



# Economic and Revenue Update

## *A Briefing for the House Appropriations Committee*

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# Topics for Discussion

- National and State Economic Indicators
- Revenue Collections Through January, Fiscal Year 2013
- Next Steps

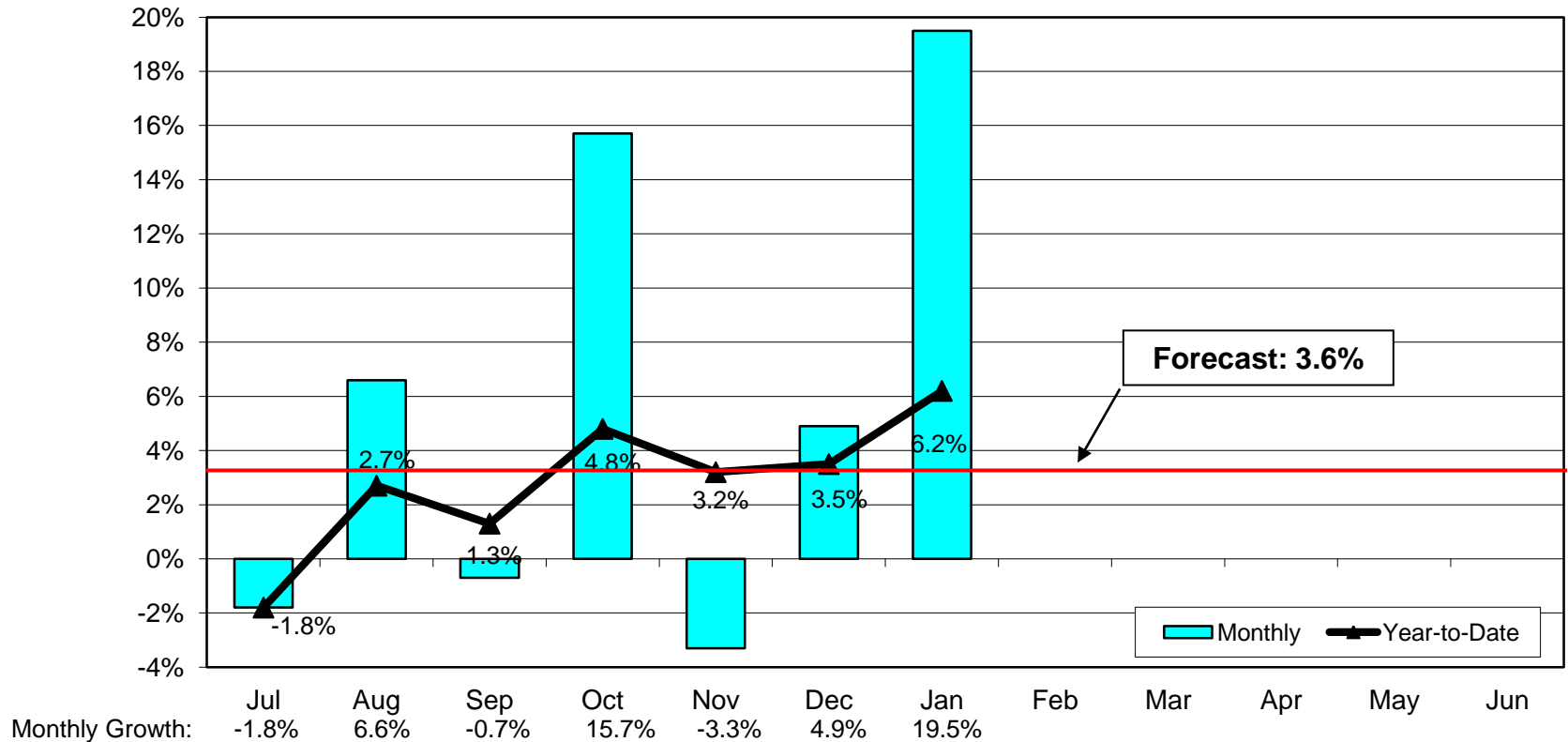
# National and State Economic Indicators

- National indicators suggest slow, uneven growth will continue.
- Real GDP fell 0.1 percent in the fourth quarter of 2012, down from 3.1 percent growth in the third quarter.
- Payroll employment grew by 157,000 jobs in January, and November and December gains were revised up by 127,000 jobs.
  - Annual benchmark revisions show job growth was better than previously reported. The economy averaged 181,000 jobs a month over 2012, compared with 150,000 a month before the revisions.
- The unemployment rate ticked up from 7.8 to 7.9 percent.
- During the week ending February 2, initial claims for unemployment fell by 5,000 to 366,000. The four-week moving average fell by 2,250 to 350,500.
- Payroll employment in Virginia grew 0.8 percent in December.
  - Employment increased 1.5 percent in Northern Virginia and 1.5 percent in Hampton Roads, while employment fell by 0.8 percent in Richmond-Petersburg.
- The unemployment rate in Virginia rose slightly in December from 5.3 percent to 5.4 percent, 0.5 percentage point below the December 2011 rate.

