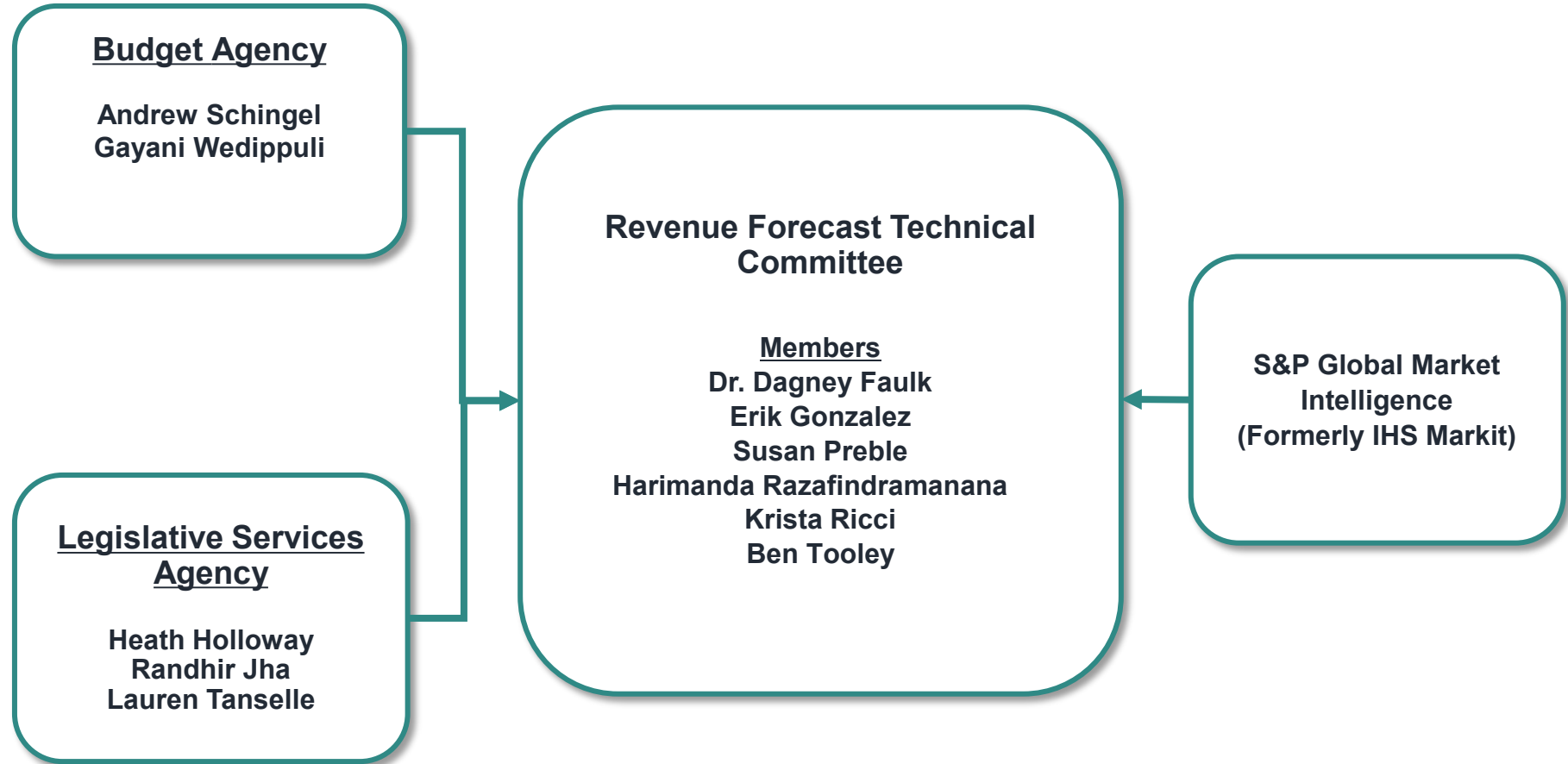


# **General Fund Revenue Forecast**

**Fiscal Years 2023, 2024 and 2025  
Revenue Forecast Technical Committee**

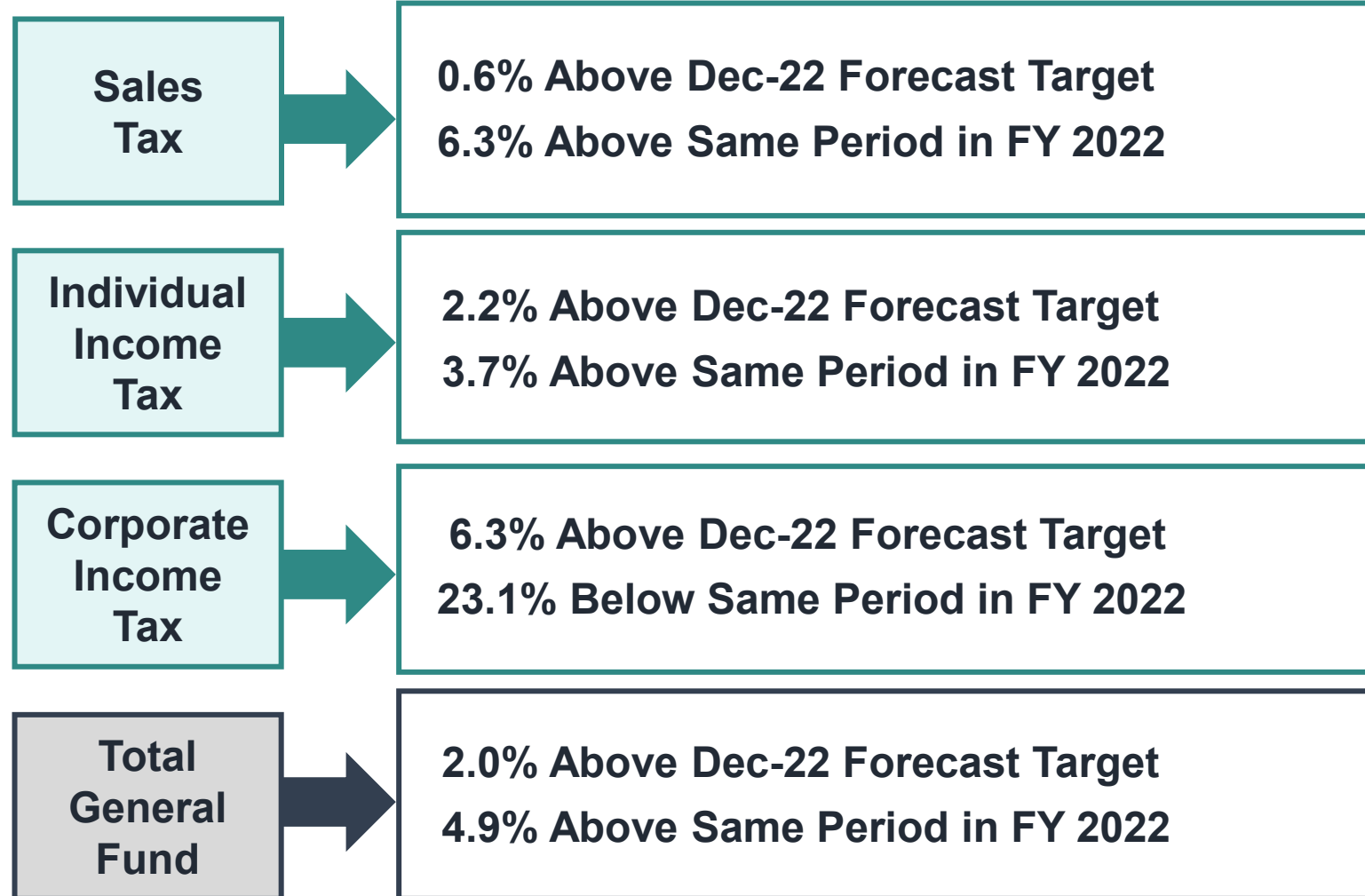
**Presented to the State Budget Committee  
April 19, 2023**

