



Economic and Revenue Update

A Briefing on the December Revenue Report

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January 2016

Topics for Discussion

- National and State Economic Indicators
- December Year-to-Date Revenue Collections, Fiscal Year 2016
- Next Steps

National and State Economic Indicators

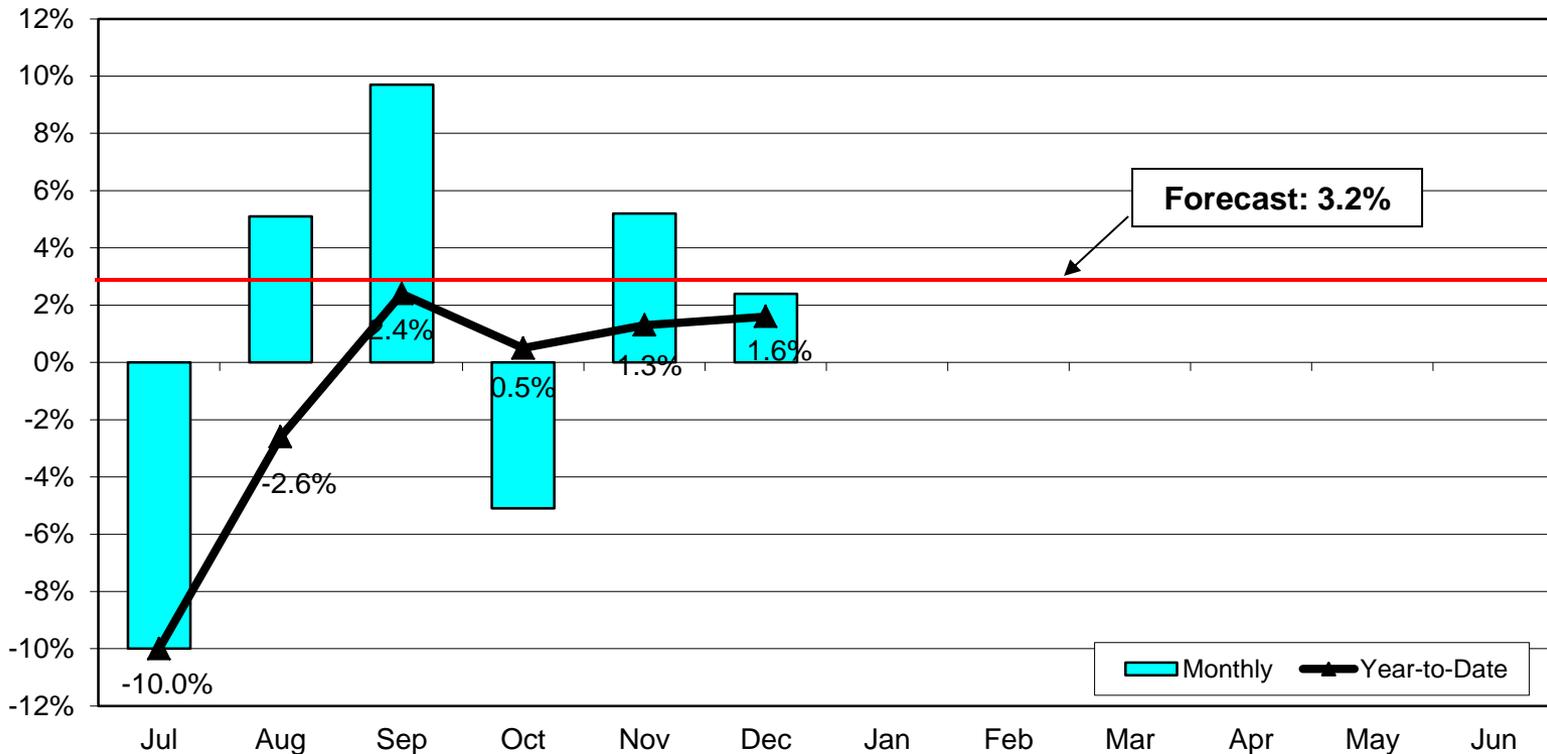
- According to the third estimate, real GDP grew at an annualized rate of 2.0 percent in the third quarter of 2015, following 3.9 percent in the second quarter.
- Payroll employment rose by 292,000 jobs in December, exceeding expectations.
- The national unemployment rate was unchanged at 5.0 percent in December, even as the labor force increased.
- Initial claims for unemployment fell by 10,000 to 277,000 during the week ending January 2.
 - The four-week moving average fell by 1,250 to 275,750, consistent with a healthy labor market.
- The Conference Board's index of leading indicators rose 0.4 percent in November, above expectations. Five of the ten components increased.
- The Conference Board's index of consumer confidence rose from 92.6 to 96.5 in December. Both the present conditions and expectations components increased.
- Activity in the manufacturing sector slipped in December, with the Institute of Supply Management index falling from 48.6 to 48.2.