# National and State Economic Indicators

- The manufacturing sector continued to expand, as the Institute of Supply Management index rose from 50.2 to 53.1.
- The Conference Board's index of leading indicators rose 0.5 percent in December. The index has risen in three of the previous four months.
- The Conference Board's index of consumer confidence dropped from 66.7 to 58.6 in January, with both the current conditions and expectations components declining.
- The CPI was unchanged in December from the previous month and stands 1.7 percent above December of last year.
  - Core inflation (excluding food and energy prices) rose 0.1 percent, and has increased 1.9 percent from December 2011.
- According to RealtyTrac, U.S. foreclosure activity for December declined 21 percent from December 2011, a 68-month low.
  - One in every 810 U.S. housing units received a foreclosure notice in December.
  - In Virginia, one in every 1,387 households received a foreclosure notice.
- The savings rate increased from 4.1 percent in November to 6.5 percent in December.
- The Federal Reserve announced at its January meeting that it will keep the federal funds rate target unchanged at 0.0 to 0.25 percent, and continued its quantitative easing program.

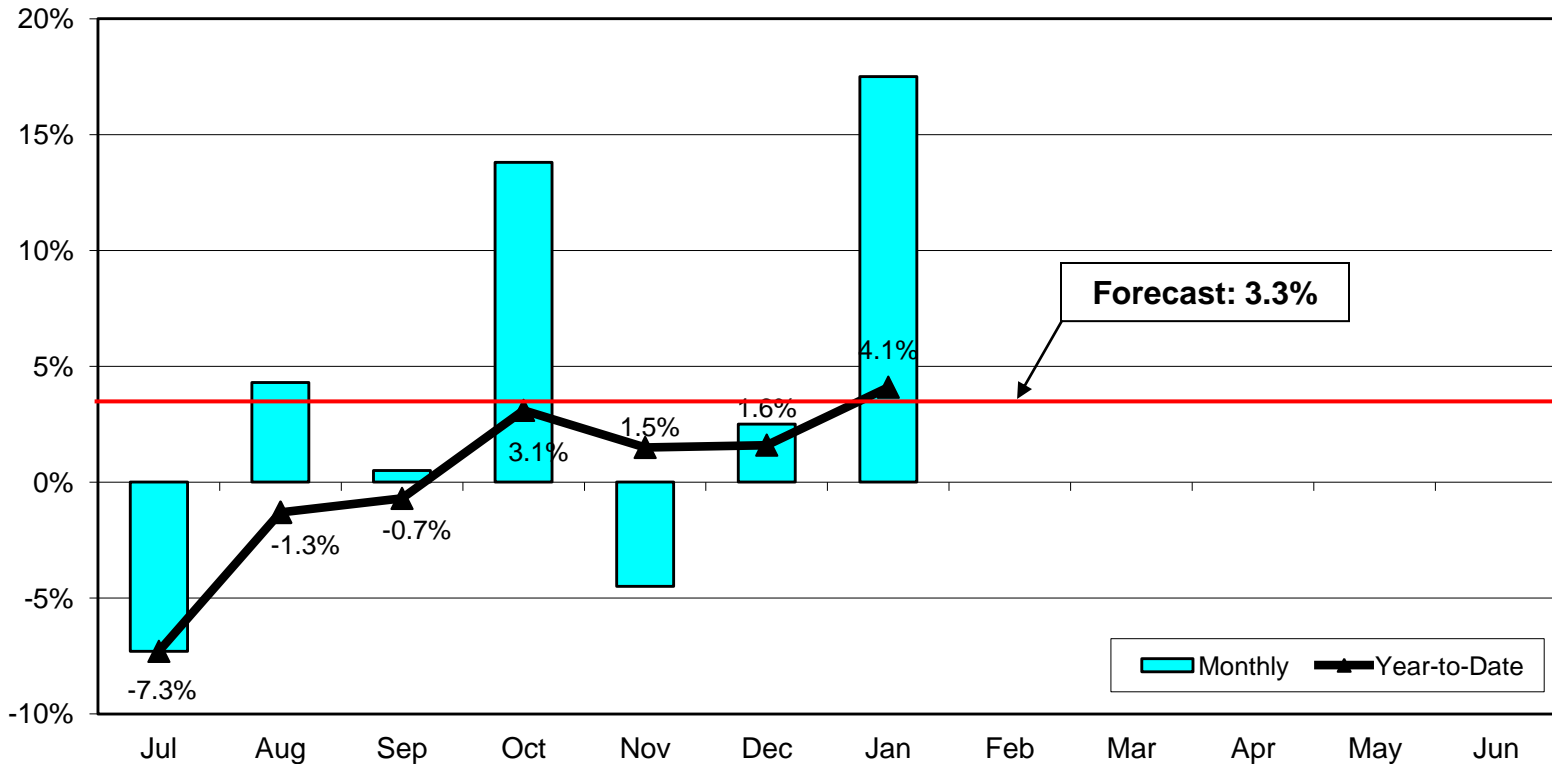
## Growth in Total General Fund Revenue Collections FY13 Monthly and Year-to-Date