# Indiana Revenue Forecast

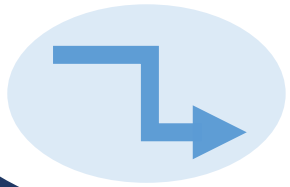


# Performance of Major Revenue Sources

## Year-To-Date Through Mar 31<sup>st</sup> FY 2023



# Economic Forecast Overview



**Tighter monetary policy, persistently high inflation, and a global slowdown is projected to lead to decelerating economic growth for the FY 2023-25 period.**



**With strong labor market and elevated wage growth, consumer spending continues to grow at a robust rate. Consumer sentiment also remain stable.**



**Inflation is estimated to reduce in the coming quarters but uncertainty remains. Volatility in U.S economy is estimated to diminish and labor market remains tight.**



**During this biennium, Indiana unemployment rate is estimated to increase but remain below 4.25%. The projected decline in economic growth will cause some payroll declines beginning 2023Q3.**

# Revenue Estimators

## Sales Tax

Gasoline Use Tax	
Indiana Real GSP, Retail Trade	U.S. Demand for Petroleum as a % of All Fuel
U.S. Summer Gas Price * Fuel Efficiency	
Remaining Sales & Use Tax	
Indiana Personal Income Net of Transfer Payments Per Household	
Prior Fiscal Year Savings	Estimated Taxable Indiana PCE / Total Indiana PCE
Ind Household Net Worth per Household	
U.S. Household Financial Obligation Ratio	

## Individual Income Tax

Withholdings	
Indiana Adjusted Wages & Salaries	
Prior Year Births	Prior Year Withholding
Estimated Payment & Others	
U.S. Dividend Payment & Personal Interest Income	
Change in Prior Calendar Year S&P 500 Index	Prior Year Estimated Payments & Other

## Corporate Income Tax

Corporate Adjusted Gross Income
Indiana Gross State Product
S&P 500 Index
Indiana GSP / U.S. GDP

# Legislative Changes Incorporated

## Fiscal Impact from 2019 Session

- Sales tax collections from remote sellers.
- Various gaming tax changes.
- Federal Tax Cuts and Jobs Act conformity.

## Individual Income Tax Rate Reduction

- 3.23% in CY 2022
- 3.15% in CY 2023
- 3.15% in CY 2024
- If certain thresholds are met, the tax rate will be phased down to 3.1% for CY 2025 and CY 2026, 3.0% for CY 2027 and CY 2028, and 2.9% for CY 2029 and thereafter.

## Ongoing Financial Institutions Tax Rate Reduction

- 5.00% in CY 2022
- 4.90% in CY 2023 and thereafter.

## Gasoline Use Tax Distributions to State General Fund

- 32.155% in FY 2022
- 21.445% in FY 2023
- 10.735% in FY 2024
- 0% in FY 2025 and years thereafter.

# Other Adjustments to Forecast

## Recognition of:

### Sales Tax:

- ❖ Enforcement of economic nexus threshold following U.S. Supreme Court decision (*South Dakota v. Wayfair, Inc., 2018*)
- ❖ Marketplace facilitators required to collect Sales Tax starting FY 2020

### Business Taxes:

- ❖ Repeal of Utility Receipts Tax beginning in FY 2023

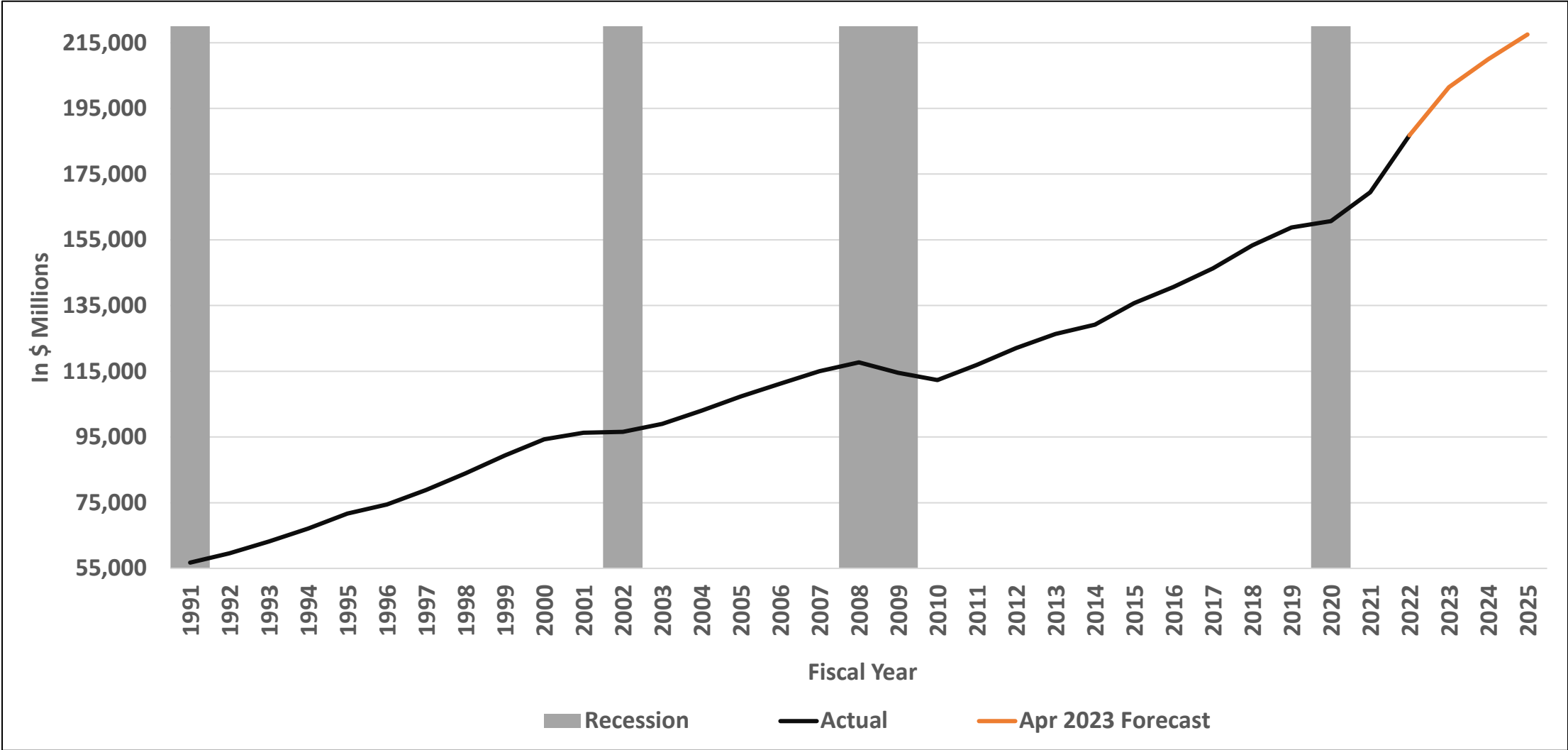
### Gaming Tax:

