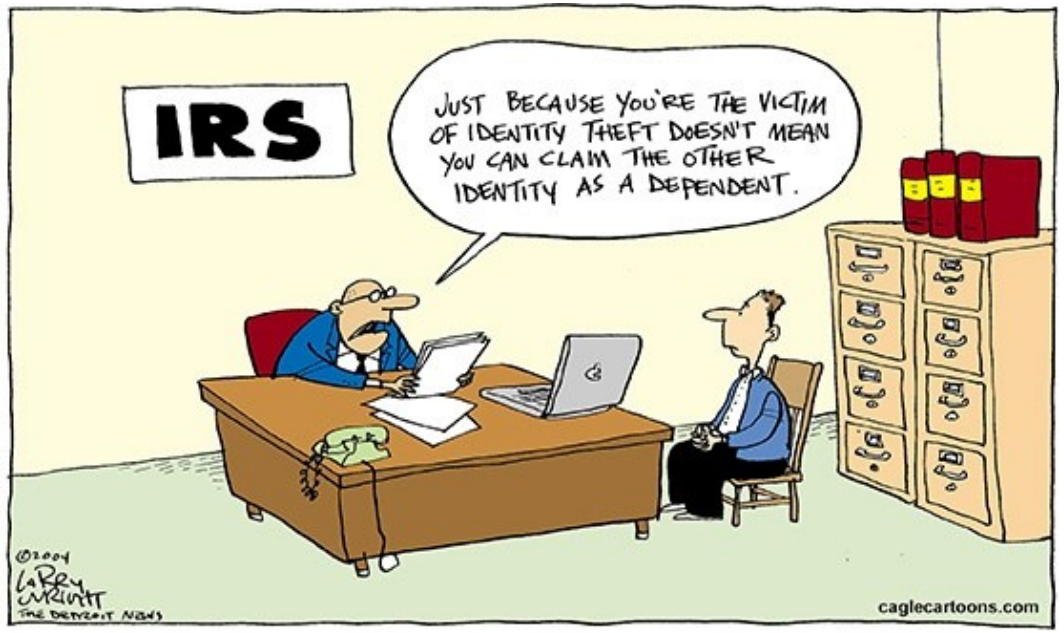
FY 2020 Economic Forecast and Revenue Estimate

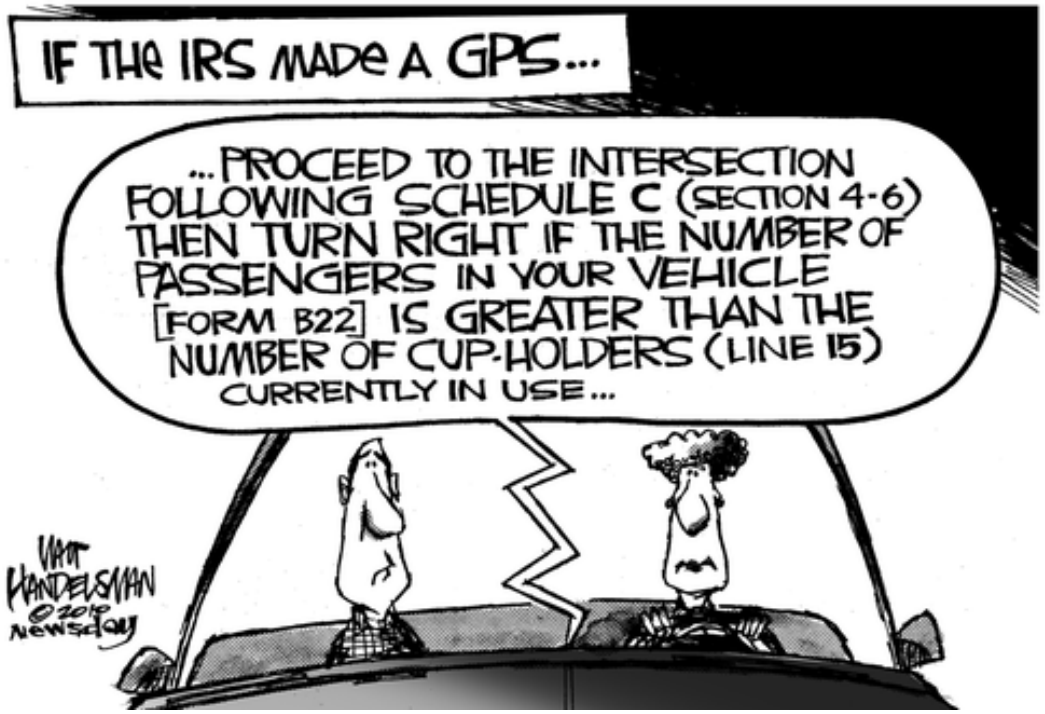
Illinois House Revenue and Finance Committee
February 28, 2019

