Quarterly Revenue Report: Fiscal Year 2016-Q1

Tax Revenue Research, Updates by Quarter Including Monthly Revenue Table

Illinois Department of Revenue

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National Economy

Banking and Credit Markets

The Federal Open Market Committee (FOMC) continued its policy of a federal funds interest rate target range between zero percent and ¼ percent. [1] Economists and financial institutions are trying to determine when the FOMC will start moving its target rate upward. The FOMC's statements provide no clarity on timing but rather say the committee will "raise the target range for the federal funds rate when it has seen some further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term."[2] But one week after this statement and the vote keeping the federal funds rate at effectively zero, Fed Chair Janet Yellen told an audience at the University of Massachusetts "Most FOMC participants, including myself, currently anticipate that achieving these conditions will likely entail an initial increase in the federal funds rate later this year, followed by a gradual pace of tightening thereafter."[3]

Ms. Yellen's statement was made before disappointing September jobs numbers were released (more below). Notwithstanding weak employment growth many people still expect the target rate to rise. Economist Robert Perli of Cornerstone Macro LLC was quoted by Bloomberg saying, "The Fed will not throw in the towel on this year." Perli expects rates to rise in December.[4] JP Morgan Chase & Co Chief Economist Michael Feroli agreed, saying the weak employment numbers don't "necessarily takes the Fed off track for December."[5] While many economists are quite confident interest rates will rise in 2015, the financial markets indicate otherwise. Futures data compiled by Bloomberg suggest there is only a 37-percent chance of a federal funds rate increase at the December meeting.[6]

The July Senior Loan Officer's Survey on Bank Lending Practices once again reported little change in commercial and industrial lending (C&I) standards for the three-month period. Some banks reported stronger demand for C&I loans across a broad range of categories. Demand growth is being driven by a need for accounts receivable, mergers or acquisitions, investment in plant or equipment or inventories. Commercial real estate (CRE) lending remained largely unchanged from the first quarter. Demand for CRE loans on balance change very little with some banks reporting stronger demand while others reported weaker demand. [7]

Banks have started easing lending standards of residential real estate lending with the exception of insured loans and subprime loans. Demand for residential real estate loans is strengthening across a wide range of banks for a large variety of home purchases.[8]

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[1] Federal Open Markets Committee, Press Release, September 17th 2015 http://www.federalreserve.gov/newsevents/press/monetary/20150917a.htm

[2] Ibid

[3] Duncan, Ellie, "US interest rate rise likely in 2015, says Fed chief," *FT Advisor*, September 25, 2015 http://www.ftadviser.com/2015/09/25/investments/north-america/us-interest-rate-rise-likely-in-says-fed-chief-UNieacEAGMUkslBUibjxzL/article.html

[4] Matthews, Steve and Miller, Richard, "Jobs Report Dims But Doesn't Kill Chances of 2015 Fed Rate Hike", *Bloomberg*, October 2, 2015 http://finance.yahoo.com/news/jobs-report-dims-doesnt-kill-160927457.html;_ylt=A0LEVyEixhJW9IgAJqBXNyoA;_ylu=X3oDMTByMjB0aG5zBGNvbG8DYmYxBHBvcwMxBHZ0aWQDBHNlYwNzYw--

[5] Ibid

[6] Goodman, Wes and Scaggs, Alexandra, "Fed Rate-Increase Odds Drop to 10%for October, Futures Show" *Bloomberg*, October 4, 2015 http://www.bloomberg.com/news/articles/2015-10-05/fed-odds-drop-to-10-for-october-as-el-erian-says-maybe-in-2015

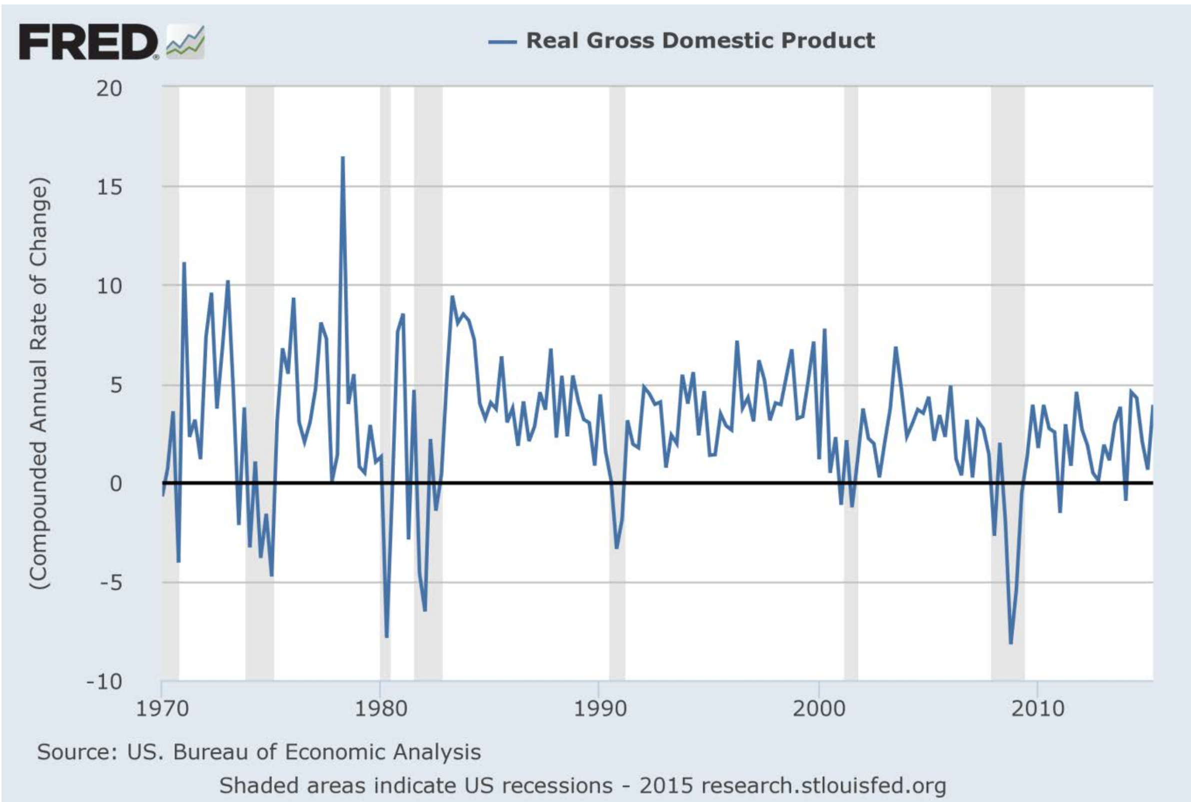
[7] The July 2015 Senior Loan Officer Opinion Survey on Bank Lending Practices, http://www.federalreserve.gov/boarddocs/snloansurvey/201508/default.htm

[8] Ibid

GDP Aggregates, National Debt, and Employment

Real Gross Domestic Product increased at an annual rate of 3.9 percent in the second quarter of 2015 compared with an increase of just 0.6 percent in the first quarter.[9] Growth drivers included personal consumption expenditures, non-residential fixed investment, state and local government spending, and the balance of foreign trade. Private inventory growth and federal government spending slowed in the second quarter.[10]

Chart 1



According to the U.S. Bureau of Economic Analysis (BEA), domestic profits improved following a very weak first quarter. "Profits of domestic financial corporations increased $34.6 billion in the second quarter, in contrast to a decrease of $23.4 billion in the first. Profits of domestic nonfinancial corporations increased $24.3 billion, in contrast to a decrease of $70.5 billion."[11]

Federal debt as a share of the economy continued fluctuating in a range between 100 percent of Gross Domestic Product (GDP) and 102 percent of GDP. The debt-to-GDP ratio measured 101.3 percent in the second quarter.[12]

