Commission on Government Forecasting and Accountability

Clayton Klenke, Executive Director · Laurie Eby, Deputy Director

Co-Chairs: Sen. Dave Koehler and Rep. C.D. Davidsmeyer

Senators: Omar Aquino · Win Stoller · Donald DeWitte · Elgie Sims · David Syverson

Representatives: Sonya Harper · Elizabeth Hernandez · Martin McLaughlin · Anna Moeller ·Joe Sosnowski

MONTHLY BRIEFING

For the Month Ended: APRIL 2024

Inside this Issue

CGFA

COMMISSION ON GOVERNMENT FORECASTING & ACCOUNTABILITY

HTTPS://CGFA.ILGA.GOV/

PHONE: 217/782-5320

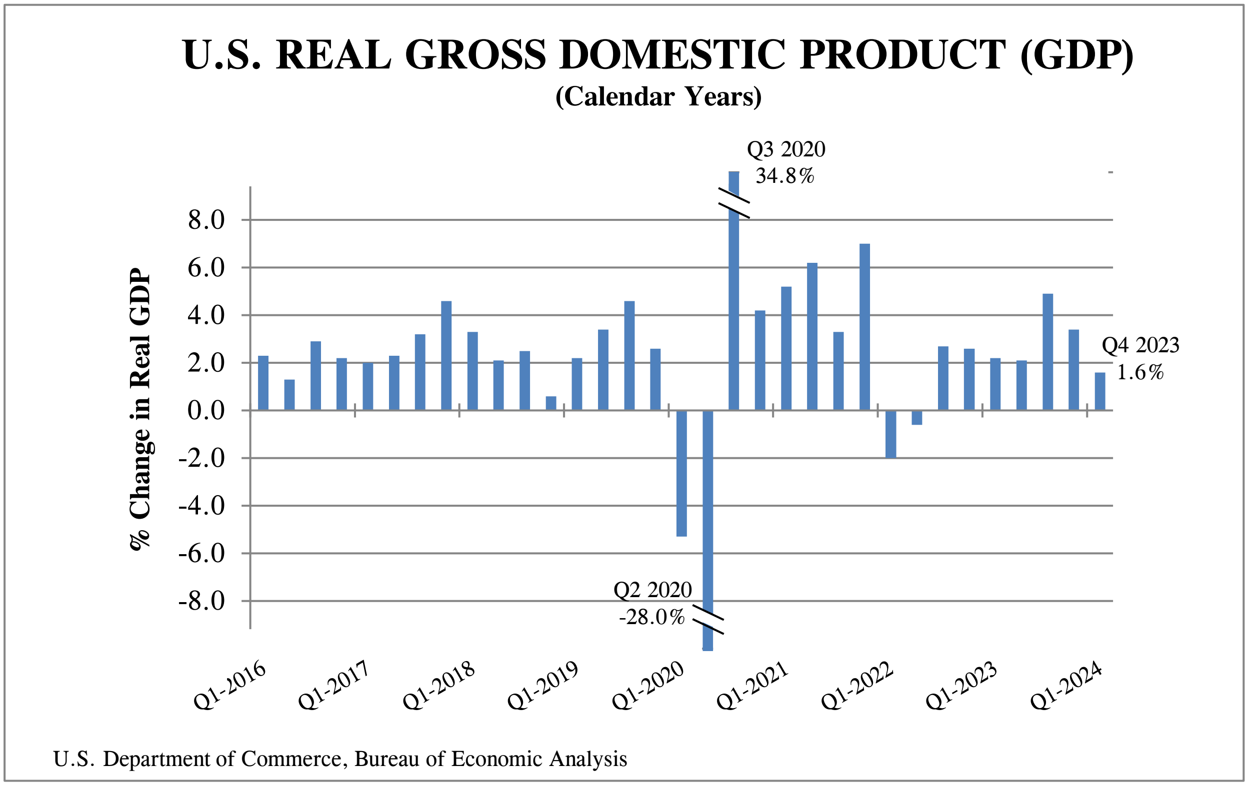
U.S. Economy Slows but Remains on Solid Ground

Benjamin L. Varner, Chief Economist

Last week, the U.S. Bureau of Economic Analysis released economic results for the 1st quarter of 2024. Real gross domestic product (GDP), which adjusts for inflation, slowed to a seasonally adjusted annual rate of 1.6%. This was down from the elevated levels of economic growth seen in the 3rd quarter (4.9%) and 4th quarter (3.4%) of 2023. While the slowdown in the economy was not unexpected, it was below what economic forecasters predicted. Prior to the release, forecasts had anticipated growth of just over 2%.

While headline growth was a little disappointing, looking into the individual components that make up GDP revealed a more encouraging picture of the U.S. economy. Consumer demand remained solid with spending on services leading the way. Business spending was a little slower than desired, but still respectable. Housing showed the highest level of growth since the 3rd quarter of 2020. Government spending slowed after five quarters of significant growth. Two components, changes in inventories and net exports, which are the more volatile portions of GDP, subtracted from economic growth in the first quarter.

Personal consumption expenditures were up 2.5% during the 1st quarter of 2024. This was down from the growth seen in 2023 but in line with consumer demand growth experienced in the years leading up to the COVID-19 pandemic. Spending on services accounted for all the growth in consumer spending as expenditures on goods were actually down for the quarter. Spending on services grew 4.0%. This was the fastest growth for services in the last two and a half years. The largest increases were seen in 1)



healthcare and 2) financial services and insurance. Sales of goods were down -0.4%. This decline was driven by a -1.2% decline in durable goods, while nondurable goods were flat at 0.0%. Durable goods were hindered by continued weakness in automotive sales. Nondurable goods saw some growth in clothing and footwear that was more than offset by declines in gasoline and other energy goods.

Business spending slowed somewhat in the 1st quarter. Nonresidential fixed investment slowed to 2.9% from 3.7% growth during the last quarter of 2023. Business spending on structures was basically flat, while investment in equipment was up 2.1%. The real driving force in business spending was intellectual property products, which were up 5.4%. This is somewhat of a rebound in intellectual property as the last two quarters have shown improved spending on these items after three quarters of slower growth. As mentioned previously, changes in business inventories were a drag on the economy and lowered overall growth by almost four-tenths of a percent (-0.4%).

