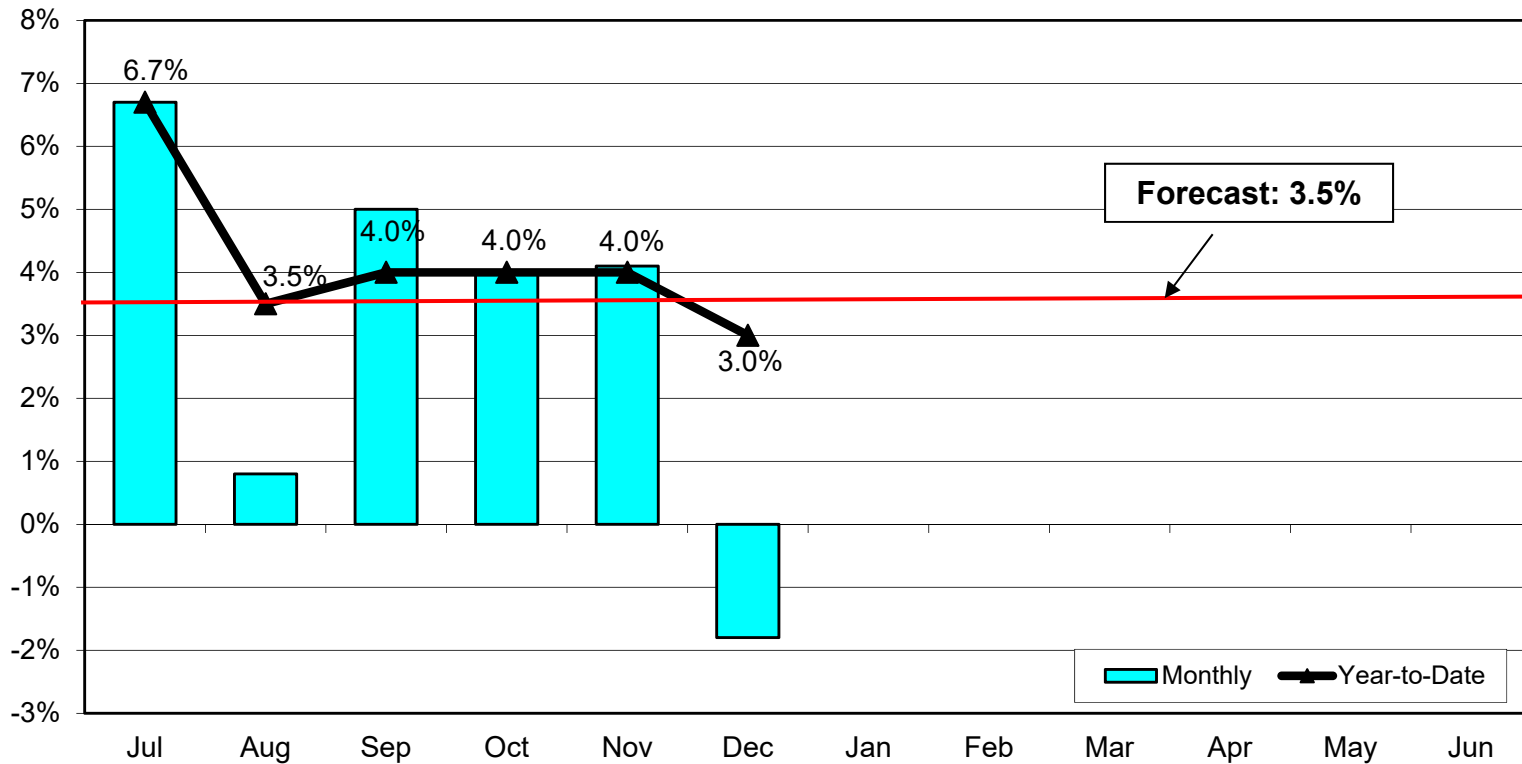
- The CPI rose 0.4 percent in November after a 0.1 percent gain in October and stands 2.2 percent above November 2016.
 - Core inflation (excluding food and energy prices) rose 0.1 percent, and has increased 1.7 percent from last year.
- At its December meeting, the Federal Reserve raised the federal funds target rate by 25 basis points to 1.25 to 1.50 percent.
- In Virginia, payroll employment rose 0.9 percent in November from a year ago.
 - Northern Virginia posted growth of 1.1 percent, Hampton Roads declined 0.8 percent, and Richmond-Petersburg rose 1.4 percent.
 - The seasonally adjusted unemployment rate rose 0.1 percentage point to 3.7 percent and stands 0.4 percentage point below November 2016.
- The Virginia Leading Index rose 0.3 percent in November after increasing 0.1 percent in October. Initial claims, auto registrations, and the U.S. Leading Index improved in November while future employment fell.
 - The indexes for Bristol and Staunton decreased in November while the Harrisonburg index was unchanged; the remaining eight regional indexes increased.

