

Comments Regarding May 2004 Receipts and Refunds

GENERAL COMMENTS

May 2004 had 20 processing days, one less than May 2003. Note that for the final processing day of the month, May 28, receipts were credited to June 1, 2004. The quarterly due date for withholding, sales, use, corporate estimate, and individual estimate payments was April 30. The processing of these payments occurred in both April and May. The due date for insurance premium tax estimate payments for tax year 2004 is June 1. Processing of insurance tax prepayments occurs in both May and June.

A more detailed analysis of the four major taxes and for insurance premium and other taxes exhibiting unusual activity during May is presented below. The following analysis includes adjustments that allow tax receipts for May 2004 and May 2003 to be evaluated on a comparable basis. Tables summarizing May and year-to-date receipts and refunds on an unadjusted and an adjusted basis are attached.

RECEIPTS

INDIVIDUAL INCOME TAX

Gross: 30.6%**Adjusted: 29.1%**

For May 2004 total individual income tax receipts increased by \$76.8 million (30.6%) compared to May 2003. Total adjusted tax receipts from individual income tax increased \$74.0 million (29.1%) compared to last May. Year-to-date, individual income tax receipts have increased \$173.2 million (7.8%) before adjustment and by \$173.6 million (7.9%) after adjustments.

Individual return receipts increased by \$40.6 million (73.9%) on an unadjusted basis compared to May 2003. On an adjusted basis, receipts increased by \$38.9 million (61.5%). The difference in adjustments is due to a \$1.4 million increase in transfers from the accounts receivable clearing account.

The number of individual income tax final payment vouchers processed in May increased from 58,239 last year to 101,124 this year. The dramatic increase in the number of vouchers processed appears to rest on two interrelated factors. The first factor is the increase in electronic filing. For this processing year, the number of taxpayers who chose to file electronically was 759,142, compared to 698,258 last year (excluding approximately 40,000 Web and Telefile each year). Of the electronic filers, 109,407 returns reported tax due, an increase of 21,514.. A taxpayer cannot pay taxes due electronically with the electronic return, the check must be remitted separately, in contrast to the tradition of including payment with the paper return. Therefore, many payments were received at or near the deadline, even though the return had been electronically filed earlier. While the taxpayers chose to remit their taxes due later, close to the deadline, the Department chose to prioritize the processing of refunds so that depositing of

taxes due was delayed later in May. The table below illustrates the transfer of receipts from April of last year to May of this.

	<u>Processing Year 2004</u>				<u>Processing Year 2003</u>			
	Number	Amount	% of Total Count	% of Total Amount	Number	Amount	% of Total Count	% of Total Amount
Jan	818	\$0.77	0.3%	0.4%	862	\$1.42	0.4%	0.8%
Feb	15,692	\$5.95	6.7%	2.8%	14,225	\$4.66	6.4%	2.7%
Mar	55,004	\$43.74	23.3%	20.6%	45,361	\$27.21	20.4%	15.7%
Apr	63,096	\$64.66	26.8%	30.5%	103,237	\$82.74	46.5%	47.8%
May	101,124	\$96.85	42.9%	45.7%	58,239	\$57.02	26.2%	32.9%
Total	235,734	\$211.96	100.0%	100.0%	221,924	\$173.05	100.0%	100.0%
June					4,839	\$2.93		

amounts in millions

For the processing season so far, deposits from pay returns have increased from \$173.1 million last year to \$212.0 million this year. The number of payment vouchers received has increased from 221,924 last year to 235,734 this year.

Withholding tax receipts increased \$34.4 million (18.9%) compared to May 2003. On an adjusted basis, withholding tax receipts increased \$33.3 million (18.8%). There were minor increases in all of the adjustments this month, with the overall adjustment not meaningful. For the fiscal year to date, unadjusted withholding tax receipts are up \$130.8 million (7.1%) and up \$123.7 million (6.9%) after adjustments.

Since quarterly withholding tax payments were due on April 30, an analysis of activity for both April and May is required to assess this revenue source. As the table below shows, there was a minor lag in processing.

Withholding	<u>Processing Year 2004</u>		<u>Processing Year 2003</u>		% Change in Amount
	Number	Amount	Number	Amount	
Apr	45,235	\$158.76	46,877	\$143.39	10.7%
May	71,008	\$204.44	69,157	\$175.46	16.5%
Total	116,243	\$363.20	116,034	\$318.85	13.9%

amounts in millions

However, there also was a change in timing in the recognition of processed receipts in the State's accounting system:

Withholding	<u>Processing Year 2004</u>		<u>Processing Year 2003</u>	
	Processing	IFAS	Processing	IFAS
Apr	\$158.76	\$144.82	\$143.39	\$140.27
May	\$204.44	\$216.22	\$175.46	\$181.82
Total	\$363.20	\$361.03	\$318.85	\$322.09

amounts in millions

Note that there were three Fridays in the last half of April 2004. The 'three-Friday' effect has been estimated to be \$8 million. The corresponding three Fridays last year occurred in the last half of May. Therefore, next month's withholding receipts will appear lower compared to June, 2003.

Estimate payments increased \$1.7 million (12.2%) compared to May 2003. The number of estimate payments processed during May 2004 was 18,911

compared to 17,332 processed in May 2003. The average amount of an estimate payment increased \$86.67 (12.1%), from \$709.74 last year to \$796.41 this year.

Since first-quarter individual estimate payments were due on April 30, an analysis of activity for both April and May is required to assess how this revenue source compared to last year. For the April-May period the number of payments received this year increased from 59,449 payments made in April and May of 2003 to 61,867 (4.1%) this year. The amount of first quarter estimate payments increased by \$4.9 million (12.3%) from \$39.9 million last year to \$44.8 million this year. The average payment increased by \$52.91 (7.9%) from \$671.70 last year to \$724.61.

SALES TAX

Gross: 6.2%

Adjusted: 6.7%

May 2004 sales tax receipts increased \$11.1 million (6.2%) compared to May 2003. On an adjusted basis, May sales tax receipts increased \$13.8 million (6.7%). The major change in adjustments for the month was a \$4.2 million increase in school local option distributions. This was somewhat offset by increased in accounts receivable collections and a decrease in regular local options distributions. Year-to-date, sales tax receipts have increased \$15.7 million (1.2%) unadjusted and increased by \$59.7 million (3.7%) after adjustments. The majority of the year-to-date adjustment is due to increases in local option distributions.

The first quarter quarterly sales tax payment was due April 30, therefore an analysis of April and May activity is required to understand how this year compares to last year. Quarterly sales tax payment filings for the January through March, 2004, quarter increased 1.1% to 73,906 compared to 73,114 in the same period last year. The amount of payments processed during this two-month processing period totaled \$127.5 million this year compared to \$110.6 million last year. This is an \$16.8 million (15.2%) increase. The average payment increased 14.0%.

USE TAX

Gross: 4.4%

Adjusted: 5.2%

For May 2004, use tax receipts increased \$1.3 million (4.4%) compared to May 2003. On an adjusted basis, use tax receipts increased \$1.6 million (5.2%). There was one one-time-only receipt during May 2003 from one taxpayer of \$6.2 million. Fiscal year-to-date, use tax receipts have increased \$13.4 million (5.6%). On an adjusted basis, year-to-date receipts have increased \$19.4 million (8.4%).

First quarter retailers' use tax reconciliation payments were due April 30. Processing was done in both April and May. For the two months combined, the number of retailers' use tax returns decreased 8.7% compared to the same two months in 2003. The total amount processed in retailers' use tax increased 2.6%. The total amount received for April and May was \$43.0 million; \$41.9 million was received in the same period last year.