



## OFFICE OF THE STATE COMPTROLLER

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### Comptroller's Fiscal Update: Revenue Trends through the First Quarter, State Fiscal Year 2013-14

July 2013

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#### Summary

The State's All Governmental Funds tax collections through the first quarter of the 2013-14 fiscal year were \$321 million higher than projected in this year's Enacted Budget Financial Plan. These results reflect relatively strong growth in most tax categories. Personal Income Tax (PIT) collections through the first quarter have increased 21.1 percent over the same period last year, driven by a robust April Settlement that resulted from high income individuals accelerating pay dates and capital gains to avoid federal tax changes enacted in January. Of the \$2.6 billion increase in All Funds tax collections through June 30, almost \$2 billion is attributable to estimated payments on prior year liabilities made in April. This suggests that the high rate of growth in PIT is not likely to be sustained going forward.

Nevertheless, other areas are also showing strong gains, if less significant than the PIT growth, through the first quarter of the fiscal year. Sales tax collections have increased 7.6 percent through June 30, and have increased in eight of the last 12 months. Business tax collections have increased 8.9 percent through the first quarter and miscellaneous receipts have increased 10.9 percent.

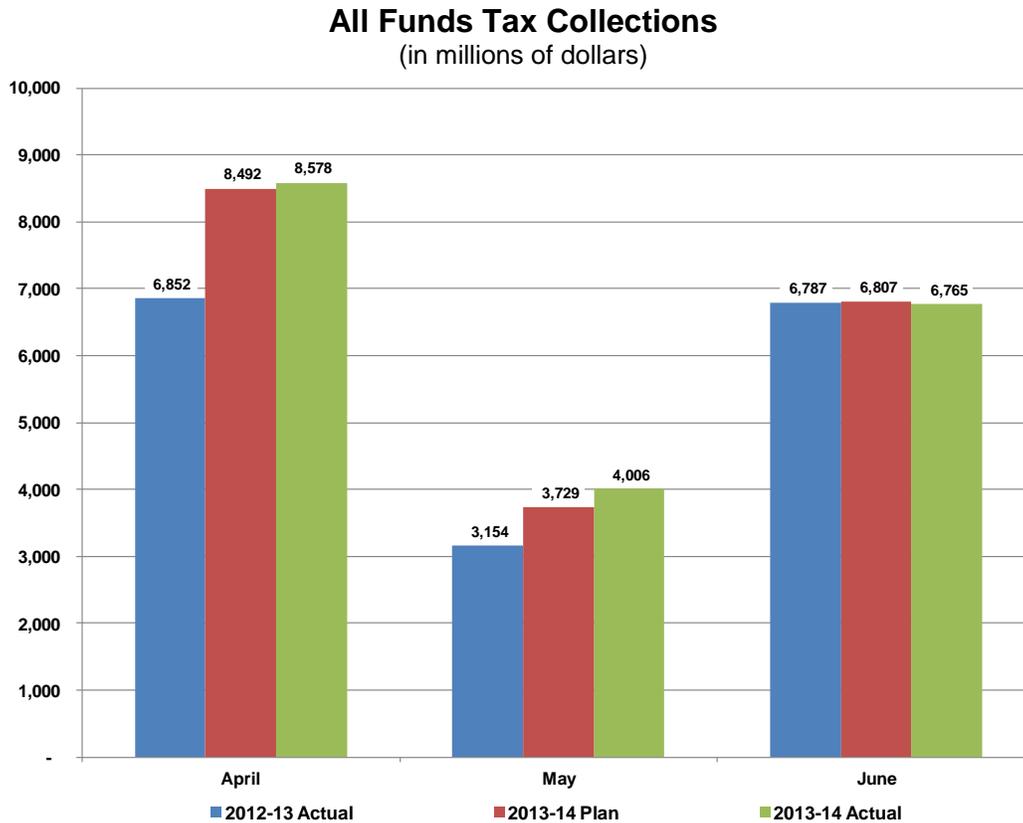
While GDP growth in the first half of 2013 was weak due to increases in federal taxes and spending cuts under federal sequestration, the outlook for the national economy continues to improve as the recovery in the housing market has strengthened. However, continued uncertainties over automatic federal budget cuts, debt ceiling talks and other fiscal policies, coupled with overseas weaknesses, pose significant risks to the economic outlook.