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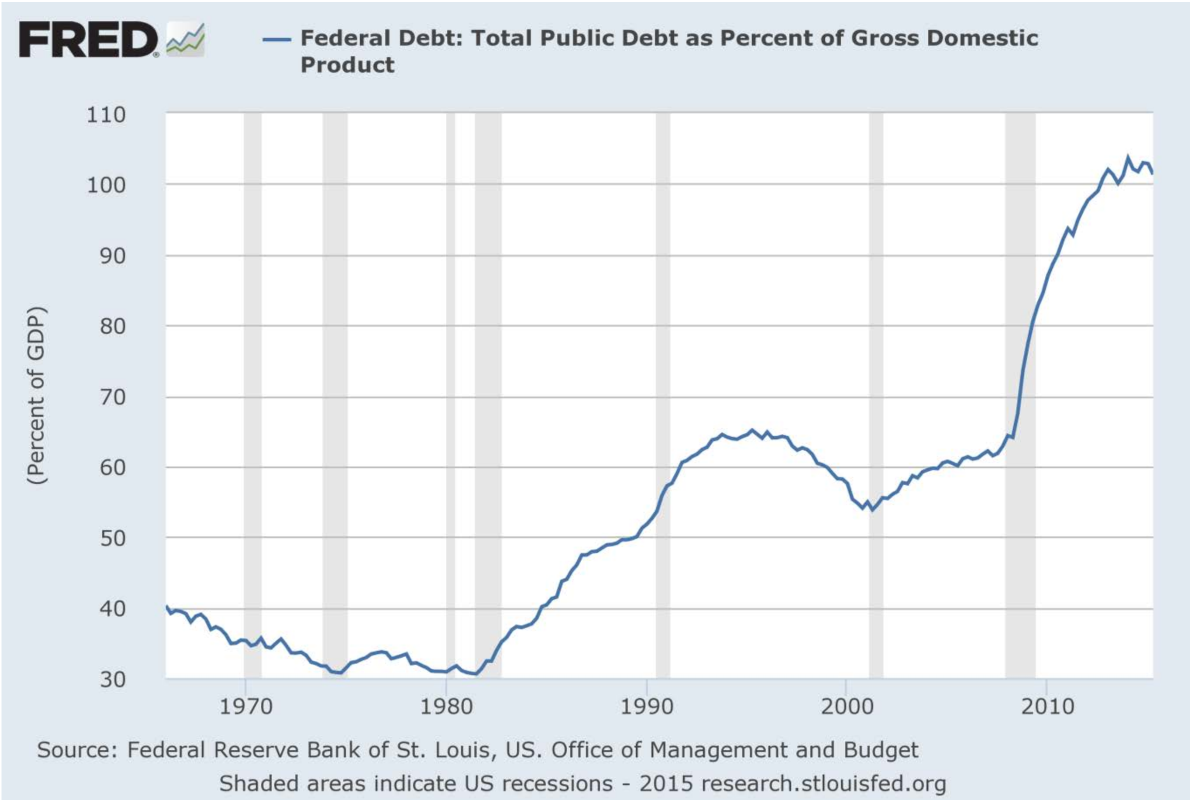
[9] U.S. Bureau of Economic Analysis, National Income and Product Accounts, Gross Domestic Product: Second Quarter 2015 (Third Estimate) http://bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm
[10] Ibid
[11] Ibid
[12] FRED Economic Data, Federal Reserve Bank of St. Louis and U.S. Office of Management and Budget https://research.stlouisfed.org/fred2/series/GFDEGDQ188S

Chart 2



September employment growth substantially underperformed expectations. The U.S. Bureau of Labor Statistics' establishment survey estimated that non-farm payroll increased by 142,000 jobs in September.[13] In 2014, non-farm payroll increased at an average rate of 260,000 jobs per month. Job growth has averaged just below 200,000 jobs per month in 2015.[14] September job growth was a disappointment by either measure. The FOMC clearly stated that continued improvement in the labor markets is a necessary condition for raising the federal funds rate. Employment growth will be monitored closely as the next FOMC meeting approaches.

The unemployment rate remained unchanged at 5.1 percent according to the household survey.[15] The civilian labor force participation rate fell 0.2 percent to 62.4 percent, its lowest level since October 1977.[16] Meanwhile, the employment-to-population ratio declined 0.2 percent to 59.2 percent.[17]

Prices and Production

The Consumer Price Index for all items (CPI-U) declined 0.1 percent in August primarily because substantially lower gasoline prices offset higher prices elsewhere in the economy. Prices have remained relatively flat over the past twelve month, increasing just 0.2 percent. [18]

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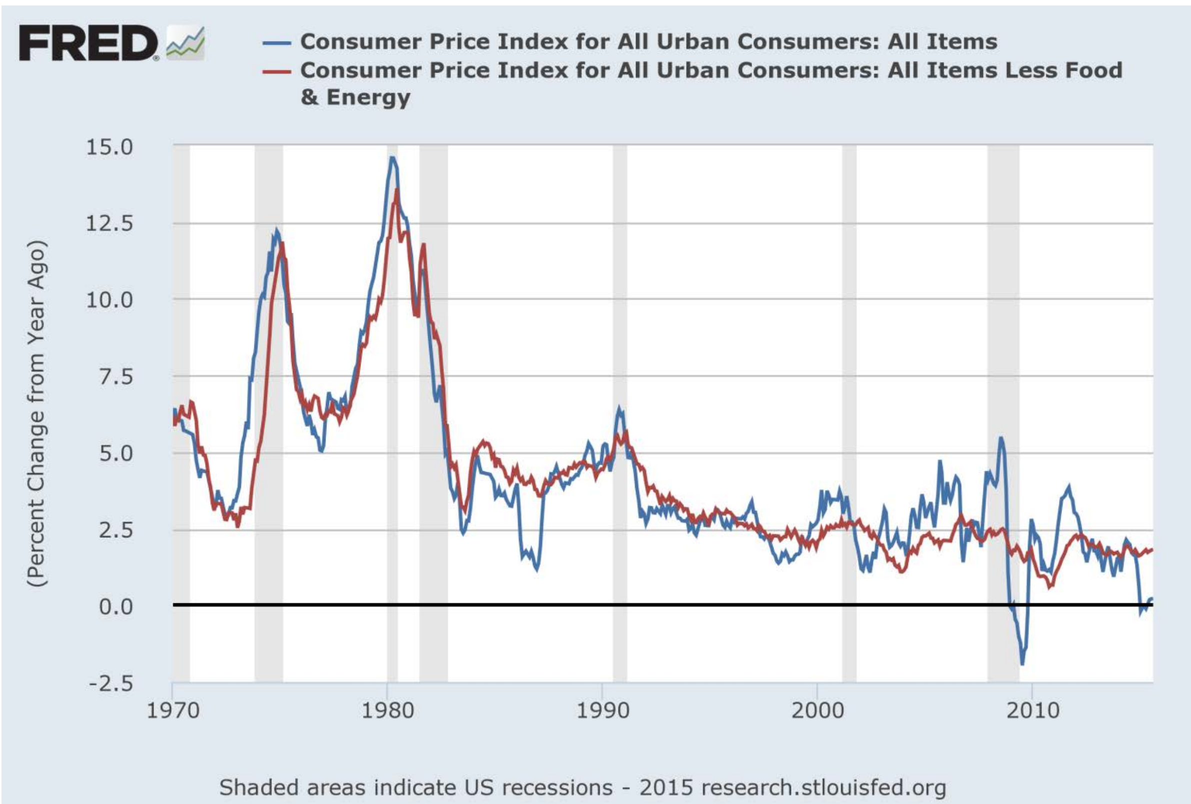
[13] U.S. Bureau of Labor Statistics, Employment Situation Summary, September 2015, http://www.bls.gov/news.release/empsit.nr0.htm
[14] Ibid
[15] Ibid
[16] Ibid
[17] Ibid
[18] U.S. Bureau of Labor Statistics, Consumer Price Index News Release August 2015, http://www.bls.gov/news.release/cpi.nr0.htm

Slow growth in consumer prices has been a concern for the FOMC, which is looking for "reasonable confidence" that price inflation is returning to the two-percent target rate. If food and energy is backed out of the CPI calculation, the twelve-month growth rate is 1.8 percent.[19] It is difficult to say how heavily the FOMC will value the overall inflation rate relative to the inflation rate less food and energy. In our assessment, supply-side factors rather than consumer demand account for lower energy prices. The drag placed on overall prices by the energy sector is not evidence of flagging consumer demand. Food prices have grown slightly slower than other prices at 1.6 percent of the last 12 months, but like energy consumption in general, it shows no evidence of weak demand.[20] Price stagnation should not be an obstacle for the FOMC.