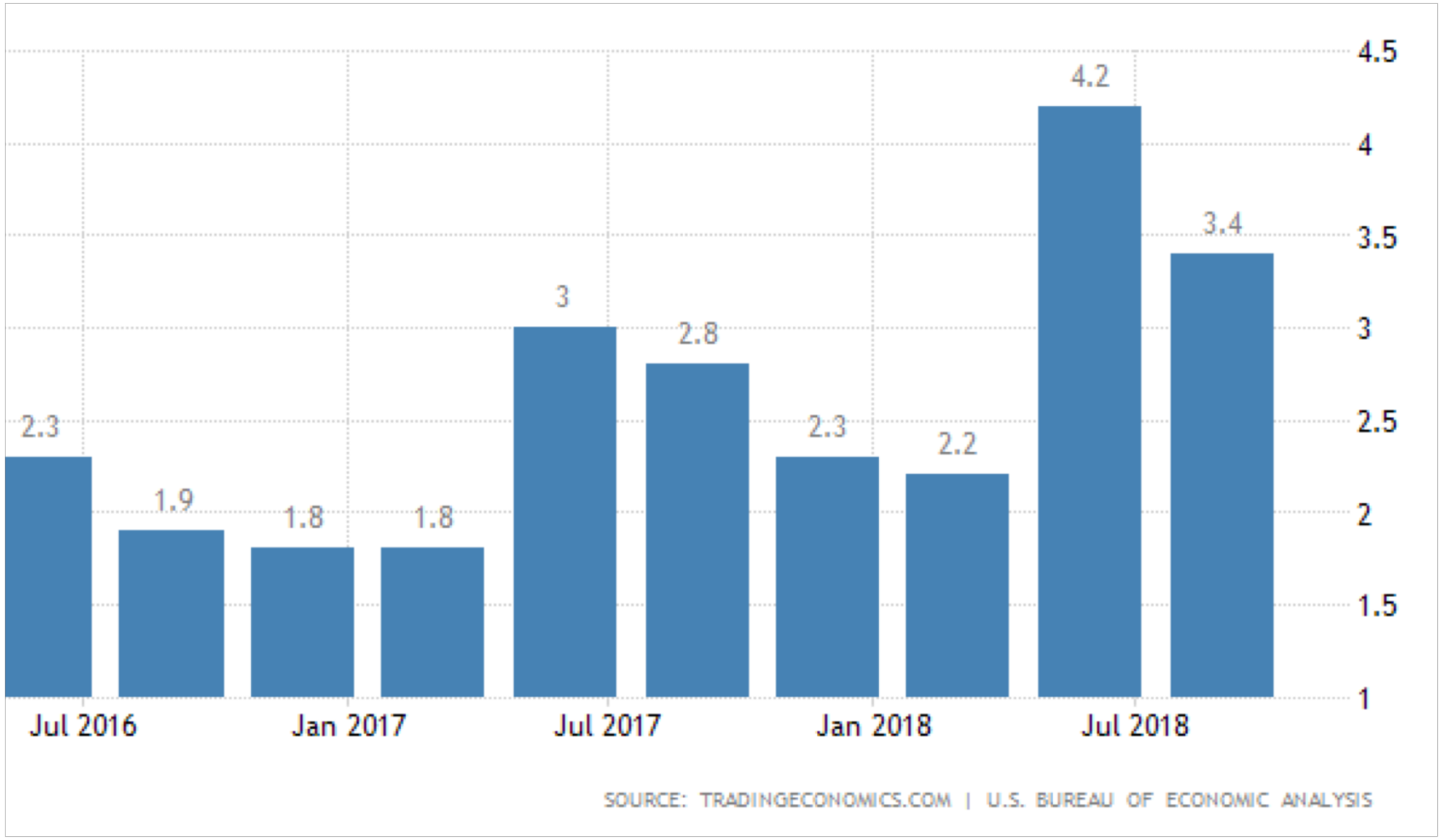
Marty M Johnson, MBA

Acting Chief Economist,
Office of Fiscal and Economic Research

Illinois Department of Revenue


IRS
JUST BECAUSE YOU'RE THE VICTIM OF IDENTITY THEFT DOESN'T MEAN YOU CAN CLAIM THE OTHER IDENTITY AS A DEPENDENT.
©2004 LARRY WRIGHT THE DETROIT NEWS
caglecartoons.com