- ❖ Gary casino move to inland location starting FY 2021
- ❖ Illinois Casino expansion starting FY 2024

### Miscellaneous:

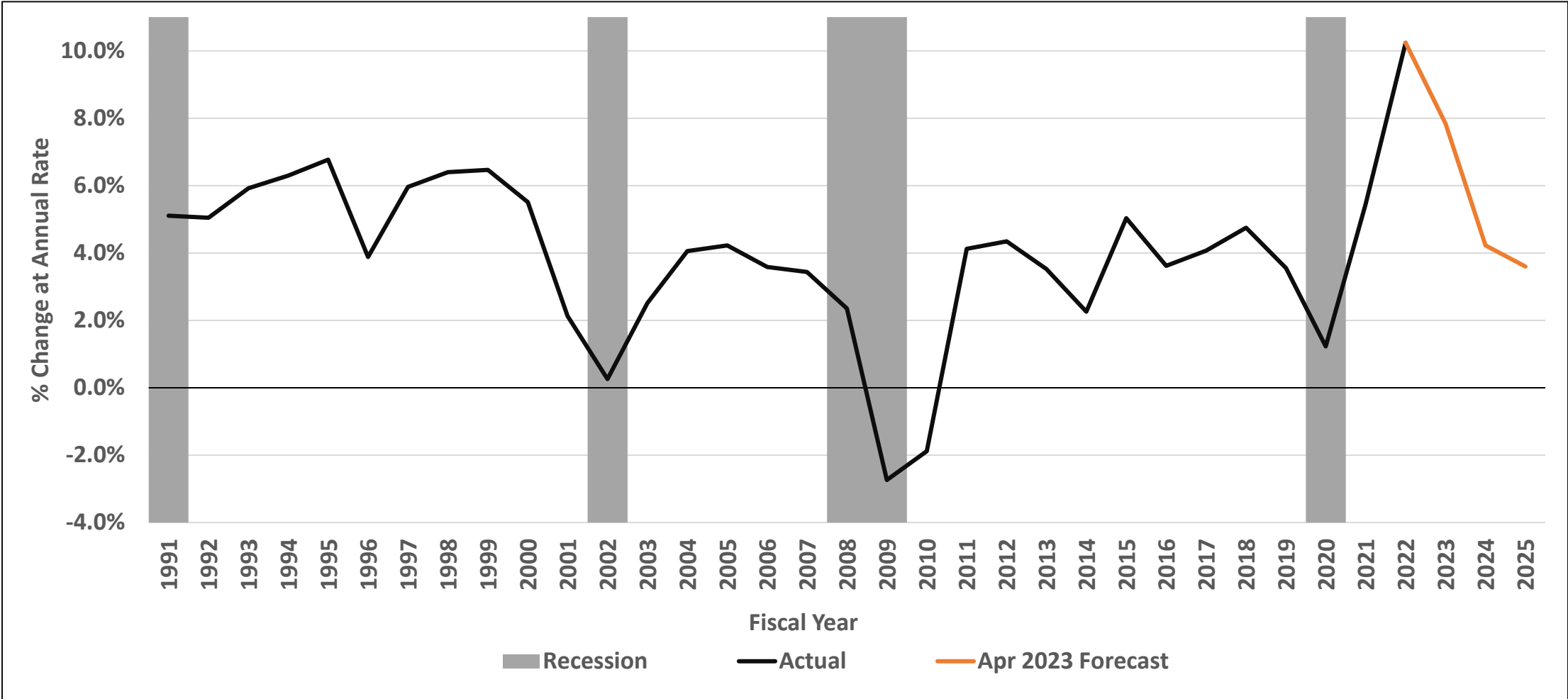
- ❖ Sports Wagering Tax starting FY 2020