Growth in Total General Fund Revenue Collections FY18 Monthly and Year-to-Date



- Total general fund revenues increased 10.0 percent in December.
 - Nonwithholding payments submitted ahead of the January 16th due date was the main factor.
- On a year-to-date basis, total revenues increased 5.9 percent, ahead of the annual forecast of a 3.4 percent increase.

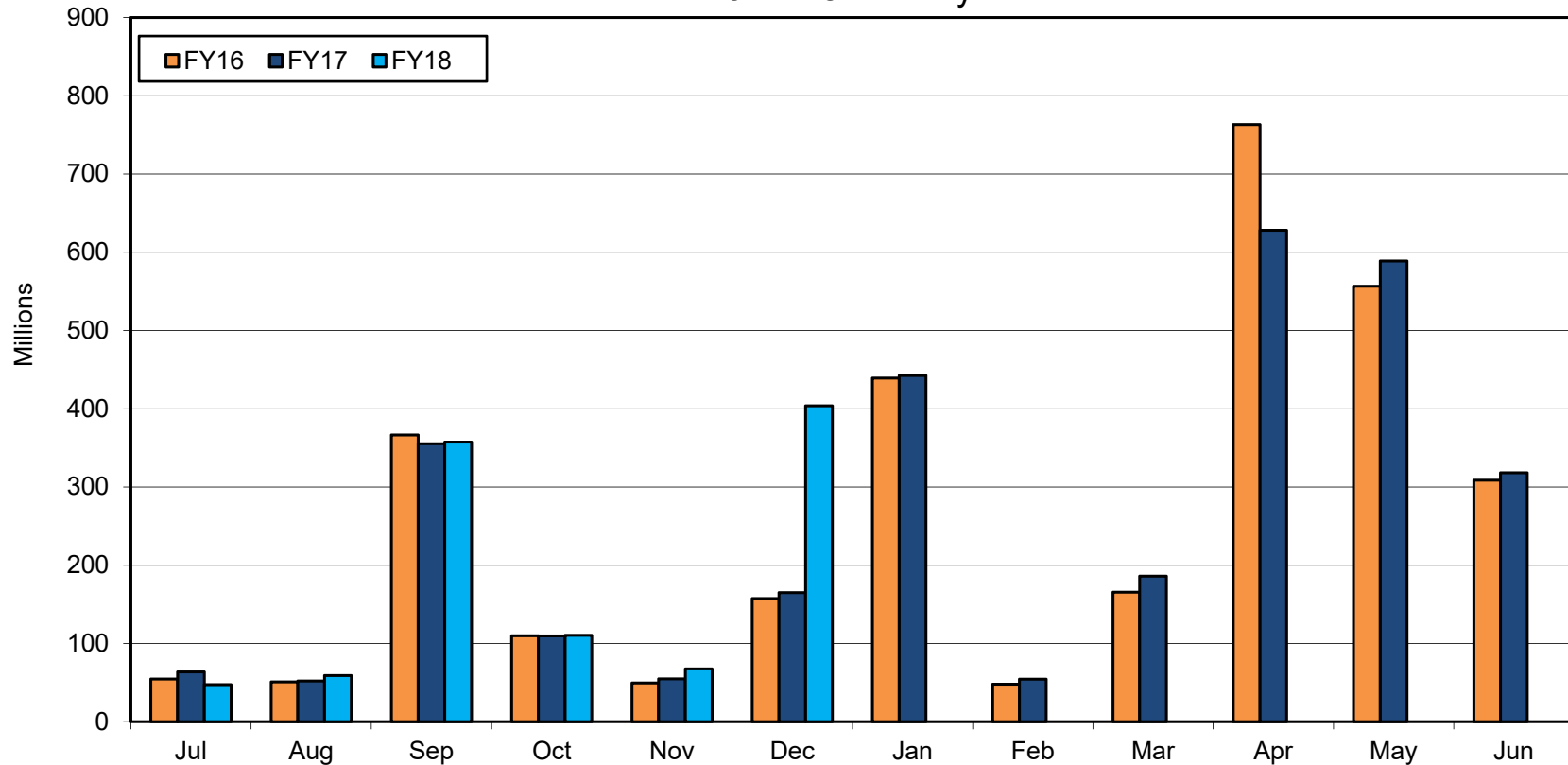
Growth in Withholding Tax Collections FY18 Monthly and Year-to-Date