Chart 3



Source: U.S. Bureau of Labor Statistics

The narrative from producer prices is similar to consumer prices. For the seventh consecutive month, the Producer Price Index for final demand declined. The decrease of 0.8 percent for the twelve months ending in August is primarily explained by lower gasoline prices. Lower gasoline prices explained two-thirds of the decline in the August index.[21] The price of processed goods for intermediate demand experienced its tenth consecutive twelve-month decline, falling 7.0 percent.[22] Gasoline and diesel fuel prices were primary contributors to the decrease.[23] The

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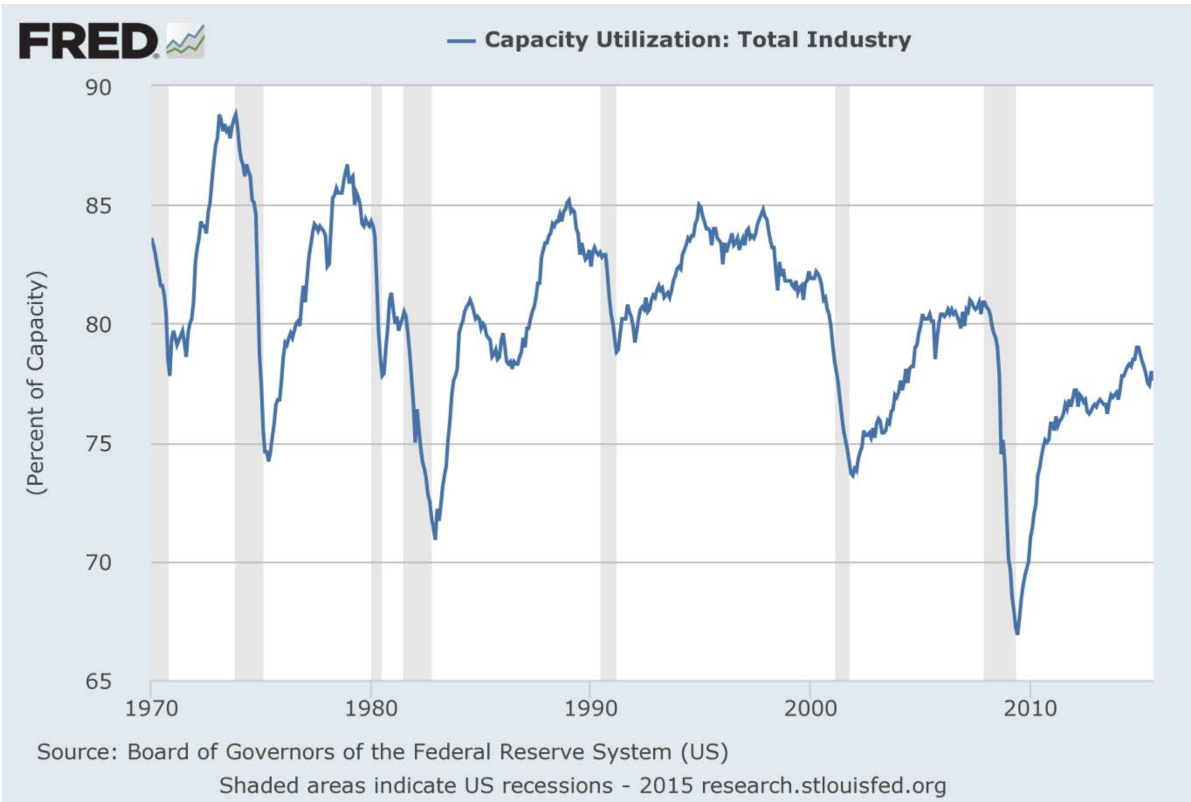
[19] Ibid
[20] Ibid
[21] U.S. Bureau of Labor Statistics, Producer Price Index News Release August 2015 http://www.bls.gov/news.release/ppi.nr0.htm
[22] Ibid
[23] Ibid

price of unprocessed goods fell most substantially over the twelve-month period, declining 23.6 percent.[24] The declining crude petroleum index explains four-fifths of the recent fall in prices.[25]

Industrial production decreased 0.4 percent in August after increasing 0.9 percent (revised) in July because of declines in manufacturing and motor vehicles.[26] Production elsewhere was largely unchanged. Industrial capacity utilization fell 0.4 percentage points in August to 77.6 percent, a rate that is 2.5 percentage points below its long-run (1972–2014) average.[27]

Chart 4



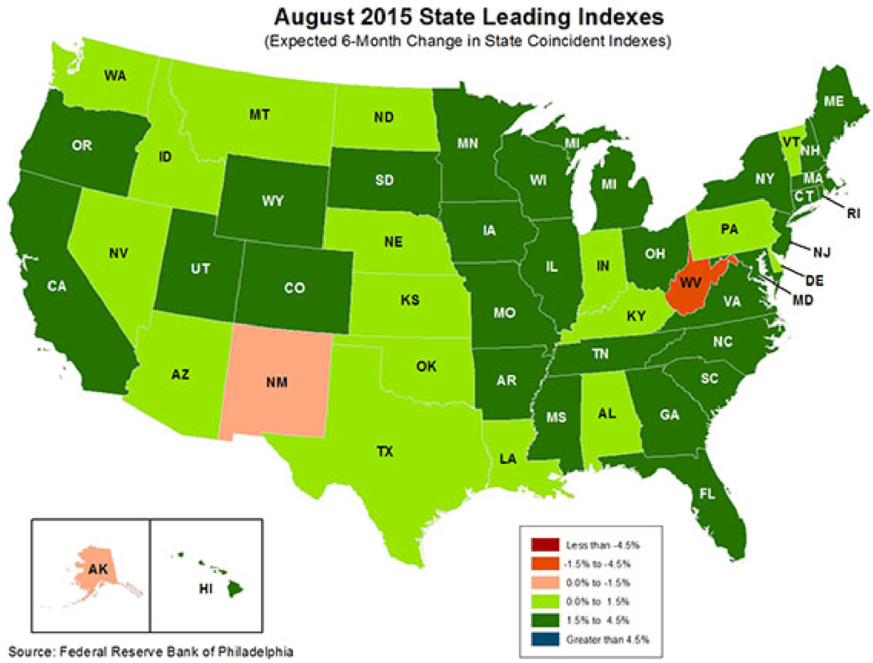
Illinois Economy

The Philadelphia Federal Reserve Bank Index of Leading Economic Indicators predicts for each state the six-month growth rate of the state's coincident index. The coincident index takes into account four state-level variables including: nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average). The trend for each state's index is set to the trend of its gross domestic product (GDP), so long-term growth in the state's index matches

[24] Ibid
[25] Ibid
[26] Industrial Production and Capacity Utilization – G.17 Release Date September 15, 2015 http://www.federalreserve.gov/releases/g17/Current/
[27] Ibid

long-term growth in its GDP.[28] Illinois' coincident index is expected to grow 1.88 percent in the next six months compared with a national average of 1.64 percent.[29]

Map 1



The Illinois labor market expanded at a very slow pace over the last year. Illinois added just 41,200 jobs in the year from August 2014 to August 2015 but has lost 7,300 jobs in the last three months.[30] The recent annualized jobs growth rate marks a substantial deceleration from August-to-August job growth in recent years. In fact, August-to-August job growth has averaged 61,992 per year from 2012 to 2014.[31] Illinois' unemployment rate was 5.6 percent in August 2015, down from 5.8 percent in July and 6.5 percent one year ago.[32] The improvement in the state's unemployment rate is not evidence of job growth but is rather a statistical artifact of the shrinking labor force.

