



Economic and Revenue Update

A Briefing for the House Appropriations Committee

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Topics for Discussion

- National and State Economic Indicators
- December Year-to-Date Revenue Collections, Fiscal Year 2015
- Next Steps

National and State Economic Indicators

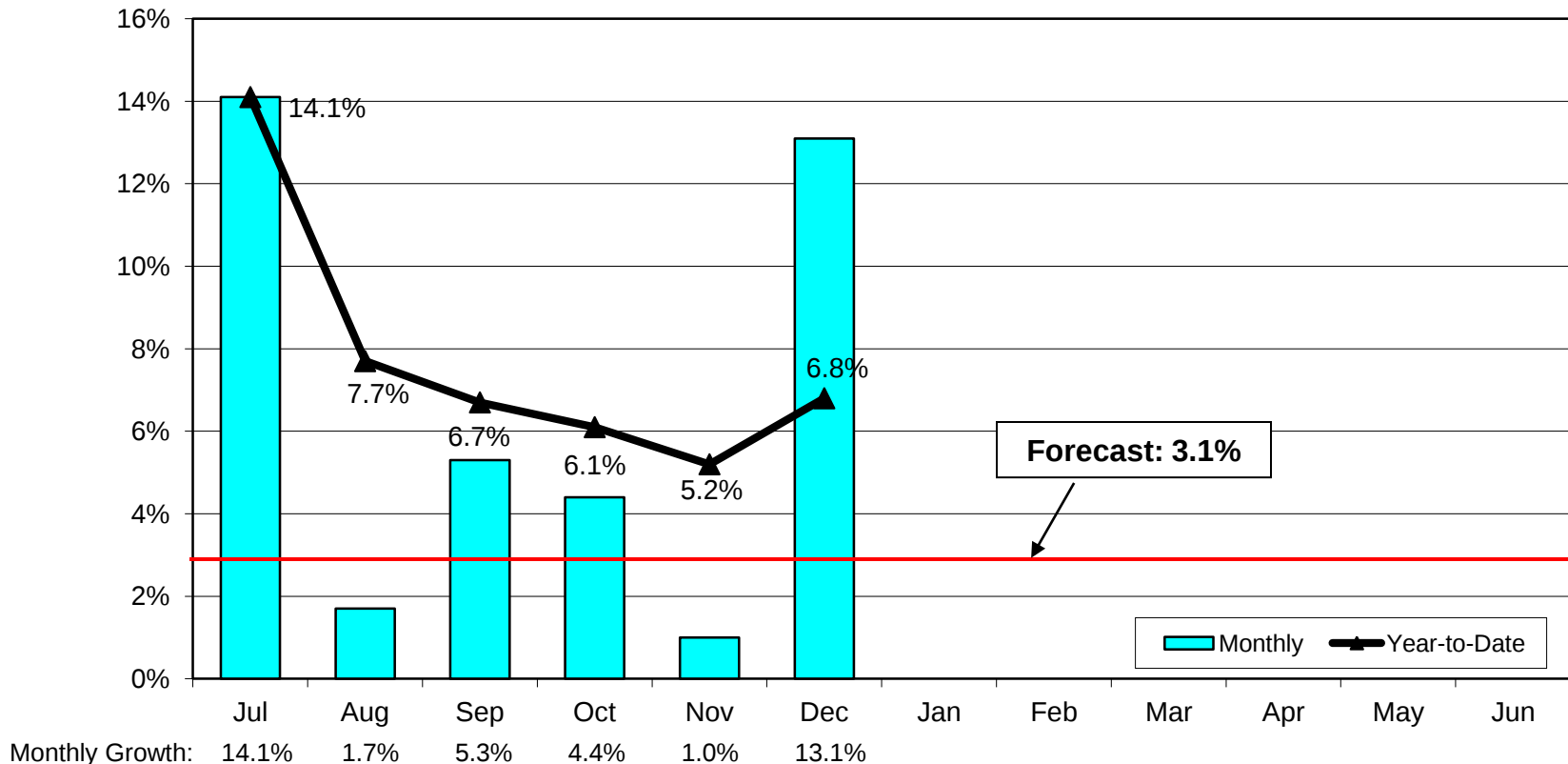
- Real GDP grew 5.0 percent in the third quarter of 2014, after growing 4.6 percent in the second quarter. This was the first time growth has exceeded 4.0 percent in two consecutive quarters since 2003.
- Payroll employment grew by 252,000 jobs in December. Monthly gains have averaged 289,000 during the fourth quarter.
 - In 2014, job growth averaged 246,000 per month compared with 194,000 in 2013.
- The unemployment rate fell from 5.8% to 5.6% in December.
- In Virginia payroll employment grew 0.4 percent in November.
 - Employment increased 0.5 percent in Northern Virginia, 1.0 percent in Hampton Roads and 1.9 percent in Richmond-Petersburg.
- The seasonally adjusted unemployment rate in Virginia fell from 5.3 percent to 5.0 percent in November. The rate is 0.3 percent below November of last year.
 - This was the second consecutive monthly decline, and the lowest rate since April 2014.
- During the week ending January 3, initial claims for unemployment fell from 298,000 to 294,000. The four-week moving average was unchanged at 291,000.
- The Conference Board's index of leading indicators rose 0.6 percent in November, its 14th increase in 16 months. The behavior of the index is consistent with accelerating growth.