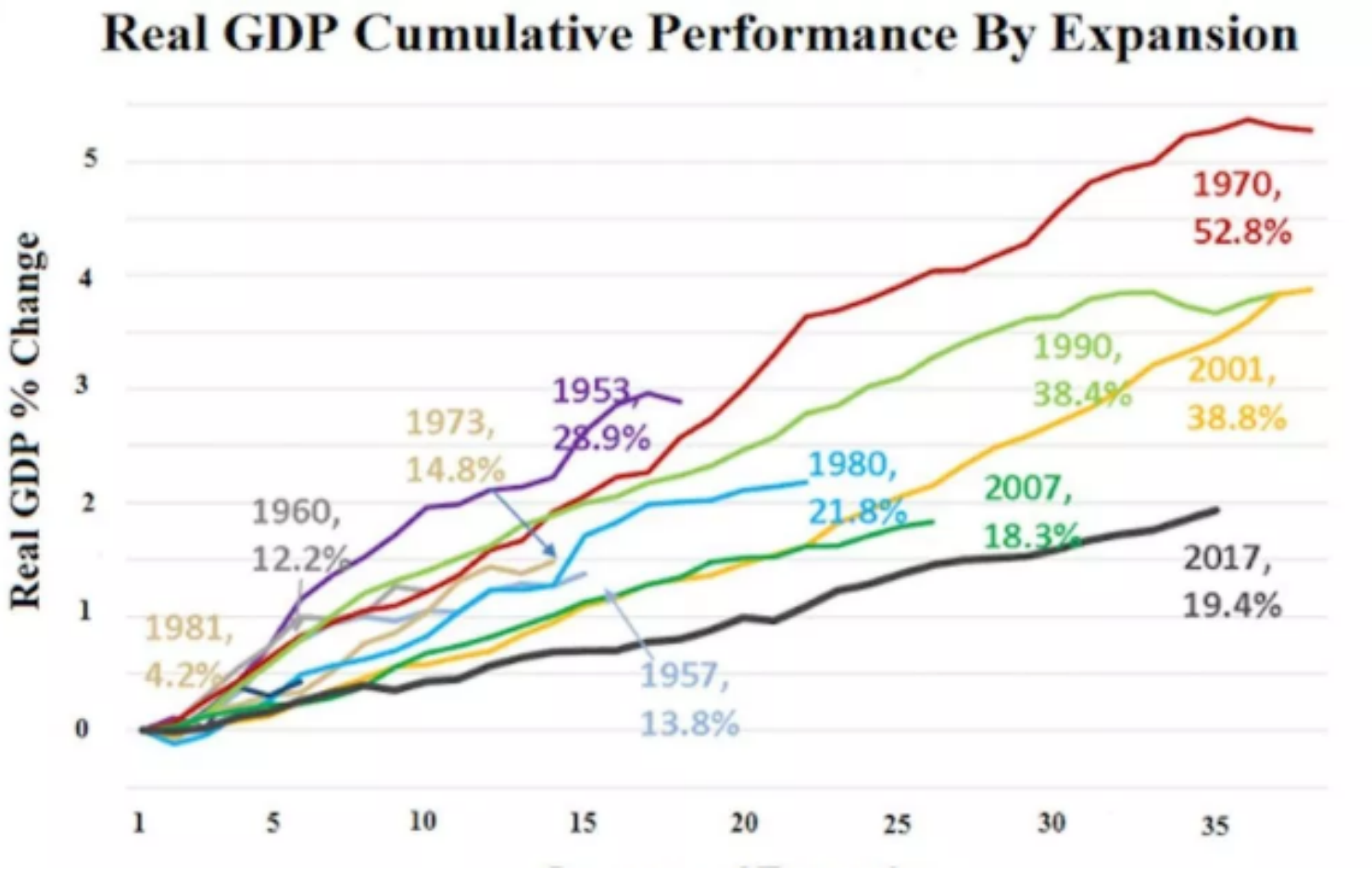

IF THE IRS MADE A GPS...
...PROCEED TO THE INTERSECTION FOLLOWING SCHEDULE C (SECTION 4-6) THEN TURN RIGHT IF THE NUMBER OF PASSENGERS IN YOUR VEHICLE [FORM B22] IS GREATER THAN THE NUMBER OF CUP-HOLDERS (LINE 15) CURRENTLY IN USE...
MATT HANDELSMAN ©2012 NEWSDAY

