

The Universities' Forecast of General Fund Revenues 2019 - 2021

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The Forecast

Forecast of Idaho General Fund Revenues for Fiscal Years 2019 - 2021

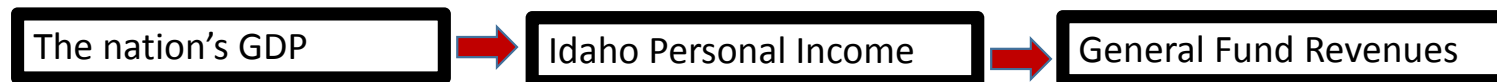
| | Actual | Forecast (millions of \$) | | |
|--------------------------------------|------------------|---------------------------|------------------|------------------|
| | 2018 | 2019 | 2020 | 2021 |
| Individual Income Tax | \$1,828.3 | \$1,772.2 | \$1,895.1 | \$2,014.6 |
| % Change from previous year | 10.7% | -3.1% | 6.9% | 6.3% |
| Corporate Income Tax | \$238.7 | \$292.0 | \$269.0 | \$275.8 |
| % Change from previous year | 11.5% | 22.3% | -7.9% | 2.5% |
| Sales Tax | \$1,490.0 | \$1,605.1 | \$1,685.4 | \$1,769.7 |
| % Change from previous year | 7.8% | 7.7% | 5.0% | 5.0% |
| <u>Product Taxes</u> | | | | |
| Cigarette Tax | \$7.3 | 10.8 | 11.0 | 11.0 |
| Tobacco Tax | \$13.3 | 13.9 | 14.6 | 15.2 |
| Beer Tax | \$2.0 | 2.0 | 2.1 | 2.1 |
| Wine Tax | \$4.8 | 4.9 | 5.0 | 5.1 |
| State Liquor Dispensary | \$31.0 | 32.1 | 33.4 | 35.0 |
| Total Product Taxes | \$58.3 | 63.7 | 66.1 | 68.4 |
| % Change from previous year | 0.4% | 9.3% | 3.8% | 3.5% |
| <u>Miscellaneous Revenues</u> | | | | |
| Kilowatt Hour Tax | \$2.6 | 2.0 | 2.0 | 2.0 |
| Mine License Tax | \$0.0 | 0.1 | 0.1 | 0.1 |
| Treasurer | \$4.7 | 1.0 | 6.0 | 7.0 |
| Judicial | \$9.2 | 8.5 | 8.5 | 8.5 |
| Insurance Premium Tax | \$70.5 | 74.0 | 77.8 | 81.8 |
| Secretary of State | \$3.5 | 3.5 | 3.5 | 3.5 |
| Dept of Lands | \$1.1 | 0.3 | 0.3 | 0.3 |
| Unclaimed Property | \$8.5 | 7.5 | 7.5 | 7.5 |
| Other Miscellaneous | \$16.2 | \$20.0 | \$20.0 | \$20.0 |
| Miscellaneous Total | \$116.3 | \$116.9 | \$125.7 | \$130.7 |
| % Change from previous year | -18.5% | 0.5% | 7.5% | 4.0% |
| Total General Fund | \$3,731.6 | \$3,849.9 | \$4,041.3 | \$4,259.2 |
| % Change from previous year | 8.2% | 3.2% | 5.0% | 5.4% |

Forecasting the Idaho General Fund

- The components of the General Fund are a function of the strength of the Idaho economy
 - Individual and Corporate Income Tax
 - Sales Tax
 - Beer, Wine, Insurance Premium ...
- The single best measure of the Idaho economy is Personal Income
 - Data are more current than other measures
 - Relatively easy to forecast