National and State Economic Indicators

- The CPI was unchanged in November after rising 0.2 percent in October and stands 0.4 percent above November 2014.
 - Core inflation (excluding food and energy prices) rose 0.2 percent in November, and has increased 2.0 percent from last year.
- At its December meeting, the Federal Reserve increased the federal funds target rate by 25 basis points to the range of 0.25 to 0.5 percent.
 - This was the first rate hike in nine years.
- In Virginia, payroll employment rose 1.3 percent in November from November of last year.
 - Northern Virginia posted growth of 1.7 percent, Hampton Roads grew 0.7 percent, and Richmond-Petersburg was unchanged from last year.
 - The seasonally adjusted unemployment rate was unchanged at 4.2 percent in November and stands 0.6 percent below November 2014.
- The Virginia Leading Index rose 0.4 percent in November after rising 0.2 percent in October. Auto registrations and the U.S. leading index improved while initial claims increased. Future employment was little changed.
 - The indexes increased in all eleven metropolitan regions in November.

Growth in Total General Fund Revenue Collections

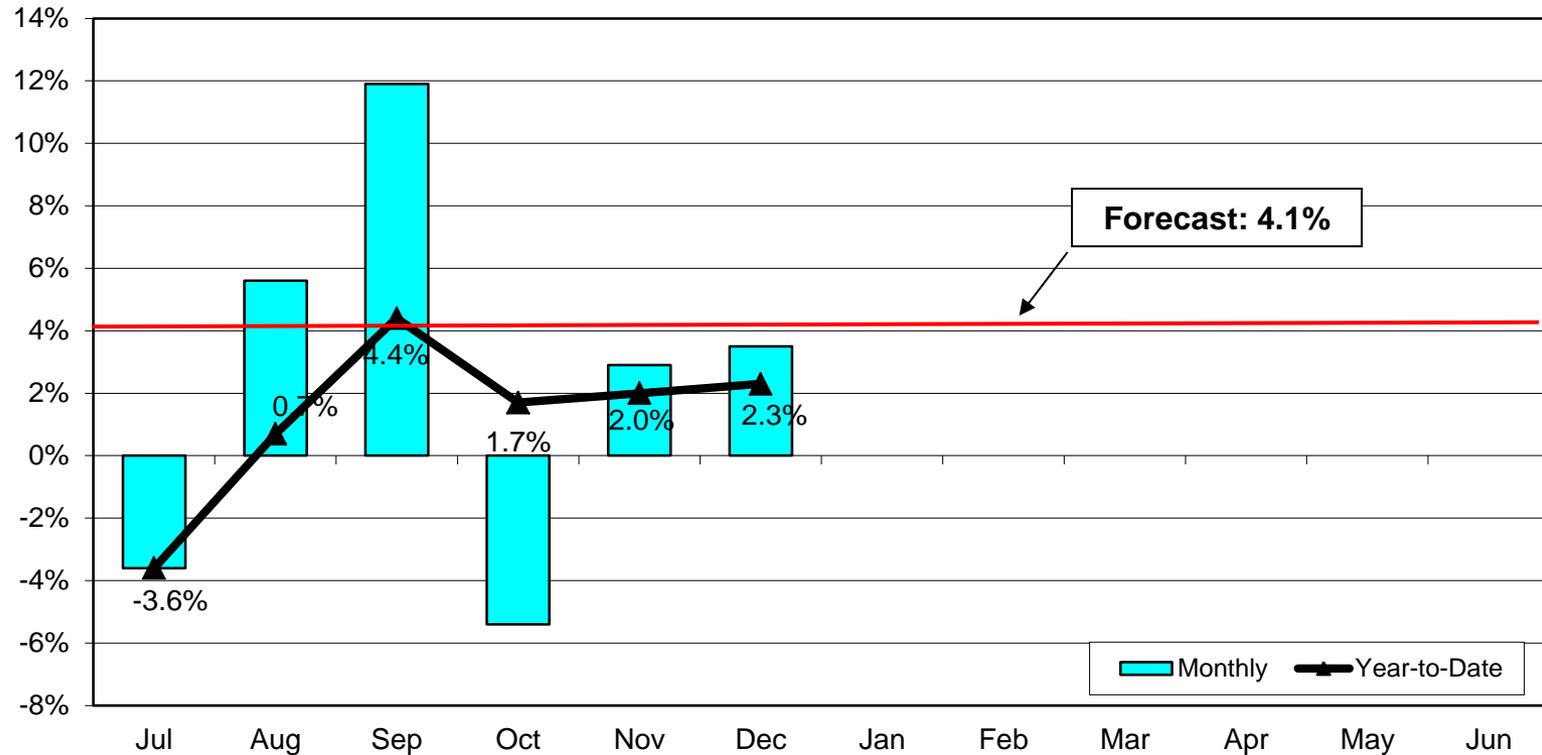
FY16 Monthly and Year-to-Date



Monthly Growth: -10.0% 5.1% 9.7% -5.1% 5.2% 2.4%

- Total general fund revenues increased 2.4 percent in December, mainly due to individual withholding and strong sales tax collections.
- On a year-to-date basis, total revenues increased 1.6 percent, behind the December annual forecast of 3.2 percent growth.
 - Adjusting for Accelerated Sales Tax (AST) program, total revenues grew 2.2 percent through December, behind the December economic-base forecast of 3.2 percent growth.

Growth in Withholding Tax Collections FY16 Monthly and Year-to-Date

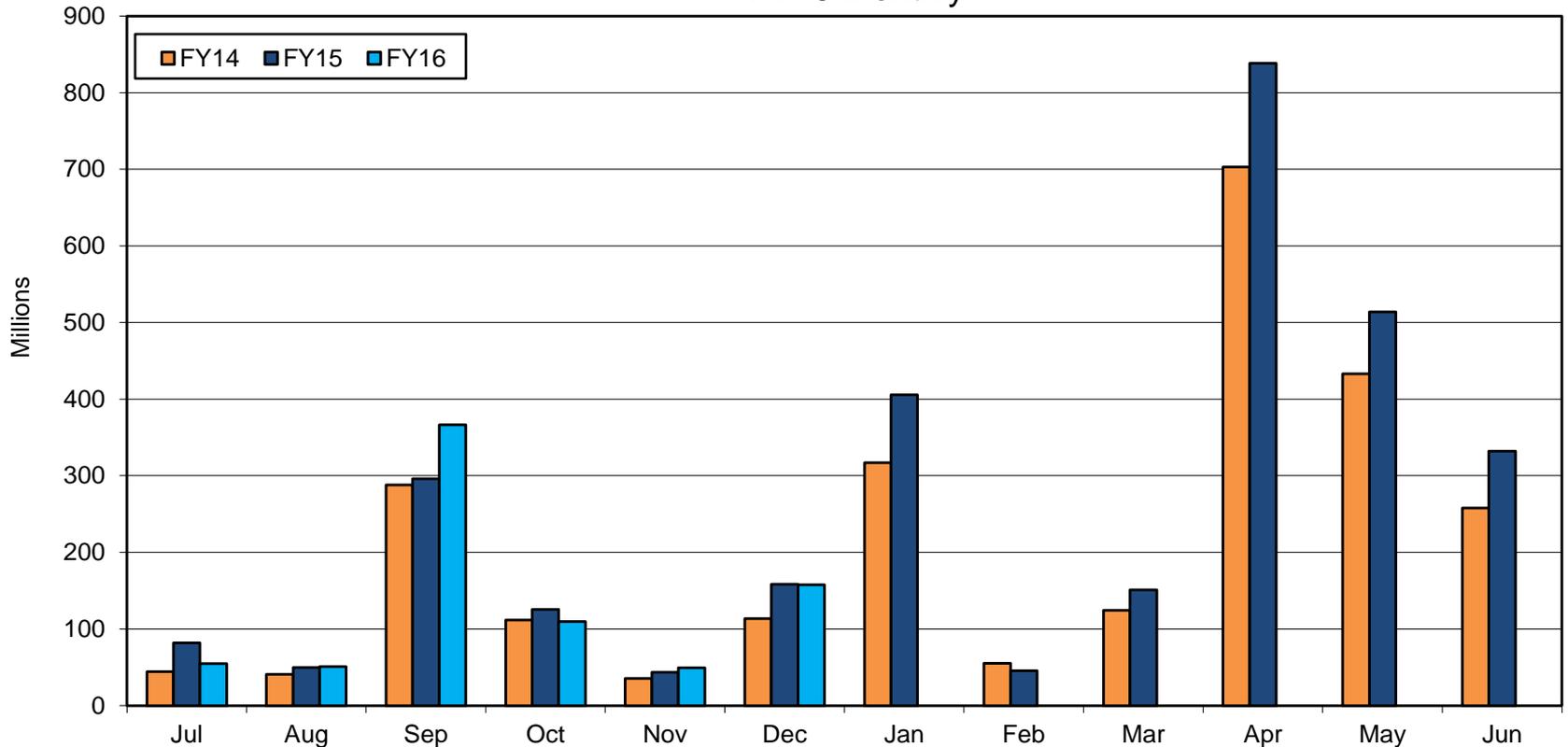


Monthly Growth: -3.6% 5.6% 11.9% -5.4% 2.9% 3.5%

- Collections of payroll withholding taxes increased 3.5 percent in December.
- Year-to-date, withholding collections increased 2.3 percent compared with the same period last year, behind the projected December annual growth rate of 4.1 percent.