# Indiana Wages & Salary



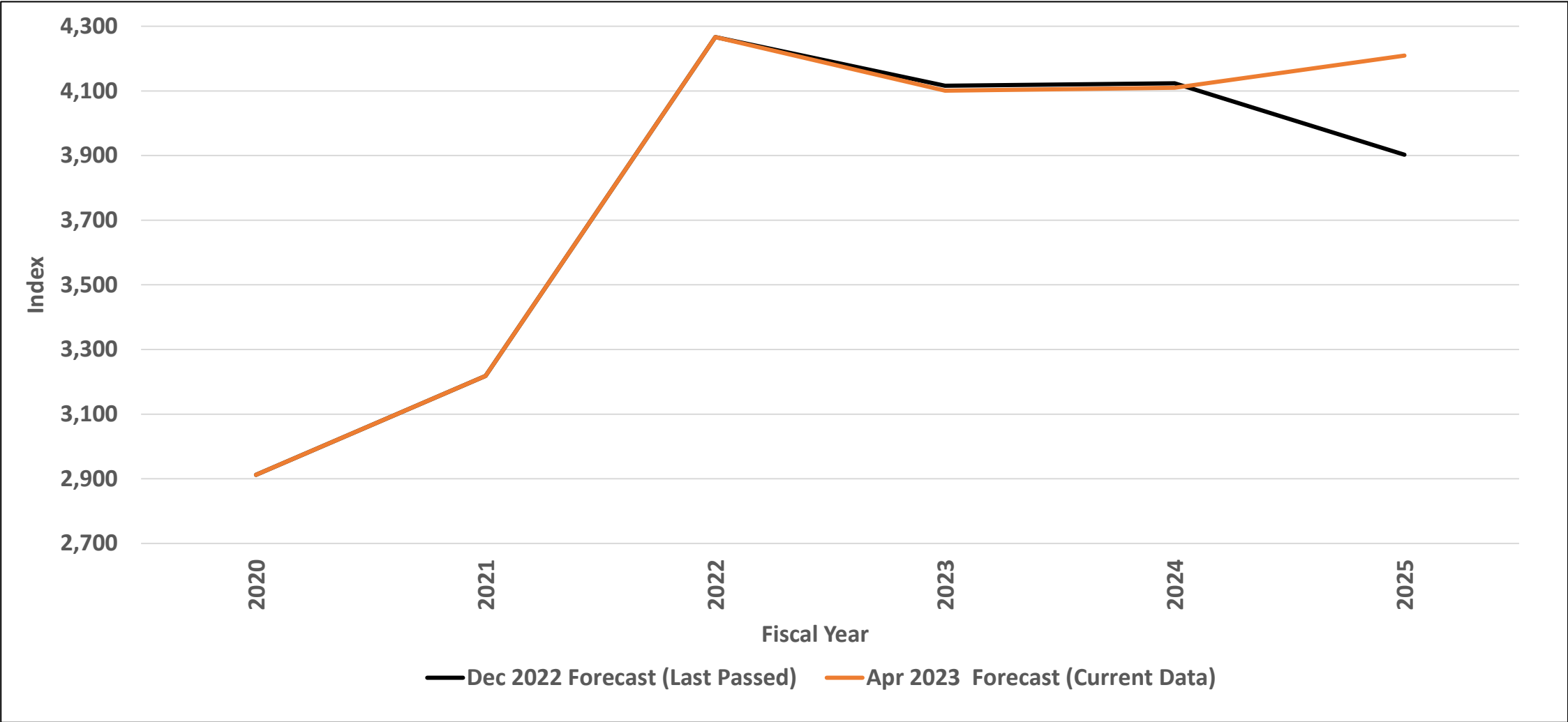


# Indiana Wages & Salary Growth over Prior Year



Source: Bureau of Economic Analysis and S&P Global Market Intelligence

# Prior Calendar Year S&P 500 Index of Common Stocks



# April 2023 Forecast Results

# Total Tax Revenue Estimates

## April 19, 2023, Revenue Forecast

Sales Tax (in millions \$)						
Fiscal Year	Dec-22 Forecast	Apr-23 Forecast	Growth Over Prior Year		Difference Dec-2022 Forecast to Apr-2023 Forecast	
2023	10,482.9	10,530.6	539.6	5.4%	47.6	0.5%
2024	10,631.7	10,815.2	284.6	2.7%	183.5	1.7%
2025	11,083.4	11,100.6	285.4	2.6%	17.2	0.2%
Individual Income Tax (in millions \$)						
Fiscal Year	Dec-22 Forecast	Apr-23 Forecast	Growth Over Prior Year		Difference Dec-2022 Forecast to Apr-2023 Forecast	
2023	7,431.5	7,561.1	-620.1	-7.6%	129.6	1.7%
2024	7,750.5	7,907.4	346.3	4.6%	156.9	2.0%
2025	7,947.4	8,240.3	332.9	4.2%	292.9	3.7%
Corporate Income Tax (in millions \$)						
Fiscal Year	Dec-22 Forecast	Apr-23 Forecast	Growth Over Prior Year		Difference Dec-2022 Forecast to Apr-2023 Forecast	
2023	1,124.4	1,189.7	-349.8	-22.7%	65.3	5.8%
2024	1,181.8	1,358.4	168.7	14.2%	176.6	14.9%
2025	1,174.3	1,378.8	20.4	1.5%	204.5	17.4%

# Total Tax Revenue Estimates

## April 19, 2023, Revenue Forecast

Gaming Taxes (in millions \$)						
Fiscal Year	Dec-22 Forecast	Apr-23 Forecast	Growth Over Prior Year		Difference Dec-2022 Forecast to Apr-2023 Forecast	
2023	469.1	486.5	34.2	7.6%	17.4	3.7%
2024	438.1	438.9	-47.6	-9.8%	0.8	0.2%
2025	437.9	437.9	-1.0	-0.2%	0.0	0.0%
Other Taxes (Includes MVET/ CVET Recapture) (in millions \$)						
Fiscal Year	Dec-22 Forecast	Apr-23 Forecast	Growth Over Prior Year		Difference Dec-2022 Forecast to Apr-2023 Forecast	
2023	1,139.3	1,265.9	239.3	23.3%	126.6	11.1%
2024	1,273.5	1,334.2	68.3	5.4%	60.7	4.8%
2025	1,248.4	1,274.3	-59.9	-4.5%	26.0	2.1%
Total General Fund Taxes (in millions \$)						
Fiscal Year	Dec-22 Forecast	Apr-23 Forecast	Growth Over Prior Year		Difference Dec-2022 Forecast to Apr-2023 Forecast	
2023	20,647.3	21,033.7	-157.0	-0.7%	386.4	1.9%
2024	21,275.7	21,854.1	820.4	3.9%	578.5	2.7%
2025	21,891.5	22,431.9	577.8	2.6%	540.4	2.5%