National and State Economic Indicators

- The Conference Board's index of consumer confidence rose 1.6 points to 92.6 in December.
 - The present situation component drove the increase and posted its strongest growth since early 2008.
- Conditions in the manufacturing sector weakened modestly in December as the Institute of Supply Management index fell from 58.7 to 55.5, its 3rd decline in the past 4 months.
 - The index remains in expansionary territory.
- Amid falling energy prices, the CPI fell 0.3 percent in November from the previous month and stands 1.3 percent above November of last year.
 - Core inflation (excluding food and energy prices) rose 0.1 percent and has increased 1.7 percent from November 2013.
- According to RealtyTrac, U.S. foreclosure activity for November declined 1.0 percent from November 2013.
 - One in every 1,170 U.S. housing units received a foreclosure notice in November.
 - In Virginia, one in every 2,432 households received a foreclosure notice.
- The U.S. personal savings rate fell from 4.6 percent to 4.4 percent in November.
- The Federal Reserve announced at its December meeting that it will keep the federal funds rate target at 0.0 to 0.25 percent and will likely maintain this target for a “considerable time.”

Growth in Total General Fund Revenue Collections

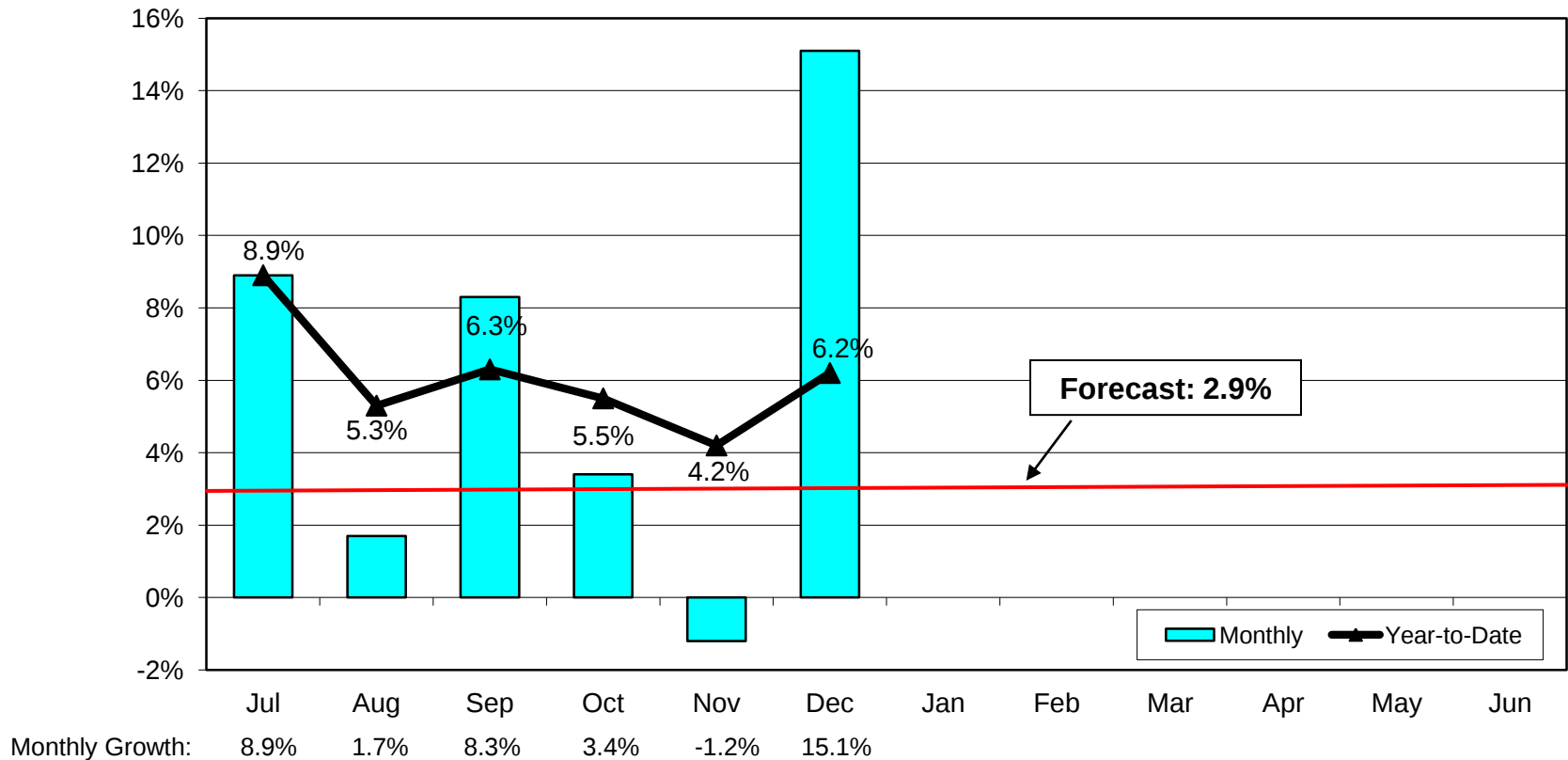
FY15 Monthly and Year-to-Date



- Total general fund revenues increased 13.1 percent in December, driven by growth in payroll withholding taxes (extra deposit day), individual nonwithholding payments made ahead of the January 15th due date and fewer corporate refunds.
- On a year-to-date basis, total revenues increased 6.8 percent, ahead of the annual forecast of 3.1 percent growth.
 - Adjusting for HB2313 and the AST program, total revenues grew 6.8 percent compared to the estimate of 3.0 percent growth.

