



# Economic and Revenue Update

## *A Briefing for the Money Committees*

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# Topics for Discussion

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

# National and State Economic Indicators

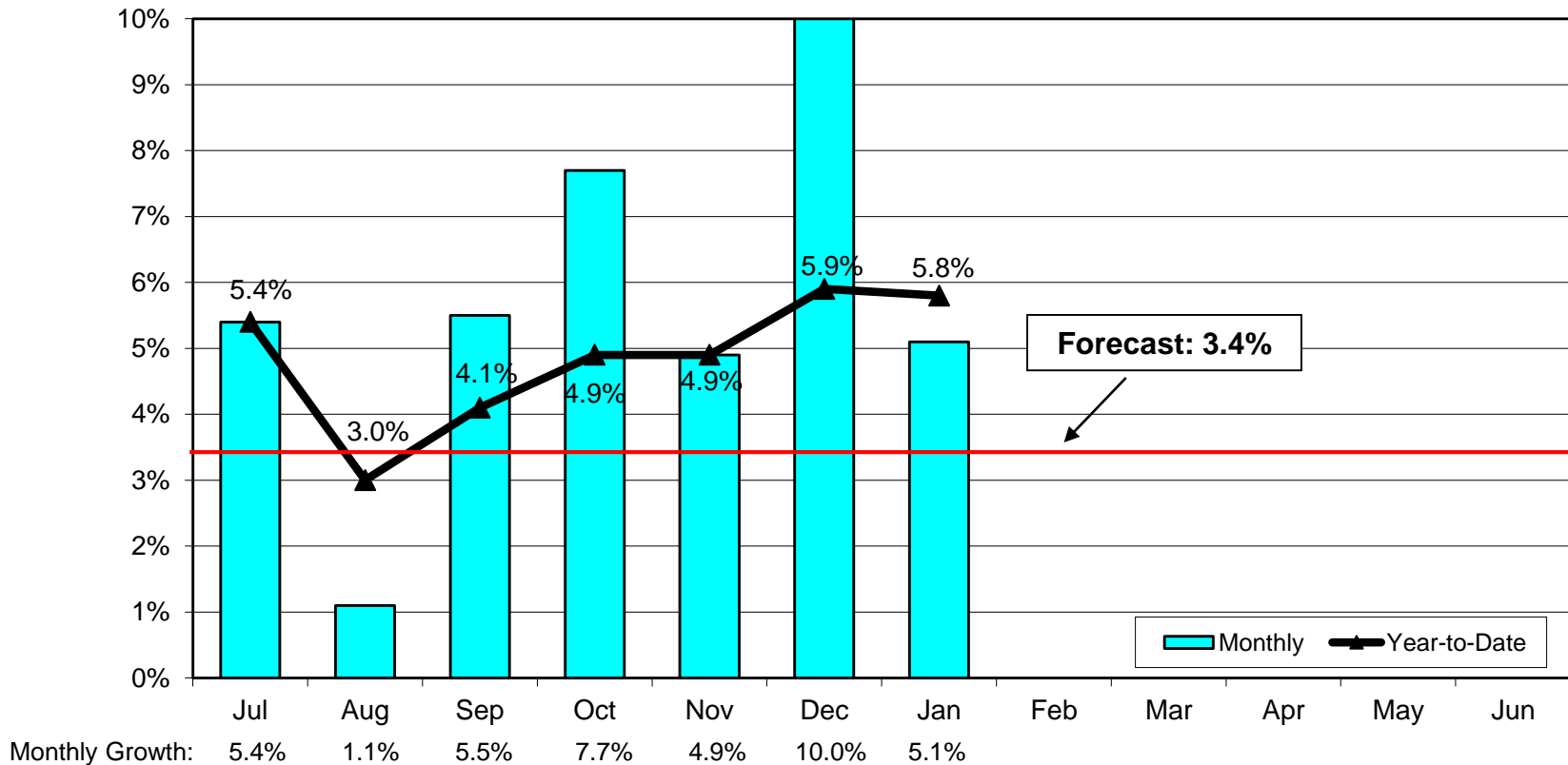
- According to the advance estimate, real GDP grew at an annualized rate of 2.6 percent in the fourth quarter of 2017, following 3.2 percent in the third quarter.
- Payroll employment rose by 200,000 jobs in January.
- The national unemployment rate was unchanged at 4.1 percent in January.
- Initial claims for unemployment fell by 9,000 to 221,000 during the week ending February 3.
  - The four-week moving average fell by 10,000 to 224,500.
- The Conference Board's index of leading indicators rose 0.6 percent in December following a 0.5 percent increase in November, suggesting the economic expansion should continue.
- The Conference Board's index of consumer confidence rose from 123.1 to 125.4 in January. The expectations component increased while the current conditions component declined for the month.
- Conditions in the manufacturing sector were better than expected in January. The Institute of Supply Management index fell from 59.3 to 59.1, but remains in expansionary territory.