Housing, on the other hand, was a bright spot in the release. Residential fixed investment grew a whopping 13.2%. This was the largest growth in the housing sector since the end of 2020. This is the third quarter in a row of expansion after nine quarters of declines. Overall, residential investment saw enormous growth in the immediate aftermath of the COVID-19 outbreak. The housing market experienced significant declines after peaking during the 1st quarter of 2021. Housing investment hit its recent low point during the 2nd quarter of 2023 and since then has returned to levels similar to those prior to the COVID-19 pandemic. Currently, housing demand appears to be somewhat buoyed by the large Millennial generation, who are in their 30s and wanting to buy homes. This, however, is being counterbalanced by mortgage rates that are near their highest levels since the early 2000s.

Net exports subtracted almost nine-tenths of a percentage point (-0.9%) from total GDP growth. Net exports were pulled down by a large increase in imports, which subtract from GDP. Net exports are equal to the nation's exports minus its imports. Exports were up 0.9% with similar growth between goods (0.9%) and services (1.0%). Conversely, imports were up 7.2%. Goods imports rose 6.8%, while services shot up 9.0%. As stated earlier, net exports are one of the more volatile components of GDP and can have large swings from quarter to quarter.

After five quarters of strong growth averaging 4.8%, government spending slowed to 1.2%. This was especially apparent at the federal level as government spending shrunk by -0.2%. This decline in federal spending was spurred by a -0.6% reduction in defense spending. Nondefense spending grew anemically at 0.3%. State and local spending also slowed from its brisk pace in recent quarters to a more sedate 2.0% rate.

While the economy slowed in the 1st quarter of 2024, it continued to expand. Consumer demand sustained the economy as it emerged from the COVID-19 pandemic and continues to do so. Business spending has slowed over the last year but remains positive. Housing appears to have hit its nadir in recent quarters and may be a potential engine of growth. However, this assumes a fall in interest rates, and the proposition of that happening in the near future has been diminished with higher inflation in recent months. Weakness in inventory growth over the last two quarters may signal improvement in future quarters as inventories are depleted. Net exports were a major impediment to growth in the 1st quarter but had contributed to growth in the previous seven quarters. Government spending contributed significantly to economic growth in 2023 but likely will not continue to do so at the same level. Even though inflation remains an ongoing concern, the U.S. economy appears to have a solid base to move forward from. The question remains, however, on whether Illinois' economy is reflecting these national trends, or whether the recent slowdowns in employment and tax revenue in the state shows that Illinois is becoming increasingly disconnected from these national numbers.

INDICATORS OF ILLINOIS ECONOMIC ACTIVITY

INDICATORS*	LATEST MONTH	PRIOR MONTH	A YEAR AGO
Unemployment Rate (Average) (Mar.)	4.8%	4.8%	4.2%
Inflation in Chicago (12-month percent change) (Mar.)	3.1%	3.4%	4.4%

	LATEST MONTH	CHANGE OVER PRIOR MONTH	CHANGE OVER A YEAR AGO
Civilian Labor Force (thousands) (Mar.)	6,487.1	0.1%	1.2%
Employment (thousands) (Mar.)	6,174.9	0.1%	0.6%
Nonfarm Payroll Employment (Mar.)	6,139,100	12,700	29,800
New Car & Truck Registration (Mar.)	32,804	15.8%	-6.9%
Single Family Housing Permits (Mar.)	873	32.9%	10.9%
Total Exports ($ mil) (Feb.)	6,597.1	3.1%	-0.7%
Chicago Purchasing Managers Index (Apr.)	37.9	-8.5%	-22.0%

* Due to monthly fluctuations, trend best shown by % change from a year ago

Growth in Income Tax as a Percentage of Total Receipts
Robin Thompson, Revenue Analyst

Overview

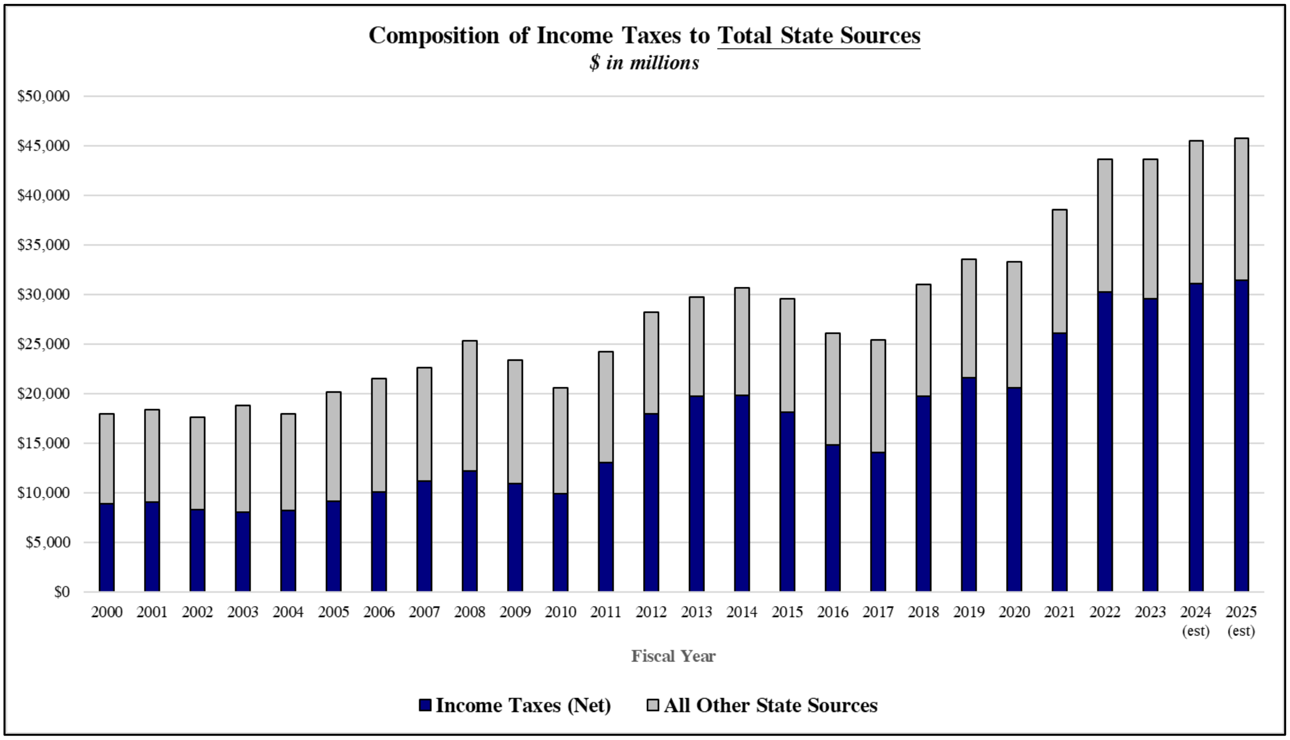
Since the corporate and personal income tax was enacted in FY 1969, revenues collected from income taxes have become an increasingly larger part of Illinois' total receipts. As a result, the State of Illinois is becoming increasingly reliant on these revenues for funding the State's General Funds. There are numerous factors that contribute to this growing trend. However, the composition of income tax receipts has primarily been influenced by changes in income tax rates, stagnant or declining revenues from other sources, and favorable economic conditions driving income tax growth. The magnitude of the income tax composition becomes even more pronounced during April's volatile and high-revenue final tax payment season. These items are discussed below.