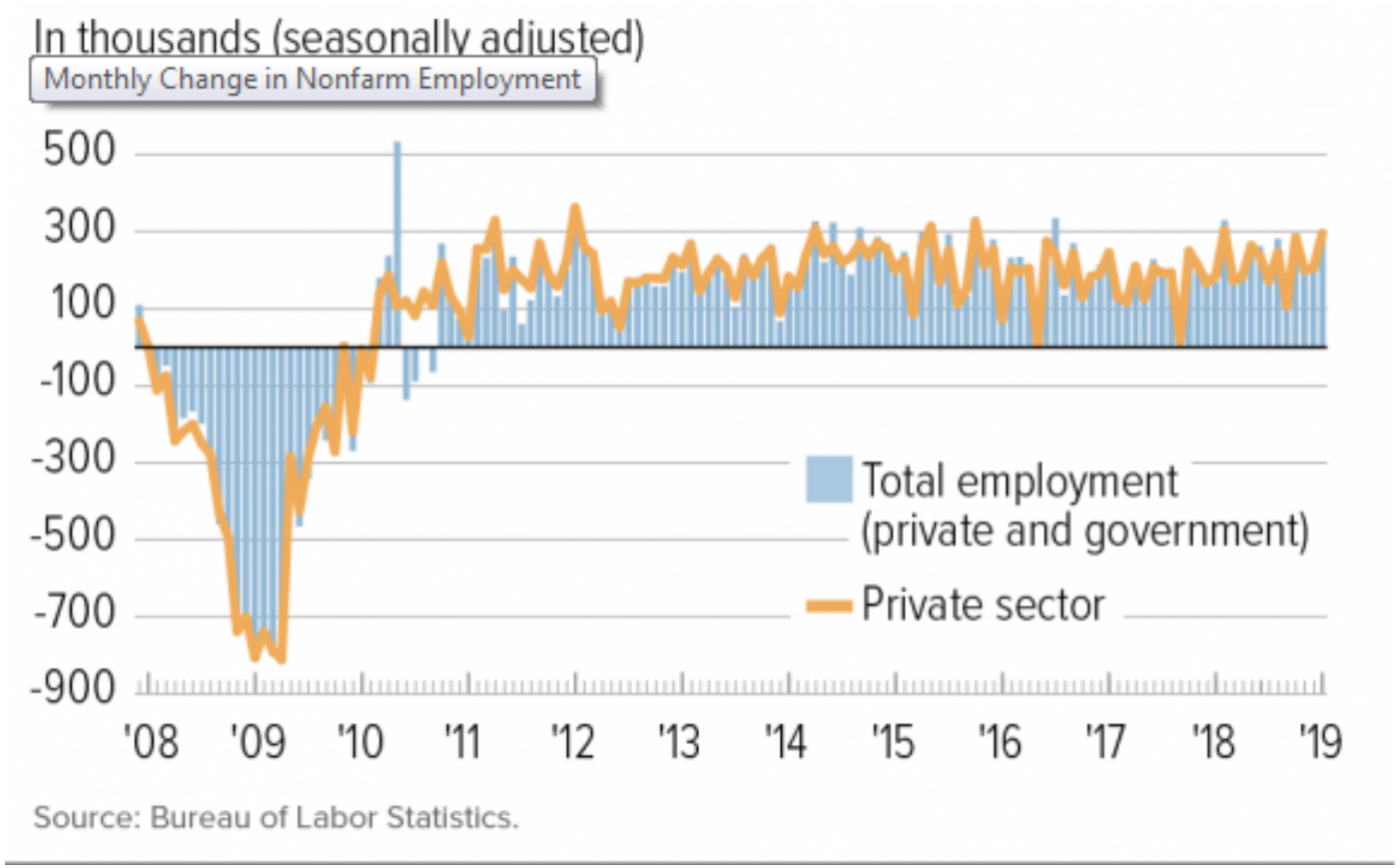


United States: GDP Growth Rate

- US Economy maintained solid growth through the second half of 2018
- Annualized growth for 2018: just under 3 %
- Consumer and business spending has begun to weaken
- Economic growth forecast to decelerate: 2.6 percent in 2019, 1.8 percent in 2020, 1.6 percent in 2021.

US is now in month 115 of economic expansion, but the recovery has been anemic





United States : Monthly change in Nonfarm Employment

- Employers added 195,000 jobs a month from March 2010 through January 2019
- Employment opportunities for the forecast period won't be the same as the recent past: shortage of workers
- US Employment is projected to rise 1.5 percent in 2019, 1.8 percent in 2020, and 0.7 percent in 2021.

United States: Unemployed workers per job opening



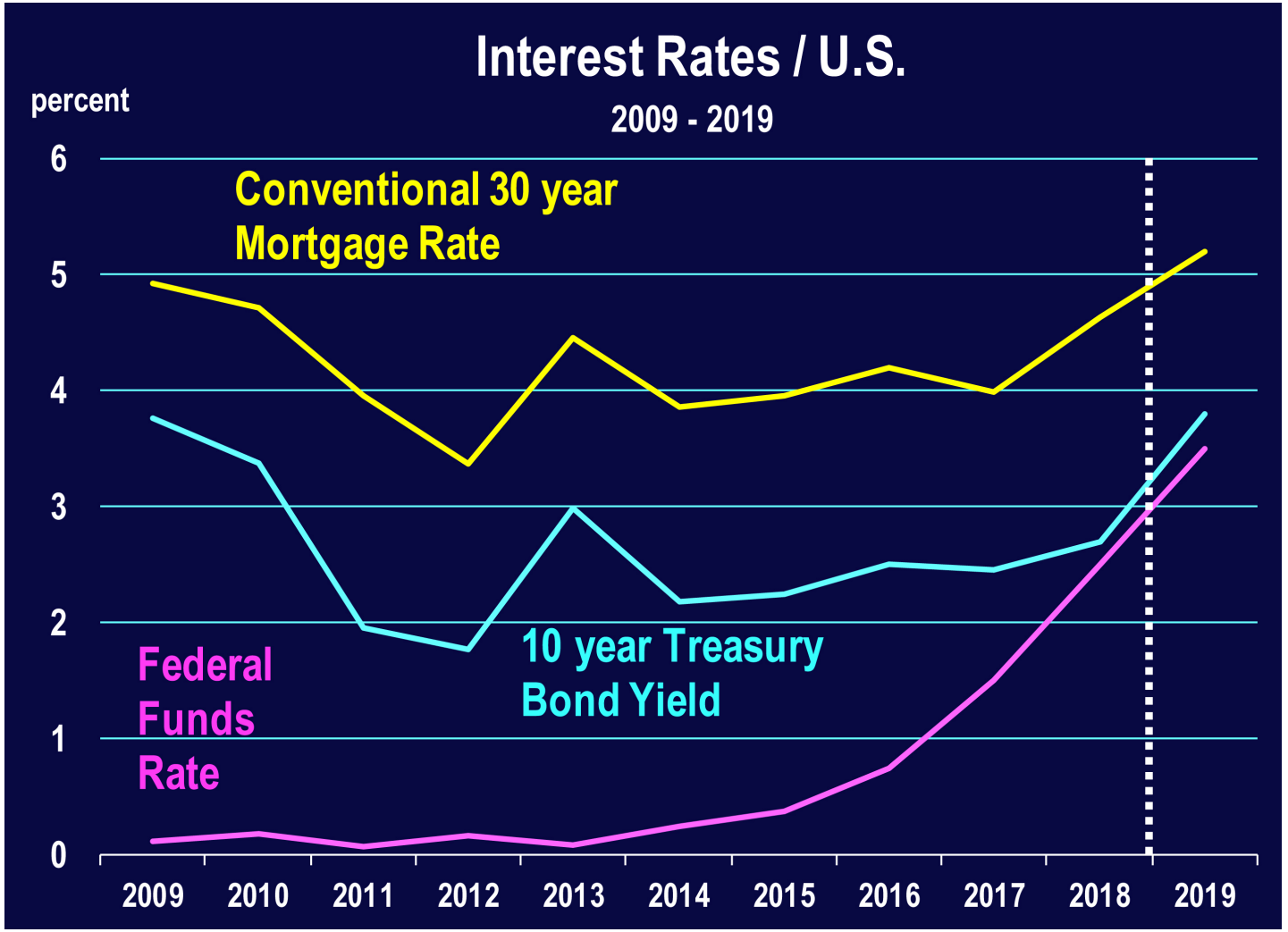
Sources: CBPP calculations from Bureau of Labor Statistics data and National Bureau of Economic Research.