#### Tax Collections

Through the first quarter of the fiscal year, All Funds tax collections have increased 15.2 percent, or \$2.6 billion, with the majority of the increase (87.6 percent) coming from PIT collections. Consumption and use tax collections have increased 5.2 percent, and make up 7.4 percent of the total increase in tax collections. Business tax collections have increased 8.9 percent and make up 6.2 percent of the total increase. Other taxes have declined 3.8 percent, offsetting the overall increase by \$29.4 million. As of June 30, All Funds tax collections exceeded projections by \$321 million, again led by PIT collections. Figure 1 provides a comparison of April, May and June actual

results for State Fiscal Year (SFY) 2012-13 with Enacted Budget Financial Plan projections for SFY 2013-14 and actual results for SFY 2013-14.

**Figure 1**



Source: Office of the State Comptroller; Division of the Budget.

### *Personal Income Tax*

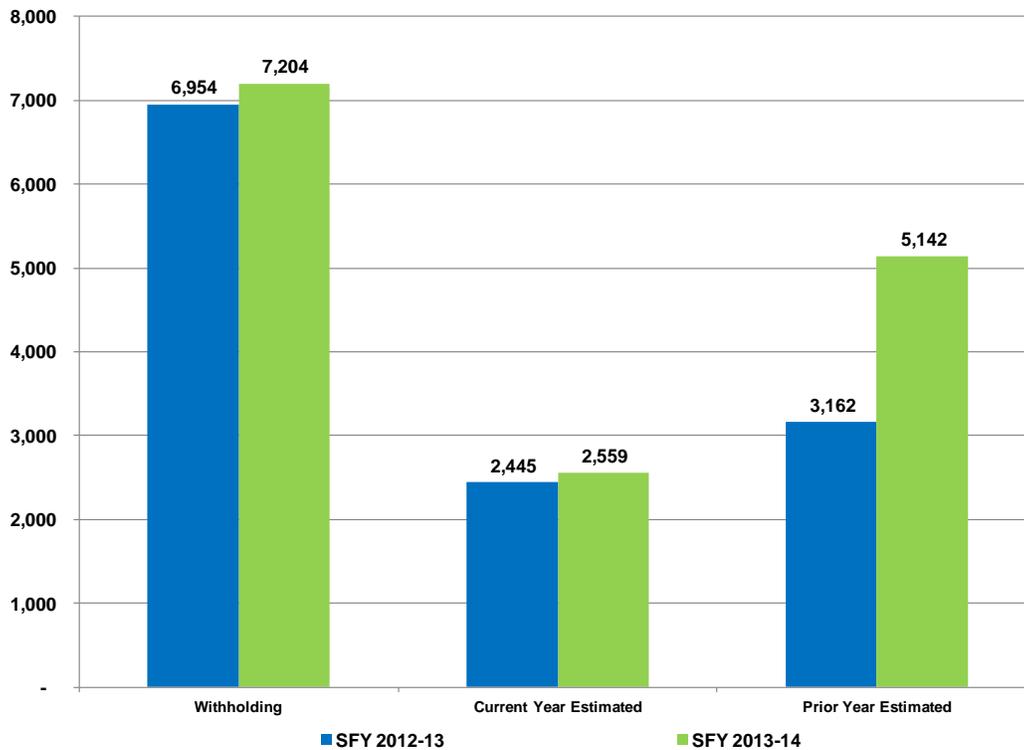
Actual All Funds PIT collections through the first quarter totaled \$12.9 billion, which is an increase of \$2.2 billion, or 21.1 percent, compared to last year. This growth primarily reflects the fact that April 2013 collections were significantly higher than settlement collections from April 2012. While the vast majority of the increase is due to estimated payments on prior year liabilities in April and is expected to be largely non-recurring, the largest component of PIT – withholding – has increased 3.6 percent through the first quarter.

Figure 2 illustrates total collections for withholding, New York’s largest in-State source of revenue, current year estimated payments and prior year estimated payments, which primarily occur in April. Collections for these three components over the first quarter were \$2.3 billion higher than last year for the same period, of which \$2.1 billion occurred in April. (Total collections for these three components exceed total growth in PIT because they are partly offset by refunds, which also increased.) Collections for prior year estimated payments totaling \$5.1 billion have already exceeded year-end

projections. Collections for current year estimated payments have grown by 4.7 percent. However, the Division of the Budget (DOB) currently projects that year-end collections for current year estimated payments will decline 3.1 percent from the previous year.