Composition of Income Taxes Relative to Other State Sources

In 1969, the personal income tax (PIT) rate was established at 2.50% of net income and the corporate income tax (CIT) rate was set at 4.00%. Under this tax structure, income tax collections composed around 40% of total State sources between FY 1969 and FY 1982. In 1983 and part of 1984, the PIT rate was briefly increased to 3.00% and the CIT rate rose to 4.80%, resulting in a noticeable spike in the percentage coming from the income tax (reaching a high of 48% in FY 1984). However, the PIT rate was reduced the following year to the previous rate level, which caused the composition percentage to fall to around 43%. In FY 1990, the PIT rate was again raised to 3.00% and the CIT rate was increased to 4.80%, where it remained for over 20 years. This effectively elevated the income tax composition to near 50%.

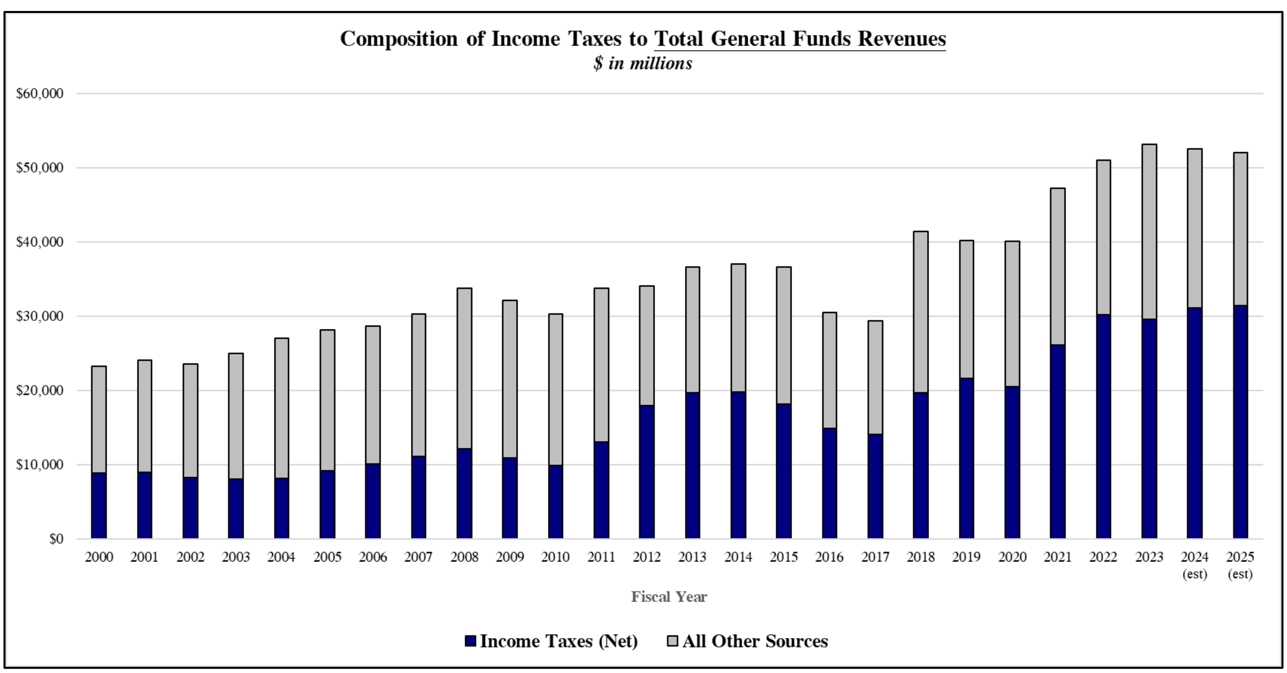
In 2011, income tax rates were temporarily increased for four years with the PIT rising from 3.00% to 5.00% and the CIT from 4.80% to 7.00%. This resulted in a sizable uptick in the percentage of income tax revenues as part of total State receipts, growing from 48% in FY 2010 to 64% once fully implemented in FY 2012. Then, in 2015, PIT rates were phased down to 3.75% with CIT rates falling to 5.25%. The reduced tax structure had an immediate effect on the composition of total receipts with the percentage of income tax receipts relative to total State sources falling from almost 65% in FY 2014 to 57% in FY 2016. In July 2017 (FY 2018), the tax rates were increased again to their current levels of 4.95% for the PIT and 7.00% for the CIT. The proportion of income tax to total State receipts surged as a result of the raised taxes and reached near 64% in FY 2018.

Even without further rate increases, the proportion of income tax has continued to grow yearly with the value reaching nearly 68% in FY 2023. Utilizing the Commission's March revenue estimates, this percentage is expected to approach 69% in FY 2024 and FY 2025. A graph showing the growth in income tax revenues versus other State sources follows.



Composition of Income Taxes Relative to Total General Funds

The previous income tax figures were compared only to State sources (Income, Sales, Public Utility, Cigarette, Inheritance, Corporate Franchise, Liquor, Investment, and Others). Overall State sources, for this comparison, do not include Transfers and Federal Sources, which comprise a sizeable part of the State's General Funds. The percentage of income tax revenues as a portion of total General Funds differs slightly from the State source portion, but, as illustrated below, reflects a similar trend to that shown in the above graph.



