

State Revenues Update

Since the forecast made in August 2020, Vermont revenues have been very strong, owing mostly to significant federal fiscal stimulus which has flowed through to our revenues via several channels. **Across all three funds, total revenues are above their forecasted targets by a combined \$163.7 million.**

General Fund: Overall, the General Fund sits \$110.3 million above its forecast for the first six months of the fiscal year (+13%).

- **Personal income tax** revenues are the main driver of this. They are \$70.2 million above target year-to-date (YTD) (+12%). There are numerous reasons for this, but withholding has been quite strong likely buoyed by enhanced unemployment insurance. There is also evidence of a divergent recession as many high-income taxpayers have made significant payments from August through December. Estimated payments in September were also very strong. We will know more shortly after January 15, which is the first quarter estimated payment date
- **Corporate income tax** revenues have also been strong, sitting \$17.8 million above target YTD (+82%). The full reason for this strength is not as clear. There is concern that many of these firms are paying taxes based upon what they paid last year, which could mean higher refunds in April. However, many large corporations (such as online retailers, durable goods retailers) have seen strong revenue growth during the pandemic.
- Elsewhere in the Fund:
 - **Meals and Rooms taxes** are largely on target for the year, although their forecast this year was considerably lower than last year.
 - **Property transfer tax** revenue has been very strong (+\$5.1 million for the year, or +67%) reflecting anecdotal evidence of a hot housing market, particularly in ski towns. Most of the increase revenues appears to be driven by price increases, not volume.
 - **Estate tax** payments have been strong this year. \$20.7 million in payments have been received which already exceeds FY2021's full-year forecast.

Transportation Fund: The Transportation Fund is running \$11.6 million above target for the first 6 months of the year (+9%). Federal fiscal stimulus has most directly impacted our consumption taxes and a good example of this is the Purchase and Use Tax. It is \$9.1 million above target YTD (+27.5%). This has led to increased DMV fees, which are \$2.1 million above target through December (6.4%). Gasoline and Diesel tax revenues are slightly above target on target for the year (+\$500,000) combined.

Education Fund: Education Fund revenues are running well above their August forecast, almost entirely due to record sales tax revenues, the result of which can almost entirely be attributed to Federal fiscal stimulus (recovery checks, enhanced UI putting money into consumers' pockets). Total Education Fund revenues are \$41.9 million above target (+16.2%). Sales tax revenues account for \$36.6 million of this overperformance (+17.21%) while Purchase and Uses taxes account for the rest (+\$4.5 million).

The next revenue forecast is due at the next Emergency board meeting in late January and will likely reflect these revenue upgrades.