**Figure 2**

**Collections for Withholding, Current Year and Prior Year Estimated Payments  
SFY 2012-13 First Quarter and SFY 2013-14 First Quarter**  
(in millions of dollars)



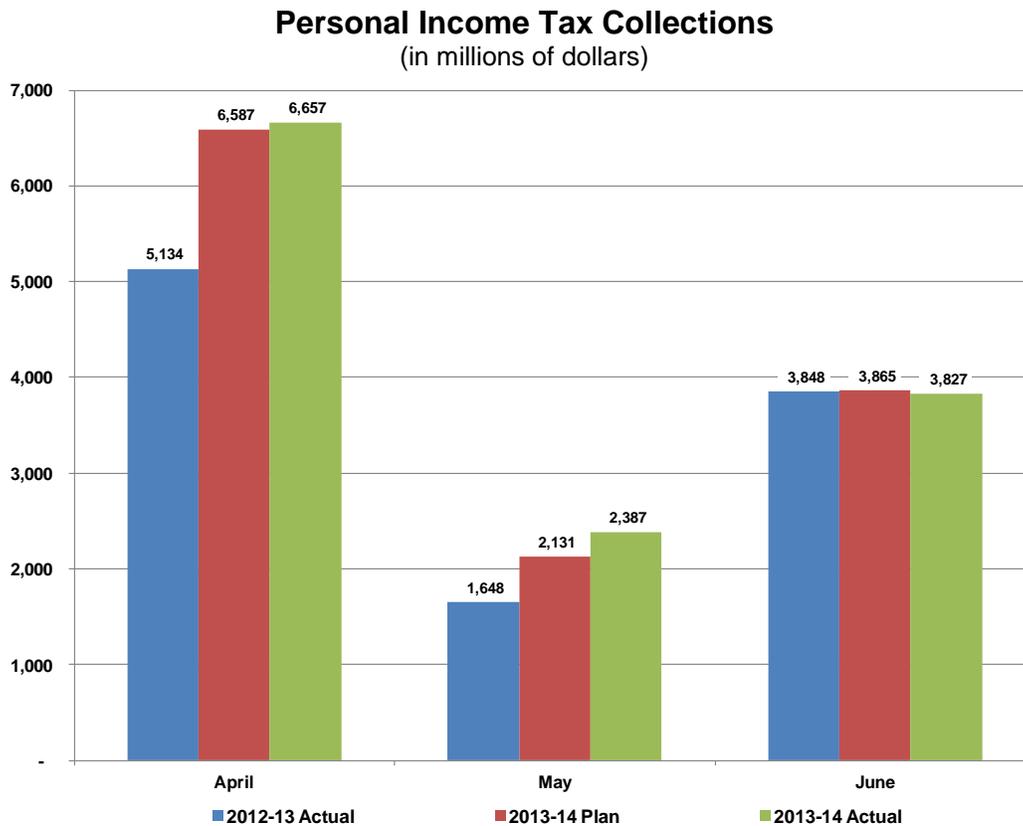
Source: Office of the State Comptroller; Division of the Budget.

Withholding collections are received directly from paychecks and are not as volatile as estimated payments. The only significant timing issue associated with this category of collections is related to the number of pay days in each month. Through the first quarter of SFY 2013-14, withholding collections have increased 3.6 percent, slightly lower than the 3.8 percent projected for the year. However, withholding growth in the individual months of May and June did not reach 3 percent compared to the corresponding months in the prior year. It is too soon to say whether these data are indicative of a trend.

PIT collections, as reported in financial statements and Financial Plan, are made up of gross collections from taxpayers less refunds to taxpayers. PIT refunds totaled \$3.8 billion through the first quarter, representing an increase of \$76.1 million, or 2 percent, over the same period last year. DOB projects that refunds will total almost \$7.5 billion by the end of the year, representing growth of 7.9 percent from SFY 2012-13.

Figure 3 compares monthly PIT collections through the first quarter of SFY 2013-14 with the same period last year, as well as projections from the Enacted Budget Financial Plan. Growth is also affected by refunds, although DOB does not provide projections for monthly refunds. In April, 2013, refunds totaled \$3.1 billion, more than \$500 million higher than the prior year. However, refunds totaled only \$380.9 million in May, \$632.1 million below total refunds in May 2012. This has the effect of inflating the appearance of growth in PIT collections in May, as seen in Figure 3. In June, refunds totaled \$309.1 million, \$206.6 million more than June 2012, making PIT collections appear to have not grown.

