

Testimony prepared for presentation to the
Assembly Budget Committee
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Good morning Chair and members of the committee. Thank you for inviting the staff of the Office of Legislative Services to appear before you this morning to provide an update on our revenue projections, now that important April tax collections are in the door. Our message today is positive and not likely to be controversial, so I will keep my remarks brief.

When we last appeared before you six weeks ago, corporate tax collections were far exceeding expectations, but weak income tax collections were causing some distress. We anticipated that a record-setting “April surprise” would make up the shortfall of the previous months and result in year-over-year growth in income tax collections as well – and we are relieved to report that this expectation proved accurate. In fact, April payments were well above even the levels we forecast, leading us to revise our estimates for the income tax upward by \$420 million for just the current year.

Yesterday we reported to the Senate that our overall forecasts for the two-year period were revised upward by \$533 million. Today we are further increasing that number to \$691 million, reflecting updates to several of the executive branch forecasts, most notably an increased estimate for the Governor’s proposed “millionaire’s tax.” Traditionally the OLS accepts the Governor’s numbers for proposed legislation at this stage in the budget process, recognizing that these proposals may change before a budget is enacted.

Our overall estimates are slightly below the executive’s revised numbers, by about \$158 million over the two year period, representing about a fifth of one percent of the total. The tables on your desks provide detailed side-by-side comparisons of the updated OLS and executive branch revenue estimates. All other things equal, the revised OLS forecasts would result in about \$400 million in additional surplus over the Governor’s February budget proposal and revenue forecast, totaling nearly \$1.5 billion. As an aside, I can also report that fuel taxes performed well the past several months, which may reduce the likelihood of a gas tax increase in the fall.

This good news on recent revenue collections should be taken with caution. At our last appearance here we emphasized the uncertainty brought about by one-time events, changes in the federal tax code affecting taxpayer behavior, and global economic risks. Those concerns remain, making tax collections in the coming year especially difficult to predict. If the ahistorical behavior in the income tax over the

past two years was, indeed, the result of the newly imposed cap on the state and local tax deduction under the federal income tax, then the State's future income tax collections are likely to repeat this pattern of low collections through most of the year, followed by a bigger spike in April. Corporate taxes, always difficult to predict, are even more so now because of changes in the federal and State tax codes that have revised the tax base and will continue to change it over the next several years.

This concludes my prepared remarks, so now we would be pleased to answer your questions.