The largest job gains in the twelve-month period were in Professional and Business Services (14,500 jobs) and Educational and Health Services (13,500 new jobs). Manufacturing continues its decades-long decline, shedding 7,100 jobs in the same period.

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[28] Federal Reserve Bank of Philadelphia, State Coincident Index, https://www.philadelphiafed.org/research-and-data/regional-economy/indexes/coincident

[29] Federal Reserve Bank of Philadelphia, Leading Index Revised Data, downloaded from: https://www.philadelphiafed.org/ on October 13, 2015

[30] Illinois Department of Employment Security, Current Employment Statistics, http://www.ides.illinois.gov/LMI/Pages/CES.aspx

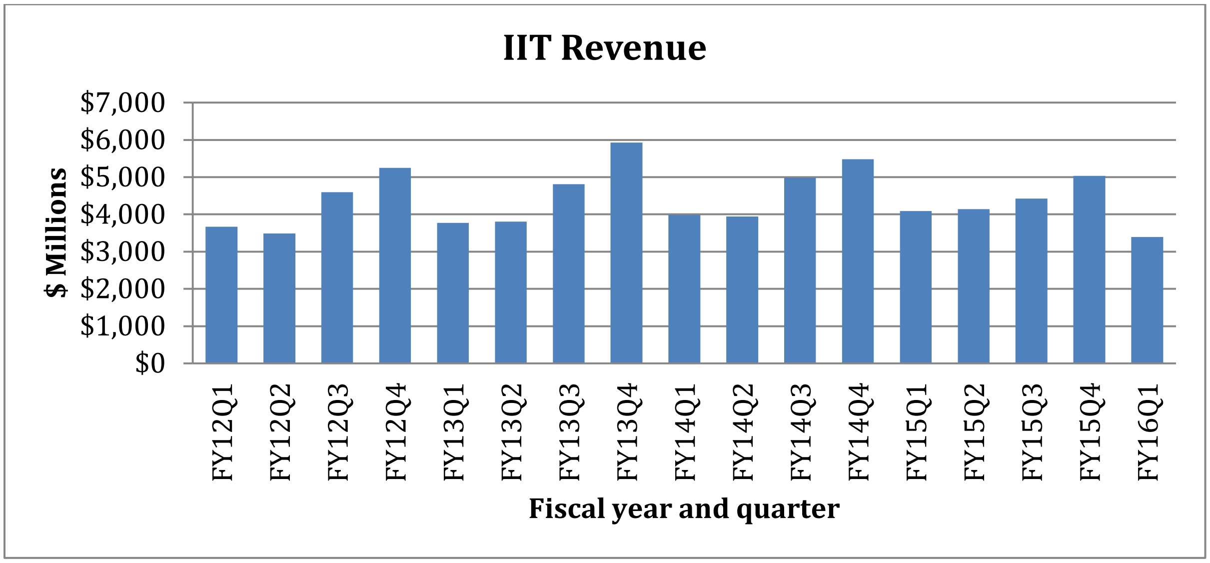
[31] Ibid

[32] Illinois Department of Employment Security, Press Release, "August Jobs in Illinois Decrease -900 while Unemployment Rate Declines to 5.6; Illinois Jobs Decline Three Consecutive Months", http://www.ides.illinois.gov/SitePages/NewsArticleDisplay.aspx?NewsID=277

Individual Income Tax (IIT)

Individual income tax receipts finished the first quarter down $699.5 million compared with last year, but $240.6 million above the IDOR forecast. The revenue decline is a function of the tax rate decreasing from 5.0 percent to 3.75 percent effective January of 2015. Both withholding and non-withholding payments outperformed our forecast in the first quarter.

Chart 5



Withholding receipts (WIT): Withholding from employee paychecks ended the quarter 18.8 percent ($652.9 million) below the same quarter last fiscal year because of the lower tax rate. The underlying economic growth in individual income tax beat the first quarter forecast by 4.2 percent ($112.4 million). Furthermore, the number of withholding forms processed by the Department increased 4.6 percent compared with the same quarter last year. Notwithstanding these positive signals in the withholdings data, it is premature to revise the forecast because nearly 80 percent of receipts remain to be collected throughout the rest of the fiscal year.

Job growth in Illinois has also showed signs of weakening, making IDOR economists skeptical that the current withholding growth trend will continue. The Illinois Department of Employment Security (IDES) reported that Illinois generated only 41,200 new jobs in the period from August 2014 to August 2015. In fact, Illinois has experienced three consecutive months of job losses totaling 7,300 jobs.[33]

Non-withholding receipts (non-WIT): Non-WIT receipts, which include estimated payments and final payments from individuals, etc., ended the quarter at 7.6 percent ($46.6 million) below the same quarter of last fiscal year but 29.2 percent above forecast.

More than half of individual income tax receipts above the forecast level come from the strong non-withholding payments (see table below). The most plausible explanation for the very high non-withholding receipts is many taxpayers will base current tax year estimated payments on the prior year liability in order to avoid penalties. Another explanation could be higher-than-expected capital gains realizations. Data in support of either hypothesis are significantly lagged and will not be available in the near term for assessment.

[33] Illinois Department of Employment Security, Current Employment Statistics, seasonally adjusted data, September 2015.

If taxpayers' estimated payments are too high relative to their actual tax liability, it will be reflected in decreased final payments and increased refunds demand. Department economists think no forecast revision should be made on the basis of non-withholding receipts until final payments data is compiled in early May.

Table 1

Components Year-to-Date ($ millions)				
	Actual	**Forecast**	**$ Difference**	**% Difference**
Withholding	$2,824.8	$2,712.0	$112.8	4.2%
Non-Withholding	$565.1	$437.3	$127.8	29.2%
Total	$3,389.9	$3,149.3	$240.6	7.6%
	FY2015	**FY2016**	**$ Difference**	**% Difference**
Withholding	$3,477.7	$2,824.8	-$652.9	-18.8%
Non-Withholding	$611.7	$565.1	-$46.6	-7.6%
Total	$4,089.4	$3,389.9	-$699.5	-17.1%

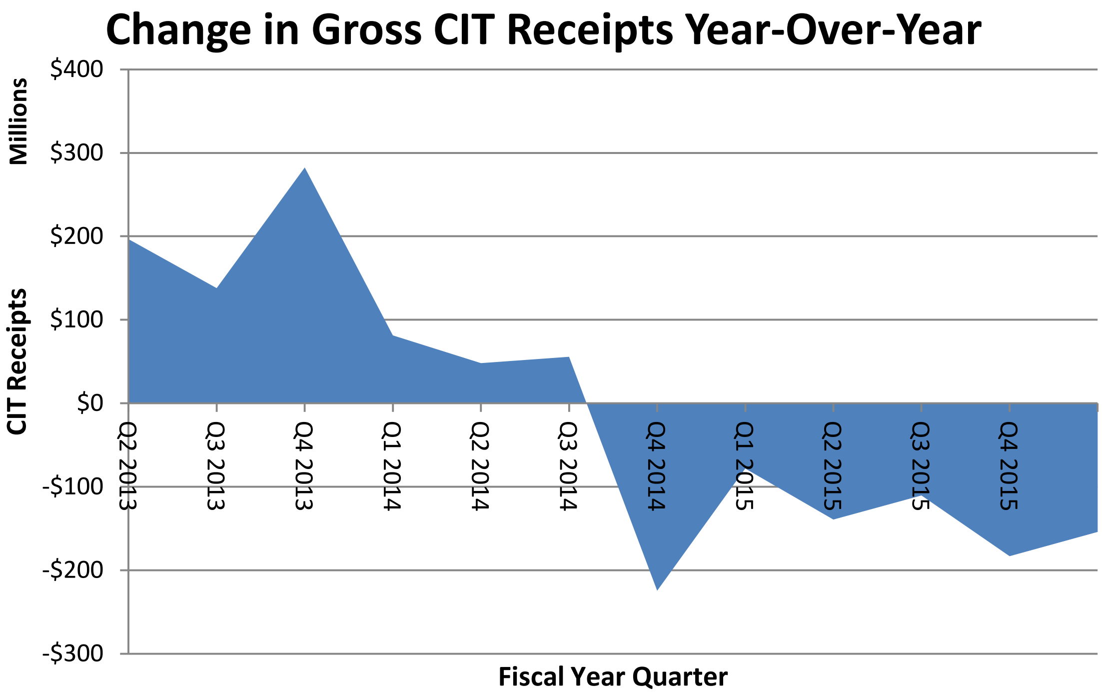
Payment totals match the Comptroller's receipts. Withholding and estimated and final payments are derived from IDOR collection data and in-transit fund data. Totals may not equal individual components due to rounding.

