GENERAL FUND REVENUE

Summary of General Fund Forecast

The enacted June 2013 budget for FY 2014 assumes total net General Fund revenues of $9.06 billion. This amount is a decrease of (3.4)% compared to enacted FY 2013 General Fund revenues.

Base revenues represent ongoing General Fund revenues, exclusive of tax law and revenue changes, one-time revenue adjustments, and any balance forward from the previous fiscal year. For FY 2014, base revenues are projected to increase 4.9% when compared to forecasted FY 2013 revenues. The detailed enacted budget revenue forecasts appear at the end of this section. *Table 10* compares the enacted FY 2014 forecast to the enacted FY 2013 forecast.

General Fund Base Revenue Forecast

FY 2013

The original FY 2013 budget was based on total net revenues of $9.02 billion. Excluding enacted budget legislation, one-time revenues, and balance forward from FY 2012, ongoing base revenues were projected to be $8.48 billion in FY 2013, or 5.1% above the prior fiscal year. As a result of revisions, the base revenue forecast was adjusted to 4.0%. Despite the lower percentage increase, the ongoing base revenue in the January Baseline was $62 million higher than in the May 2012 enacted budget. The reason for this is that the actual FY 2012 base revenue was higher than the estimate used in the May 2012 enacted budget.

As noted, the enacted FY 2013 budget assumes a 4.0% increase in base revenues compared to FY 2012. While there was some shifting among categories, both the January and the April "four-sector" consensus forecasts predicted base revenue growth of 4.0% *(see FY 2014 section for more information on the 4-sector consensus process). Table 1* includes consensus estimates from January 2013 and updated estimates from April 2013.

Table 1

4-Sector Estimates
FY 2013 Forecast Percentages
Base Revenue 1/

	FAC	UA Low	UA Base	JLBC	Avg
Sales Tax					
January	4.2%	2.8%	4.7%	4.6%	4.1%
April	4.8%	4.3%	4.9%	4.6%	4.6%
Individual Income Tax					
January	5.2%	5.2%	7.6%	5.5%	5.9%
April	7.4%	5.4%	7.4%	5.4%	6.4%
Corporate Income Tax					
January	5.3%	4.7%	5.1%	3.3%	4.6%
April	1.4%	1.1%	1.1%	-3.5%	0.0%
Overall 2/					
January	4.7%	4.0%	5.9%	4.0%	4.0%
April	5.6%	4.5%	5.6%	4.2%	4.0%

1/ Prior to any tax law or other revenue changes.
2/ Includes JLBC Staff estimates for other revenue categories. The enacted June 2013 budget revisions for FY 2013 utilized the January 4-Sector estimates.

FY 2014

The January FY 2014 JLBC Baseline forecasted total net revenues of $8.98 billion for FY 2014. Excluding one-time revenues and Urban Revenue Sharing, the ongoing revenues were projected at $8.93 billion. This amount reflected a base revenue increase of 4.9% compared to FY 2013. The JLBC's FY 2014 estimated growth rates for the "Big 3" revenue categories (sales tax, individual income tax, and corporate income tax) were initially developed and revised using a 4-sector consensus process. This process is based on averaging the results of the following 4 forecasts:

- The Finance Advisory Committee (FAC) panel forecast. This independent panel consists of 15 public and private sector economists that meet 3 times a year to provide the Legislature with guidance on the status of the Arizona economy.
- The University of Arizona Economic and Business Research (EBR) General Fund base model. The model is a simultaneous-equation model consisting of over 100 equations that are updated on an ongoing basis to accommodate changes in the economy. The model uses over 200 variables related to Arizona's economy and is updated quarterly.
- EBR's conservative forecast model, and
- JLBC Staff projections.

The growth rates for the Big 3 categories used in the development of the JLBC revenue estimates from each sector of the forecast are detailed in *Table 2* below. As with the FY 2013 table in the prior section, *Table 2* includes consensus estimates from January 2013 and updated estimates from April 2013. As with the FY 2013 forecast noted in the prior section, both the January and the April 4-sector forecasts resulted in the same projected growth rate.