Monthly Growth: 6.7% 0.8% 5.0% 4.0% 4.1% -1.8%

- Collections decreased 1.8 percent in December mainly due to one less deposit day (January will have an additional deposit day).
- Year-to-date, withholding collections increased 3.0 percent compared with the same period last year, behind the projected annual growth rate of 3.5 percent.

Nonwithholding Tax Collections FY16-FY18 Monthly



- December and January are significant months for collections in this source, but analysis of growth at this point is limited by the timing of payments and unknown effects of federal tax reform.
 - January 16th is the due date for the fourth estimated payment for tax year 2017.
 - A complete assessment of growth in this source will be available at the end of January, when all 2017 quarterly payments have been received.
- Year-to-date, collections were \$1,045.5 million compared with \$800.3 million in the same period last year, an increase of 30.6 percent and ahead of the annual estimate of 4.3 percent growth.

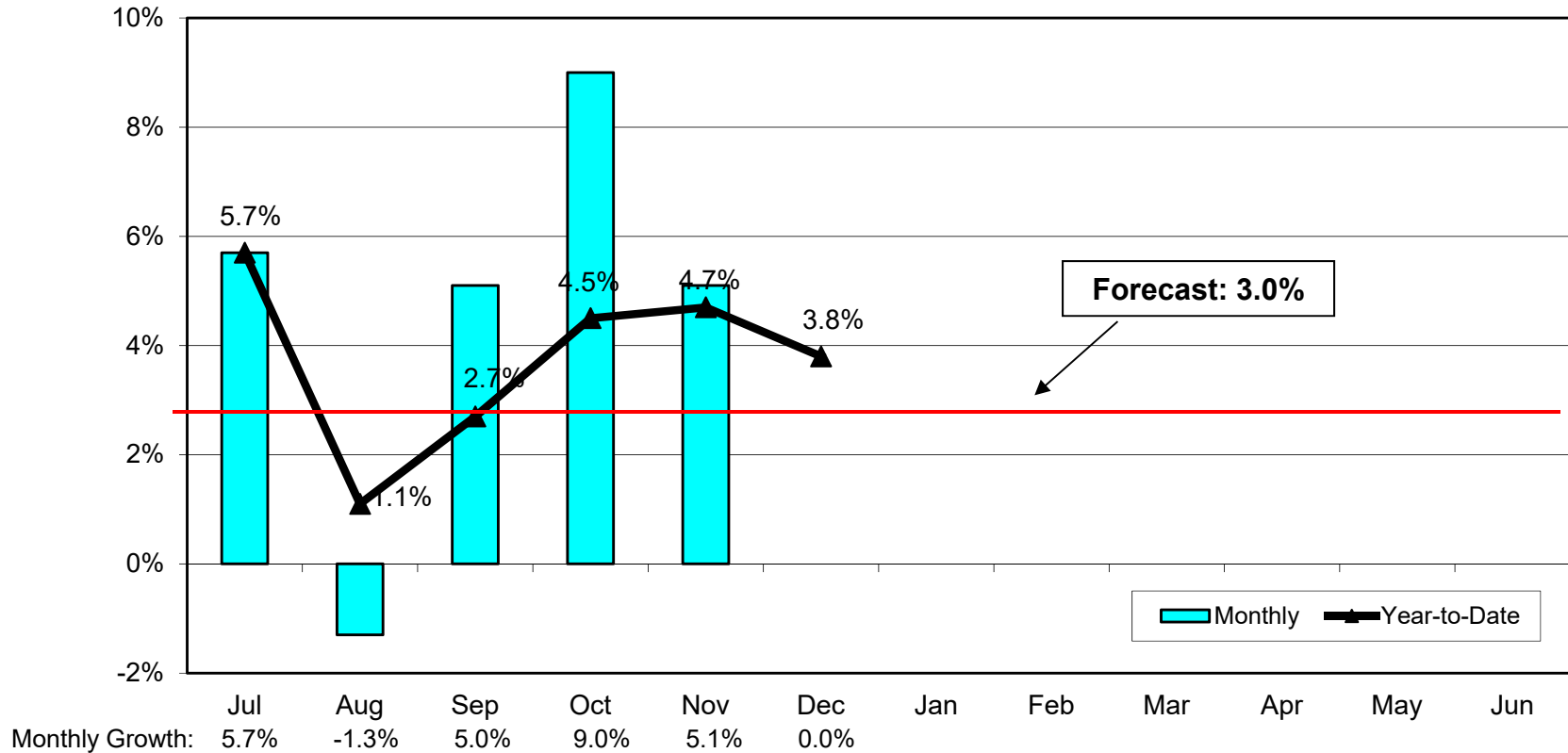
Individual Income Tax Refunds

- Not a significant month.
- Through December, TAX has issued \$289.0 million in individual refunds compared with \$257.9 million in the same period last year, a 12.1 percent increase as compared to the annual estimate of 5.8 percent growth.
 - Expectations for the July-December extension processing season were for \$287.3 million in refunds to be issued.

Net Individual Income Tax

- Through the first six months of the fiscal year, collections of net individual income tax increased 4.8 percent from the same period last year, ahead of the annual estimate of a 2.9 percent growth.

Growth in Sales Tax Collections FY18 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting mainly November sales, had no growth in December.
 - Last December sales tax increase by over 10 percent.
- On a year-to-date basis, collections increased 3.8 percent, ahead of the annual estimate of 3.0 percent growth.

Net Corporate Income Tax Collections