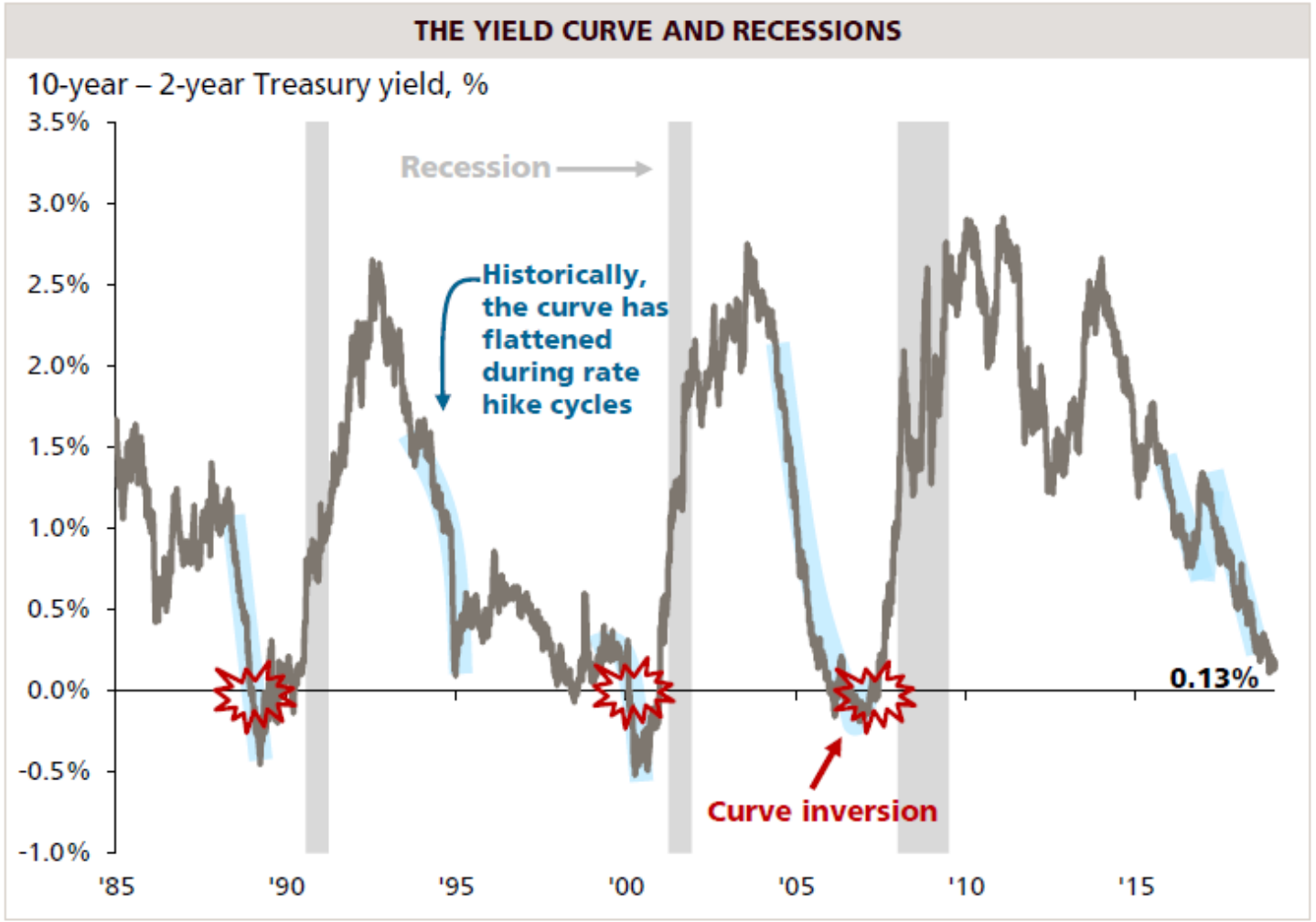
United States: Wages Increasing

- Wages and salaries across the US increased 3.1 percent in 2018 compared with an increase of 2.5 percent in 2017
- Average per-hour compensation will hit 3.7 percent growth in 2019, and 4.4 percent in 2020