Growth in Withholding Tax Collections

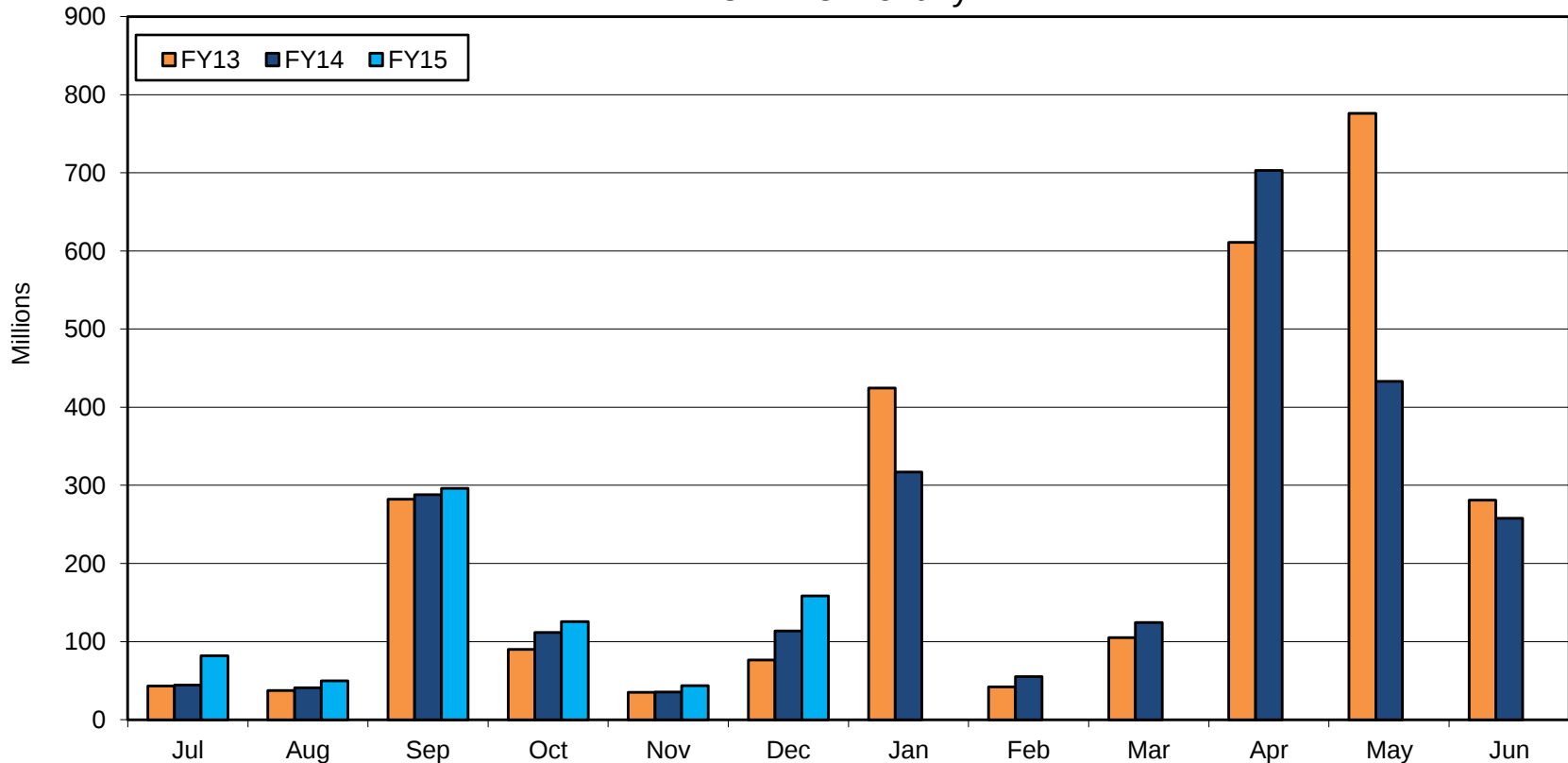
FY15 Monthly and Year-to-Date



- Collections of payroll withholding taxes increased 15.1 percent in December as there was one additional deposit day than December of 2013.
- Year-to-date, withholding collections increased 6.2 percent compared with the same period last year, ahead of the projected annual growth rate of 2.9 percent.

Nonwithholding Tax Collections

FY13-FY15 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.
 - January 15th is the due date for the fourth estimated payment for tax year 2014.
 - A complete assessment of growth in this source will be available at the end of January, when all 2014 quarterly payments have been received.
- Year-to-date, collections were \$755.3 million compared with \$633.4 million in the same period last year, an increase of 19.3 percent and ahead of the annual estimate of a 6.3 percent increase.