**Figure 3**



Source: Office of the State Comptroller; Division of the Budget.

### *Consumption and Use Taxes*

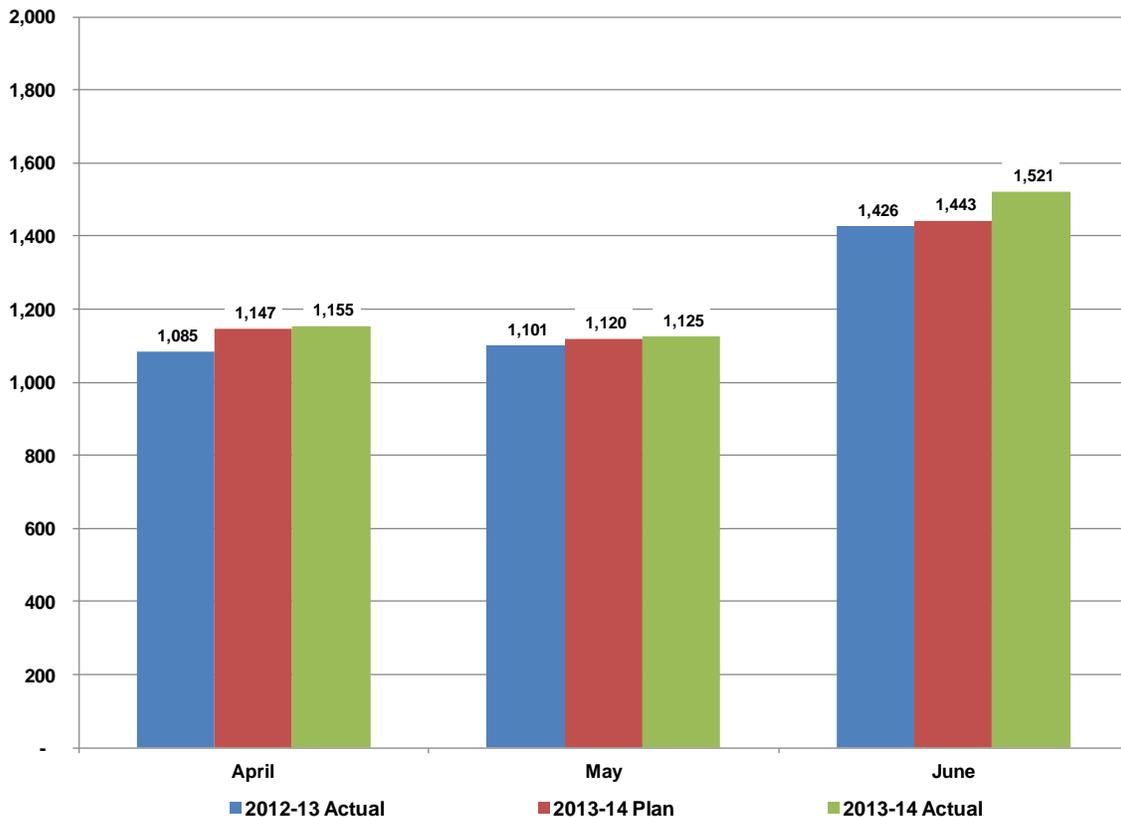
The SFY 2013-14 Enacted Budget Financial Plan projects All Funds consumption and use tax collections will increase 3.4 percent, or \$501 million, from SFY 2012-13 levels. The entire increase is expected from sales tax collections, which is projected to increase \$541 million or 4.5 percent. DOB indicates that some of this projected growth is due to prior year actions requiring clearinghouse banks to report credit card transactions and new enforcement initiatives, along with base growth of 3.1 percent that is partly due to strong vehicle sales. The anticipated growth in sale tax collections is offset by a projected decline of \$60 million for cigarette and tobacco tax collections

through year-end. Through the first quarter, cigarette and tobacco tax collections are down \$36.1 million, or 8.9 percent, compared to last year.

Through June 30, 2013, consumption and use tax collections totaled \$3.8 billion, representing an increase of \$187.9 million, or 5.2 percent, from the previous year, which is \$89.9 million above the projections included in the Enacted Budget Financial Plan. Sales tax collections have increased \$223.4 million, or 7.6 percent, through the first quarter.