Nonwithholding Tax Collections

FY14-FY16 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 19th is the due date for the fourth estimated payment for tax year 2015.
 - A complete assessment of growth in this source will be available at the end of January, when all 2015 quarterly payments have been received.
- Year-to-date, collections were \$788.8 million compared with \$755.3 million in the same period last year, an increase of 4.4 percent and ahead of the annual estimate of a 1.9 percent increase.

Individual Income Tax Refunds

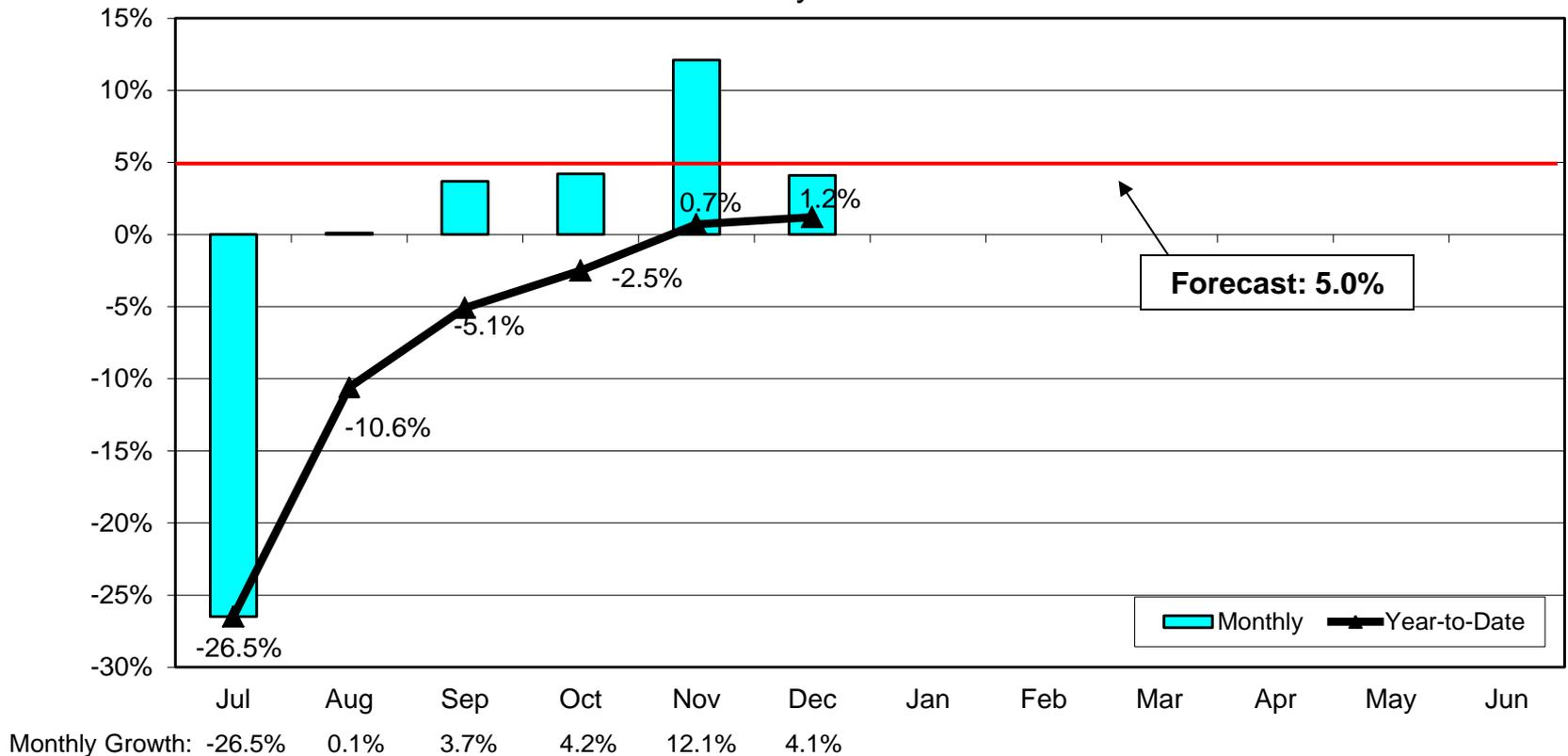
- Not a significant month.
- Through December, TAX has issued \$288.7 million in individual refunds compared with \$280.3 million in the same period last year, a 3.0 percent increase and behind the December annual estimate of 3.7 percent growth.

