

Department of Revenue Administration

Revised Revenue Estimates

The Department of Revenue Administration (DRA) has developed revised FY19 revenue estimates as well as growth rates for FY20 and FY21 for the following taxes: Business Profits Tax (BPT), Business Enterprise Tax (BET), Meals and Rentals Tax, Tobacco Tax, Communications Services Tax, Real Estate Transfer Tax, and Utility Property Tax. These are estimates based on currently available data (through January 2019) and DRA experience, and are subject to change.

Estimate Scenarios	Description
Actual with Plan	Actual revenue from the first seven months of FY19 with Plan revenue for the last five months of FY19
Actual with Prior Year	Actual revenue from the first seven months of FY19 with actual prior year revenue for the last five months of FY19
Sustaining % Versus Plan	Actual revenue from the first seven months of FY19 plus sustaining % versus Plan for the last five months of FY19
Year-Over-Year Growth	Actual revenue from the first seven months of FY19 plus sustaining % versus prior year for the last five months of FY19

Meals & Rentals Tax

- **DRA Revised FY19 estimates:**
 - Low: Actual with Plan
 - High: Sustaining % Versus Plan

- **Factors to consider:**
 - FYTD 1.1% ahead of Plan
 - FYTD 5.9% ahead of prior year
 - Historically 5%+ year-over-year growth
 - Impact of slowing economy

Summary of Estimates

	A	B	C		D		E	
1		FY19	FY19 Revised		FY20 Growth Range		FY21 Growth Range	
2	<i>\$ in Millions</i>	Plan	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
3	Meals & Rentals Tax ¹	\$ 346.5	\$ 349.0	\$ 350.5	3.0%	5.0%	0.0%	3.0%

¹Meals & Rentals Tax figures are net of School Building Debt Aid

Tobacco Tax

- **DRA Revised FY19 estimates:**
 - Low: Year-Over-Year Growth
 - High: Sustaining % Versus Plan

- **Factors to consider:**
 - FYTD 5.0% below Plan
 - FYTD 6.4% below prior year
 - Cross border elasticity
 - Downward trend of stamps sales nationally
 - Increased use of other tobacco products and shift to alternative ways to consume nicotine

Summary of Estimates

	A	B	C		D		E	
1		FY19	FY19 Revised		FY20 Growth Range		FY21 Growth Range	
2	<i>\$ in Millions</i>	Plan	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
3	Tobacco Tax	\$ 214.5	\$ 202.4	\$ 203.8	-2.0%	-0.5%	-2.0%	-0.5%

Interest & Dividends Tax

- **DRA Revised FY19 estimates:**
 - Low: Year-Over-Year Growth
 - High: Actual with Prior Year

- **Factors to consider:**
 - FYTD 3.8% below Plan
 - FYTD 12.6% below prior year
 - Historical Year-Over-Year swings
 - Interest rates

Summary of Estimates

	A	B	C		D		E	
1		FY19	FY19 Revised		FY20 Growth Range		FY21 Growth Range	
2	<i>\$ in Millions</i>	Plan	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
3	Interest & Dividends Tax	\$ 98.0	\$ 92.9	\$ 100.7	1.0%	2.0%	-1.0%	0.0%

Communications Services Tax

- **DRA Revised FY19 estimates:**
 - Low: Actual with Plan
 - High: Sustaining % Versus Plan

- **Factors to consider:**
 - FYTD 2.5% ahead of Plan
 - FYTD 5.0% below prior year
 - Taxability of internet access
 - Decrease in landlines
 - Modern purchasing trends in wireless communications

Summary of Estimates

	A	B	C		D		E	
1		FY19	FY19 Revised		FY20 Growth Range		FY21 Growth Range	
2	<i>\$ in Millions</i>	Plan	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
3	Communications Services Tax	\$ 40.7	\$ 41.3	\$ 41.7	-9.0%	-7.0%	-9.0%	-7.0%