# National and State Economic Indicators

- The CPI rose 0.1 percent in December after a 0.4 percent gain in November and stands 2.1 percent above December 2016.
  - Core inflation (excluding food and energy prices) rose 0.3 percent, and has increased 1.8 percent from last year.
- At its January meeting, the Federal Reserve left the federal funds target rate at 1.25 to 1.50 percent.
- In Virginia, payroll employment rose 0.9 percent in December from a year ago.
  - Northern Virginia posted growth of 1.4 percent, Hampton Roads declined 0.9 percent, and Richmond-Petersburg rose 1.7 percent.
  - The seasonally adjusted unemployment rate was unchanged at 3.7 percent and stands 0.4 percentage point below December 2016.
- The Virginia Leading Index rose 0.4 percent in December after increasing 0.3 percent in November. Initial claims, auto registrations, and the U.S. Leading Index improved in December while future employment was unchanged.
  - The Bristol index decreased in December while the Harrisonburg, Roanoke, and Blacksburg indexes were unchanged; the remaining seven regional indexes increased.

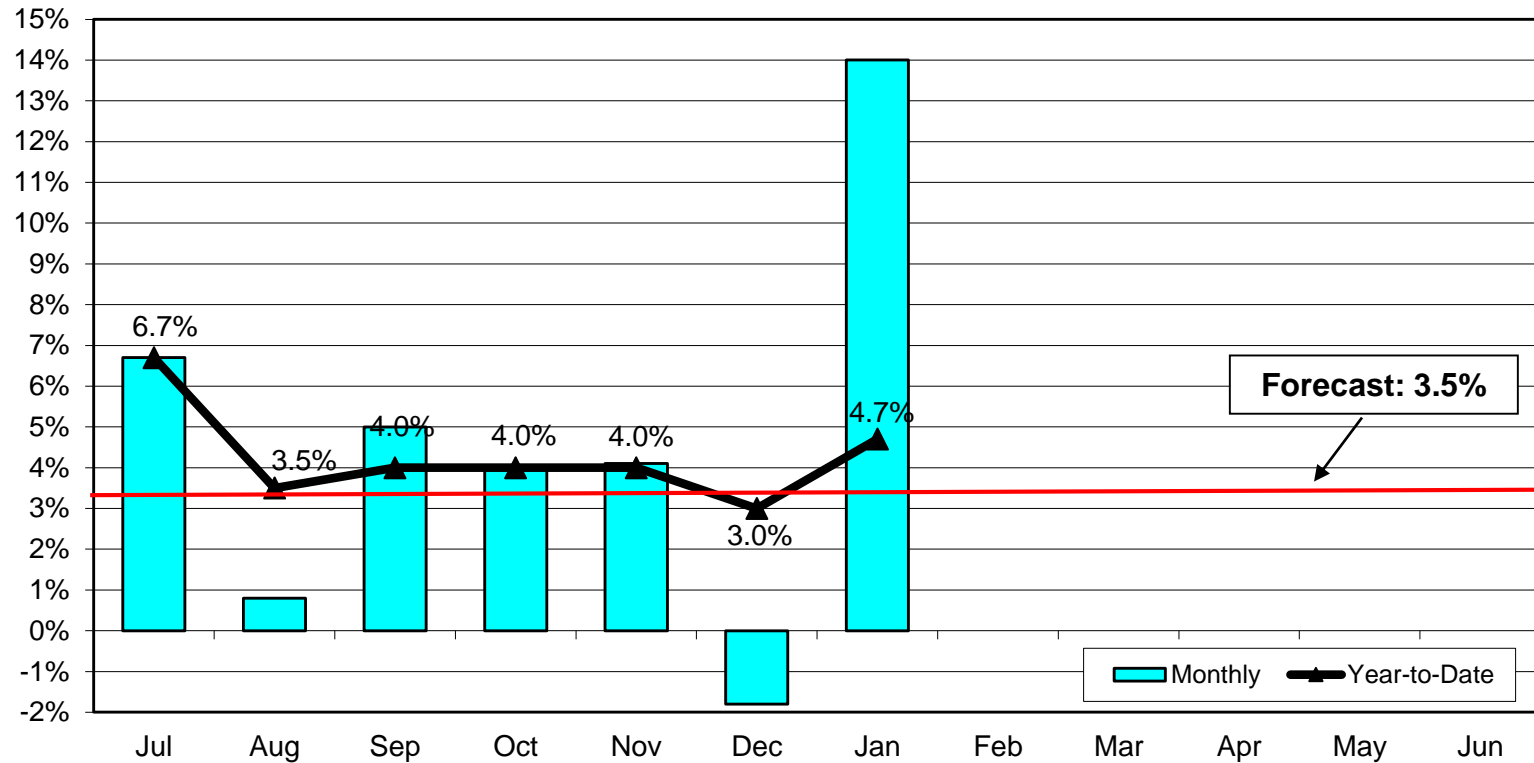
## Growth in Total General Fund Revenue Collections