# Total General Fund Revenue Forecast

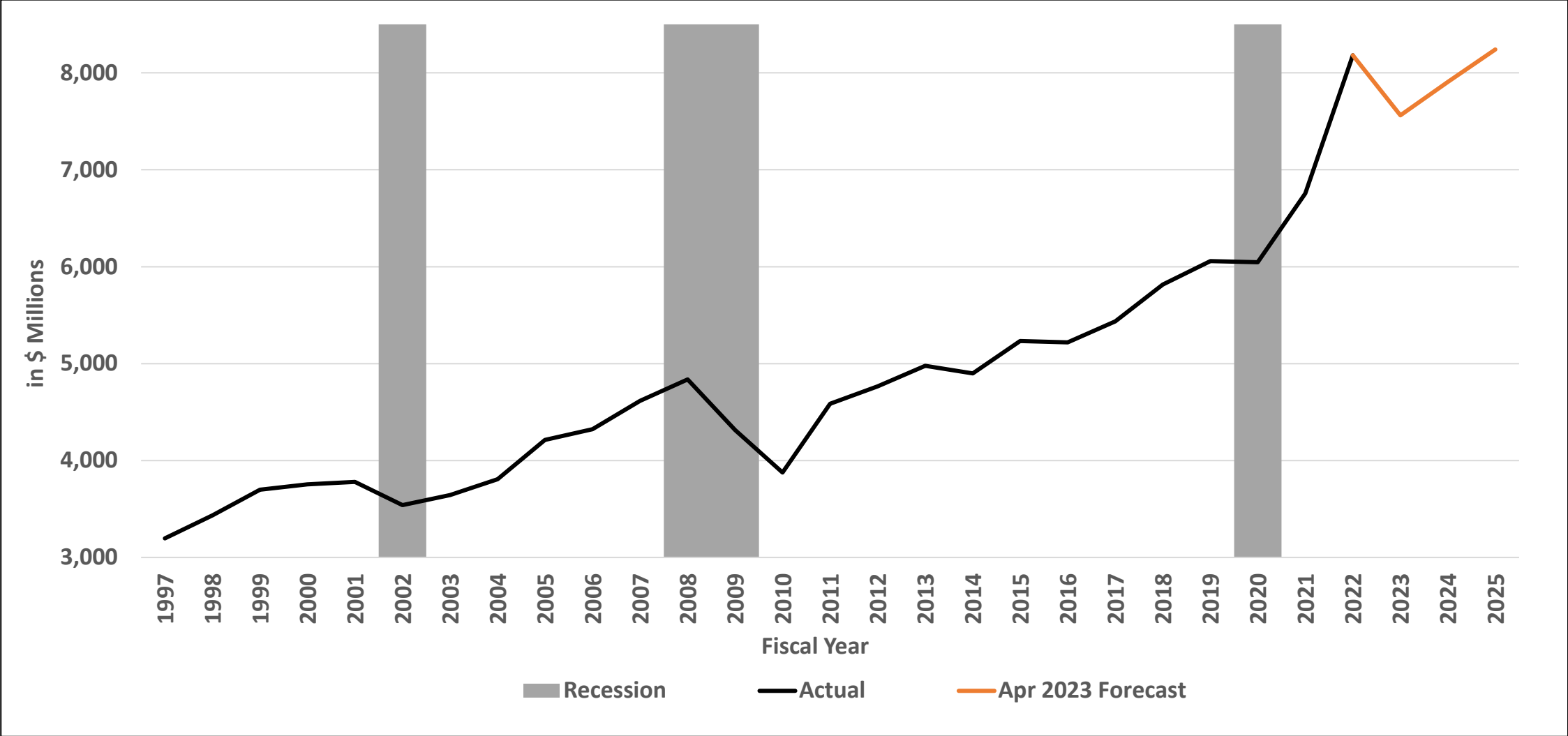
Fiscal Years 2023, 2024 and 2025

April 19, 2023 (in millions)

	FY 2021	FY 2022	FY 2023					FY 2024					FY 2025				
	Actual	Actuals	Dec 2022 Forecast	Updated Forecast	Year over Year Growth	\$ Diff vs Prior Forecast	% Diff vs Prior Forecast	Dec 2022 Forecast	Updated Forecast	Year over Year Growth	Diff vs Prior Forecast	% Diff vs Prior Forecast	Dec 2022 Forecast	Updated Forecast	Year over Year Growth	Diff vs Prior Forecast	% Diff vs Prior Forecast
	2021	2022	2023	2023	2023	2023	2023	2024	2024	2024	2024	2024	2025	2025	2025	2025	2025
<b>Major Taxes</b>																	
Sales & Use	9,072.6	9,991.0	10,482.9	10,530.6	5.4%	47.6	0.5%	10,631.7	10,815.2	2.7%	183.5	1.7%	11,083.4	11,100.6	2.6%	17.2	0.2%
Individual Income	7,531.5	8,181.2	7,431.5	7,561.1	-7.6%	129.6	1.7%	7,750.5	7,907.4	4.6%	156.9	2.0%	7,947.4	8,240.3	4.2%	292.9	3.7%
Corporate - AGI, URT, USUT, FIT	1,385.2	1,539.5	1,124.4	1,189.7	-22.7%	65.3	5.8%	1,181.8	1,358.4	14.2%	176.6	14.9%	1,174.3	1,378.8	1.5%	204.5	17.4%
Riverboat Wagering	282.6	311.2	321.0	342.6	10.1%	21.6	6.7%	289.2	296.9	-13.3%	7.7	2.7%	289.6	294.8	-0.7%	5.2	1.8%
Racino Wagering	126.2	141.1	148.1	143.9	2.0%	-4.2	-2.9%	148.9	142.0	-1.3%	-6.9	-4.7%	148.3	143.1	0.8%	-5.2	-3.5%
<b>Subtotal Major Taxes</b>	<b>18,398.0</b>	<b>20,164.1</b>	<b>19,508.0</b>	<b>19,767.8</b>	<b>-2.0%</b>	<b>259.9</b>	<b>1.3%</b>	<b>20,002.1</b>	<b>20,519.9</b>	<b>3.8%</b>	<b>517.8</b>	<b>2.6%</b>	<b>20,643.1</b>	<b>21,157.6</b>	<b>3.1%</b>	<b>514.5</b>	<b>2.5%</b>
<b>Other Revenue</b>																	
Cigarette	234.8	221.4	220.7	226.0	2.1%	5.3	2.4%	214.5	218.3	-3.4%	3.8	1.8%	209.8	213.0	-2.4%	3.2	1.5%
Insurance	229.5	251.9	255.7	268.5	6.6%	12.8	5.0%	259.6	272.6	1.5%	13.0	5.0%	263.5	276.8	1.5%	13.2	5.0%
Inheritance	0.3	0.0	0.0	0.0		0.0		0.0	0.0		0.0		0.0	0.0		0.0	
Alcoholic Beverages	22.0	21.1	21.4	21.4	1.3%	0.0	0.0%	21.7	21.7	1.4%	0.0	0.0%	22.3	22.2	2.3%	-0.1	-0.4%
Riverboat Supplemental Wagering Tax	9.8	7.8	10.1	10.4	33.2%	0.3	3.2%	9.5	9.7	-6.7%	0.2	1.7%	9.5	9.6	-1.0%	0.1	1.1%
Interest	31.1	33.9	135.0	230.0	578.5%	95.0	70.4%	255.0	290.0	26.1%	35.0	13.7%	225.0	220.0	-24.1%	-5.0	-2.2%
Motor & Commercial Vehicle Excise	296.9	288.5	294.1	294.1	1.9%	0.0	0.0%	301.7	301.7	2.6%	0.0	0.0%	309.6	309.6	2.6%	0.0	0.0%
Miscellaneous Revenue	185.0	202.0	202.4	215.5	6.7%	13.1	6.5%	211.5	220.1	2.2%	8.7	4.1%	208.6	223.2	1.4%	14.5	7.0%
<b>Subtotal Other Revenue</b>	<b>1,009.4</b>	<b>1,026.6</b>	<b>1,139.3</b>	<b>1,265.9</b>	<b>23.3%</b>	<b>126.6</b>	<b>11.1%</b>	<b>1,273.5</b>	<b>1,334.2</b>	<b>5.4%</b>	<b>60.7</b>	<b>4.8%</b>	<b>1,248.4</b>	<b>1,274.3</b>	<b>-4.5%</b>	<b>26.0</b>	<b>2.1%</b>
<b>Total General Fund</b>	<b>19,407.4</b>	<b>21,190.7</b>	<b>20,647.3</b>	<b>21,033.7</b>	<b>-0.7%</b>	<b>386.4</b>	<b>1.9%</b>	<b>21,275.7</b>	<b>21,854.1</b>	<b>3.9%</b>	<b>578.5</b>	<b>2.7%</b>	<b>21,891.5</b>	<b>22,431.9</b>	<b>2.6%</b>	<b>540.4</b>	<b>2.5%</b>