Cracks in the Economy



Cracks in the Economy



Illinois Economic Outlook, 2019 - 2021

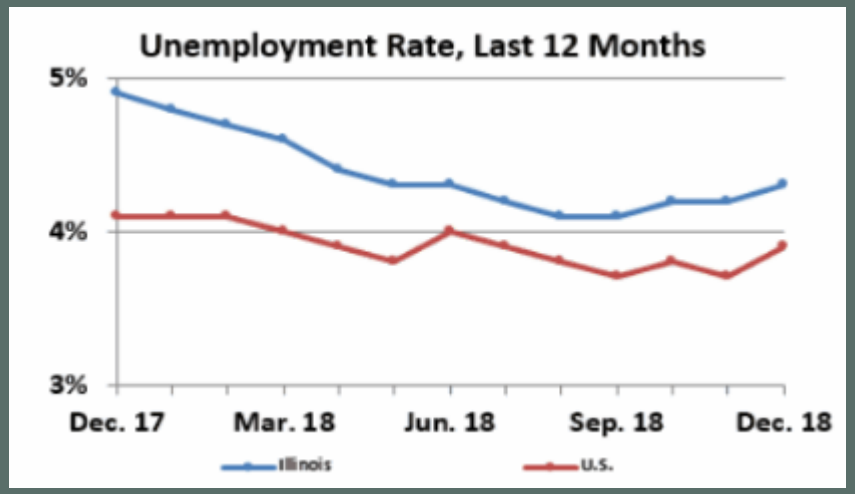


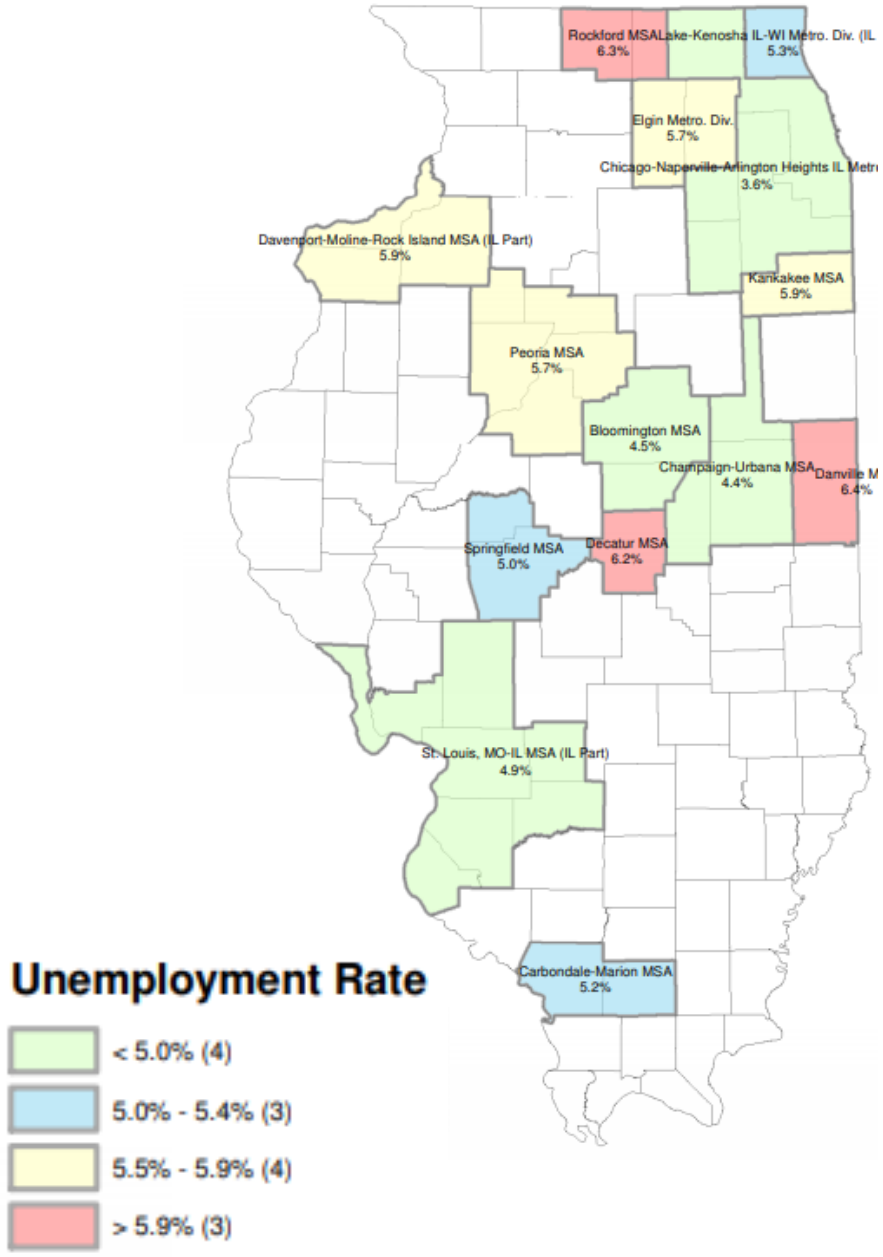
Illinois Economy: Total employment