- On a year-to-date basis, total revenues increased 6.2 percent through January, ahead of the annual forecast of 3.6 percent growth.
  - Adjusting for the accelerated sales tax (AST) program, total revenues grew 5.8 percent through January, ahead of the economic-base forecast of 3.4 percent growth.

# Growth in Withholding Tax Collections

FY13 Monthly and Year-to-Date

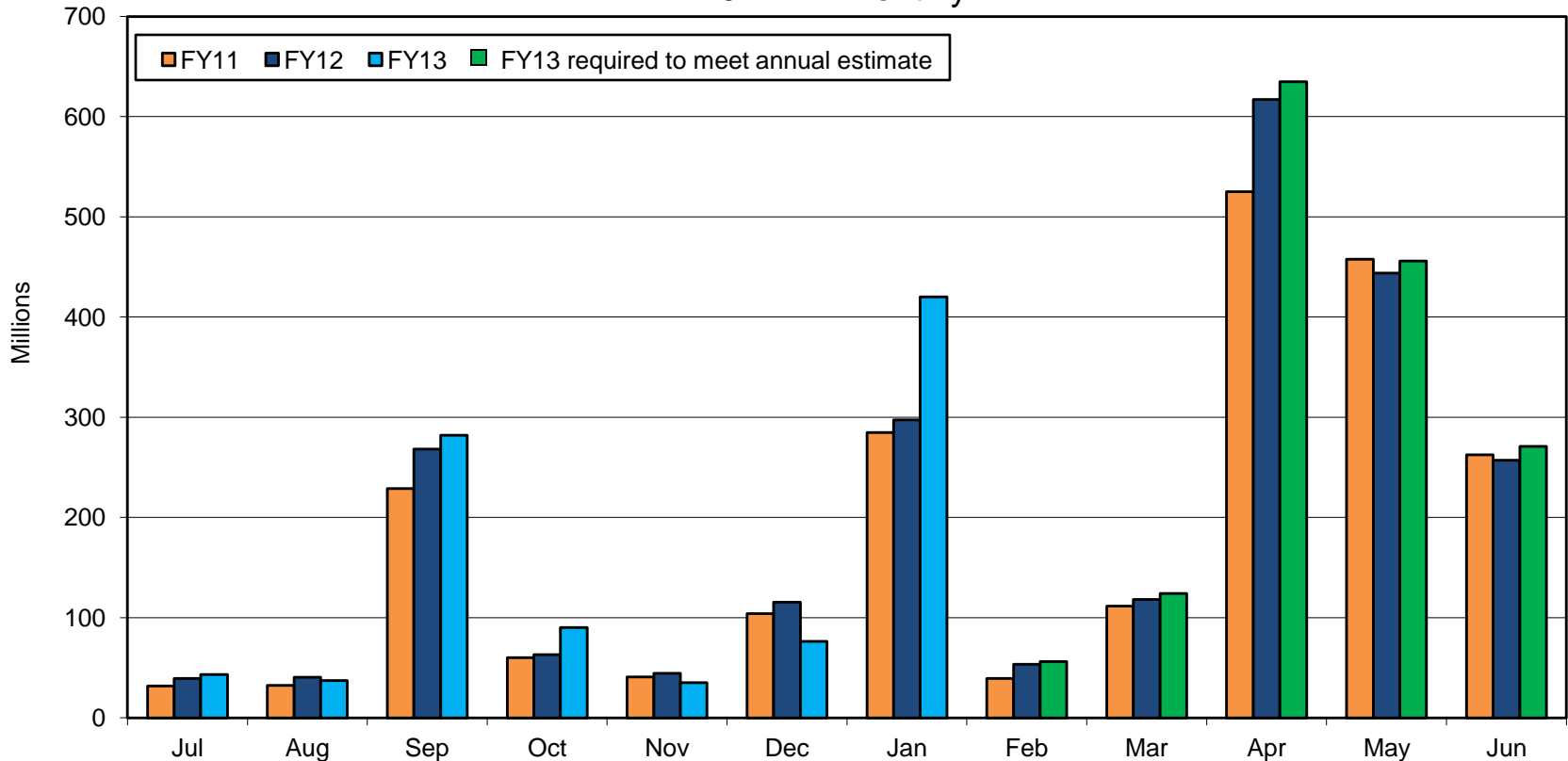


Monthly Growth: -7.3% 4.3% 0.5% 13.8% -4.5% 2.5% 17.5%

- Collections of payroll withholding taxes rose 17.5 percent January.
  - An additional deposit day accounted for over 10 percentage points of growth.
  - This is the first time monthly receipts have topped \$1 billion.
- Year to date, withholding collections through January increased 4.1 percent compared with the same period last year, ahead of the projected annual growth rate of 3.3 percent.

# Nonwithholding Tax Collections

FY10-FY12 Monthly