Corporate Income Tax (CIT)

Corporate income tax first quarter receipts (net of protest) totaled $502.2 million, which is $26.5 million (5.0 percent) below the original first quarter forecast of $528.7 million. Compared to the previous year, total receipts were $154.1 million, or 23.5 percent, below last year's first quarter total of $656.2 million. The steep year-over-year decline was an anticipated outcome due to the corporate income tax rate adjustment that occurred on January 1, 2015 (from 7.00 percent to 5.25 percent). The second and third quarters of fiscal year 2016 will similarly see significant year-over-year declines compared to the same periods during fiscal year 2015 as a result of the rate adjustment.

A possible cause for first quarter CIT gross receipts coming in under forecast is a greater than expected impact on receipts due to the expiration of the $100,000 cap on Illinois Net Operating Loss deductions (NOLs) for tax years ending on or after December 31, 2014. The Department continues evaluating this hypothesis by investigating accumulation of NOL stock held by corporations during the years in which NOL deductions were suspended or restricted (taxable years ending on or after December 31, 2010 and before December 31, 2014).

Chart 5



Sales & Use Tax

State sales and use tax receipts for the first quarter of fiscal year 2016 were 0.8 percent above the same quarter last fiscal year and 1.6 percent below IDOR's first-quarter forecast.

Two non-ecomomic factors negatively affected receipts during the first quarter. First, one taxpayer used a large volume of accumulated credit to cover its liability for the period, which significantly reduced cash payments during the quarter. Credits are earned from prior prepayments or prior overpayments and can be bought and sold among taxpayers. Any taxpayer who holds valid credit can use that credit to pay some or all of its tax liability. Second, a short delay in appropriating funds for a transfer to the Metropolitan Pier and Exposition Authority required a deposit of incoming receipts directly to the Authority during July. This action reduced receipts deposited into state general revenue funds during that month. In the absence of these factors, first-quarter growth would have been about 2.8 percent, just slightly above IDOR's first-quarter forecast.

Outside of these non-economic factors, receipts are performing as expected. IDOR's fiscal year 2016 forecast remains $8,204 million, which represents 2.2 percent growth over fiscal year 2015.

Table 2

Year-to-Date Comparison by Component ($ millions)				
	FY 2015	**FY 2016**	**$ Difference**	**% Difference**
Vehicles	$337.1	$362.5	$25.5	7.6%
Motor fuel*	$193.0	$147.8	-$45.2	-23.4%
All else	$1,504.3	$1,541.1	$36.9	2.4%
	$2,034.4	**$2,051.5**	**$17.1**	**0.8%**

****Estimated. IDOR does not have actual data on sales & use tax from motor fuel.***

Public Utilities Taxes

Public utilities tax receipts finished the first quarter 11.7 percent ($28.0 million) below forecast. Compared with last year, receipts were 10.5 percent ($24.7 million) lower. All three component sources finished the quarter missing expectations.

Telecommunications

Telecommunication excise tax receipts were 4.6 percent ($5.1 million) below forecast. The base for telecommunications excise taxes continues to erode as consumers abandon land line services and gravitate to smart devices and data services not taxable under the telecommunications excise tax. Based on receipts from the first quarter. the forecast so far is capturing this decline. However, if this disparity grows any further in the second quarter, a downward revision will be considered.

Electricity

Electricity excise tax receipts came in at 15.1 percent ($16.9 million) below forecast. Further investigation will determine the cause of receipts coming in this low.

Natural Gas

Natural gas tax receipts finished the quarter at 39.7 percent ($6.0 million) below forecast. A portion of this shortfall is due to a delay in processing natural gas tax returns this quarter. Approximately $1 million of this amount will be deposited in October.

Liquor Tax

Liquor tax receipts to the General Revenue Fund in the first quarter of fiscal year 2015 were 0.6 percent above the same period last fiscal year and 0.1 percent below IDOR's first-quarter forecast. Preliminary statistics for fiscal year 2015 show that the taxable consumption of beer decreased 1.4 percent compared to fiscal year 2014, while the taxable consumption of wine and spirits increased 2.4 percent and 1.7 percent, respectively. Sprits made up the largest share of fiscal year 2015 liquor tax receipts to the General Revenue Fund (55.1 percent), followed by beer (29.3 percent) and wine (15.6 percent).

Table 3

Year-to-Date ($ millions)	***Includes General Revenue Fund**			
	Actual	**IDOR Forecast**	**$ Difference**	**% Difference**
All Funds*	$74.8	$74.9	-$0.1	-0.1%
General Revenue Fund	$44.0	$44.1	$0.0	-0.1%
	FY 2015	**FY 2016**	**$ Difference**	**% Difference**
All Funds*	$74.3	$74.8	$0.5	0.6%
General Revenue Fund	$43.8	$44.0	$0.3	0.6%

Motor Fuel Taxes

Combined motor fuel tax receipts for the first quarter of fiscal year 2016 were 13.3 percent ($40.9 million) above the same period last fiscal year and 2.8 percent ($9.5 million) above IDOR's first-quarter forecast.

Most of the forecast deviation, as well as the large positive result versus last fiscal year, was related to heavy cash flow volatility in payments made under the International Fuel Tax Agreement (IFTA), which is an agreement between the lower 48 states of the United States and the Canadian provinces to simplify the reporting of motor fuel use tax by motor carriers that operate in more than one jurisdiction. IFTA payments are handled via a clearinghouse system whereby each jurisdiction receives a payment reflecting the difference between what its carriers owe to all other jurisdictions and what carriers from all other jurisdiction owe to it. In other words, IFTA receipts are the net payments due to Illinois after balancing Illinois' account with all other member accounts. This approach can result in significant annual changes in IFTA receipts as carrier distribution patterns or member tax rates change. For example, Illinois' IFTA receipts for the first quarter of fiscal year 2016 were up 195.0 percent, compared to the first quarter in fiscal year 2016. Clearly, this large of a change is far greater than what one would see if IFTA receipts reflected only fuel demand by carriers operating across Illinois, as fuel demand changes only very gradually over time.

Furthermore, receipts for the regular motor fuel tax were unusually low for the month of September. It often happens that an unusually low month is caused by a delay in return filings. This low month, in turn, is typically followed by an unusually high month of receipts as the delayed returns are received, offsetting the previous low month. When this dip-and-spike cycle occurs across quarters, it skews the results for each quarter.

All of this volatility, which can fluctuate between double-digit growth and decline from month to month, has a larger effect on cumulative year-over-year growth calculations in the early part of the year when only a few months have gone by. This means that first-quarter results for these taxes are typically unrepresentative of the performance one can expect for the entire fiscal year. Cumulative receipts at the end of the second quarter of fiscal year 2016 will provide a more reliable indicator of overall performance.

Cigarette and Cigarette Use Tax

In the first quarter of 2016, cigarette tax receipts finished nearly on forecast. Year-to-date cigarette tax receipts exceeded estimates by 2.5 percent ($5.5 million). Compared to last year, receipts are slightly higher coming in at 2.6 percent ($5.8 million) above the previous year. Monthly performance was generally consistent with cash flow assumptions for the year.