Table 2

4-Sector Estimates
FY 2014 Forecast Percentages
Base Revenue [1/]

	FAC	UA Low	UA Base	JLBC	Avg
Sales Tax					
January	5.8%	1.8%	6.1%	5.5%	4.8%
April	4.8%	2.6%	5.8%	5.5%	4.7%
Individual Income Tax					
January	5.7%	1.0%	6.2%	5.9%	4.7%
April	5.8%	1.6%	6.7%	5.9%	5.0%
Corporate Income Tax					
January	7.3%	14.0%	22.5%	2.8%	11.7%
April	5.9%	12.8%	18.3%	1.2%	9.7%
Overall [2/]					
January	5.9%	2.5%	7.5%	5.4%	4.9%
April	5.3%	3.0%	7.2%	5.3%	4.9%

1/ Prior to any tax law or other revenue changes.
2/ Includes JLBC Staff estimates for other revenue categories. The enacted June 2013 budget for FY 2014 utilized the January 4-Sector estimates.

The FY 2014 estimate for the remaining revenue categories, which constitute about 10% of the total, was based on JLBC Staff estimates.

The enacted FY 2014 budget assumes a 4.9% increase in base revenues compared to FY 2013, as shown in *Table 2*. This translates into a General Fund base revenue estimate of $8.92 billion for FY 2014.

Table 3 below summarizes the changing revenue picture for FY 2013 and FY 2014 through the phases of budget development. The growth rates in the table reflect ongoing base revenues.

Table 3

Base Revenue Change Assumptions

	% Change
FY 2013	
Adopted FY 2013 Budget (May 2012) *(compared to forecasted 12 revenues)*	5.1%
JLBC Baseline (January and April 4-Sector Consensus)	4.0%
Enacted FY 2014 Budget (June)	4.0%
FY 2014	
4-Sector Consensus (January & April)	4.9%
Enacted FY 2014 Budget (June)	4.9%

Revenue Adjustments

Table 4 below provides an overview of base revenue growth rates for FY 2013 and FY 2014 with budget legislation changes (which include a number of tax law changes and revenue adjustments described in more detail in *Table 5* and *Table 6*) and one-time financing sources. The table shows the base and adjusted revenue growth rates based on the enacted FY 2014 budget.

Table 4

General Fund Revenue Growth Rates
Based on Enacted FY 2013 and FY 2014 Budget
($ in Millions)

	FY 2013	%	FY 2014	%
Base Revenue	$8,508.2 [1/]	4.0%	$8,923.3	4.9%
Previously Enacted Changes	N/A		(46.9)	
Newly Enacted Tax Law Changes	4.6		(6.9)	
Temporary 1¢ TPT Increase	924.2		0.0	
Urban Revenue Sharing	(513.6)		(561.0)	
One-Time Financing Sources:				
Balance Forward	397.0		693.7	
Previously Enacted Changes	(52.0)		0.0	
Newly Enacted Tax Law Changes	0.0		(24.8)	
Fund Transfers	96.0		76.9	
DEQ Settlement	10.5		0.0	
Subtotal	451.5		745.8	
Adjusted Revenue	**$9,374.9**	**3.4%**	**$9,054.4**	**(3.4)%**

1/ $(33.3) million in tax law and revenue changes from the original FY 2013 budget are included in the FY 2013 base. The FY 2013 increase of 4.0% excludes these changes.

Ongoing Budget Legislation

Each year there are statutory tax law and other revenue changes that impact the state's revenue collection base. These may include tax rate or tax exemption changes, conformity to federal tax law changes, or the implementation of programs that affect revenue collections.

FY 2013

For FY 2013, ongoing budget legislation enacted prior to the 2013 legislative session is estimated to reduce General Fund revenues by $(33.3) million. *Table 5* provides a summary of budget legislation changes with ongoing revenue impacts in FY 2013. As noted above, the FY

Table 5

FY 2013 Budget Legislation Changes With Ongoing Revenue Impact ($ in Millions)

Prior Year Changes (Year Enacted)	
Renewable Energy Production Credit (2010)	$ (10.0)
Arizona Commerce Authority (2010)	(10.7)
QSCB Revenue (2010)	(1.8)
Lottery Decrease (Debt Service) (2010)	(16.8)
Subtotal	$ (39.3)
2012 Tax Law and Revenue Changes	
New STO Tax Credit	$ (4.0)
Clean Elections Tax Credit Elimination	12.8
Long-Term Care Insurance	(4.1)
Healthy Forest	(0.1)
Lottery Distribution	3.5
Pari-Mutuel Tax Redirect	(0.3)
Use Tax Declaration Repeal	(1.8)
Subtotal	$ 6.0
Total – FY 2013 Revenue Impact	**$ (33.3)**

2013 base revenue growth of 4.0% excludes these changes. Further details on these changes can be found on page 294 and 295 of the *FY 2013 Appropriations Report*.

