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State General Revenue Inching Up in FY 2013

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Missouri General Revenue (GR) collections net of refunds grew 2.8 percent during the month of August and are up 6.6 percent overall for the first two months of fiscal year (FY) 2013 compared to the previous fiscal year. While a year-to-date growth of 6.6 percent is good news, it must be noted that in July the state GR fund received about \$38.6 million as part of a legal settlement with financial institutions who had engaged in illegal mortgage lending practices. Absent this one time money, the FY 2013 net GR growth rate would be 3.0 percent.

Individual Income Tax – Collections from this source dropped 1.2 percent during the first two months of this fiscal year, compared with last year. This decline was led by a 1.5 percent drop in Individual Income tax withholding. Although two months is too brief a period to make broad assumptions about, a decline in this tax source is always a cause of concern in that Individual Income tax accounted for 67 percent of state GR collections in FY 2012.

Sales and Use – As of August 31st, collections were up 5.7 percent for the year compared with the previous fiscal year. This follows a respectable performance in the final quarter of FY 2012, which saw sales and use tax grow 2.5 percent compared to the same quarter in FY 2011. It is encouraging to see this tax source display solid growth over an extended period.

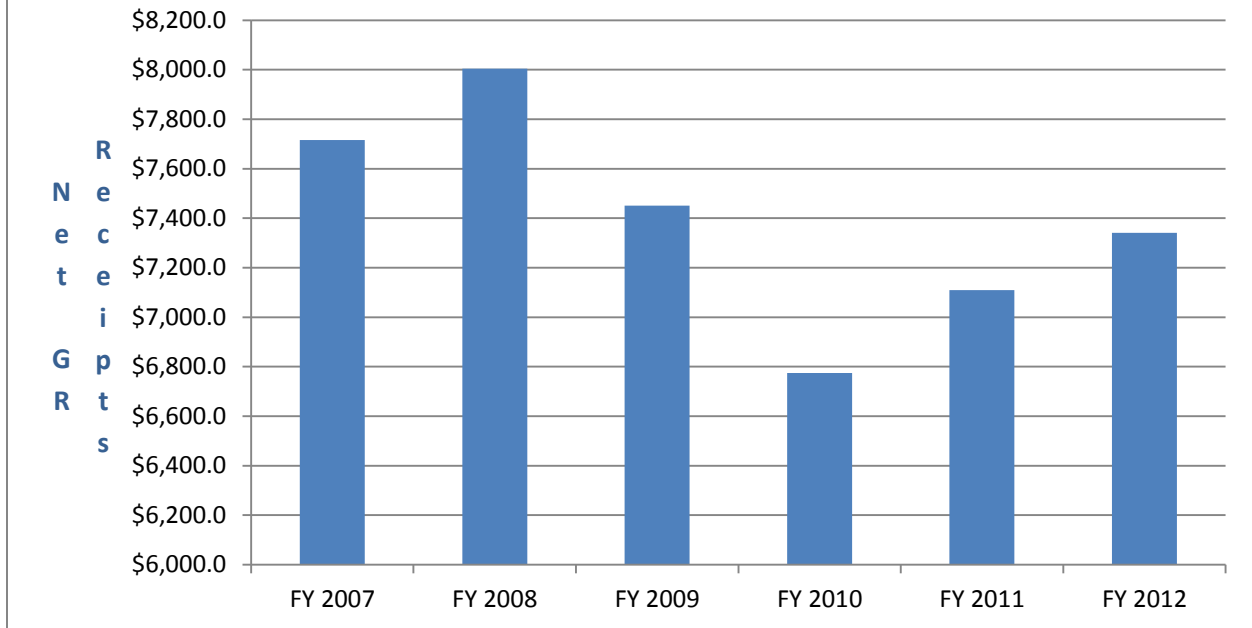
Corporate Income/Franchise – Collections from this source declined 3.1 percent over the first two months of FY 2013. This represents a continuation of the trend seen in the final quarter of FY 2012, which saw receipts in this area fall 3.0 percent. It is noted that both July and August are months in which relatively small amounts of corporate taxes are normally collected. Therefore, slow growth at this point in time is not a major concern.

Other Revenue Sources – As noted above, the \$38.6 million in receipts from the “mortgage settlement” has provided FY 2013 with a substantial shot in the arm. Without this revenue, net GR collections would be up only 3.0 percent.

GR Refunds – A primary bright spot in the GR picture through the end of August is that GR refunds are down 22.5 percent compared to the close of August one year ago.

The overall numbers through the end of August show the state with decent overall net GR growth. The solid showing in the sales tax area is certainly good news while the decline in individual income tax is a cause of concern. **It remains important to point out that even though the state has been experiencing steady revenue growth, collections in FY 2012 and almost certainly in FY 2013 will be well below the total obtained in FY 2008. See Chart below. Missouri continues to have a severe revenue problem.**

**Missouri General Revenue Remains
\$400 million lower than fiscal year 2008**



FY 2013 Revenue Collections through August
Dollars in Millions

Tax	Aug. FY 2012	Aug. FY 2013	% chg	FY 2012 YTD	FY 2013 YTD	% chg
Ind. Income	\$420.3	\$423.1	0.67	\$773.8	\$764.4	(1.21)
Sales & Use	\$194.3	\$194.0	(0.15)	\$321.0	\$339.4	5.73
Corp. Inc/Fran	\$13.4	\$11.1	(17.16)	\$28.8	\$27.9	(3.13)
County For Ins	\$29.0	\$27.4	(5.52)	\$29.1	\$27.5	(5.50)
All Other	\$21.1	\$28.1	33.18	\$43.8	\$83.9	91.55
Gross GR	\$678.1	\$683.7	0.83	\$1,196.5	\$1,243.1	3.89
GR Refunds	\$43.3	\$31.1	(28.18)	\$109.5	\$84.8	(22.56)
Net GR	\$634.8	\$652.6	2.80	\$1,087.0	\$1,158.3	6.56

Source: Missouri Office of Administration