- December is a significant month since quarterly estimated payments are due from most corporations and refund processing from extension returns with the new seven-month filing extension are processed.
- Gross collections were \$156.2 million in December, compared with \$156.4 million last year, no significant change.
- Refunds were \$40.8 million in December, compared with \$11.5 million last year as a result of the seven-month filing extension returns
- On a year-to-date basis, collections in this source have increased 22.1 percent, ahead of the annual estimate of 5.7 percent growth.
 - Gross payments have increased 7.0 percent.
 - Refunds have declined 23.5 percent.
- Fiscal-year-to-date, 44.3 percent of the projected fiscal year's net corporate payments have been received.
 - This is ahead of the historical average of 41.3 percent.

Recordation and Insurance Premiums Tax

Recordation

- In December, collections decreased 7.6 percent compared to last year. Year-to-date collections have decreased 3.3 percent compared to last year, behind the December forecast of a 3.3 percent increase.
 - Collections on a year-to-date basis are \$201.3 million – slightly behind last year's \$208.1 million

Insurance

- The transfer of insurance premiums to the Transportation Trust Fund per Chapter 896, 2007 Acts of the Assembly, in the amount of \$168.0 million was completed in December.
 - December collections to the General Fund were \$94.7 million as compared to last December's \$90.2 million.

Summary of Fiscal Year 2018 Revenue Collections

July through December
Percent Growth over Prior Year

<u>Major Source</u>	<u>As a % of Total Revenues</u>	<u>YTD Actual</u>	<u>Annual Estimate</u>	<u>Variance</u>	<u>Jan-Jun Req'd to Meet Est.</u>	<u>Prior Year Jan-Jun</u>
Withholding	63.7 %	3.0 %	3.5 %	(0.5) %	4.0 %	5.9 %
Nonwithholding	16.3	30.6	4.3	26.3	(5.2)	(2.8)
Refunds	(10.2)	12.1	5.8	6.3	4.8	4.6
Net Individual	69.8	6.1	3.4	2.7	0.8	3.2
Sales	17.9	3.8	3.0	0.8	2.4	3.6
Corporate	4.5	22.1	5.7	16.4	(4.6)	7.2
Wills (Recordation)	2.1	(3.3)	3.3	(6.6)	10.5	2.0
Insurance	1.9	4.9	6.2	(1.3)	6.7	(0.4)
All Other Revenue	3.8	1.9	1.6	0.3	1.5	2.9
Total	100.0 %	5.9 %	3.4 %	2.5 %	1.2 %	3.3 %