### FY18 Monthly and Year-to-Date



- Total general fund revenues increased 5.1 percent in January.
  - An additional deposit day for payroll withholding drove the increase.
- On a year-to-date basis, total revenues increased 5.8 percent, ahead of the annual forecast of a 3.4 percent increase.

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

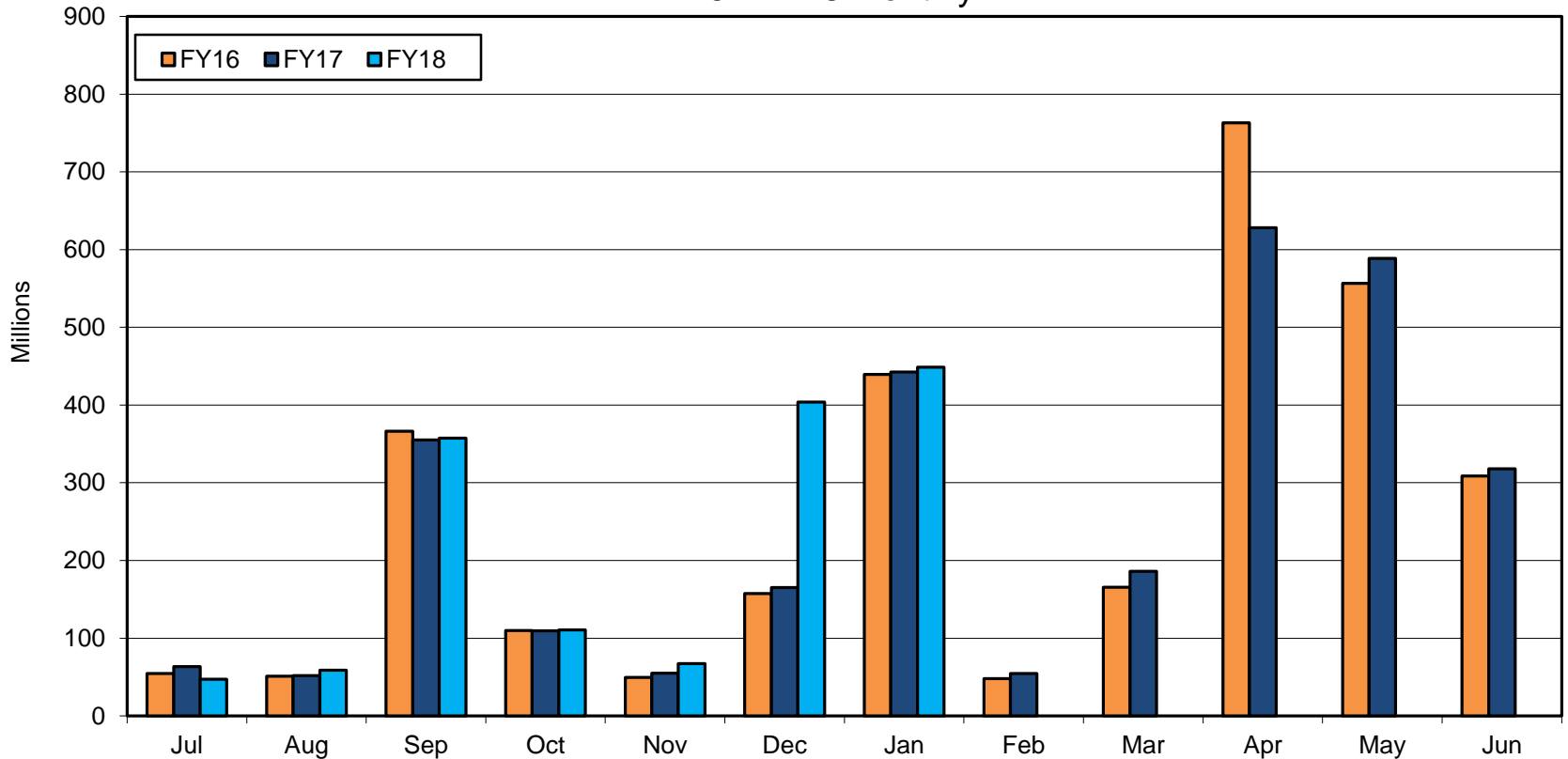


Monthly Growth:    6.7%    0.8%    5.0%    4.0%    4.1%    -1.8%    14.0%

- Collections increased 14.0 percent in January mainly due to one additional deposit day (December had one less deposit day).
- Year-to-date, withholding collections increased 4.7 percent compared with the same period last year, ahead of 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.
  - Receipts for the two month period increased 40.3 percent.
- Year-to-date, collections increased 20.2 percent, ahead of the annual estimate of 4.3 percent growth.