- The fourth individual estimated payment for tax year 2011 was due January 15, and some of these payments were received in December, thus December and January must be considered together to assess growth in this source.
  - Receipts of estimated payments for the two-month period rose 20.0 percent from last year.
- Year-to-date, collections grew 13.8 percent from the same period last year, compared with the annual estimate of 6.8 percent growth.

## **Individual Income Tax Refunds**

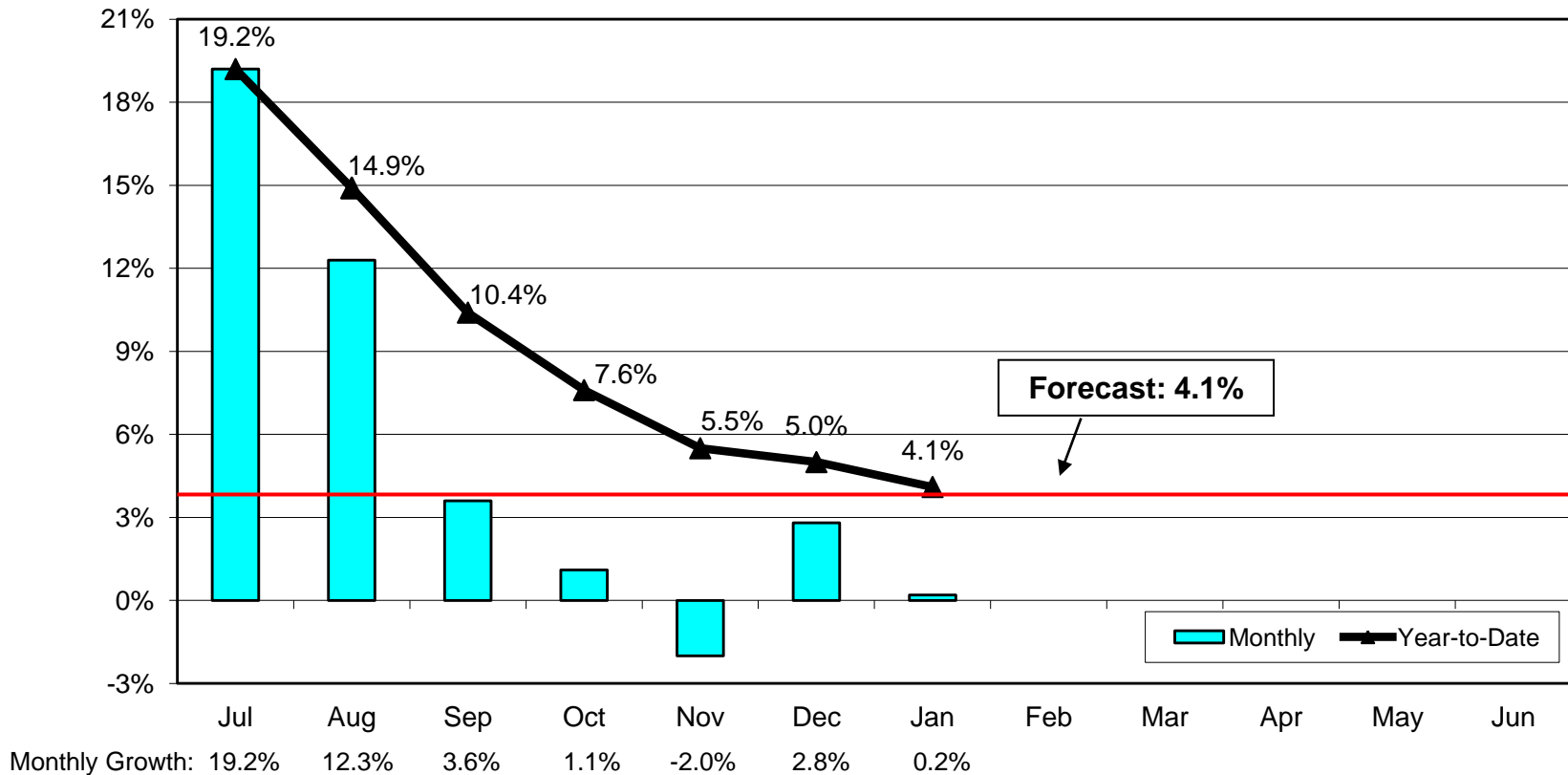
- Through January, TAX has issued \$237.0 million in individual income tax refunds compared with \$334.9 million in the same period last year, a 29.2 percent decline and behind the annual estimate of a 0.4 percent increase.
- Delay of the federal electronic filing program dampened refund activity.
- The main income tax filing season begins in February.