For instance, income tax collections made up 38% of total General Funds receipts in FY 2000 compared to 50% of State sources for that same year. This percentage would fluctuate in a similar manner to that of State sources as the PIT and CIT rates were modified. This parallel is evident when the PIT and CIT rates were raised from 3.00% and 5.00% to 4.80% and 7.00%, respectively, in 2011. Like the percentage of income tax as part of State sources, the composition of income taxes comprising the General Funds increased from 33% in FY 2010 to 53% in FY 2012 with the higher tax percentages. That total has continued to climb in recent years, reaching a General Funds percentage of 56% in FY 2023 (compared to a State source total of 68%). If including the Commission's updated revenue estimates (March 2024), this percentage of overall receipts will rise to approximately 59% and 60% in FY 2024 and FY 2025, respectively. A table displaying the composition of income taxes in relation to total State Sources and to Total General Funds since FY 2000 is shown below.

Income Taxes (Net) as a Percentage of State Sources and Total General Funds
$ in millions

Fiscal Year	Net Income Taxes	State Sources	Total General Funds	Income Tax % of State Sources	Income Tax % of Total General Funds
2000	$8,923	$17,999	$23,249	49.6%	38.4%
2001	$9,032	$18,373	$24,106	49.2%	37.5%
2002	$8,274	$17,642	$23,605	46.9%	35.1%
2003	$8,079	$18,838	$24,987	42.9%	32.3%
2004	$8,208	$17,982	$27,049	45.6%	30.3%
2005	$9,151	$20,155	$28,183	45.4%	32.5%
2006	$10,063	$21,533	$28,635	46.7%	35.1%
2007	$11,158	$22,591	$30,272	49.4%	36.9%
2008	$12,180	$25,344	$33,838	48.1%	36.0%
2009	$10,933	$23,384	$32,120	46.8%	34.0%
2010	$9,871	$20,584	$30,329	48.0%	32.5%
2011	$13,076	$24,220	$33,797	54.0%	38.7%
2012	$17,973	$28,250	$34,145	63.6%	52.6%
2013	$19,715	$29,721	$36,603	66.3%	53.9%
2014	$19,806	$30,713	$37,043	64.5%	53.5%
2015	$18,119	$29,576	$36,617	61.3%	49.5%
2016	$14,862	$26,127	$30,498	56.9%	48.7%
2017	$14,065	$25,380	$29,405	55.4%	47.8%
2018	$19,742	$31,003	$41,451	63.7%	47.6%
2019	$21,625	$33,560	$40,195	64.4%	53.8%
2020	$20,552	$33,275	$40,119	61.8%	51.2%
2021	$26,088	$38,558	$47,250	67.7%	55.2%
2022	$30,246	$43,658	$51,070	69.3%	59.2%
2023	$29,578	$43,657	$53,134	67.8%	55.7%
2024 (est)	$31,094	$45,493	$52,591	68.3%	59.1%
2025 (est)	$31,396	$45,750	$52,078	68.6%	60.3%

Note: Actuals are amounts shown in the Comptroller's Traditional Budgetary Financial Report. "Net Income Taxes" do not include non-General Funds distributions such as to the Income Tax Refund Fund or the LGDF. "State Sources" refers to revenues derived from Income, Sales, Public Utility, Cigarette, Inheritance, Corporate Franchise, Liquor, Investment, and Other taxes, but does not include Transfers and Federal Sources.

Stagnant or Declining Revenues from Other Sources

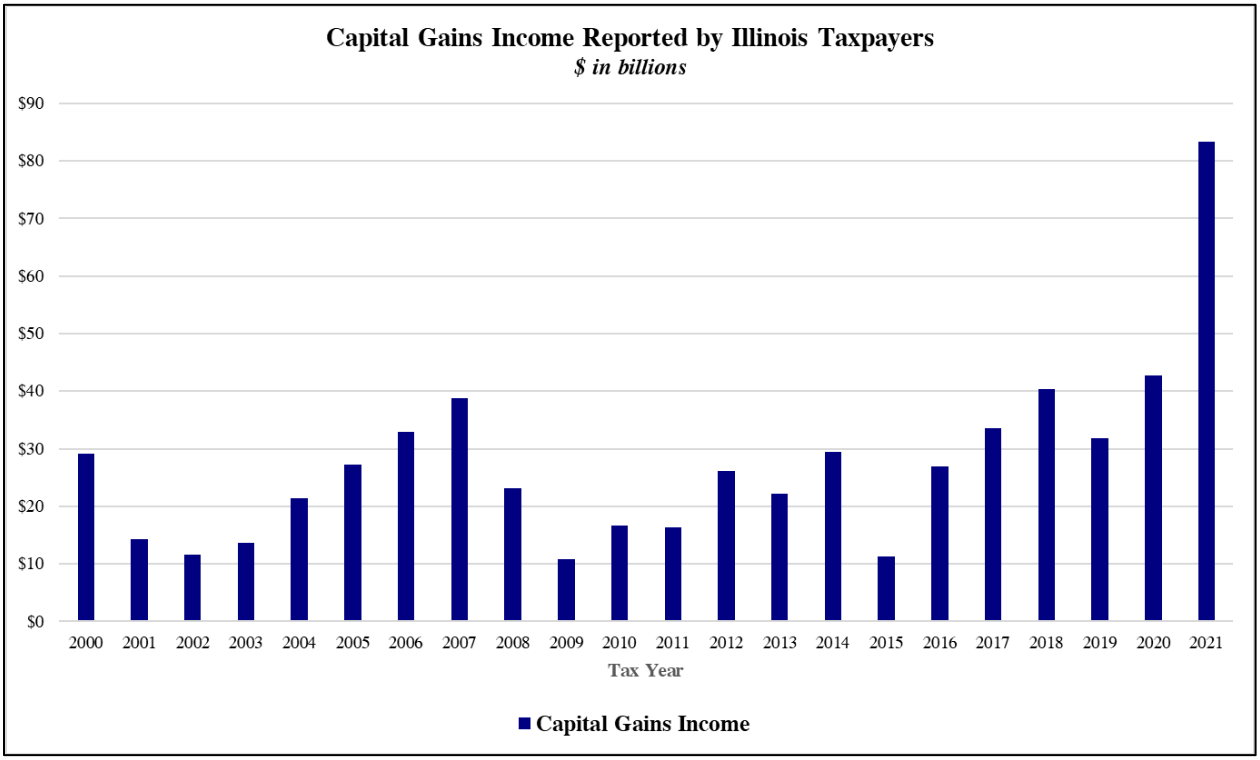
Another reason that the composition of income taxes has grown considerably over the last two decades is because the growth rates of other revenue sources have been well below that of the income taxes. Aside from income taxes, the largest single revenue contributor amongst State sources is the Sales Tax. Since FY 2000, State Sales Tax net revenues have grown from $6.0 billion to $10.5 billion in FY 2023, an increase of 73.4%. Although this percentage does show a substantial increase, income taxes have grown from $8.9 billion to $29.6 billion over the same period, resulting in a much higher increase of 231.5%. Public utility taxes fell by 32.7% between FY 2000 and FY 2023 ($1.116 billion to $751 million) as the decline of landline phones has significantly reduced the telecommunications tax portion of public utility tax revenues. Similarly, revenues collected from the Cigarette Tax fell by 41.3% during this period ($400 million to $235 million) due to reduced smoking trends and changes in statutory distributions. Other revenue sources such as Inheritance and Insurance taxes have shown moderate growth (44.5% and 135.4% respectively). However, these two sources make up a comparatively small percentage of overall State revenue and are still well below the growth in income tax receipts. Amongst smaller revenue sources, such as the Corporate Franchise Tax and the Liquor Tax, a similar trend of marginal growth is reflected.