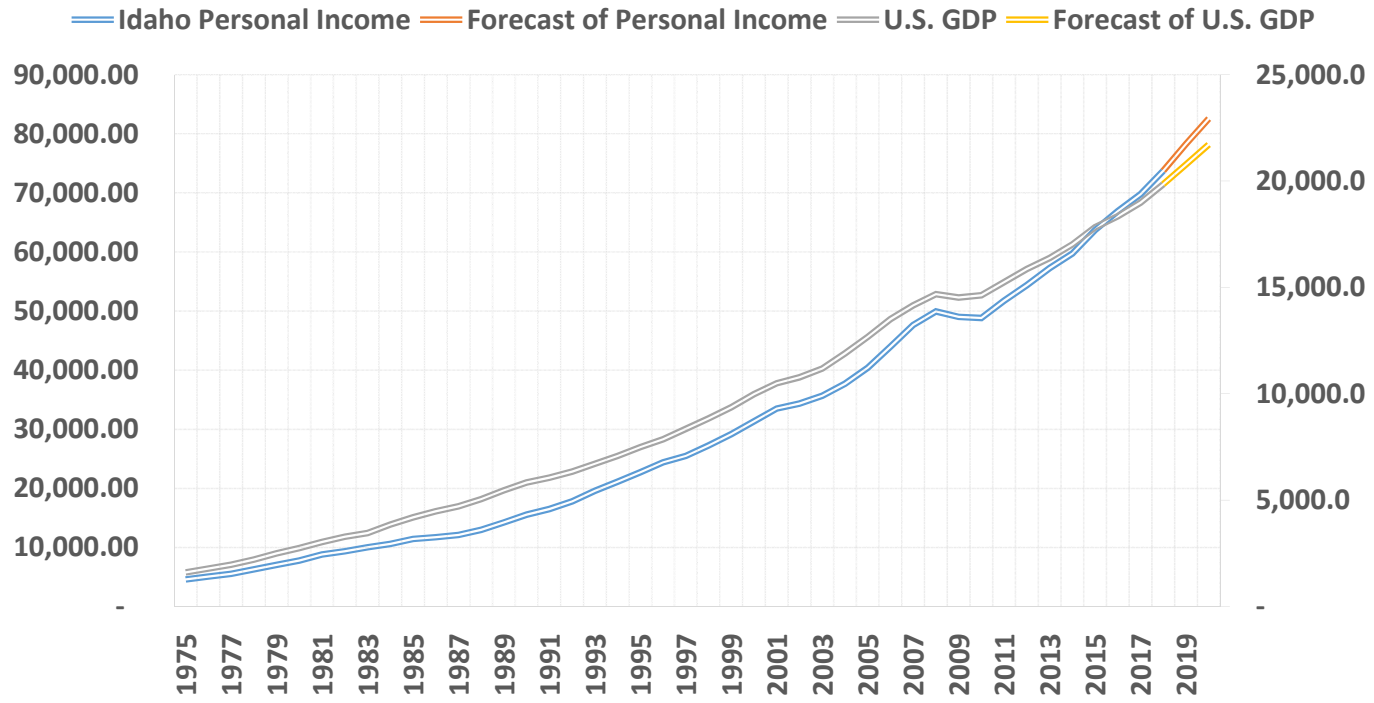
The Idaho Economy

- The strength of the Idaho economy is determined by the strength of the markets it serves
- ... and the single most important market served by Idaho is the rest of the U.S.



- We are sometimes inclined to ask how increases in interest rates or changes in the exchange rate will affect Idaho and the forecast of tax revenues.
- The forecaster of U.S. Gross Domestic Policy has taken care of that
- If a question remains it is “Will increases in the interest rate have a different impact on the Idaho economy than it will on the U.S. economy?”
- For the most part, “No”