## **Net Individual Income Tax**

- Through January, collections of net individual income tax rose 7.2 percent from the same period last year, ahead of the annual estimate of 4.5 percent growth.



## Growth in Sales Tax Collections FY13 Monthly and Year-to-Date



- Taken together, collections of sales and use taxes for December and January, reflecting the bulk of the holiday shopping season, rose 1.4 percent from last year.
  - A more complete picture of the holiday season will be available with February receipts, which include January post-holiday sales and gift card redemptions.
- On a year-to-date basis, collections increased at the rate of the annual estimate -- 4.1 percent.
  - Adjusting for AST, sales tax collections grew 2.1 percent through December, well behind the economic-base forecast of a 3.2 percent increase.

## **Net Corporate Income Tax Collections**

- Collections were \$35.2 million in January, compared with \$51.5 million last year, a 31.6 percent decline.
- On a year-to-date basis, collections in this source have grown 6.5 percent, ahead of the annual estimate of a 4.5 percent decline.

## **Recordation Tax Collections**

- Collections of wills, suits, deeds, and contracts – mainly recordation tax collections – increased 36.1 percent in January.
  - Monthly growth rates have been in the double-digits 11 of the last 12 months.
  - On a year-to-date basis, collections are up 17.8 percent, far ahead of the forecast of 4.5 percent growth.

## **Insurance Premiums Tax**

- This is not a significant month for collections.
  - January collections were -\$46.5 million compared with \$0.4 million last year.
  - SCC issued refunds in January this year, while last year refunds were made in February.
  - Final payments are due March 1, and estimated payments are due in April and June.

# Summary of Fiscal Year 2013 Revenue Collections

July through January

<u>Major Source</u>	As a % of Total <u>Revenues</u>	Percent Growth over Prior Year		
		<u>YTD Actual</u>	<u>Annual Estimate</u>	<u>Variance</u>
Withholding	63.1 %	4.1 %	3.3 %	0.8 %
Nonwithholding	15.3	13.8	6.8	7.0
Refunds	(10.9)	(29.2)	0.4	(29.6)
Net Individual	67.6	7.2	4.5	2.7
Sales	19.8	4.1	4.1	0.0
Corporate	5.0	6.5	(4.5)	11.0
Wills (Recordation)	2.0	17.8	4.5	13.3
Insurance	1.6	(41.2)	1.1	(42.3)
All Other Revenue	4.0	(0.1)	(2.2)	2.1
<b>Total</b>	<b>100.0 %</b>	<b>6.2 %</b>	<b>3.6 %</b>	<b>2.6 %</b>

Sales (x AST)	2.1 %	3.2 %	(1.1) %
Total (x AST)	5.8 %	3.4 %	2.4 %

## Next Steps

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