As shown in *Table 4*, new tax legislation enacted after 2012 provided an additional $4.6 million in ongoing revenue in FY 2013. This revenue increase was due to Laws 2013, Chapter 65, which conformed Arizona tax statutes to the federal tax code as of January 3, 2013. (For more detail, see Internal Revenue Code Conformity tax law change on page 329.)

FY 2014

For FY 2014, previously enacted tax law changes are estimated to reduce General Fund revenues by $(46.9) million. Tax law and revenue changes enacted during the 2013 legislative session are expected to result in an additional revenue loss of $(6.9) million in FY 2014. This reduces the FY 2014 ongoing net revenue impact to $(53.8) million. This estimate does not reflect "dynamic" revenue impacts resulting from any potential change in taxpayer behavior induced by tax law changes. A summary of previously and newly enacted budget legislation changes with ongoing revenue impacts in FY 2014 is shown in *Table 6*.

Prior Year Changes

In addition to the tax law and revenue changes enacted during the 2013 legislative session, the following changes (as described below) were enacted in prior sessions and will have an impact on FY 2014 revenue collections.

Table 6

FY 2014 Budget Legislation Changes With Ongoing Revenue Impact ($ in Millions)

Prior Year Changes (Year Enacted)	
Job Tax Credit (2011)	$ (18.2)
Corporate Sales Factor Change for Service Providers (2012)	(3.0)
Reduction of Long-Term Capital Gains (2012)	(17.5)
Income Tax Deduction for Federal Bonus Depreciation (2012)	(4.2)
Qualified Facility Credit (2012)	(4.0)
Subtotal	$ (46.9)
2013 Tax Law and Revenue Changes	
Prior FBLS Fee Increase	$ 0.3
IRS Conformity	13.7
Premium Revenues from Medicaid Expansion	7.3
Data Center TPT Exemption	(4.2)
Foster Care Credit	(0.9)
Interlock Device TPT Exemption	(0.6)
Increased 529 College Savings Plan Deductions	(4.0)
Expanding Working Poor Credit to Include Non-Itemizers	(18.0)
Exempts EZ Credit Certification Requirement	(0.5)
Subtotal	$ (6.9)
Total – FY 2014 Revenue Impact	**$ (53.8)**

Job Tax Credit – Laws 2011, 2nd Special Session, Chapter 1 created a $3,000 annual tax credit for each net new qualifying job added by an employer in the state. To qualify for the 3-year credit, the new employment position must: (1) be full-time, (2) pay at least the county median wage, and (3) include health insurance paid by the employer. In addition, a business cannot claim the credit unless it meets certain minimum job creation and capital investment requirements. Laws 2012, Chapter 343 removed the 400 maximum job tax credit claims per employer established by Chapter 1. The job tax credit is estimated to reduce revenues by $(18.2) million in FY 2014. (For the revenue impact after FY 2014, see page 420 of the *FY 2014 Baseline Book*.)

Corporate Sales Factor for Service Providers – Laws 2012, Chapter 2 allows multi-state service-providing companies to reduce their Arizona corporate income tax liability through a change in the calculation of the sales factor. To be eligible for the change, a company is required to derive at least 85% of its sales of services from out-of-state customers. The change in the calculation of the sales factor is phased in over 4 years, beginning in TY 2014. This provision is estimated to reduce corporate income tax collections by $(3.0) million in FY 2014. (For the revenue impact after FY 2014, see page 420 of the *FY 2014 Baseline Book*.)

Reduction of Long Term Capital Gains – Laws 2012, Chapter 343 reduces the individual income taxation of long term capital gains on assets acquired after TY 2011 by 25% over 3 years, beginning in TY 2013. This provision is estimated to reduce individual income tax collections by $(17.5) million in FY 2014. (For the revenue impact after FY 2014, see page 420 of the *FY 2014 Baseline Book*.).

Income Tax Deduction for Federal Bonus Depreciation – Laws 2012, Chapter 343 allows a one-time state individual income tax deduction equal to 10% of the bonus depreciation claimed on federal tax returns for assets placed in service after 2013. This provision is estimated to result in a one-time income tax loss of $(4.2) million in FY 2014. The revenue impact in FY 2015 and subsequent years depends on future actions by the U.S. Government.