Ultimately, these other revenue sources have been unable to keep up with the rapid growth in income tax receipts. This disparity has been a major contributing factor in the growing proportion of income tax revenues as part of overall State revenue.

Economic Conditions Driving Income Tax Growth

Although changes in income tax rates often lead to dramatic fluctuations in the proportion of income tax receipts, the value of these shifts may also be derived from other economic factors. The amount of tax paid from capital gains income by Illinois taxpayers can be a significant contributor to the underlying growth trend. This trend appears to be a major factor in the ever-increasing proportion of income tax relative to other State revenue sources. With more favorable market conditions, greater amounts of taxable income from capital gains are recorded, resulting in higher amounts of income tax receipts. This favorable trend, therefore, can heavily influence the income tax's overall composition of total General Funds revenues. To be clear, economic conditions heavily sway other components of taxable income, such as employment levels and wages. However, it is the dramatic variance in capital gains related income that often determines the extent that income tax revenues fall or rise in a given fiscal year.

The Internal Revenue Service's Statistics of Income Bulletin records the amount of capital gains taxable income reported by taxpayers in each state. In Illinois, the amount of capital gains income reported has trended upward in recent years, but has shown to have significant fluctuations. A graph depicting the volatility of capital gains follows. The data is shown by the tax year that the income was reported. Income reported in a tax year mostly impacts tax receipts of the following fiscal year.



For example, as shown in the above chart, in Tax Year 2000, approximately $29.2 billion in capital gains income was reported by Illinois taxpayers. This figure made up 9.6% of the $303 billion in adjusted gross income (AGI) reported in that tax year. After this year, a sharp downturn was recorded as a result of the "dotcom bubble" and subsequent economic difficulties. In these years, the capital gains portion of AGI fell to as low as 4.1%. Not surprisingly, the income tax's composition of total receipts was at its lowest point in recent history at just over 30%.

After this period, capital gains income continued to climb yearly, reaching almost $39 billion, or 9.9% of AGI in Tax Year 2007. Capital gains revenues were then negatively affected by the "global financial crisis," which resulted in only $23 billion being reported in 2008 and only $11 billion in 2009. This lowered the percentage of AGI value to 6.2% and 3.1% respectively. As shown in the previous graphs, a decline in income tax revenues occurred in these years, which corresponds with the drop in capital gains income. Despite occasional fluctuations, capital gains tax payments slowly rebounded and resulted in an average reported total of $22 billion between 2010 and 2017. After this period, payments steadily increased to average $38 billion between Tax Years 2018 and 2020 with an average percentage of AGI value of 7.8%.

In 2021 (most recent available year of data), capital gains tax payments in Illinois surged to an all-time high of $83 billion. In this year, the average percentage of AGI rose to 14.1%. In FY 2022 (the fiscal year where this impact of Tax Year 2021 would largely be reported), final tax payments from individual taxpayers decreased 6.9%. This decrease was only due to its comparison to the unusual influx of stimulus related income in the previous fiscal year. Despite the decrease from FY 2021, FY 2022 still recorded the second highest final tax payment total in State history. This tally was largely due to the performance of the tax revenue from these capital gains dollars. The data for

Tax Year 2022 and Tax Year 2023 has not yet been released by the IRS. However, the 30.1% drop in final tax receipts in FY 2023 was likely heavily influenced by a decline in capital gains income. (For context, the S&P Index dropped 19.4% in Tax Year 2022.) Conversely, the surge in receipts seen in April 2024 is likely due in part to the rebound in market conditions in Tax Year 2023 (S&P up 24.2%, Dow up 13.7%). The revenue gains in April are a major reason why the income tax percentage of overall receipts is expected to reach a historic high of approximately 59% in FY 2024. The importance of April's receipts to a fiscal year's totals is discussed in the next section.

Capital Gains Income as a Percentage of Total AGI			
$ in billions			
Tax Year	Capital Gains Taxable Income	Adjusted Gross Income (AGI)	Capital Gains % of Total AGI
2000	$29.2	$303.0	9.6%
2001	$14.3	$290.6	4.9%
2002	$11.6	$284.9	4.1%
2003	$13.7	$290.4	4.7%
2004	$21.4	$313.0	6.8%
2005	$27.2	$335.3	8.1%
2006	$33.0	$362.2	9.1%
2007	$38.8	$392.7	9.9%
2008	$23.2	$374.5	6.2%
2009	$10.8	$350.4	3.1%
2010	$16.7	$362.3	4.6%
2011	$16.3	$371.4	4.4%
2012	$26.2	$403.1	6.5%
2013	$22.3	$399.2	5.6%
2014	$29.5	$424.2	7.0%
2015	$11.2	$441.6	2.5%
2016	$26.9	$436.9	6.1%
2017	$33.6	$455.6	7.4%
2018	$40.4	$489.3	8.3%
2019	$31.9	$483.3	6.6%
2020	$42.7	$497.8	8.6%
2021	$83.4	$592.3	14.1%