Real Estate Transfer Tax

- **DRA Revised FY19 estimates:**
 - Low: Sustaining % Versus Plan and Year-Over-Year Growth
 - High: Actual with Plan
- **Factors to consider:**
 - FYTD 5.4% below Plan
 - FYTD 4.5% ahead of prior year
 - Available housing and property values
 - Mortgage interest rates

Summary of Estimates

	A		B		C		D		E	
1			FY19		FY19 Revised		FY20 Growth Range		FY21 Growth Range	
2	<i>\$ in Millions</i>		Plan		<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
3	Real Estate Transfer Tax ¹		\$	164.3	\$ 155.4	\$ 158.5	1.0%	2.0%	0.0%	2.0%

¹Real Estate Transfer Tax is net of LChip

Utility Property Tax

- **DRA Revised FY19 estimates:**
 - Low: Year-Over-Year Growth
 - High: Actual with Plan
- **Factors to consider:**
 - FYTD 10.7% below Plan
 - FYTD 15.5% below prior year
 - Factors that can affect the growth:
 - Valuation appeals
 - Some property may decline in value due to changes in economic conditions
 - New taxable property may be constructed

Summary of Estimates

	A	B	C		D		E	
1		FY19	FY19 Revised		FY20 Growth Range		FY21 Growth Range	
2	<i>\$ in Millions</i>	Plan	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
3	Utility Property Tax	\$ 43.4	\$ 38.2	\$ 41.0	0.5%	2.0%	0.5%	2.0%

DRA Revised Estimated Revenues

	A	B	C		D		E	
1		FY19	FY19 Revised		FY20 Growth Range		FY21 Growth Range	
2	<i>\$ in Millions</i>	Plan	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
3	Meals & Rentals Tax ¹	\$ 346.5	\$ 349.0	\$ 350.5	3.0%	5.0%	0.0%	3.0%
4	Tobacco Tax	\$ 214.5	\$ 202.4	\$ 203.8	-2.0%	-0.5%	-2.0%	-0.5%
5	Interest & Dividends Tax	\$ 98.0	\$ 92.9	\$ 100.7	1.0%	2.0%	-1.0%	0.0%
6	Communications Services Tax	\$ 40.7	\$ 41.3	\$ 41.7	-9.0%	-7.0%	-9.0%	-7.0%
7	Real Estate Transfer Tax ²	\$ 164.3	\$ 155.4	\$ 158.5	1.0%	2.0%	0.0%	2.0%
8	Utility Property Tax	\$ 43.4	\$ 38.2	\$ 41.0	0.5%	2.0%	0.5%	2.0%

¹Meals and Rentals Tax is net of School Building Debt Aid

²Real Estate Transfer Tax is net of LChip

Business Taxes BPT & BET: Split 60% BPT 40% BET

- Factors to consider:**

- FYTD 48.3% ahead of Plan
- FYTD 32.4% ahead of prior year
- One-time anomalies due to federal tax reform
- Anomalies due to one-time business activities – i.e., capital gains, mergers and acquisitions
- Impact of continued strong and then slowing economy

Summary of Estimates

	DRA Estimate		FY2018 Revenue \$775.9m / FY2017 Revenue \$639.0m
	Low	High	Explanation
FY18 Revenues	\$775.9	\$775.9	Actual FY18 revenue
One-Time Anomalies	\$108.6	\$85.3	Subtract estimated one-time anomalies due to federal tax reform and one-time business activities, 11% to 14%.
Estimated FY18 Base	\$667.3	\$690.6	Assumes growth of 4.5% to 8%.

Summary of Estimates

	A		B		A		B	
	FY19 Growth Range		FY19 Revised		FY20 Growth Range		FY21 Growth Range	
	Low	High	Low	High	Low	High	Low	High
Estimated Growth/Base	5.0%	8.0%	\$700.7	\$745.8	2.5%	6.0%	1.0%	3.0%
One-Time Anomalies	14.0%	17.0%	\$93.4	\$117.4	2.0%	8.0%	1.0%	3.0%
	Total		\$794.1	\$863.2	Rate Reductions	\$ (32.40)	Rate Reductions	\$ (50.4)