Revised Fiscal Year 2019 Revenue Estimates

Millions of \$

<u>Revenue Source</u>	<u>Executive Est.</u> <u>March 2019</u>	<u>Executive Est.</u> <u>May 2019</u>	<u>Executive Change</u> <u>March to May</u>	<u>OLS Estimate</u> <u>May 2019</u>	<u>Diff: OLS -</u> <u>Executive</u>
Major Taxes:					
Sales Tax, Total	\$10,097.1	\$10,043.2	-\$53.9	\$10,037.0	-\$6.2
<i>Sales Tax, Base</i>	10,057.5	9,954.0	-\$103.5	9,947.8	-6.2
<i>Dedicated Transfer to PTRF</i>	-797.7	-792.8	\$4.9	-792.8	0.0
<i>Sales Tax, Energy</i>	48.8	93.5	\$44.7	93.5	0.0
<i>Sales Tax, Energy Tax Receipts</i>	788.5	788.5	\$0.0	788.5	0.0
Corporation Business Tax, Total	\$3,730.4	\$3,830.5	\$100.1	\$3,808.5	-\$22.0
<i>Corporation Business Tax, Base</i>	3,708.6	3,808.0	\$99.4	3,786.0	-22.0
<i>Corporation Business Tax, Energy</i>	21.8	22.5	\$0.7	22.5	0.0
Inheritance Taxes*	489.2	485.0	-\$4.2	493.1	8.1
Motor Fuels Tax	500.7	507.0	\$6.3	508.2	1.2
Insurance Premiums Tax	558.7	496.0	-\$62.7	495.4	-0.6
Realty Transfer Fee	370.5	382.5	\$12.0	378.8	-3.7
Motor Vehicle Fees	448.6	448.6	\$0.0	448.6	0.0
Cigarette Tax	119.2	105.1	-\$14.1	119.2	14.1
Petroleum Products Gross Receipts Tax	1,466.4	1,508.5	\$42.1	1,494.5	-14.0
<i>Less: Petroleum Products GR Capital Reserves</i>	-837.0	-885.4	-\$48.4	-866.5	18.9
Corp. Business Tax - Banks and Financial	328.6	359.5	\$30.9	380.5	21.0
Alcoholic Beverage Excise Tax	114.0	112.5	-\$1.5	112.4	-0.1
Tobacco Products Wholesale Tax	28.1	30.6	\$2.5	30.6	0.0
Public Utilities Excise Tax	21.2	21.0	-\$0.2	21.0	0.0
Subtotal, Major Taxes	\$17,435.7	\$17,444.6	\$8.9	\$17,461.3	\$16.7
Misc. Taxes, Fees and Revenues					
Medicaid Uncomp. Care Reimbursement	360.0	361.3	\$1.3	361.3	0.0
Settlements	240.0	241.3	\$1.3	241.3	0.0
Public Utility Taxes (State Retention)	140.8	133.5	-\$7.3	133.5	0.0
Assessment on Property Sold Over \$1 Million	144.5	149.2	\$4.7	151.4	2.2
Telephone Assessment	123.0	123.0	\$0.0	123.0	0.0
Hotel Occupancy Tax	108.8	113.3	\$4.5	113.3	0.0
Fringe Benefit Recoveries (Interdepartmental)	652.2	656.8	\$4.6	656.8	0.0
Interdepartmental Accounts, Other	84.2	83.5	-\$0.7	83.5	0.0
Other	1,304.9	1,320.5	\$15.6	1,320.5	0.0
Subtotal, Misc. Revenues	\$3,158.4	\$3,182.4	\$24.0	\$3,184.5	\$2.2
Interfund Transfers					
Unclaimed Personal Property Trust Fund	170.0	170.0	\$0.0	170.0	0.0
State Disability Benefit Fund	39.0	39.0	\$0.0	39.0	0.0
Enterprise Zone Assistance Fund	40.0	40.0	\$0.0	40.0	0.0
Other	207.5	207.5	\$0.0	207.5	0.0
Subtotal, Interfund Transfers	\$456.6	\$456.6	\$0.0	\$456.6	\$0.0
TOTAL GENERAL FUND	\$21,050.6	\$21,083.5	\$32.9	\$21,102.4	\$18.9
Property Tax Relief Fund (Income Tax)					
<i>PTRF Transfer from GF (Sales Tax)</i>	\$822.1	\$817.2	-\$4.9	\$817.2	\$0.0
Casino Revenue Fund (CRF)	\$251.8	\$252.0	\$0.2	\$255.0	\$3.0
CRF Taxes	\$242.0	\$242.0	\$0.0	\$245.0	\$3.0
CRF Other	\$9.8	\$10.0	\$0.2	\$10.0	\$0.0
Casino Control Fund	\$49.8	\$49.8	\$0.0	\$49.8	\$0.0
Gubernatorial Elections Fund	\$0.7	\$0.7	\$0.0	\$0.7	\$0.0
GRAND TOTAL, ALL FUNDS	\$37,737.7	\$38,114.8	\$377.1	\$38,177.3	\$62.5

*Includes both the estate tax and the inheritance tax.

May 15, 2019. Includes Treasury's revised revenue forecast.