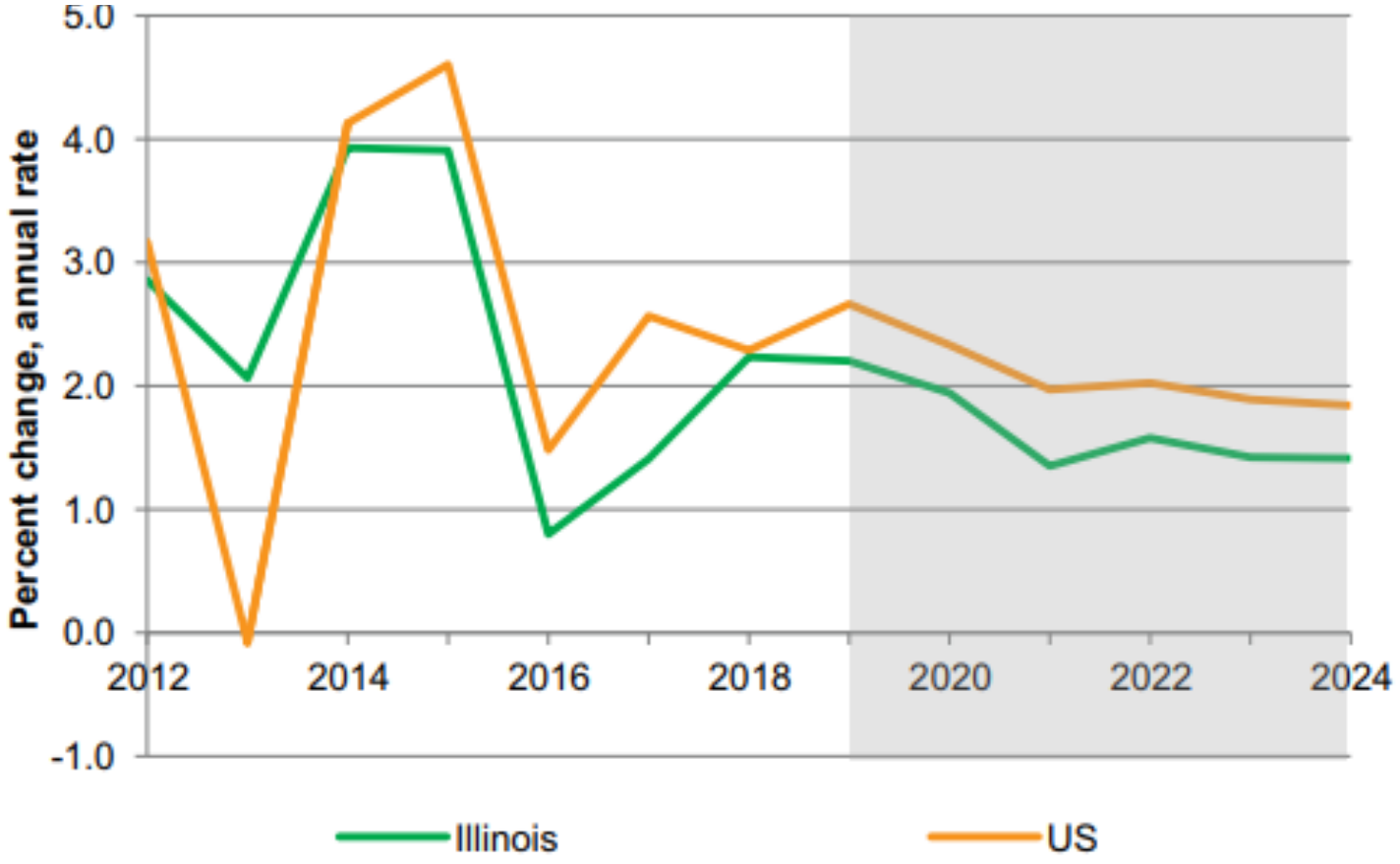
- Through 2023, IHS Markit anticipates Illinois employment will grow at an average annual rate of 0.5%, just slightly below the national rate of 0.8%
- Manufacturing and construction sectors are bright spots