Qualified Facility Tax Credit – Laws 2012, Chapter 343 created a new income tax credit for businesses that expand or locate qualified facilities in the state, beginning in TY 2013. The credit is 10% of the lesser of (1) the capital investment in the facility or (2) $200,000 for each net new employee hired at the facility. To qualify for the credit, a company is required to devote at least 80% of its property and payroll at the facility to manufacturing, research, or a national or regional headquarter. There are also certain minimum requirements with respect to wage and health insurance coverage for new employees at the facility. The credit is refundable but no single taxpayer can claim more than $30 million per calendar year. The credit must be taken in equal installments over 5 years. The qualified facility credit is subject to an annual aggregate cap of $70 million, which it shares with the renewable energy credit enacted in 2009. This provision is estimated to reduce revenues by $(4.0) million in FY 2014. (For the revenue impact after FY 2014, see page 420 of the *FY 2014 Baseline Book*.)

Current Year Changes

In the 2013 Session, the Legislature enacted the following ongoing tax law and revenue changes.

Prior FBLS Fee Increase – A.R.S. § 41-2144 and § 41-2146 authorize the Department of Fire, Building, and Life Safety (FBLS) to establish fees to support the State Fire Marshal and manufactured housing programs. A 2011 Auditor General performance audit found that the non-appropriated Mobile Home Relocation Fund was being charged more than its proportionate share to support the agency's operating budget. To reduce the Relocation Fund's share of administrative costs, the State Fire Marshal and manufactured housing programs raised fees in FY 2013. The Board of Manufactured Housing increased fees effective July 2012, and the State Fire Safety Committee increased fees effective September 2012. In total, ongoing revenue gain in FY 2014, the first full year that the fees are in effect, is estimated to be $270,000. These fees, however, are deposited into the General Fund. The department's budget includes an increase of $270,000 from the General Fund in FY 2014 for operation of the State Fire Marshal and manufactured housing programs. The increased appropriation is equivalent to the level of increased fees.

Internal Revenue Code Conformity – Laws 2013, Chapter 65 conforms Arizona tax statutes to the Internal Revenue Code (IRC) as of January 3, 2013 and establishes a tax credit for Tax Year 2013 in lieu of conforming to the retroactive provision of the Federal Aviation Administration (FAA) Modernization and Reform Act relating to rollover of amounts received in airline carrier bankruptcy. Chapter 65 is estimated to result in a net revenue gain of $4.6 million in FY 2013, $13.7 million in FY 2014, $17.6 million in FY 2015, and $15.6 million in FY 2016.

Premium Tax Revenues from Medicaid Expansion – Laws 2013, 1st Special Session, Chapter 10 expands Medicaid coverage for adults up to 133% of the federal poverty level, beginning January 1, 2014. The expansion is estimated to gradually increase Medicaid enrollment by over 260,000 individuals by the end of FY 2016. Premiums paid to insure these additional enrollees are estimated to increase insurance premium tax collections deposited into the General Fund by $7.3 million in FY 2014, $34.2 million in FY 2015, and $36.4 million in FY 2016.

Data Center TPT Exemption – Laws 2013, 1st Special Session, Chapter 9 establishes, effective September 1, 2013, Transaction Privilege Tax (TPT) and Use Tax exemptions, for equipment purchased by owners, operators, or co-location tenants of computer data centers certified by the Arizona Commerce Authority (ACA). To qualify for the exemption, newly constructed data centers located in Maricopa and Pima Counties must make a minimum investment of $50 million over 5 years. The corresponding minimum requirement in other counties is $25 million. Existing data centers, which made an investment of at least $250 million during the 6 years immediately preceding the act's effective date, are eligible for the same exemption with respect to future equipment purchases. The exemptions are expected to reduce General Fund revenues by $(4.2) million in FY 2014, $(6.0) million in FY 2015, and $(7.9) million in FY 2016.

Foster Care Tax Credit – Laws 2013, 1st Special Session, Chapter 9 expands (retroactive to January 1, 2013) the existing working poor credit to include qualifying foster care charitable organizations. The maximum credit for cash contributions to qualifying foster care organizations is $400 for individuals filing as single or head of household and $800 for married couples filing joint returns. The foster care credit is estimated to result in an annual individual income tax reduction of $(850,000), beginning in FY 2014.

Subsequent to signing the FY 2014 budget into law on June 17, 2013, the Governor approved 2 additional tax bills with a revenue impact: SB 1179 (Laws 2013, Chapter 236) and HB 2531 (Laws 2013, Chapter 256). SB 1179, which includes numerous sales, income, and property tax provisions with ongoing revenue impact, is described below. *Table 11* at the end of this section lists all the provisions contained in SB 1179, including those for which the fiscal impact is either unknown or believed to be minimal. HB 2531 is discussed in the *One-Time Financing* section on page 331.