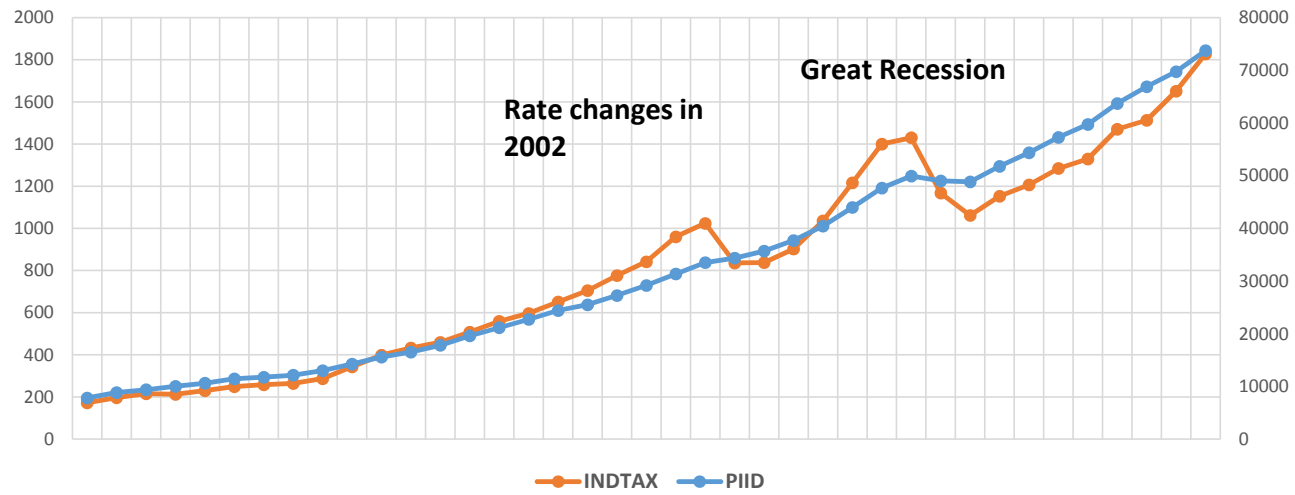
IDAHO PERSONAL INCOME AND U.S. GDP



What makes forecasting difficult for FY2119?

- Changes in the tax codes for the Individual and Corporate Income Taxes
- The Division of Financial Management and the Tax Commission have estimated that the impact on the Individual Income Tax is about \$90 million in the first year

Idaho Individual Income Tax and Idaho Personal Income: 1980 - 2018



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- We took detailed data for the Individual Income Tax from the Tax Commission for 2015
- We then estimated what collections would have been in 2015 if the new tax code was in effect
- The conclusion is that revenues would have been reduced by 10%
- The combination of rising income and changes in tax rates yielded a 3.1% decline for FY2019

Individual Income Tax Gross Collections for the First Four Months of FY2018 and FY2019

| | Monthly Collections | | | Year-to-Date Collections | | |
|--------|---------------------|---------------|---------------------|--------------------------|---------------|---------------------|
| | FY 2018 | FY 2019 | Pct Change Year Ago | FY 2018 | FY 2019 | Pct Change Year Ago |
| Aug-18 | \$136,372,814 | \$117,293,157 | -14.0% | \$136,372,814 | \$117,293,157 | -14.0% |
| Sep-18 | \$144,460,089 | \$124,667,801 | -13.7% | \$411,051,791 | \$355,097,243 | -13.6% |
| Oct-18 | \$153,698,860 | \$133,030,781 | -13.4% | \$564,750,652 | \$488,128,024 | -13.6% |
| Nov-18 | \$139,442,149 | \$110,817,570 | -20.5% | \$704,192,801 | \$598,945,594 | -14.9% |

Source: Idaho Tax Commission

Collections accrued and distributed to the General Fund through November were down 16.8%

That's a reduction in General Fund collections of over \$300 million

But that's at odds with our forecast and others

Some would like to attribute it to a withholding error and taxpayers will be forced to make up the difference when they file

If the withholding error is that large, then a mistake has been made!

1. 700,000+ employees when they designated the number of exemptions
2. Miscalculations by payroll departments in thousands of firms
3. The Idaho Tax Commission or the IRS in sending faulty guidelines

A mistake has been made

... maybe it's us!