The Significance of April Receipts to the Overall Composition

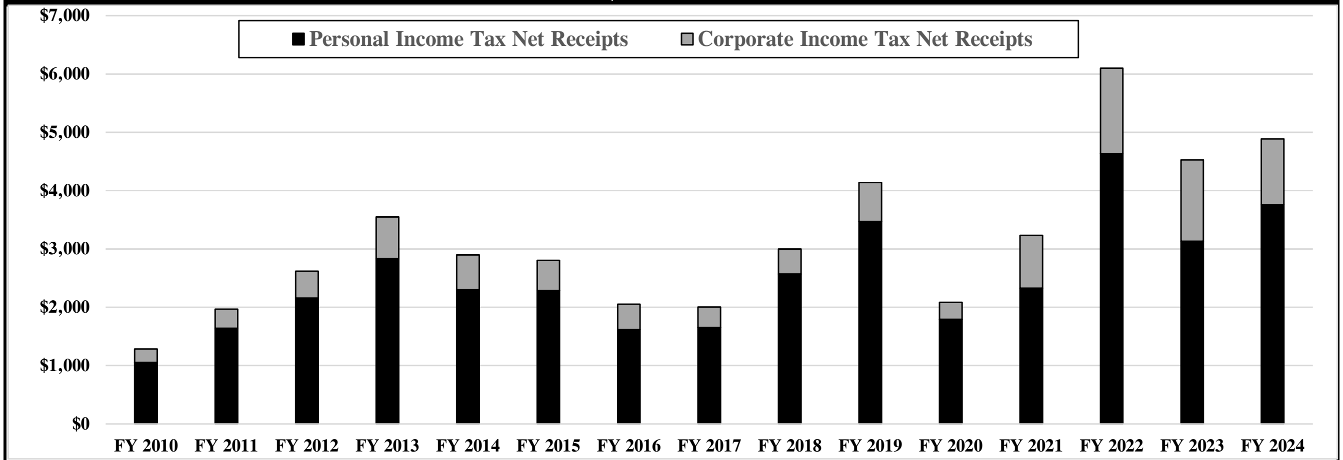
As discussed on page 12 of this document, this month's totals saw a surge in income tax receipts with Personal Income Tax gross revenues growing $744 million or +20.2%. While lower Corporate Income Tax receipts offset some of these gains, these important revenue sources still managed to combine for net growth of $358 million or +7.9% in April. The growth in these tax receipts for this month is important because of the significance of April's revenue numbers in relation to the fiscal year total.

Historically, the month of April is one of the most important months for State tax revenues. Since FY 2010, on average, approximately 14% of the Personal Income Tax and 22% of the Corporate Income Tax are receipted during this single month. Over the last decade, April's income tax receipts have experienced significant fluctuation, from the revenue-positive "April surprises" to the pandemic-laden revenue declines from the "perfect storm" of FY 2020. The details of this fluctuation have been laid out in the Commission's April monthlies over the last several fiscal years. The table on the following page summarizes these wide swings in revenues since FY 2010, and provides a brief explanation of the key drivers behind that volatility.

With April being a significant contributor to tax revenues in a year, the outcome of April tax collections goes a long way in deciding how the overall revenue performance of a particular fiscal year is judged. Furthermore, the solid month of April revenues increases the likelihood of the income tax composition of total tax receipts rising once again in FY 2024.

The Volatility of April's Personal and Corporate Income Tax "Net" Receipts

$ in millions



Fiscal Year	April PIT & CIT Net Receipts ($ in mil)	Yr/Yr Difference ($ in mil)	Total Tax Receipts in Fiscal Year	April % of Fiscal Year Total	Reason for Volatility
FY 2010	$1,283		$30,329	4.2%	Last fiscal year with income tax rate at 3%/4.8%, as State struggles to recover from the Great Recession.
FY 2011	$1,966	$683	$33,797	5.8%	PIT rate increased from 3% to 5%; CIT rate increased from 4.8% to 7% on January 1, 2011.
FY 2012	$2,620	$654	$34,072	7.7%	Higher tax rate fully imposed on withholding, estimated, and final payments.
FY 2013	$3,547	$927	$36,603	9.7%	"April Surprise" due to taxpayer behavior in anticipation of higher federal taxes in Tax Year 2013.
FY 2014	$2,898	($649)	$37,043	7.8%	"Falloff" due to tax receipts being compared to prior year "April Surprise".
FY 2015	$2,803	($95)	$36,617	7.7%	PIT rate lowered from 5% to 3.75%. CIT rate lowered from 7% to 5.25% on Jan 1, 2015.
FY 2016	$2,051	($752)	$30,498	6.7%	Lower tax rate fully imposed on withholding, estimated, and final payments.
FY 2017	$2,005	($46)	$29,405	6.8%	No major year-over-year tax changes.
FY 2018	$2,999	$994	$41,451	7.2%	PIT/CIT rate increased to 4.95%/7% on July 1, 2017. Tax Year 2017 with a blended final payment rate of 4.35%/6.13%.
FY 2019	$4,139	$1,140	$40,195	10.3%	Another "April Surprise" due to timing of tax payments as a result of more Federal tax modifications.
FY 2020	$2,084	($2,055)	$40,120	5.2%	Due to pandemic, tax deadline was delayed from April 15th to July 15th, thereby lowering April's receipts.
FY 2021	$3,231	$1,147	$47,250	6.8%	PIT deadline delayed from April 15th to May 17th. However, CIT deadline returns to April 15th, resulting in significant year over year growth.
FY 2022	$6,100	$2,869	$51,070	11.9%	PIT final tax receipts in April instead of May, resulting in significant yr/yr growth. Extremely strong revenues from wages/cap gains/corp profits contribute to significant growth.
FY 2023	$4,527	($1,573)	$53,134	8.5%	While FY 2023 was a more "normal" year, April receipts could not duplicate FY 2022's stimulus-aided final tax payment totals, resulting in a sizeable yr/yr decline.
FY 2024	$4,885	$358	N/A	N/A	Notable gains in April due to growth in interest and investment income (capital gains), as well as from large "true-up" reallocation deposit to PIT.