Interlock Device TPT Exemption – Laws 2013, Chapter 236 exempts the leasing or renting of certified interlock devices from state and municipal TPT, retroactive to September 1, 2004. This provision is estimated to result in an annual General Fund revenue reduction of $(600,000), beginning in FY 2014.

Increased 529 College Savings Plan Deductions – Laws 2013, Chapter 236 increases the 529 college savings plan contributions that are deductible from state income tax from $1,500 to $4,000 for married couples filing joint returns and from $750 to $2,000 for all other filers. This provision, which is retroactive to January 1, 2013, is expected to result in an annual individual income tax reduction of $(4.0) million, beginning in FY 2014.

Expanding Working Poor Credit to Non-Itemizers – Laws 2013, Chapter 236 removes the requirement that an individual income tax filer itemizes deductions in order to claim the working poor tax credit. This provision is estimated to reduce individual income tax collections by $(18.0) million annually, beginning in FY 2014.

Exempts Enterprise Zone Credit Certification Requirement – Laws 2013, Chapter 236 provides that businesses, which were certified by ACA and then claimed first year credits under the now repealed Enterprise Zone (EZ) Credit program, be exempt from the requirement to file for certification in order to claim second or third year credits. This provision, which is retroactive to July 1, 2011, is estimated to reduce General Fund revenues by $(500,000) in FY 2014 and $(300,000) in FY 2015.

Temporary 1-Cent TPT Increase

At the May 2010 Special Election, voters approved a 1-cent increase of the TPT (more commonly referred to as sales tax) for 3 years, effective from June 1, 2010 through May 31, 2013. As shown in *Table 4*, the temporary TPT increase is estimated to generate additional General Fund revenues of $924.2 million in FY 2013, the third and final year of the temporary tax. The May 31, 2013 expiration of the 1-cent sales tax increase has the effect of reducing FY 2014 General Fund revenues by $(924.2) million relative to FY 2013.

Urban Revenue Sharing

The Urban Revenue Sharing (URS) program provides that a percentage of state income tax revenues (including both individual and corporate income tax) be shared with incorporated cities and towns within the state. The amount that is currently distributed to cities and towns is 15% of net income tax collections from 2 years prior. As indicated in *Table 4,* total URS distributions will increase from $513.6 million in FY 2013 to $561.0 million in FY 2014. The URS program reduces net General Fund revenues by an additional $(47.4) million in FY 2014.

One-Time Financing

As shown in *Table 4*, one-time financing sources have been used to help provide a balanced budget. The following is a discussion of one-time financing sources included in the budget for FY 2013 and FY 2014. *Table 7* provides the one-time detail.

FY 2013

The $54.5 million in one-time financing sources for FY 2013 includes:

TPT Estimated Payment – Laws 2010, 7th Special Session, Chapter 12 reduced the threshold for estimated Transaction Privilege Tax (TPT) payments from $1.0 million in annual TPT liability to $100,000 for FY 2010 through FY 2012. This change generated an estimated one-time General Fund revenue gain of $48.0 million in FY 2010 and is expected to result in a one-time revenue loss of $(52.0) million in FY 2013 when the estimated payment threshold reverts to $1.0 million.

Fund Transfers – The enacted FY 2013 budget provided for a total of $106.0 million in fund transfers. Under the January Baseline, this amount was adjusted to $96.0 million. The FY 2013 budget assumed a $10.0 million transfer to the General Fund from the Citizens Clean Elections Fund, based on the level of prior year transfers. A 1998 ballot initiative establishes a formula for the reversion of unused Clean Elections Funds to the General Fund. The ballot language makes the Citizens Clean Election Commission responsible for calculating the reversion amount. The Commission did not revert any funds in FY 2013.

DEQ Settlement – The Arizona Department of Environmental Quality (DEQ) settled a lawsuit with the Chevron Corporation in April 2013 over the misuse of State Assurance Funds from the Underground Storage Tank Program (UST). Under this settlement, Chevron is required to reimburse the State of Arizona an amount of $10.5 million. This amount was deposited into the General Fund in FY 2013.

Balance Forward – The FY 2012 General Fund ending balance carry forward into FY 2013 was $397.0 million.

FY 2014

The $52.1 million in one-time financing sources for FY 2014 includes:

Fund Transfers – The enacted FY 2014 budget provides for a total of $76.9 million in fund transfers *(for more detail, see the Detailed List of General Fund Transfers by Agency section)*.