**Figure 4**

**Consumption and Use Tax Collections for April, May and June  
SFY 2012-13 Actual, SFY 2013-14 Plan and SFY 2013-14 Actual**  
(in millions of dollars)



Source: Office of the State Comptroller; Division of the Budget.

### *Business Taxes*

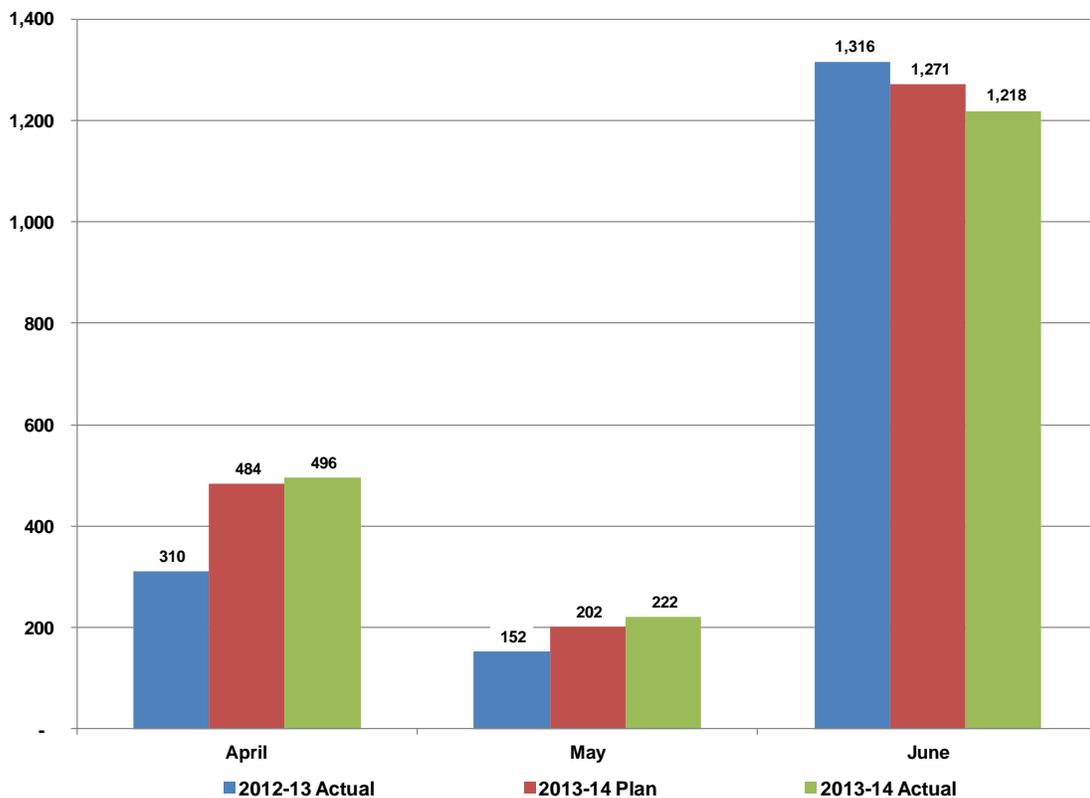
The SFY 2013-14 Financial Plan projects year-end business tax collections will increase 2 percent, or \$173 million, from SFY 2012-13 collections. The majority of this growth is expected in Corporate Franchise tax collections, which are expected to increase \$370 million or 12.3 percent. This is largely offset by an anticipated reduction in bank taxes, which are expected to decline \$218 million, or 11.4 percent, by the end of the fiscal year.

Through the first quarter of the fiscal year, year-over-year collections for business taxes have increased 8.9 percent, or \$158.4 million, from last year's levels. This gain primarily reflects growth in collections from corporate franchise taxes (up \$268.5 million, or 38.6 percent), offset by declines in corporate and utilities taxes (down \$14.8 million), insurance taxes (down \$21.3 million) and bank taxes (down \$90 million).

Through June 30, business tax collections are \$21.2 million below projections. Figure 5 illustrates April, May and June actual results for SFY 2012-13, Enacted Budget Financial Plan projections for SFY 2013-14 and actual results for SFY 2013-14.

**Figure 5**

**Business Tax Collections for April, May and June**  
**SFY 2012-13 Actual, SFY 2013-14 Plan and SFY 2013-14 Actual**  
 (in millions of dollars)



Source: Office of the State Comptroller; Division of the Budget.