# Summary of Withholding and Nonwithholding

December and January  
(Millions of Dollars)

	December		January		2 Month Total	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Withholding	1,006.8	-1.8	1,230.7	14.0	2,237.6	6.3
Nonwithholding	403.8	144.7	448.7	1.4	852.5	40.3

- Withholding receipts in January were boosted by an additional deposit day lost in December.
- Nonwithholding receipts reveal a shift in payment patterns by taxpayers.
  - Strong receipts are probably a combination of higher capital gains realizations and maximizing 2017 payment of state income taxes for federal deduction purposes.



## **Individual Income Tax Refunds**

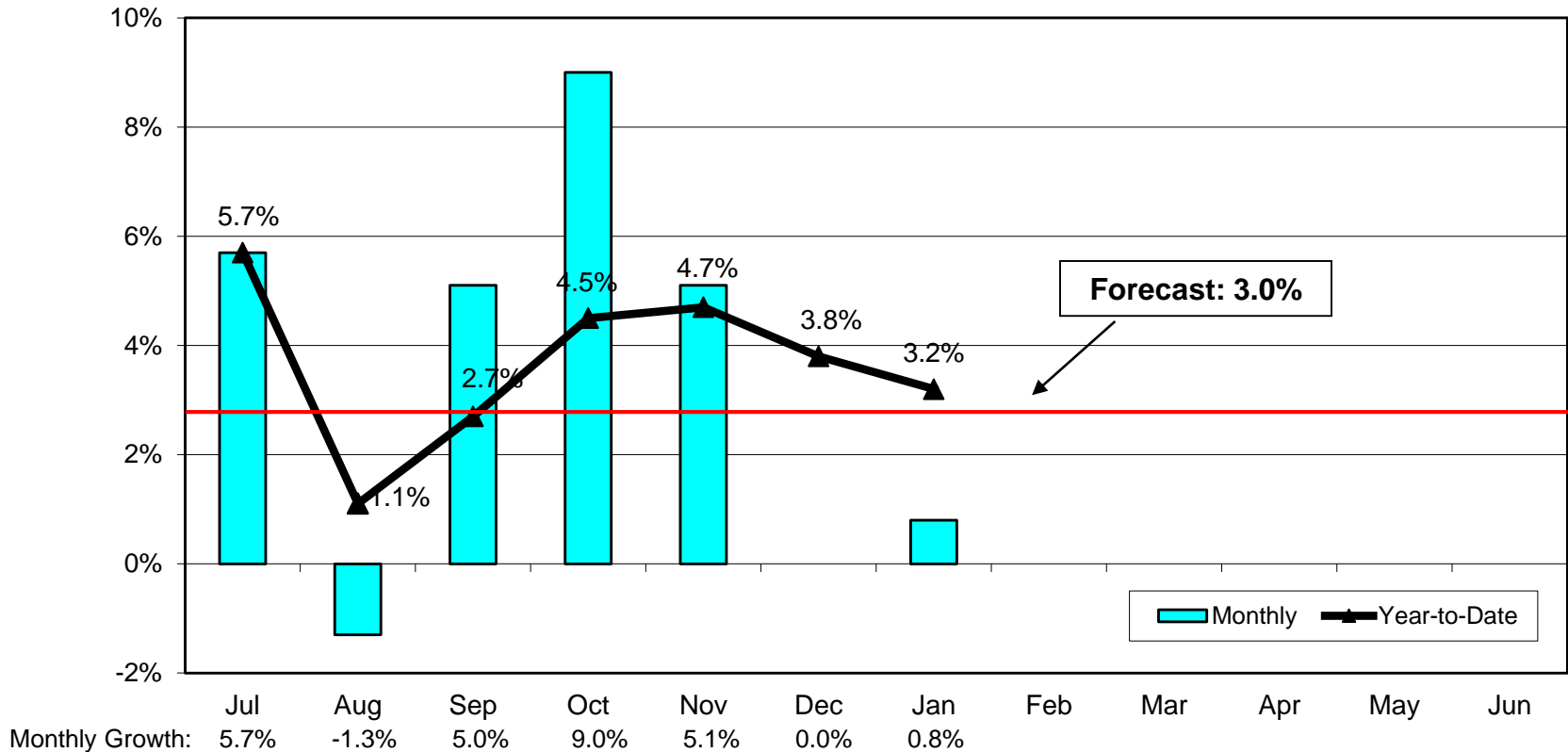
- Not a significant month.
- Through January, TAX has issued \$332.6 million in individual refunds compared with \$288.9 million in the same period last year, a 15.1 percent increase as compared to the annual estimate of 5.8 percent growth.
- The main income tax filing season begins in February.