Instant Depreciation – Laws 2013, Chapter 256 (HB 2531) removes the $25,000 cap on deductions from state income tax for qualified business equipment purchases under Section 179 of the Internal Revenue Code (IRC). Section 179 allows individual and corporate taxpayers to deduct, for income tax purposes, 100% of their qualified business expenses (up to a stipulated amount) in the year that the equipment was purchased rather than in smaller installments over several years according to a federal depreciation schedule. The $25,000 deduction cap was instituted in 2004 as a result of the Legislature's decision (Laws 2004, Chapter 196) not to conform to the higher Section 179 deduction allowances provided under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. Chapter 256 effectively conforms state tax statutes to Section 179 of IRC for qualified equipment acquired in taxable years beginning after December 31, 2012. The act is estimated to result in a one-time revenue loss of $(24.8) million in FY 2014. The revenue loss after FY 2014, if any, is contingent on federal actions with respect to Section 179.

Balance Forward – The budgeted FY 2013 General Fund ending balance carried forward into FY 2014 was estimated to be $693.7 million. Compared to the $397.0 million FY 2013 beginning balance, the projected FY 2014 balance reflects a gain of $296.7 million.

Table 7

FY 2013 and FY 2014 One-Time Financing Sources
($ in Millions)

	FY 2013	FY 2014
Balance Forward	$397.0	$693.7
Budget Legislation		
TPT Estimated Payment	(52.0)	
Instant Depreciation	0.0	(24.8)
Subtotal	(52.0)	(24.8)
DEQ Settlement	10.5	
Fund Transfers	96.0	76.9
Total One-Time Financing	**$451.5**	**$745.8**

Long-Term Projections

The FY 2014 budget also incorporated revenue planning estimates for FY 2015 and FY 2016. The January 2013 and April 2013 4-sector consensus estimate are shown in *Tables 8 and 9* respectively below.

The April 4-sector forecast was the basis for the JLBC Baseline. Under the April 4-sector consensus estimate, base revenue would increase by 6.1% in FY 2015 and 5.6% in FY 2016.

Table 8

4-Sector Estimates
FY 2015 Forecast Percentages
Base Revenue [1/]

	FAC	UA Low	UA Base	JLBC	Avg
Sales Tax					
January	5.7%	5.8%	7.9%	5.6%	6.3%
April	5.6%	5.5%	8.5%	5.6%	6.3%
Individual Income Tax					
January	5.8%	2.2%	6.3%	6.5%	5.3%
April	6.3%	3.7%	6.3%	6.7%	5.8%
Corporate Income Tax					
January	7.5%	6.5%	10.2%	4..1%	7.2%
April	4.7%	10.4%	16.4%	5.0%	9.4%
Overall [2/]					
January	5.9%	4.4%	7.4%	5.9%	5.9%
April	5.8%	5.2%	8.3%	6.0%	6.1%

1/ Prior to any tax law or other revenue changes.
2/ Includes JLBC Staff estimates for other revenue categories.

Table 9

4-Sector Estimates
FY 2016 Forecast Percentages
Base Revenue [1/]

	FAC	UA Low	UA Base	JLBC	Avg
Sales Tax					
January	5.2%	7.5%	7.9%	5.7%	6.6%
April	5.3%	6.7%	7.8%	5.7%	6.4%
Individual Income Tax					
January	5.9%	4.8%	7.3%	6.5%	6.2%
April	5.9%	4.6%	6.0%	6.5%	5.8%
Corporate Income Tax					
January	7.6%	0.8%	2.4%	6.1%	4.0%
April	3.9%	3.3%	5.6%	5.6%	4.6%
Overall [2/]					
January	5.7%	5.8%	7.2%	6.1%	6.2%
April	5.4%	5.6%	6.9%	6.0%	5.6%

1/ Prior to any tax law or other revenue changes.
2/ Includes JLBC Staff estimates for other revenue categories.

Tax Law Changes – FY 2015 and Beyond

In addition to the tax law and revenue changes affecting FY 2014, as noted above, there was another tax law change (described below) enacted in 2013 that will not have a revenue impact until FY 2016.