Individual Income Tax Refunds

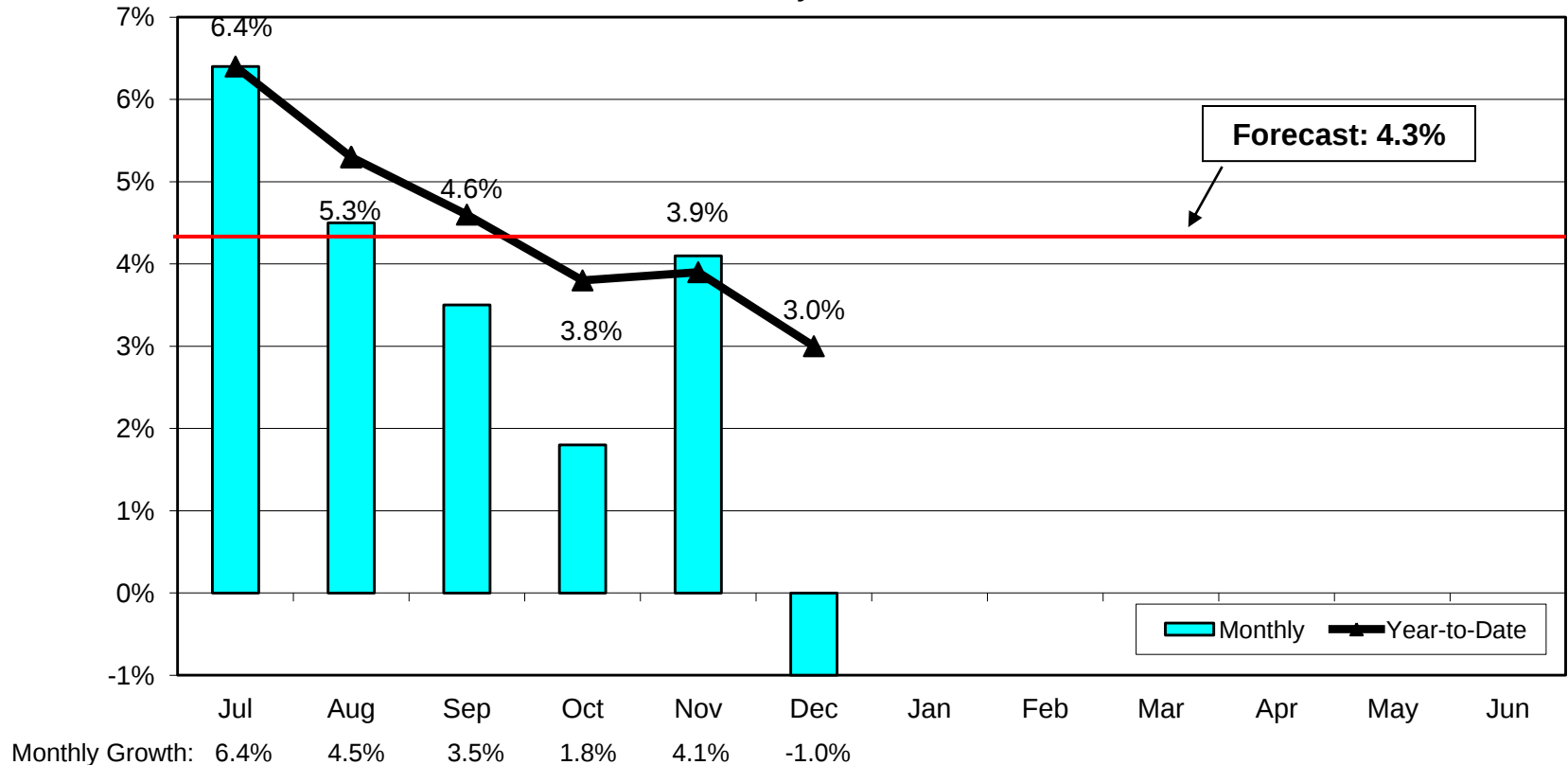
- Not a significant month.
- Through December, TAX has issued \$280.3 million in individual refunds compared with the first half estimate of \$285.3 million.
 - This concludes Tax Year 2013 refund processing

Net Individual Income Tax

- Through the first half of the fiscal year, collections of net individual income tax increased 7.9 percent from the same period last year, ahead of the annual estimate of 3.5 percent growth.