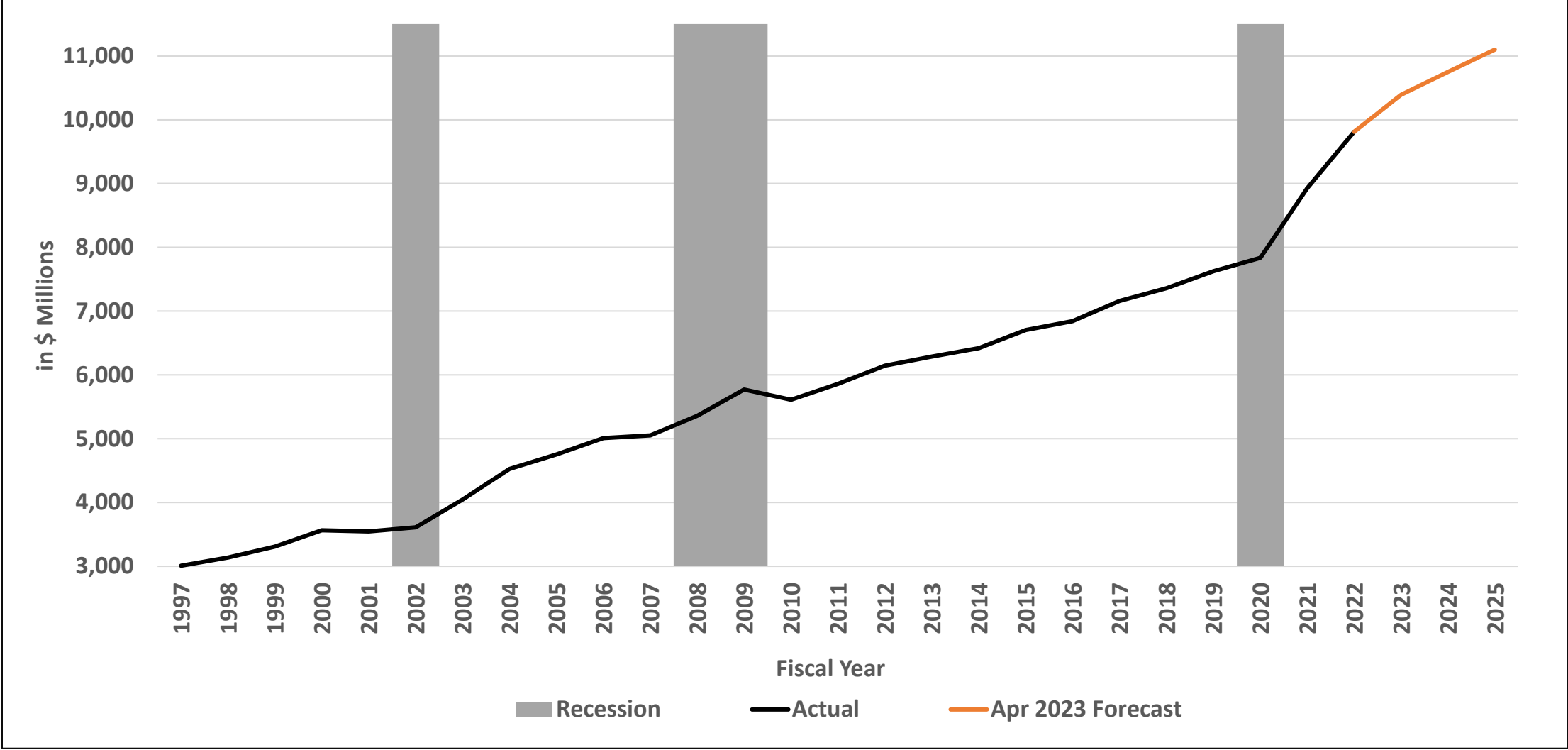
# Appendices for April 2023 Revenue Forecast