TPT Simplification – Laws 2013, Chapter 255 makes numerous changes to the state and municipal Transaction Privilege Tax (TPT) with respect to administration, collections, and auditing. In addition, effective from January 1, 2015, Chapter 255 exempts service and trade contractors from state and municipal contracting tax whenever they work directly for the property owners and such work is limited to maintenance, repair, or replacement of existing property. Instead, the materials purchased by such contractors will be subject to retail TPT. Chapter 255 is estimated to result in a net General Fund gain of $1.3 million in FY 2016.

Table 10

GENERAL FUND REVENUE - FY 2012-FY 2014

FORECAST REVENUE GROWTH

($ in Thousands)

	ACTUAL FY 2012	% CHANGE PRIOR YR	FORECAST FY 2013	% CHANGE PRIOR YR	$ CHANGE PRIOR YR	FORECAST FY 2014	% CHANGE PRIOR YR	$ CHANGE PRIOR YR
Taxes:								
Sales and Use	3,652,165.7	5.9%	3,801,949.3	4.1%	149,783.6	3,998,271.1	5.2%	196,321.8
Income - Individual	3,086,137.4	7.8%	3,265,549.1	5.8%	179,411.7	3,446,815.8	5.6%	181,266.7
- Corporate	643,771.8	14.9%	652,626.8	1.4%	8,855.0	683,355.9	4.7%	30,729.1
Property	15,887.9	-21.9%	16,000.0	0.7%	112.1	16,000.0	0.0%	0.0
Luxury - Tobacco	24,931.1	-0.5%	25,003.6	0.3%	72.5	24,158.5	-3.4%	(845.1)
- Liquor	31,426.0	10.1%	32,928.3	4.8%	1,502.3	33,140.6	0.6%	212.3
Insurance Premium	393,990.5	-4.8%	387,000.0	-1.8%	(6,990.5)	399,000.0	3.1%	12,000.0
Estate	200.8	-54.1%	0.0	-100.0%	(200.8)	0.0	N/A	0.0
Other Taxes	1,783.1	-57.5%	1,800.0	0.9%	16.9	1,800.0	0.0%	0.0
Sub-Total - Taxes	7,850,294.3	6.6%	8,182,857.1	4.2%	332,562.8	8,602,541.9	5.1%	419,684.8
Other Non-Tax Revenues:								
Lottery	81,932.2	0.6%	73,671.9	-10.1%	(8,260.3)	77,829.9	5.6%	4,158.0
Licenses, Fees and Permits	27,893.5	-1.2%	27,000.0	-3.2%	(893.5)	27,000.0	0.0%	0.0
Interest	10,177.1	123.3%	6,900.0	-32.2%	(3,277.1)	5,100.0	-26.1%	(1,800.0)
Sales and Services	35,730.9	-4.2%	35,000.0	-2.0%	(730.9)	35,000.0	0.0%	0.0
Other Miscellaneous	87,995.4	22.9%	76,874.6	-12.6%	(11,120.8)	73,000.0	-5.0%	(3,874.6)
Transfers and Reimbursements	23,471.4	-11.5%	25,000.0	6.5%	1,528.6	25,000.0	0.0%	0.0
Disproportionate Share Revenue	95,688.3	9.3%	80,861.2	-15.5%	(14,827.1)	77,868.4	-3.7%	(2,992.8)
Sub-Total - Other Non-Tax	362,888.7	7.6%	325,307.7	-10.4%	(37,581.0)	320,798.3	-1.4%	(4,509.4)
Subtotal On-Going Revenue	**8,213,183.0**	**6.6%** 1/	**8,508,164.8**	**3.6%** 2/	**294,981.8**	**8,923,340.2**	**4.9%**	**415,175.4**
Previously Enacted Tax Law Changes	0.0	N/A	0.0	N/A	0.0	(46,900.0)	N/A	(46,900.0)
Newly Enacted Tax Legislation	0.0	N/A	4,600.0	N/A	4,600.0	(6,896.0)	-249.9%	(11,496.0)
3-Year 1¢ TPT Increase	915,835.5	5.9%	924,237.3	0.9%	8,401.8	0.0	-100.0%	(924,237.3)
Subtotal w/Tax Law Changes	**9,129,018.6**	**6.6%**	**9,437,002.1**	**3.4%**	**307,983.5**	**8,869,544.2**	**-6.0%**	**(567,457.9)**
Urban Revenue Sharing (URS)	(424,423.4)	-10.5%	(513,584.1)	21.0%	(89,160.7)	(561,001.2)	9.2%	(47,417.1)
Subtotal w/Tax Law Changes/URS	**8,704,595.1**	**7.6%**	**8,923,418.0**	**2.5%**	**218,822.9**	**8,308,543.0**	**-6.9%**	**(614,875.0)**
One-Time Financing Sources:								
Previously Enacted Tax Legislation	13,867.4	N/A	(52,000.0)	-475.0%	(65,867.4)	0.0	-100.0%	52,000.0
Fund Transfers	306,403.5	19.1%	96,000.0	-68.7%	(210,403.5)	76,900.0	-19.9%	(19,100.0)
DEQ Settlement	0.0	N/A	10,500.0	N/A	10,500.0	0.0	-100.0%	(10,500.0)
Instant Depreciation	0.0	N/A	0.0	N/A	0.0	(24,800.0)	N/A	(24,800.0)
County Contributions	38,600.0	11.6%	0.0	-100.0%	(38,600.0)	0.0	N/A	0.0
Sub-Total - One-Time Financing Sources	358,870.9	23.0%	54,500.0	-84.8%	(304,370.9)	52,100.0	-4.4%	(2,400.0)
Subtotal - Revenues	**9,063,466.0**	**8.1%**	**8,977,918.0**	**-0.9%**	**(85,548.0)**	**8,360,643.0**	**-6.9%**	**(617,275.0)**
Balance Forward	3,243.0	-156.7%	396,960.0	N/A	393,717.0	693,732.5	74.8%	296,772.5
Total - Resources	**9,066,709.0**	**8.2%**	**9,374,878.0**	**3.4%**	**308,169.0**	**9,054,375.5**	**-3.4%**	**(320,502.5)**