Table 4

Year-to-Date ($ millions)	*Includes the General Revenue Fund			
	Actual	Estimate	$ Difference	% Difference
All Funds*	$220.7	$215.2	$5.5	2.5%
General Revenue Fund	$88.4	$88.8	-$0.3	-0.4%
	FY 2015	FY 2016	$ Difference	% Difference
All Funds*	$226.5	$220.7	-$5.8	-2.6%
General Revenue Fund	$88.4	$88.4	$0.0	0.0%

Other Tobacco Products Tax (OTP)

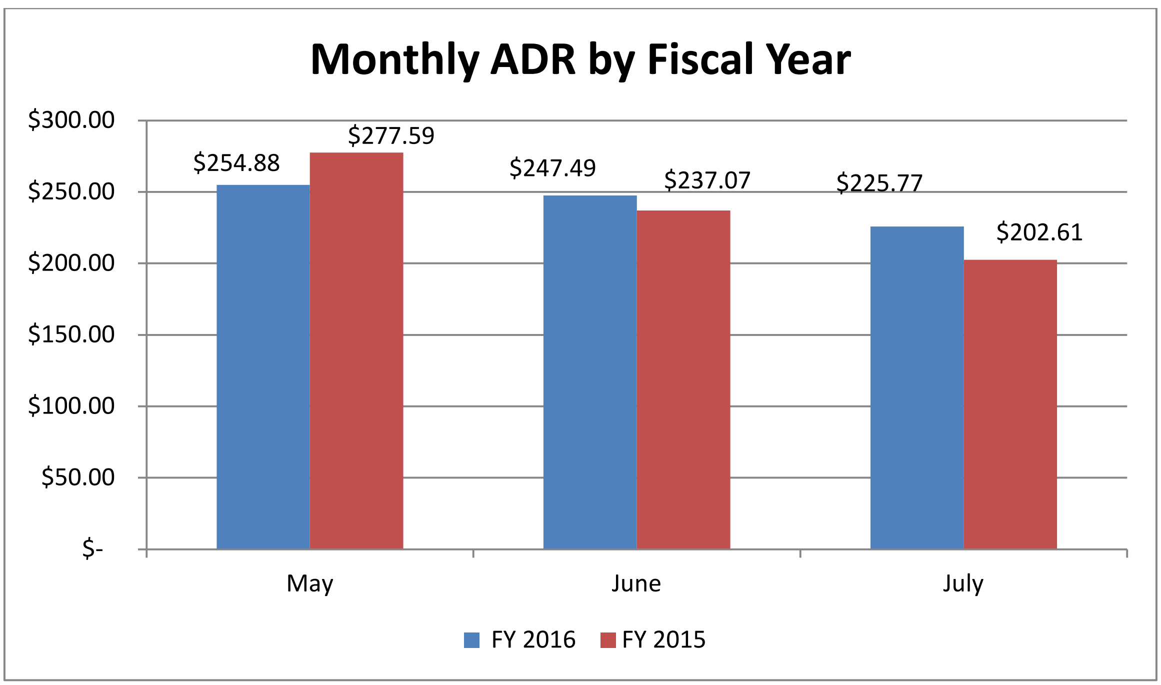
With the first quarter completed, other tobacco products tax receipts finished below expectation. Total year-to-date receipts are -11.1 percent ($1.3 million) below forecast. Compared to fiscal year 2015 receipt growth was flat coming in at -0.3 percent ($30 thousand). Each month missed forecast by a consistent margin. Based on the previous year's receipt performance and the slow start to the first quarter, the forecast will be revised for fiscal year 2016. This revision will debut in next quarter's report and data will be updated to reflect this. As stated in the fourth quarter report of last year the primary explanation for this decrease in receipts is a combination of an overall return to trend for the tobacco products market after recent tax increases as well as continued growth in the electronic cigarette segment leading potentially to decreased sales in tobacco products.

Hotel Operators' Occupation Tax (HOOT)

The Hotel Operators' Occupation Tax ended the first quarter with receipts finishing above expectation. At the end of the year, receipts were 8.3 percent ($6.4 million) above forecast for 2016. Compared with last year, this quarter's receipts grew 7.8 percent ($6.0 million) year over year. September was a particularly high performing month with receipts 22.0 percent ($5.3 million) over expectation.

The following two tables show average daily room rate (ADR) and the occupancy rate (Occ) statistics for the Chicago hotel market. The three most recent months of data available are shown below. Both tables show data by month compared with last year's level. There is a one-month lag between taxable hotel activity and when the Department receives a return. So ADR and Occ levels in July would impact receipts received in August. ADR and Occ continue to have a strong showing through the summer, posting growth over last year. This combined with the high level of receipts seen in the first quarter is promising: no revisions to the fiscal year 2016 forecast will be considered until at least the end of the second quarter.

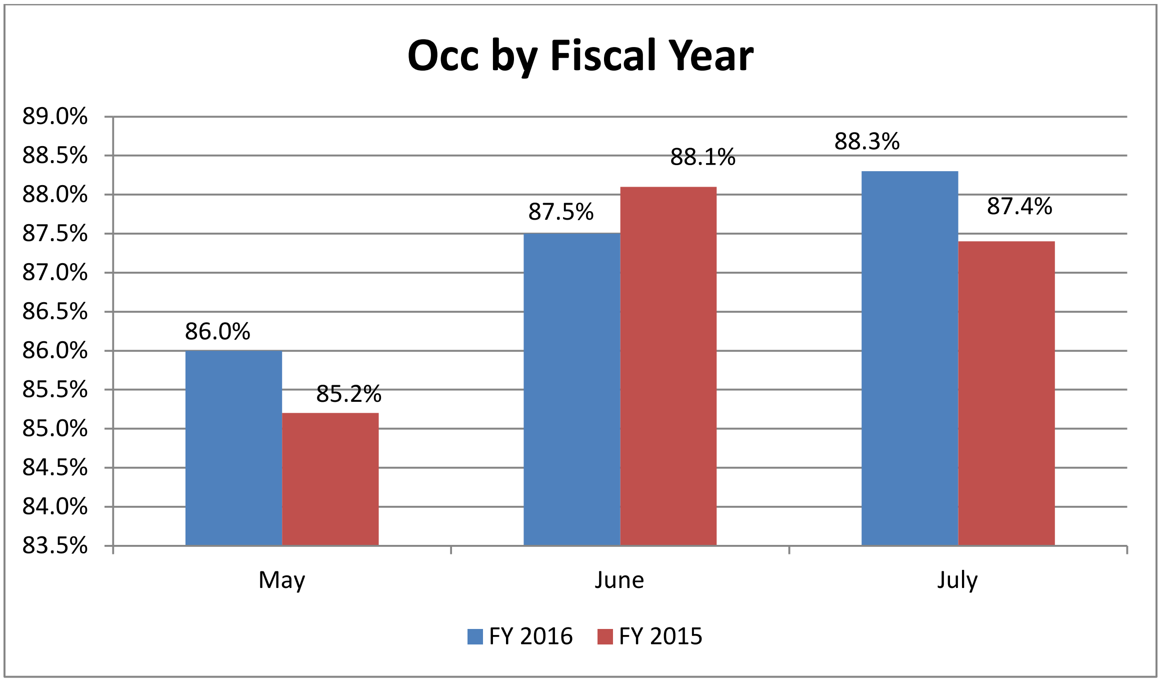
Chart 6



Source: Choose Chicago. Monthly Occupancy and ADR Statistics.[34]

[34] http://www.choosechicago.com/articles/view/monthly-occupancy-and-adr-statistics/72/

Chart 7



Source: Choose Chicago. Monthly Occupancy and ADR Statistics.[35]

Table 5

Year-to-Date ($ millions)	***Includes the General Revenue Fund**			
	Actual	**Estimate**	**$ Difference**	**% Difference**
All Funds*	**$83.0**	**$76.7**	**$6.4**	**8.3%**
General Revenue Fund	**$11.4**	**$9.0**	**$2.4**	**26.7%**
	FY 2015	**FY 2016**	**$ Difference**	**% Difference**
All Funds*	**$77.1**	**$83.0**	**$6.0**	**7.8%**
General Revenue Fund	**$10.1**	**$11.4**	**$1.3**	**12.9%**

[35] http://www.choosechicago.com/articles/view/monthly-occupancy-and-adr-statistics/72/

Estate Tax

Estate tax GRF receipts ended the first quarter 11.3 percent ($7.8 million) above forecast. When compared with last year's year-to-date GRF receipts , this quarter's receipts finished down 8.4 percent ($7.0 million).