# Revenue Trend and Forecast – Adjusted Individual Income Tax

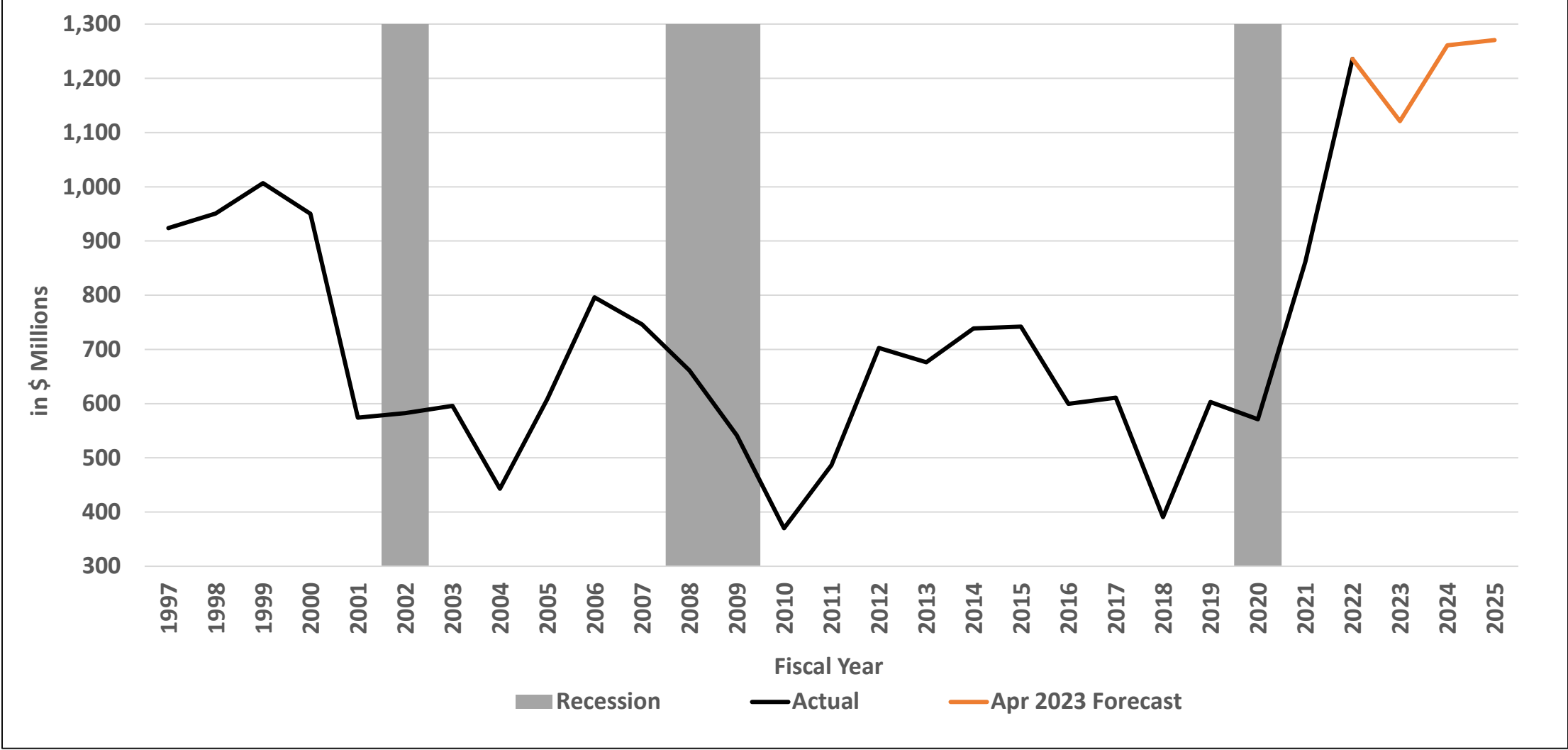




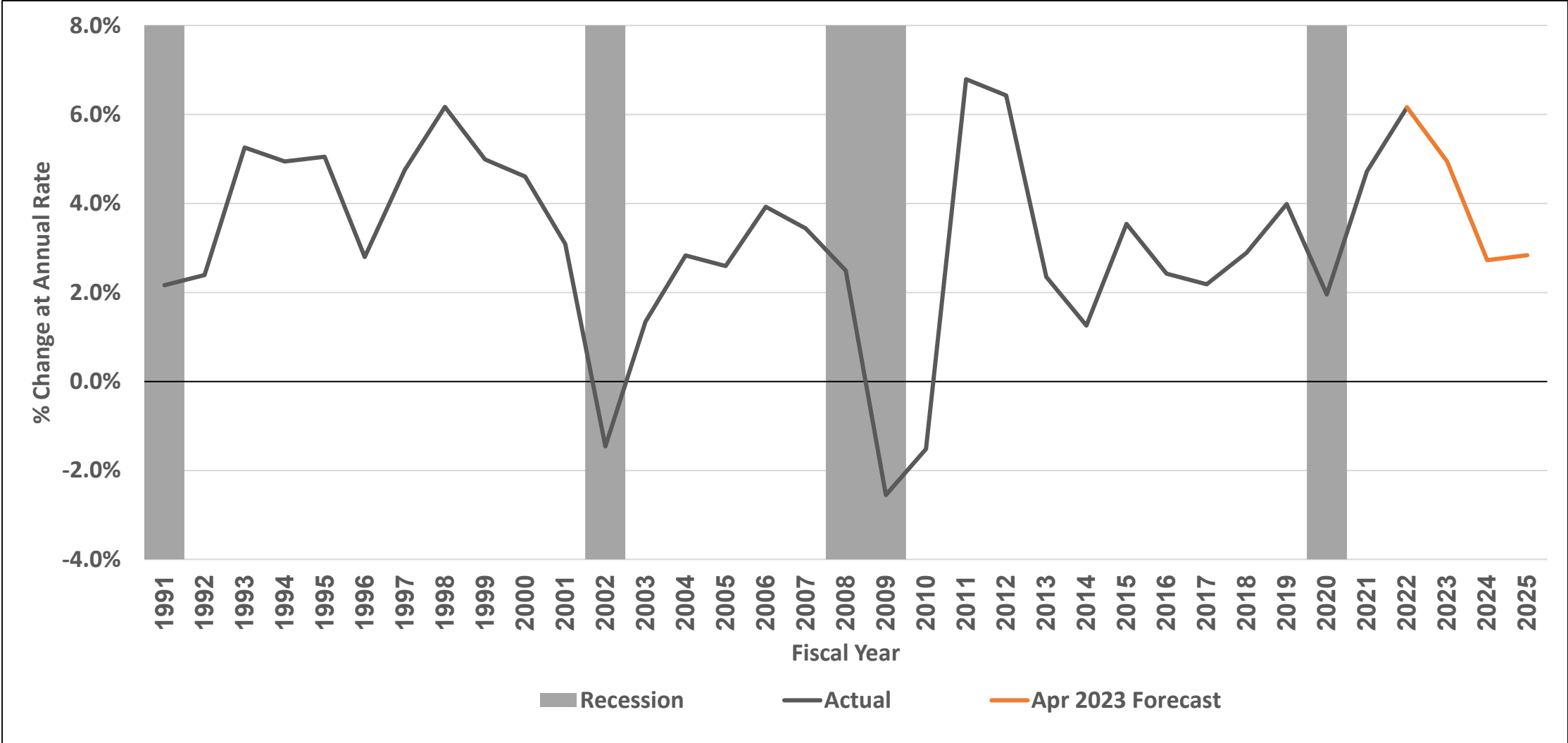
# Revenue Trend and Forecast – Adjusted Sales Tax