Growth in Sales Tax Collections

FY15 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting November sales, declined 1.0 percent.
- On a year-to-date basis, collections increased 3.0 percent, behind the annual estimate of 4.3 percent growth.
 - Adjusting for AST and HB2313, sales tax collections increased 3.7 percent through December, ahead of the economic-base forecast of a 3.4 percent increase.

Net Corporate Income Tax Collections

- December is a significant month since quarterly estimated payments are due from most corporations.
- Collections were \$166.4 million in December, compared with \$135.4 million last year, a 22.9 percent increase.
- On a year-to-date basis, collections in this source has increased 20.8 percent, ahead of the annual estimate of a 0.1 percent increase.
 - Gross payments have increased 6.6 percent.
 - Refunds have declined 19.6 percent mainly due to fewer extension returns and carry back loss provisions.
- Fiscal-year-to-date, 48 percent of the projected fiscal year's net corporate payments have been received.
 - This is ahead of the historical average of 41 percent.

Recordation Tax Collections

- Collections of wills, suits, deeds, and contracts – mainly recordation tax collections – increased 12.1 percent in December, and are down 0.6 percent on a year-to-date basis, behind the forecast of 2.4 percent growth.

Insurance Premiums Tax

- The transfer of insurance premiums to the Transportation Trust Fund per Chapter 896, 2007 Acts of the Assembly, in the amount of \$150.4 million was completed in December.
 - December collections were \$75.5 million compared with \$90.3 million last year.

Summary of Fiscal Year 2015 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 %	6.2 %	2.9 %	3.3 %	(0.1) %	1.3 %
Nonwithholding	15.9	19.3	6.3	13.0	2.0	(15.7)
Refunds	(10.8)	1.7	4.1	(2.4)	4.5	(2.1)
Net Individual	68.8	7.9	3.5	4.4	(0.6)	(4.1)
Sales	18.9	3.0	4.3	(1.3)	5.4	(6.3)
Corporate	4.5	20.8	0.1	20.7	(13.8)	5.5
Wills (Recordation)	1.9	(0.6)	2.4	(3.0)	6.1	(27.4)
Insurance	2.0	(16.4)	4.4	(20.8)	12.5	26.2
All Other Revenue	4.0	0.4	(4.2)	4.6	(7.0)	4.0
Total	100.0 %	6.8 %	3.1 %	3.7 %	0.0 %	(3.6) %

Sales (x HB2313 & AST)	3.7 %	3.4 %	0.3 %	3.1 %	1.7 %
Total (x HB2313 & AST)	6.8 %	3.0 %	3.8 %	(0.5) %	(2.1) %

Summary of Fiscal Year 2015 Revenue Collections

July through December, Fiscal-Year-to-Date

FY	Collections	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
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
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
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
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
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
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
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
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
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
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
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
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
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
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
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
Average	13,848.6	879.2	1,863.9	3,208.5	4,235.8	5,215.6	6,537.9	7,932.5	8,639.0	9,515.1	10,895.0
% of Total	100.0%	6.3%	13.5%	23.2%	30.6%	37.7%	47.2%	57.3%	62.4%	68.7%	78.7%
2015											
HB1400	16,927.4	1,208.9	2,370.4	3,972.6	5,286.0	6,451.6	8,189.9	-	-	-	-
% of Estimate		7.1%	14.0%	23.5%	31.2%	38.1%	48.4%				
Chapter 2	17,721.9	1,208.9	2,370.4	3,972.6	5,286.0	6,451.6	8,189.9	-	-	-	-
% of Estimate		6.8%	13.4%	22.4%	29.8%	36.4%	46.2%				

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.
 - Nonwithholding: December and January are significant months for collections in this source. Taxpayers have until January 15 to submit their fourth estimated payment for tax year 2014. 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.