Table 6

Year-to-Date ($ millions)	*Includes the General Revenue Fund			
	Actual	**Estimate**	**$ Difference**	**% Difference**
All Funds*	$81.4	$73.1	$8.2	11.3%
General Revenue Fund	$76.5	$68.8	$7.8	11.3%
	FY 2015	**FY 2016**	**$ Difference**	**% Difference**
All Funds*	$88.8	$81.4	-$7.4	-8.4%
General Revenue Fund	$83.5	$76.5	-$7.0	-8.4%

Real Estate Transfer Tax (RETT)

Year-to-date fiscal year 2016 first quarter RETT receipts totaled $22.8 million, which was 19.7 percent ($3.7 million) higher than expectation. The month of September drove receipts with a total that was 39.1 percent ($2.7 million) over forecast.

Market Factors Impact on RETT Receipts

Financing Demand and Availability:
An important component of the real estate market is the demand and availability of financing for commercial and consumer purchases of property. The Federal Reserve's Senior Loan Officer Opinion Survey on Bank Lending Practices follows trends in real estate financing. Data from this survey help explain current real estate purchasing behavior as well as identify possible trends in future purchases. Based on data for the first quarter, Commercial real estate (CRE) lending remained largely unchanged. Demand for CRE loans on balance change very little with some banks reporting stronger demand while others reported weaker demand.[36]

Banks have started easing lending standards for residential real estate with the exception insured loans and the subprime loans. Demand for residential real estate loans is strengthening across a wide range of banks for a large variety of home purchases. This loosening helps explain the growth seen over the last few quarters and may point to further growth over the coming fiscal year.[37]

Illinois Home Prices:
According to data released by the Illinois Association of Realtors, in August statewide median home prices had an increase of 0.9 percent over August of last year. The number of homes sold statewide in August increased by 3.4 percent when compared with August of last year. As RETT receipts are a function of both prices and number of sales, an increase in price and volume of sales over last year helps explain the level of receipts for the source at the end of the quarter.

Foreclosure Inventory:
Corelogic, a prominent industry data and analytics firm, defines foreclosure inventory as the share of mortgage homes that have been placed in the process of foreclosure by the lender. The analytics firm releases a monthly National Foreclosure Report, which tracks foreclosure inventory at the national and state level. The latest July report shows a decrease in the foreclosure inventory rates at the national level, while Illinois holds flat for the third consecutive month. The Illinois rate has remained at 1.6 percent, and nationally, the rate dropped to 1.2 percent.[38] High foreclosure inventory rates can have a negative impact on "pure market" sales especially those in close proximity to a foreclosure sale. Generally, a reduction in the foreclosure inventory can have a positive effect on median sale price.

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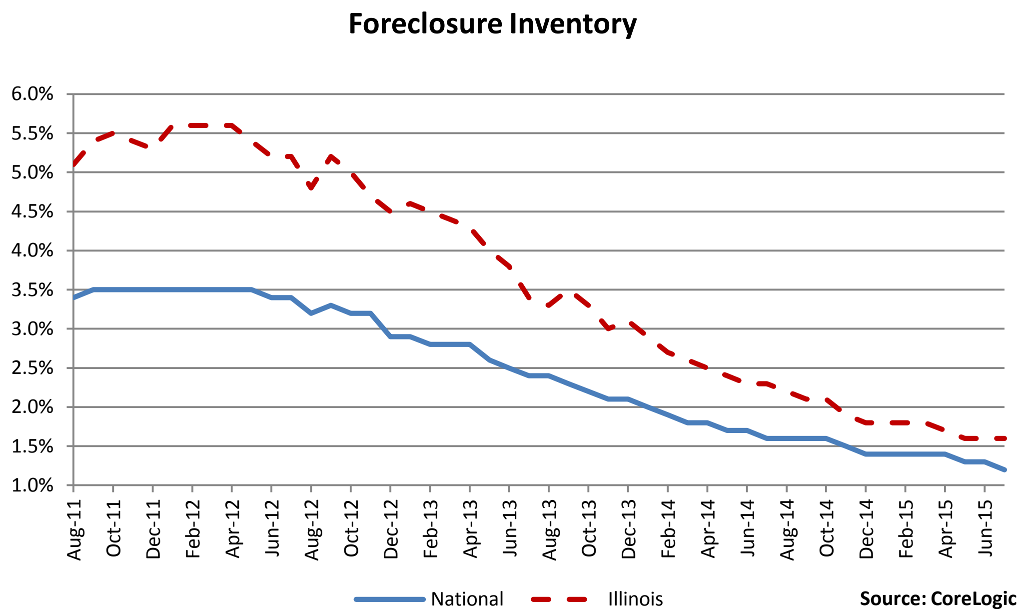
[36] The July 2015 Senior Loan Officer Opinion Survey on Bank Lending Practices,
http://www.federalreserve.gov/boarddocs/snloansurvey/201508/default.htm
[37] Ibid
[38] *National Foreclosure Report*. Rep. May 2015. Corelogic, 2015. Web. 16 July. 2015.
http://www.corelogic.com/research/foreclosure-report/national-foreclosure-report-february-2015.pdf

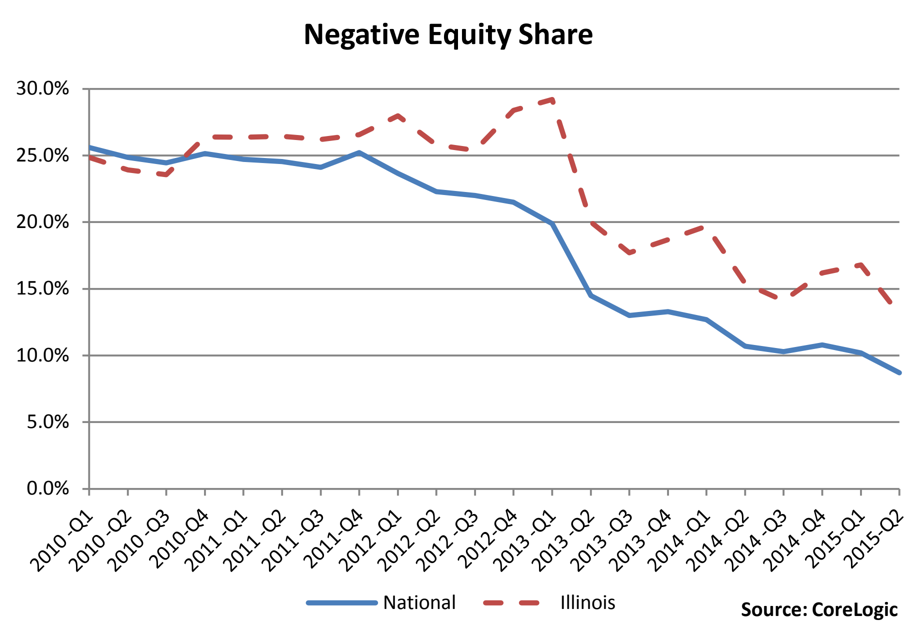
Chart 8



Negative Equity Share:

Corelogic, in its 2015 second quarter equity report, showed that Illinois' negative equity rate decreased to 13.1 percent, 4.4 percentage points higher than the national rate of 8.7 percent.[39] Illinois remains one of fourteen states with a higher negative equity share than the national average. This relatively high rate continues to be a contributing factor in the current tight inventory of homes available on the market.