Net Individual Income Tax

- Through the first six months of the fiscal year, collections of net individual income tax increased 2.5 percent from the same period last year, behind the annual estimate of a 3.6 percent increase.

Growth in Sales Tax Collections

FY16 Monthly and Year-to-Date



- Collections of sales and use taxes, reflecting mainly November sales, increased 4.1 percent in December.
- On a year-to-date basis, collections increased 1.2 percent, behind the December annual estimate of 5.0 percent growth.
 - Adjusting for AST program, sales tax collections increased 4.5 percent through December, behind the December economic-base forecast of a 5.0 percent increase.

Net Corporate Income Tax Collections

- December is a significant month since quarterly estimated payments are due from most corporations.
- Collections were \$149.4 million in December, compared with \$166.4 million last year, a 10.2 percent decline.
- On a year-to-date basis, collections in this source have decreased 21.0 percent, behind the annual estimate of a 9.5 percent decline.
 - Gross payments have declined 9.1 percent.
 - Refunds have increased 23.9 percent mainly due to an increase in extension returns claiming refunds.
- Fiscal-year-to-date, 38.5 percent of the projected fiscal year's net corporate payments have been received.
 - This is behind the historical average of 41 percent.

Recordation and Insurance Premiums Tax

Recordation

- In December, collections increased 15.6 percent compared to last year. Year-to-date collections have increased 10.7 percent compared to last year, ahead of the December forecast of a 7.7 percent increase.
 - Collections have increased by double-digit amounts in 11 of the last 13 months.

Insurance

- The transfer of insurance premiums to the Transportation Trust Fund per Chapter 896, 2007 Acts of the Assembly, in the amount of \$150.3 million was completed in December.
 - December collections to the General Fund were \$87.4 million as compared to last December's \$75.5 million.

Summary of Fiscal Year 2016 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	62.8 %	2.3 %	4.1 %	(1.8) %	5.9 %	4.6 %
Nonwithholding	16.9	4.4	1.9	2.5	1.0	20.9
Refunds	(10.0)	3.0	3.7	(0.7)	3.8	(0.2)
Net Individual	69.8	2.5	3.6	(1.1)	4.7	11.1
Sales	18.6	1.2	5.0	(3.8)	8.1	7.7
Corporate	4.1	(21.0)	(9.5)	(11.5)	(0.4)	2.5
Wills (Recordation)	2.0	10.7	7.7	3.0	4.8	25.9
Insurance	1.7	15.8	5.7	10.1	2.3	(2.2)
All Other Revenue	3.8	4.1	(0.4)	4.5	(3.2)	(2.6)
Total	100.0 %	1.6 %	3.2 %	(1.6) %	4.7 %	9.2 %

Sales (x AST)	4.5 %	5.0 %	(0.5) %	5.5 %	7.1 %
Total (x AST)	2.2 %	3.2 %	(1.0) %	4.2 %	9.1 %

Summary of Fiscal Year 2016 Revenue Collections

July through December

General Fund Revenue Collection Trends

(thousands of dollars)

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
Average	14,091.6	899.8	1,895.5	3,256.3	4,301.4	5,292.8	6,641.1	8,053.7	8,775.4	9,673.0	11,088.9	12,465.4	14,091.6
% of Total	100.0%	6.4%	13.5%	23.1%	30.5%	37.6%	47.1%	57.2%	62.3%	68.6%	78.7%	88.5%	100.0%
2016													
Chapter 665	17,720.7	1,088.3	2,309.0	4,066.3	5,312.6	6,538.5	8,318.1	-	-	-	-	-	-
% of Estimate		6.1%	13.0%	22.9%	30.0%	36.9%	46.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
HB/SB 29	18,308.9	1,088.3	2,309.0	4,066.3	5,312.6	6,538.5	8,318.1	-	-	-	-	-	-
% of Estimate		5.9%	12.6%	22.2%	29.0%	35.7%	45.4%	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.
 - Nonwithholding: December and January are significant months for collections in this source. Taxpayers have until January 19 to submit their fourth estimated payment for tax year 2015. 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.