April Revenues Rise on Strength of Individual Income Tax Receipts but Gains Dampened by Weaker Corporate Income Tax Collections

Eric Noggle, Revenue Manager

In the important revenue month of April, General Funds receipts totaled $6.566 billion, a $373 million or +6.0% increase over last April. While this is welcomed growth to State coffers, the overall increase seen this month is largely in line with the Commission's latest forecast. In other words, there is no "April Surprise" from final income tax payments contained in this month's numbers that will significantly modify this year's revenue outlook. The month benefitted from two extra receipting days, as compared to the same month of last year.

This month's gains were led by a sharp rise in Individual Income Tax revenues, which grew $744 million or +20.2% this month. On a net basis, when subtracting out distributions to the Income Tax Refund Fund and the Local Government Distributive Fund, the growth totaled $626 million or +20.0%. While impressive on the surface, the sizeable growth here was largely anticipated due to several reasons: continued moderate growth from withholding tax payments; the fourth of five "true-up" deposits reallocating business-related tax receipts through individual income tax distributions; an expected boost in final tax payments in April due to elevated levels of taxable interest (from comparatively higher interest rates of investment accounts); the expected growth in capital gains income due to strong market conditions in TY 2023; and the two extra receipting days this month.

A large portion of these gains, however, was offset by significantly weaker Corporate Income Tax receipts, which fell $345 million or -19.7% in April. This is a net decline of $268 million or -19.2%. While these receipts were expected to fall to a certain degree in April due to the negative impact of the fourth "true-up" reallocation on this revenue source, the extent that these revenues declined this month was somewhat surprising. It is speculated that the recent expiration of the net operating loss deduction limitation may have impacted estimated tax payments this month, thereby contributing to this source's comparative falloff. However, more details are needed before a definitive assessment can be made.

Sales Tax receipts contributed to the overall growth with an increase of $26 million of +2.8% in April. This equates to a net gain of $19 million or +2.3% when adjusting out distributions to the Road Fund and certain transportation funds. While the growth rate here is relatively small, it is the highest year-over-year increase this fiscal year since October. In terms of All Other State Sources, Illinois continues to see revenue gains in FY 2024 from the Inheritance Tax [+$33 million] and Interest on State Funds & Investments [+$19 million]. Other State sources with increases in April include the Liquor Tax [+$9 million]; the Corporate Franchise Tax [+$7 million]; and Public Utility Taxes [+$1 million]. A few sources saw declines, including Insurance Taxes [-$10 million]; the Cigarette Tax [-$3 million]; and Other Sources [-$2 million].

Transfers In for the month of April were collectively up $9 million. Growth from Other Transfers [+$21 million] and Cannabis Transfers [+$1 million] more than offset declines in Lottery Transfers [-$8 million] and Gaming Transfers [-$5 million]. After four consecutive months of year-over-year gains, Federal Sources fell $67 million in April, but remains well ahead of schedule in terms of the most recent end-of-year projections.

APRIL ***FY 2023 vs. FY 2024*** ***($ millions)***				
Revenue Sources	**April FY 2023**	**April FY 2024**	**$ CHANGE**	**% CHANGE**
State Taxes				
Personal Income Tax	$3,677	$4,421	$744	20.2%
Corporate Income Tax (regular)	1,753	1,408	(345)	-19.7%
Sales Taxes	932	958	26	2.8%
Public Utility Taxes (regular)	58	59	1	1.7%
Cigarette Tax	20	17	(3)	-15.0%
Liquor Gallonage Taxes	10	19	9	90.0%
Inheritance Tax	38	71	33	86.8%
Insurance Taxes and Fees	94	84	(10)	-10.6%
Corporate Franchise Tax & Fees	17	24	7	41.2%
Interest on State Funds & Investments	28	47	19	67.9%
Cook County IGT	0	0	0	N/A
Other Sources	27	25	(2)	-7.4%
Total State Taxes	$6,654	$7,133	$479	7.2%
Transfers In				
Lottery	$100	$92	($8)	-8.0%
Gaming	7	2	(5)	-71.4%
Cannabis	10	11	1	10.0%
Refund Fund	0	0	0	N/A
Other	33	54	21	63.6%
Total Transfers In	$150	$159	$9	6.0%
Total State Sources	$6,804	$7,292	$488	7.2%
Federal Sources [base]	$388	$321	($67)	-17.3%
Total Federal & State Sources	$7,192	$7,613	$421	5.9%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($340)	($405)	($65)	19.0%
Corporate Income Tax	(254)	(197)	57	-22.4%
Local Government Distributive Fund				
Personal Income Tax	(206)	(260)	(54)	26.1%
Corporate Income Tax	(103)	(83)	20	-19.5%
Sales Tax Distributions				
Deposits into Road Fund	(37)	(43)	(6)	16.2%
Distribution to the PTF and DPTF	(59)	(59)	0	0.0%
General Funds Subtotal [Base]	**$6,193**	**$6,566**	**$373**	**6.0%**
Transfer of Excess PA 102-700 Funds to GRF	$0	$0	$0	N/A
Prior Year Federal Matching Funds	$0	$0	$0	N/A
ARPA Reimb. for Essential Gov't Services	$0	$0	$0	N/A
Total General Funds	**$6,193**	**$6,566**	**$373**	**6.0%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-May-24

Year to Date

Incorporating April's revenues, General Funds receipts now total $44.2 billion for FY 2024 with two months remaining in the fiscal year. This figure is $1.203 billion or 2.8% above last year's ten-month total. From a base revenue perspective, the cumulative growth is a tad lower at +$1.086 billion or +2.6% when adjusting out the $881 million in combined "one-time" revenues received in FY 2024 and the $764 million in one-time federal receipts received through April from last fiscal year. These amounts are shown at the bottom of the following two tables.