Chart 9



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[39] *Equity Report*. Rep. First Quarter 2015. CoreLogic, 2015. Web. 16 July. 2015. http://www.corelogic.com/about-us/researchtrends/equity-report.aspx#

Comparison with Last Fiscal Year and IDOR Forecast

Table A-1. Comparisons with Last Fiscal Year and with IDOR Forecasts

Revenue Source Receipts (millions)	Actual for the Month: September FY2015 Actual	September FY2016 Actual	Year-to-Date Actual: FY 2015 YTD Actual	FY 2016 YTD Actual	YTD FY 2016 vs. YTD FY 2015		Year-to-Date Forecast vs. Actual: FY 2016 YTD IDOR Forecasts	YTD FY 2016 vs. YTD IDOR Forecasts		Year: FY 2014 Total	FY 2015 Total	FY 2016 IDOR Forecast
Individual Income Tax (All Funds)	$1,679.4	$1,392.7	$4,089.4	$3,389.9	-$699.5	-17.1%	$3,149.3	$240.6	7.6%	$18,387.7	$17,682.0	$14,644.0
Corporate Income Tax (All Funds)	$525.8	$392.2	$656.2	$502.2	-$154.1	-23.5%	$528.7	-$26.5	-5.0%	$3,640.0	$3,129.1	$2,800.0
Sales Tax (GRFs)	$680.4	$686.1	$2,034.4	$2,051.5	$17.1	0.8%	$2,084.5	-$33.0	-1.6%	$7,675.4	$8,030.2	$8,204.0
Public Utilities (GRFs)	$83.0	$79.8	$235.6	$210.9	-$24.7	-10.5%	$238.9	-$28.0	-11.7%	$1,013.3	$1,005.4	$1,008.0
Telecommunications	$39.2	$37.7	$108.6	$106.6	-$1.9	-1.8%	$111.8	-$5.1	-4.6%	$422.3	$434.2	$435.0
Electricity	$38.4	$37.0	$109.0	$95.1	-$13.9	-12.8%	$112.0	-$16.9	-15.1%	$402.5	$393.1	$405.0
Gas	$5.4	$5.1	$18.0	$9.2	-$8.9	-49.2%	$15.2	-$6.0	-39.7%	$188.4	$178.2	$168.0
Estate Tax (GRF)	$19.2	$31.0	$83.5	$76.5	-$7.0	-8.4%	$68.8	$7.8	11.3%	$276.5	$333.3	$275.0
Cigarette (All Funds)	$80.7	$74.5	$226.5	$220.7	-$5.8	-2.6%	$215.2	$5.5	2.5%	$823.8	$825.2	$803.0
Tobacco Products	$3.4	$3.4	$10.1	$10.1	$0.0	-0.3%	$11.4	-$1.3	-11.1%	$36.0	$36.8	$42.0
Regular Motor Fuel Tax	$111.1	$74.8	$277.7	$289.0	$11.3	4.1%	$304.9	-$15.9	-5.2%	$1,157.0	$1,171.0	$1,187.0
Motor Fuel - IFTA	$0.3	$19.0	$12.7	$37.5	$24.8	195.0%	$16.3	$21.2	130.4%	$66.2	$51.3	$65.0
Underground Storage Tank	$6.0	$7.9	$16.4	$21.3	$4.9	29.8%	$17.0	$4.3	25.0%	$70.5	$70.7	$72.0
Liquor (GRF)	$13.8	$13.2	$43.8	$44.0	$0.3	0.6%	$44.1	$0.0	-0.1%	$164.5	$166.8	$168.0
Insurance Tax (GRF)	$67.5	$61.3	$92.1	$92.5	$0.4	0.4%	$88.6	$3.9	4.4%	$332.6	$353.4	$340.0
Corp. Franchise Tax (GRF)	$22.6	$27.9	$52.5	$58.1	$5.6	10.6%	$50.0	$8.1	16.1%	$202.6	$211.0	$201.0
Real Estate Transfer Tax	$8.7	$9.8	$19.9	$22.8	$2.9	14.3%	$19.0	$3.7	19.7%	$56.5	$66.1	$70.0
Private Vehicle Use Tax (GRF)	$3.2	$4.3	$9.2	$10.5	$1.3	14.5%	$8.4	$2.2	25.8%	$28.9	$31.9	$29.0
Hotel Tax (All Funds)	$24.6	$29.4	$77.1	$83.0	$6.0	7.8%	$76.7	$6.4	8.3%	$227.2	$256.7	$250.0

Table A-2. Comparisons with House Joint Resolution (HJR) Revenue Forecasts*

Revenue Source Receipts (millions)	FY 2016 YTD Actual	FY 2016 YTD HJR Forecasts	YTD FY 2016 vs. HJR Forecasts		FY 2016 HJR Forecast
Individual Income Tax (All Funds)					
Corporate Income Tax (All Funds)					
Sales Tax (GRFs)					
Public Utilities (GRFs)					
Estate Tax (GRF)					
Liquor (GRF)					
Insurance Tax (GRFs)					
Corp. Franchise Tax (GRF)					
Private Vehicle Use Tax (GRF)					

* Until there is an adopted budget for fiscal year 2016, we will have no HJR revenue forecasts to evaluate. Once a budget is enacted, we will add the adopted revenue forecasts to our report.

U.S. and Illinois Employment

U.S. & Illinois Labor Market News							
U.S.	September	August	September	Change from August		Change from year ago	
(Seasonally adjusted, thousands)	2015	2015	2014	Number	Percent	Number	Percent
Labor Force	156,715	157,065	155,845	-350	-0.2%	870	0.6%
Employment	148,800	149,036	146,607	-236	-0.2%	2,193	1.5%
Unemployment	7,915	8,029	9,237	-114	-1.4%	-1,322	-14.3%
Unemployment Rate	5.1	5.1	5.9	0.0	0.0%	-0.8	-13.6%
Employment/population ratio	59.2	59.4	59.0	-0.2	-0.3%	0.2	0.3%
Illinois	August	July	August	Change from July		Change from year ago	
(Seasonally adjusted)	2015	2015	2014	Number	Percent	Number	Percent
Labor Force	6,492,770	6,488,721	6,510,308	4,049	0.1%	-17,538	-0.3%
Employment	6,130,292	6,115,076	6,086,038	15,216	0.2%	44,254	0.7%
Unemployment	362,478	373,645	424,270	-11,167	-3.0%	-61,792	-14.6%
Unemployment Rate	5.6	5.8	6.5	-0.2	-3.4%	-0.9	-13.8%
Employment/population ratio	0.48	0.47	0.47	0.0	0.2%	0.0	0.7%
Source: Bureau of Labor Statistics, Illinois Department of Employment Security (Household survey data), IHS-Global Insight.							

Illinois wage and salary employment							
Industry Title	August	july	August	Change from July		Change from year ago	
	2015	2015	2014	Number	Percent	Number	Percent
Total Nonfarm	5,920,400	5,921,300	5,879,200	-900	0.0%	41,200	0.7%
Mining	9,200	9,300	10,100	-100	-1.1%	-900	-8.9%
Construction	209,600	211,500	203,200	-1,900	-0.9%	6,400	3.1%
Manufacturing	571,200	573,400	578,300	-2,200	-0.4%	-7,100	-1.2%
Trade, Transportation, & Utilities	1,188,400	1,190,500	1,178,300	-2,100	-0.2%	10,100	0.9%
Information	97,500	98,300	99,600	-800	-0.8%	-2,100	-2.1%
Financial Activities	371,500	368,900	370,700	2,600	0.7%	800	0.2%
Professional and Business Services	933,300	932,000	918,800	1,300	0.1%	14,500	1.6%
Educational and Health Services	898,700	896,300	885,200	2,400	0.3%	13,500	1.5%
Leisure and Hospitality	562,200	562,700	554,700	-500	-0.1%	7,500	1.4%
Other Services	251,300	249,500	252,000	1,800	0.7%	-700	-0.3%
Government	827,500	828,900	828,300	-1,400	-0.2%	-800	-0.1%
Source: Bureau of Labor Statistics, Illinois Department of Employment Security (Establishment data)							

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