1/ The 6.6% FY 2012 increase includes $(2.5) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2012 increase is 6.7%.
2/ The 3.6% FY 2013 increase includes $(33.3) million in tax law and other revenue changes. Adjusting for these changes, the base FY 2013 increase is 4.0%.

Table 11

General Fund Impact of Tax Provisions in Laws 2013, Chapter 236 (SB 1179)
($ in Millions)

Description (Effective Date)	Tax	FY 2014	FY 2015	FY 2016
Exempts qualified destination management companies from state TPT (Effective retroactively from January 1, 2002) 1/	Sales	Unknown	Unknown	Unknown
Exempts the leasing or renting of certified interlock devices from state and municipal TPT (Effective retroactively from September 1, 2004) 1/ 2/	Sales	(0.6)	(0.6)	(0.6)
Exempts energy drinks from state TPT (Effective September 13, 2013) 3/	Sales	Unknown	Unknown	Unknown
Expands Class 6 to include property that is used to manufacture motor vehicle biofuel and its by-products (Effective September 13, 2013) 4/ 5/	Property	Minimal	Minimal	Minimal
Increases the 529 college savings plan income tax subtraction from $1,500 to $4,000 for couples and from $750 to $2,000 for single filers (Effective retroactively from January 1, 2013) 6/	Individual Income	(4.0)	(4.0)	(4.0)
Eliminates the requirement that a filer itemizes deductions in order to claim the working poor tax credit (Effective September 13, 2013) 7/	Individual Income	(18.0)	(18.0)	(18.0)
Allows a higher education institution with at least 1 campus on which 2,000 or more students reside to reduce their tax liability by using a different sales factor calculation for educational services (Effective January 1, 2014) 8/	Corporate Income	Unknown	Unknown	Unknown
Exempts taxpayers from the annual certification requirement with ACA for purposes of claiming second and third year credits under the repealed Enterprise Zone Tax Credit program (Effective retroactively from July 1, 2011)	Individual & Corporate Income	$(0.5)	$(0.3)	$0.0
Total General Fund Impact 9/		**$ (23.1)**	**$ (22.9)**	**$ (22.6)**

Notes:

1/ Total amount of refundable claims from prior years is limited to $10,000. Impact is likely minimal as companies do not appear to have previously been collecting TPT on a widespread basis.

2/ See fiscal note for Senate Engrossed version of SB 1179.

3/ Impact unknown. Application of TPT on energy drinks has been inconsistent, so there is no reliable means of determining current collections.

4/ At present time, JLBC Staff is only aware of one production plant that would be affected by this provision. The annual K-12 basic state aid cost associated with this plant is estimated to be $20,000. This cost, however, could increase in future years.

5/ Property tax provisions affect state spending rather than state revenue.

6/ See fiscal note for SB 1176.

7/ See fiscal note for SB 1172.

8/ Due to taxpayer confidentiality, information on current collections is unavailable outside of the Department of Revenue.

9/ Does not include an estimate of "dynamic" revenue impacts.