Summary of Fiscal Year 2018 Revenue Collections

July through December

FY	Total Collections	Revenue Collections Through:											
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2000	10,788.5	699.1	1,435.8	2,503.0	3,210.6	3,977.8	5,080.0	6,067.5	6,704.5	7,374.1	8,411.9	9,663.1	10,788.5
2001	11,105.3	688.0	1,452.7	2,546.4	3,312.7	4,106.3	5,052.9	6,295.8	6,981.1	7,652.5	8,696.8	9,998.9	11,105.3
2002	10,679.0	705.4	1,483.7	2,485.4	3,315.4	4,136.9	5,071.2	6,184.7	6,794.7	7,459.8	8,388.0	9,414.6	10,679.0
2003	10,867.1	644.3	1,409.6	2,513.3	3,324.3	4,109.7	5,203.2	6,320.5	6,933.6	7,547.7	8,579.5	9,539.0	10,867.1
2004	11,917.9	699.3	1,553.7	2,724.3	3,618.2	4,449.1	5,570.2	6,721.0	7,377.9	8,130.2	9,393.7	10,423.6	11,917.9
2005	13,687.3	772.5	1,698.8	3,009.8	3,998.0	4,964.5	6,295.1	7,684.7	8,415.7	9,300.7	10,745.5	12,012.3	13,687.3
2006	14,834.3	840.5	1,987.8	3,445.8	4,510.5	5,537.3	7,006.6	8,542.7	9,306.7	10,273.3	11,758.2	13,253.6	14,834.3
2007	15,565.8	1,059.7	2,158.2	3,707.7	4,778.6	5,873.0	7,303.6	8,882.9	9,684.8	10,658.1	12,180.5	13,883.2	15,565.8
2008	15,767.0	1,095.6	2,231.1	3,842.1	5,023.2	6,085.2	7,540.8	9,175.5	9,916.1	10,920.8	12,664.1	14,131.9	15,767.0
2009	14,315.1	1,126.9	2,188.0	3,679.9	4,848.9	5,861.6	7,278.9	8,667.9	9,307.9	10,173.1	11,572.9	12,811.3	14,315.1
2010	14,219.5	1,036.2	2,027.7	3,407.0	4,482.0	5,465.7	6,960.9	8,258.9	8,861.4	9,752.5	11,157.9	12,394.4	14,219.5
2011	15,040.2	867.4	1,911.7	3,348.1	4,462.9	5,537.9	7,062.6	8,523.8	9,226.6	10,228.2	11,655.4	13,113.5	15,040.2
2012	15,846.7	955.4	2,080.6	3,573.2	4,722.6	5,903.2	7,356.7	8,868.2	9,692.1	10,770.1	12,347.9	13,927.3	15,846.7
2013	16,684.6	938.0	2,137.6	3,619.5	4,948.9	6,091.0	7,615.0	9,421.8	10,229.6	11,242.1	12,855.0	14,757.7	16,684.6
2014	16,411.4	1,059.9	2,201.4	3,722.3	4,980.1	6,134.4	7,670.6	9,371.5	10,151.7	11,242.9	13,017.7	14,526.7	16,411.4
2015	17,735.6	1,208.9	2,370.4	3,972.6	5,286.0	6,451.6	8,189.9	9,871.8	10,821.7	12,041.3	13,997.6	15,595.1	17,735.6
2016	18,040.1	1,088.3	2,309.0	4,066.3	5,312.6	6,538.5	8,318.1	10,111.0	11,048.9	12,360.6	14,185.1	15,883.0	18,040.1
2017	18,695.1	1,128.1	2,495.9	4,211.3	5,500.4	6,890.2	8,651.3	10,576.8	11,548.5	12,934.7	14,697.5	16,472.7	18,695.1
Average	14,566.7	923.0	1,951.9	3,354.3	4,424.2	5,450.8	6,846.0	8,308.2	9,055.7	10,003.5	11,461.4	12,877.9	14,566.7
% of Total	100.0%	6.3%	13.4%	23.0%	30.4%	37.4%	47.0%	57.0%	62.2%	68.7%	78.7%	88.4%	100.0%
2018													
HB/SB 29	19,328.2	1,188.6	2,572.0	4,382.3	5,770.2	7,227.8	9,165.2	-	-	-	-	-	-
% of Estimate		6.1%	13.3%	22.7%	29.9%	37.4%	47.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Next Steps

- January receipts will serve as the next critical data point in evaluating the outlook for the current fiscal year and serve as the basis for any recommended midsession adjustment.
 - **Withholding:** Monthly and quarterly filers are due and there is an additional deposit day.
 - **Nonwithholding:** December and January are significant months for collections in this source. Taxpayers have until January 16 to submit their fourth estimated payment for tax year 2017. A clearer assessment of growth in this source will be possible at the end of January.
 - **Sales:** January receipts are needed to more accurately assess growth in this source because a large part of holiday sales occur in December.
 - **Corporate:** The fourth estimated payment will be received from retailers and other companies with February-January taxable years.