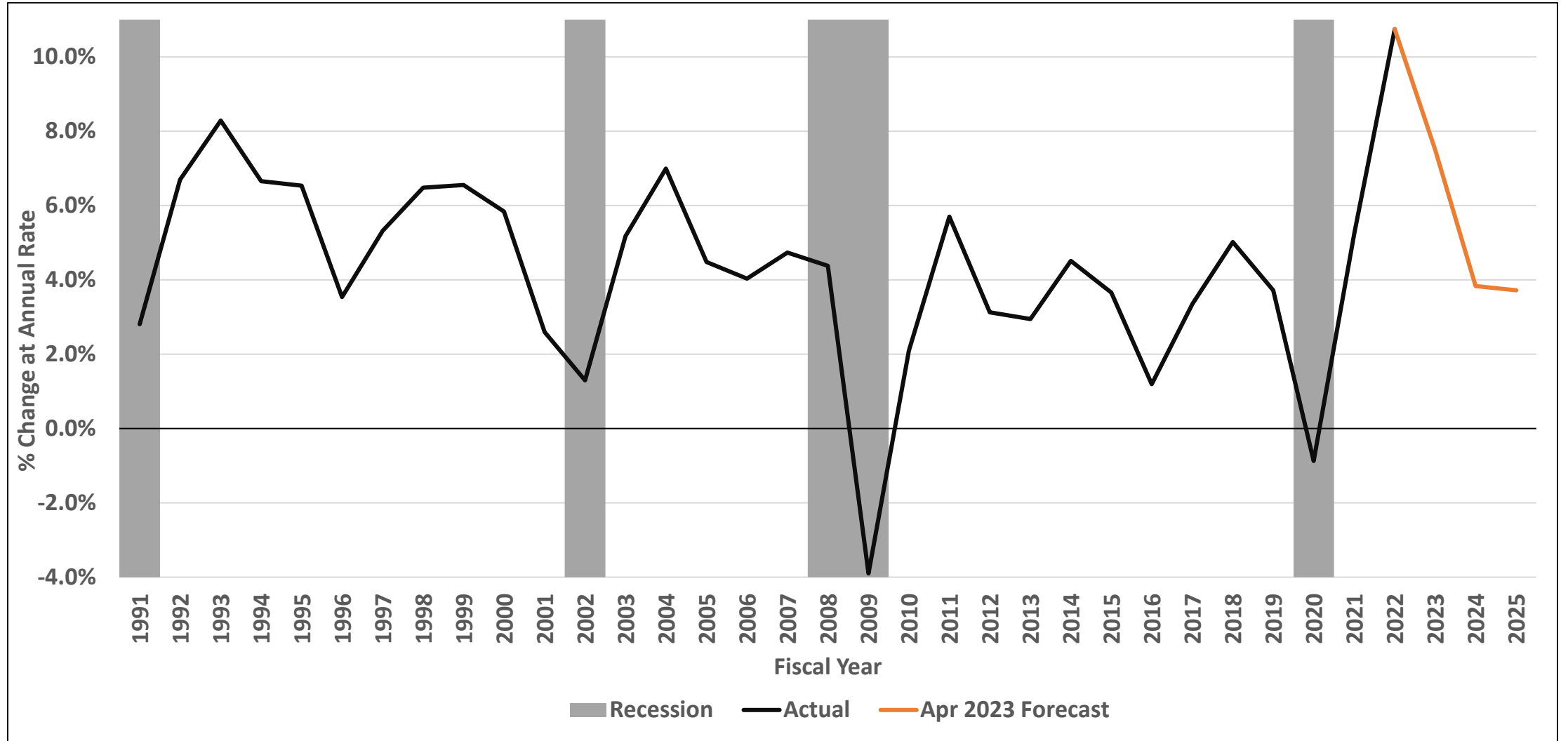
# Revenue Trend and Forecast – Adjusted Corporate Income Tax



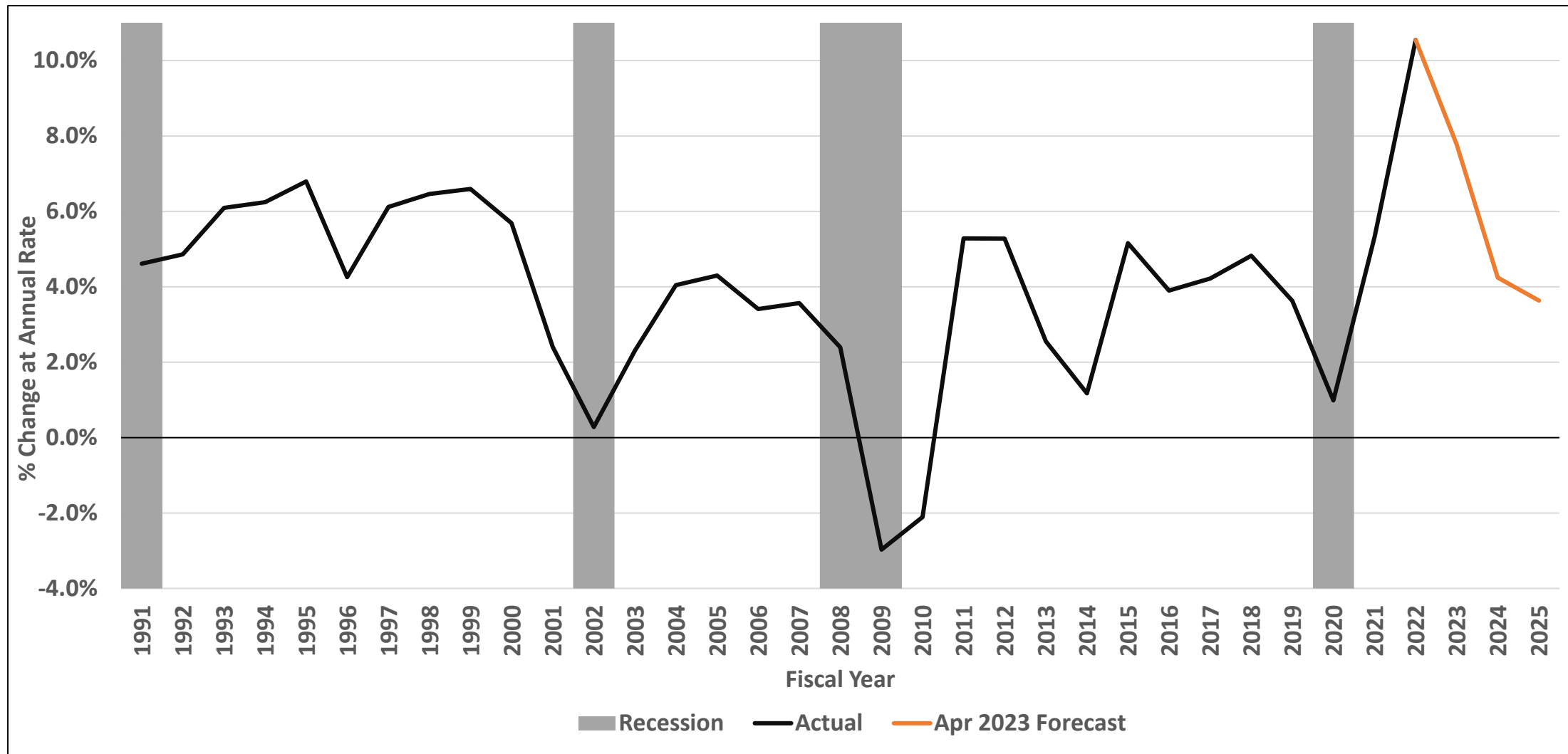
# Indiana Personal Income Net of Transfer Payments Per Household - Growth over Prior Year



# Indiana Gross State Product Growth over Prior Year



# Adjusted Wages and Salaries Growth over Prior Year



# U.S. Dividend Payment and Interest Income Growth over Prior Year