## **Net Individual Income Tax**

- Through the first seven months of the fiscal year, collections of net individual income tax increased 6.8 percent from the same period last year, ahead of the annual estimate of 3.4 percent growth.

## Growth in Sales Tax Collections

### FY18 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting mainly December sales, had 0.8 percent growth in January.
  - The main holiday shopping season had a 0.4 percent increase, well behind the national increase of 4.9 percent.
- On a year-to-date basis, collections increased 3.2 percent, ahead of the annual estimate of 3.0 percent growth.

## Net Corporate Income Tax Collections

- Collections were \$35.4 million in January as compared to \$49.0 last January.
- Refunds accounted for most of the decline as they were \$12.3 million this January as compared to \$4.5 million last January.
- On a year-to-date basis, collections in this source have increased 15.5 percent, ahead of the annual estimate of 5.7 percent growth.

# Recordation and Insurance Premiums Tax

## Recordation

- In January, collections increased 8.9 percent compared to last year. Year-to-date collections have decreased 1.9 percent compared to last year, behind the December forecast of a 3.3 percent increase.

## Insurance

- This is not a significant month for collections, however \$52.7 million in refunds were issued in January as compared to \$22.0 million last January as a few large prior year refunds related to the Historic Rehabilitation Tax Credit were issued.
  - Final payments are due March 1, and estimated payments are due in April and June.

# Summary of Fiscal Year 2018 Revenue Collections

July through January

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>Feb-Jun Req'd to Meet Est.</u>	<u>Prior Year Feb-Jun</u>
Withholding	63.7 %	4.7 %	3.5 %	1.2 %	1.9 %	5.4 %
Nonwithholding	16.3	20.2	4.3	15.9	(6.9)	(3.6)
Refunds	(10.2)	15.1	5.8	9.3	4.1	5.5
Net Individual	69.8	6.8	3.4	3.4	(1.7)	2.2
Sales	17.9	3.2	3.0	0.2	2.8	3.0
Corporate	4.5	15.5	5.7	9.8	(2.1)	6.0
Wills (Recordation)	2.1	(1.9)	3.3	(5.2)	10.8	0.1
Insurance	1.9	(38.4)	6.2	(44.6)	17.4	(1.0)
All Other Revenue	3.8	(0.6)	1.6	(2.2)	3.4	2.1
<b>Total</b>	<b>100.0 %</b>	<b>5.8 %</b>	<b>3.4 %</b>	<b>2.4 %</b>	<b>0.3 %</b>	<b>2.4 %</b>

# Summary of Fiscal Year 2018 Revenue Collections

## July through January

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	11,189.5	-	-	-	-	-
% of Estimate		6.1%	13.3%	22.7%	29.9%	37.4%	47.4%	57.9%	0.0%	0.0%	0.0%	0.0%	0.0%

## Next Steps

- Further analysis of year-to-date collections data and recent economic developments will form the basis of any recommended final mid-session forecast adjustments.