Summary of Receipts ***GENERAL FUNDS RECEIPTS: THROUGH APRIL*** ***FY 2023 vs. FY 2024*** ***($ millions)***				
Revenue Sources	**FY 2023**	**FY 2024**	**$ CHANGE**	**% CHANGE**
Net Personal Income Tax	$19,853	$21,475	$1,622	8.2%
Net Corporate Income Tax	$4,723	$4,207	($516)	-10.9%
Net Sales Tax	$8,643	$8,705	$62	0.7%
All Other State Sources	$2,860	$3,123	$263	9.2%
Transfers In	$2,914	$2,239	($675)	-23.2%
Federal Sources [base]	$3,238	$3,568	$330	10.2%
Base General Funds	$42,231	$43,317	$1,086	2.6%
Non-Base Gen Funds Revenues	$764	$881	$117	15.3%
Total General Funds	**$42,995**	**$44,198**	**$1,203**	**2.8%**
CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding				1-May-24

As has been the case throughout the fiscal year, most of FY 2024's gains have come from the Personal Income Tax. Through April, these receipts are up $1.960 billion or +8.4% [net growth of $1.622 billion or +8.2%]. While the growth is impressive, this cumulative total has been aided by "true-up" adjustments totaling approximately $862 million. If these values are removed from the total, the year-to-date net growth rate is a much more modest +3.8%.

Corporate Income Tax receipts, with April's declines, are now down $679 million, a decrease of 11.4%. On a net basis, these revenues are down $516 million [-10.9%]. The forementioned "true-up" adjustments have negatively impacted these revenues by a total of $207 million through April. Therefore, without these adjustments, Corporate Income Tax revenues would still be down, but only 6.5% lower.

Sales Tax performance improved slightly in April, which elevated its fiscal year-to-date gains to $149 million or +1.6%. On a net basis, the accrued growth is $62 million or +0.7%.

In terms of All Other State Sources, the comparative growth has increased to $263 million. This category of revenues continues to be led by gains in Interest on State Funds & Investments, which is now up $261 million through April. Improvement in this revenue source is likely to continue in the near-term as the Federal Reserve just announced that they would leave interest rates unchanged, keeping certain investment rates at relatively high levels. Revenues from the Inheritance Tax (Estate Tax) continues to perform quite well in FY 2024 with totals now $131 million higher than last year at this time. The Liquor Tax is also higher through April with a slight cumulative gain of $3 million. State sources with cumulative declines include the Public Utility Taxes [-$42 million]; Other Sources [-$29 million]; Insurance Taxes [-$24 million]; and the Corporate Franchise Tax [-$11 million].

Even with April's gains, revenues from Transfers In are $675 million behind last year's pace. However, this sizeable decline is mainly because the Income Tax Refund Transfer total of $555 million in FY 2024 is $926 million lower than FY 2023's abnormally high level of $1.481 billion. Gaming Transfers are also lower by $11 million. These declines have easily offset the $142 million year-to-date increase in Lottery Transfers, the $119 million rise in Other Transfers (base), and the slight $1 million increase in Cannabis Transfers.

After increasing for four consecutive months, "base" Federal Sources slipped in April, but remain $330 million above last year's pace. If including FY 2023's $764 million in ARPA reimbursements through April and FY 2024's $633 million in one-time federal receipts from prior year Medicaid matching dollars, overall Federal Sources are approximately $199 million higher than last year at this point in the fiscal year.

Estimate Overview

As noted at the beginning of this revenue section, the overall increase seen in April is largely in line with the Commission's latest forecast expectations. Over the next week, the Commission will be reviewing the latest data from the Department of Revenue and the Comptroller's Office to see what tweaks need to be made to the Commission's revenue forecasts for FY 2024 and FY 2025. **While some adjustments (both positive and negative) to individual revenue lines is possible, these potential changes may not necessitate an official revision, as it appears, at this time, that the bottom-line revenue totals will not see a significant modification.** This assessment is based on current law and is subject to change as more information becomes available. Of course, any pertinent changes to legislation over the next month impacting tax revenues would be cause for further adjustments to be made.

GENERAL FUNDS RECEIPTS: THROUGH APRIL

FY 2023 vs. FY 2024

($ millions)

Revenue Sources	FY 2023	FY 2024	$ CHANGE	% CHANGE
State Taxes				
Personal Income Tax	$23,314	$25,274	$1,960	8.4%
Corporate Income Tax (regular)	5,931	5,252	(679)	-11.4%
Sales Taxes	9,583	9,732	149	1.6%
Public Utility Taxes (regular)	635	593	(42)	-6.6%
Cigarette Tax	192	166	(26)	-13.5%
Liquor Gallonage Taxes	147	150	3	2.0%
Inheritance Tax	417	548	131	31.4%
Insurance Taxes and Fees	407	383	(24)	-5.9%
Corporate Franchise Tax & Fees	191	180	(11)	-5.8%
Interest on State Funds & Investments	279	540	261	93.5%
Cook County IGT	244	244	0	0.0%
Other Sources	348	319	(29)	-8.3%
Total State Taxes	$41,688	$43,381	$1,693	4.1%
Transfers In				
Lottery	$586	$728	$142	24.2%
Gaming	137	126	(11)	-8.0%
Cannabis	93	94	1	1.1%
Refund Fund	1,481	555	(926)	-62.5%
Other	617	736	119	19.3%
Total Transfers In	$2,914	$2,239	($675)	-23.2%
Total State Sources	$44,602	$45,620	$1,018	2.3%
Federal Sources [base]	$3,238	$3,568	$330	10.2%
Total Federal & State Sources	$47,840	$49,188	$1,348	2.8%
Nongeneral Funds Distributions/Direct Receipts:				
Refund Fund				
Personal Income Tax	($2,157)	($2,313)	($156)	7.2%
Corporate Income Tax	(860)	(735)	125	-14.5%
Local Government Distributive Fund				
Personal Income Tax	(1,304)	(1,486)	(182)	14.0%
Corporate Income Tax	(348)	(310)	38	-10.9%
Sales Tax Distributions				
Deposits into Road Fund	(409)	(483)	(74)	18.1%
Distribution to the PTF and DPTF	(531)	(544)	(13)	2.4%
General Funds Subtotal [Base]	**$42,231**	**$43,317**	**$1,086**	**2.6%**
Transfer of Excess PA 102-700 Funds to GRF	$0	$248	$248	N/A
Prior Year Federal Matching Funds	$0	$633	$633	N/A
ARPA Reimb. for Essential Gov't Services	$764	$0	($764)	N/A
Total General Funds	**$42,995**	**$44,198**	**$1,203**	**2.8%**

CGFA SOURCE: Office of the Comptroller: Some totals may not equal, due to rounding 1-May-24