## Non-Tax Revenue

### *Miscellaneous Receipts*

Miscellaneous receipts include fees, fines, reimbursements from public authorities, municipalities and other sources, recoveries, Lottery proceeds, tuition revenue, interest earnings, and other non-tax and non-federal revenue (such as certain miscellaneous receipts that are disbursed from federal special revenue funds). The

State's share of Lottery proceeds, both traditional and from Video Lottery Terminals (VLTs), is counted as miscellaneous receipts and is primarily used to finance education, with a small portion used for administration of the various lottery programs.

The SFY 2013-14 Enacted Budget Financial Plan projects miscellaneous receipts will decline 1.7 percent, or \$415 million, from SFY 2012-13. The projected decline is primarily due to the fact that the prior year's receipts included \$340 million in non-recurring revenue received in September 2012 from a settlement with Standard Chartered Bank, as well as the removal of State University of New York dormitory rental fees dedicated to debt service from the State Budget. Such rental fees will now flow directly to the Dormitory Authority of the State of New York, and what is used for debt service will no longer be included in the Budget.

Through June 30, 2013, All Funds miscellaneous receipts totaled \$5.3 billion, which was 10.9 percent, or \$524.5 million, higher than the same period in SFY 2012-13. Despite this growth, miscellaneous receipts in All Funds were \$75.8 million lower than projected through June 30. However, miscellaneous receipts collected in the General Fund were \$403.5 million higher than projections. Figure 6 illustrates collections in the various funds through the first quarter in SFY 2012-13, SFY 2013-14 and as projected.

**Figure 6**

**Miscellaneous Receipt Collections for April, May and June  
SFY 2012-13 Actual, SFY 2013-14 Plan and SFY 2013-14 Actual**  
(in millions of dollars)



Source: Office of the State Comptroller; Division of the Budget.

Miscellaneous receipts collected in the General Fund include a \$250 million non-recurring settlement with Bank of Japan Mitsubishi UFJ, as well as an additional \$250 million transfer from the State Insurance Fund (SIF), the first installment of the \$1.75 billion that will benefit the General Fund through SFY 2016-17. The settlement funding was not anticipated in the Enacted Budget Financial Plan at all, and the funding from the SIF was not anticipated until later in the year. Absent this \$500 million in unanticipated revenue, miscellaneous receipt collections in the General Fund would have been \$96.5 million below Financial Plan projections. All Funds receipts would have been below projections for the first quarter by \$157.3 million without this unanticipated funding.

All Funds miscellaneous receipts were \$75.8 million below Plan through the first quarter largely because of collections in capital projects funds that were \$305 million below projections, primarily from bond proceeds. However, it is important to note that bond sales and the collection of related proceeds are often subject to fluctuation based in the timing of bond issues. This variance could disappear as the year continues.

### *Federal Receipts*

Federal receipts are projected to increase nearly \$4.6 billion, or 10.7 percent, from SFY 2012-13 through the end of the fiscal year, primarily from federal disaster assistance associated with Superstorm Sandy. Federal receipts typically reflect reimbursements for spending that has already occurred. Year-to-date, federal receipts are \$2.3 billion, or 26.9 percent, higher than last year for the same period, which is \$97.5 million over projections through June 30.

Between SFY 2003-04 and SFY 2012-13, federal grants financed an average of 23.4 percent of capital spending, although this share is expected to decline to 15.7 percent through SFY 2017-18. Federal grants for capital purposes are anticipated to total \$2.2 billion in SFY 2013-14, representing an increase of \$95 million or 4.5 percent. Through the first quarter, federal grants collected in capital projects funds totaled \$461.3 million, which is \$88 million, or 23.6 percent, higher than the same period last year and \$64.3 million over projections through the first quarter.

Federal grants for non-capital purposes are projected to total \$45.1 billion, representing an increase of \$4.6 billion or 11.3 percent from SFY 2012-13 levels. However, if \$5.1 billion in non-recurring disaster assistance is excluded, non-capital federal grants are expected to decline by approximately \$500 million. The largest non-capital program utilizing federal funding is Medicaid, which is expected to make up approximately 60 percent of federally funded non-capital spending in SFY 2013-14. Non-capital federal grants totaled \$10.2 billion and ended the quarter \$2.2 billion, or 27.4 percent, higher than last year for the same period and \$120.1 million over Financial Plan projections.