Revised Fiscal Year 2020 Revenue Estimates

Millions of \$

<u>Revenue Source</u>	<u>Executive Est.</u> <u>March 2019</u>	<u>Executive Est.</u> <u>May 2019</u>	<u>Executive Change</u> <u>March to May</u>	<u>OLS Estimate</u> <u>May 2019</u>	<u>Diff: OLS -</u> <u>Executive</u>
Major Taxes:					
Sales Tax, Total	\$10,465.8	\$10,319.2	-\$146.6	\$10,315.0	-\$4.2
<i>Sales Tax, Base</i>	10,456.2	10,252.5	-\$203.7	10,248.3	-4.2
<i>Dedicated Transfer to PTRF</i>	-827.8	-815.3	\$12.5	-815.3	0.0
<i>Sales Tax, Energy</i>	48.8	93.5	\$44.7	93.5	0.0
<i>Sales Tax, Energy Tax Receipts</i>	788.5	788.5	\$0.0	788.5	0.0
Corporation Business Tax, Total	\$3,239.1	\$3,164.5	-\$74.6	\$3,037.7	-\$126.8
<i>Corporation Business Tax, Base</i>	3,217.4	3,142.0	-\$75.4	3,015.2	-126.8
<i>Corporation Business Tax, Energy</i>	21.8	22.5	\$0.7	22.5	0.0
Inheritance Taxes*	395.2	420.0	\$24.8	419.1	-0.9
Motor Fuels Tax	490.7	492.0	\$1.3	498.0	6.0
Insurance Premiums Tax	513.9	462.0	-\$51.9	470.6	8.6
Realty Transfer Fee	370.5	390.0	\$19.5	378.8	-11.2
Motor Vehicle Fees	487.6	487.6	\$0.0	487.6	0.0
Cigarette Tax	101.0	84.5	-\$16.5	101.0	16.6
Petroleum Products Gross Receipts Tax	1,498.5	1,569.6	\$71.2	1,575.1	5.5
<i>Less: Petroleum Products GR Capital Reserves</i>	-729.3	-801.8	-\$72.5	-813.3	-11.5
Corp. Business Tax - Banks and Financial	271.3	310.0	\$38.7	324.0	14.0
Alcoholic Beverage Excise Tax	111.7	115.0	\$3.3	112.4	-2.6
Adult-Use Cannabis	60.0	60.0	\$0.0	60.0	0.0
Tobacco Products Wholesale Tax	29.8	38.1	\$8.3	32.1	-6.0
Public Utilities Excise Tax	21.8	22.0	\$0.2	22.0	0.0
Opioid Assessment	21.5	21.5	\$0.0	21.5	0.0
Subtotal, Major Taxes	\$17,349.0	\$17,154.2	-\$194.9	\$17,041.6	-\$112.6
Misc. Taxes, Fees and Revenues					
Medicaid Uncomp. Care Reimbursement	480.1	480.1	\$0.0	480.1	0.0
Settlements	75.0	75.0	\$0.0	75.0	0.0
Public Utility Taxes (State Retention)	145.0	140.0	-\$5.0	140.0	0.0
Assessment on Property Sold Over \$1 Million	144.5	153.5	\$9.0	151.4	-2.1
Telephone Assessment	136.0	136.0	\$0.0	136.0	0.0
Hotel Occupancy Tax	108.8	121.0	\$12.2	121.0	0.0
Asset Value Optimization	50.0	50.0	\$0.0	50.0	0.0
Fringe Benefit Recoveries (Interdepartmental)	616.2	623.9	\$7.7	623.9	0.0
Interdepartmental Accounts	85.8	85.1	-\$0.7	85.1	0.0
Other	1,345.0	1,346.0	\$1.0	1,346.0	0.0
Subtotal, Misc. Revenues	\$3,186.5	\$3,210.7	\$24.2	\$3,208.6	-\$2.1
Interfund Transfers					
Unclaimed Personal Property Trust Fund	210.0	210.0	\$0.0	210.0	0.0
State Disability Benefit Fund	39.0	39.0	\$0.0	39.0	0.0
Enterprise Zone Assistance Fund	32.7	36.2	\$3.6	36.2	0.0
Other	206.0	206.0	\$0.0	206.0	0.0
Subtotal, Interfund Transfers	\$487.8	\$491.3	\$3.6	\$491.3	\$0.0
TOTAL GENERAL FUND	\$21,023.3	\$20,856.2	-\$167.1	\$20,741.5	-\$114.7
Property Tax Relief Fund (Income Tax)					
<i>PTRF Transfer from GF (Sales Tax)</i>	\$852.2	\$839.7	-\$12.5	\$839.7	\$0.0
Casino Revenue Fund (CRF)	\$261.5	\$261.5	\$0.0	\$264.8	\$3.3
CRF Taxes	\$251.7	\$251.7	\$0.0	\$255.0	3.3
CRF Other	\$9.8	\$9.8	\$0.0	\$9.8	0.0
Casino Control Fund	\$55.8	\$55.8	\$0.0	\$55.8	\$0.0
Gubernatorial Elections Fund	\$0.7	\$0.7	\$0.0	\$0.7	\$0.0
GRAND TOTAL, ALL FUNDS	\$38,832.9	\$39,072.6	\$239.8	\$38,852.4	-\$220.2

*Includes both the estate tax and the inheritance tax.
May 15, 2019. Includes Treasury's revised revenue forecast.