IHS Markit (B) Baseline versus (O) Optimistic Scenario of Illinois Economic Indicators Fiscal Years 2019-2020 (year-over-year percent changes unless noted)				
Indicator	FY19		FY20	
	IHS (B)	IHS (O)	IHS (B)	IHS (O)
Real Gross State Product	2.3	2.5	1.3	2.0
Unemployment Rate (percent unemployed)	4.3	4.2	4.3	4.2
Employment-Total Non-farm	0.9	0.9	0.8	0.8
Employment-Manufacturing	1.8	1.6	1.0	0.4
Wages and Salaries	3.1	3.3	4.2	4.7
Personal Income	3.9	4.1	4.3	4.9
Dividends, Interest and Rents	4.9	5.0	4.4	5.0
Retail Sales	3.6	3.7	3.3	3.7

Illinois Economy:
Unemployment Rate by MSA, December 2018



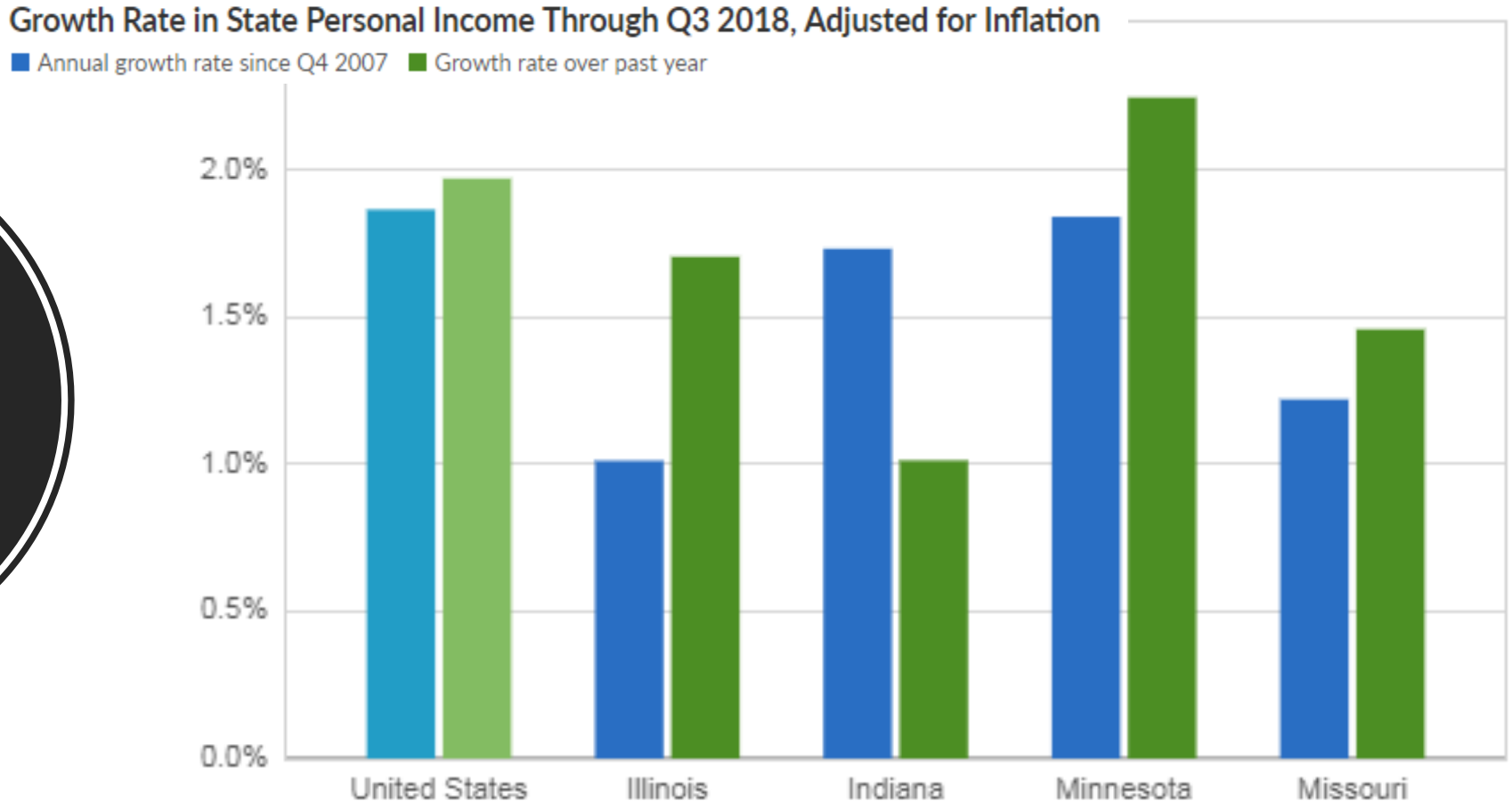




Illinois Economy: Real Personal Income

- Illinois' personal income has been minimal in the last 10 years, growing at an average rate of 1 percent per year since late 2007
- Through September, 2018, however, Illinois has experienced a relative surge in personal income, having grown 1.7 percent over the previous year

IL vs neighbors: Growth Rate in Personal Income



United States	
Annual growth rate since Q4 2007:	1.9%
Growth rate over past year:	2.0%

Illinois	
Annual growth rate since Q4 2007:	1.0%
Growth rate over past year:	1.7%

Illinois FY 2019: Year-to-Date Performance

	Actual for the Month			Year-to-Date Actual					Year-to-Date Forecast vs. Actual				Year		
Revenue Source Receipts (millions)	February FY 2018 Actual	February FY 2019 Prelim.		FY 2018 YTD Actual	FY 2019 YTD Actual	YTD FY 2019 vs. YTD FY 2018			FY 2019 YTD IDOR Forecasts	YTD FY 2019 vs. YTD IDOR Forecasts			FY 2017 Total	FY 2018 Total	FY 2019 Forecast
Individual Income Tax (All Funds)	$1,401.8	$1,437.0		$12,508.5	$13,328.7	$820.2	6.6%		$13,297.8	$30.9	0.2%		$15,385	$20,785	$21,446
Sales taxes (General Funds)	$541.9	$536.1		$5,265.6	$5,602.7	$337.0	6.4%		$5,621.9	-$19.2	-0.3%		$8,043	$7,810	$8,229
Corporate Income Tax (All Funds)	$42.9	$46.7		$1,223.2	$1,400.0	$176.7	14.4%		$1,423.8	-$23.8	-1.7%		$1,610	$2,607	$2,793
Combined BIG 3 (IIT, Sales, CIT)	$1,986.7	$2,019.8		$18,997.4	$20,331.3	$1,334.0	7.0%		$20,343.5	-$12.2	-0.1%		$25,038	$31,202	$32,468

State of Illinois Revenue Summary:

General Funds Revenues by Source

Source ($ millions)	Actual FY 2017	Actual FY 2018	Estimated FY 2019	Projected FY 2020
Base Revenues				
State Sources: Revenues				
Income Taxes	14,993	19,742	20,457	21,189
Individual	13,661	17,725	18,251	18,851
Corporate	1,332	2,017	2,207	2,338
Sales Taxes	8,043	7,810	8,229	8,537
Public Utility Taxes	884	896	868	846
Cigarette Taxes	353	344	347	72
Liquor Gallonage Taxes	171	172	174	176
Inheritance Tax	261	358	315	305
Insurance Taxes and Fees	391	432	428	419
Corporate Franchise Taxes and Fees	207	207	206	205
Interest on State Funds and Investments	36	79	100	100
Cook County Intergovernmental Transfer	244	244	244	244
Sports Wagering License Fees	0	0	0	200
Recreational Cannabis License Fees	0	0	0	170
Other State Sources	725	719	767	1,070
Total State Sources: Revenues	**26,308**	**31,003**	**32,135**	**33,533**
State Sources: Transfers In				
Lottery	720	719	731	745
Riverboat Gaming Taxes	270	272	263	258
Interfund Borrowing	0	533	250	0
Fund Reallocations	0	269	0	0
Treasurer's Investment Borrowing	0	0	700	0
Other Transfers	552	917	1,061	820
Total State Sources	**27,850**	**33,713**	**35,140**	**35,356**
Federal Sources	2,483	4,032	3,220	3,547
TOTAL GENERAL FUNDS REVENUES	**30,333**	**37,745**	**38,360**	**38,903**

Note: Totals may not add due to rounding.
Note: Revenues are reflected on a cash basis.

Illinois FY 2020 Forecast
Key Revenue Sources

- ($ millions)

	FY16	FY17	FY18	FY19 Estimate	FY20 Forecast
Individual Income Tax (net receipts into General Revenue Fund)	$13,806	$13,661	$17,726	$18,251	$18,851
Corporate Income Tax (net receipts into General Revenue Funds)	$1,973	$1,332	$2,017	$2,207	$2,338
Sales Taxes (net receipts into General Revenue Funds)	$8,063	$8,043	$7,810	$8,229	$8,537
Public Utility Taxes:					
Telecommunications	$415	$345	$341	$320	$295
Electricity	$374	$391	$385	$387	$389
Natural Gas	$137	$149	$170	$161	$162

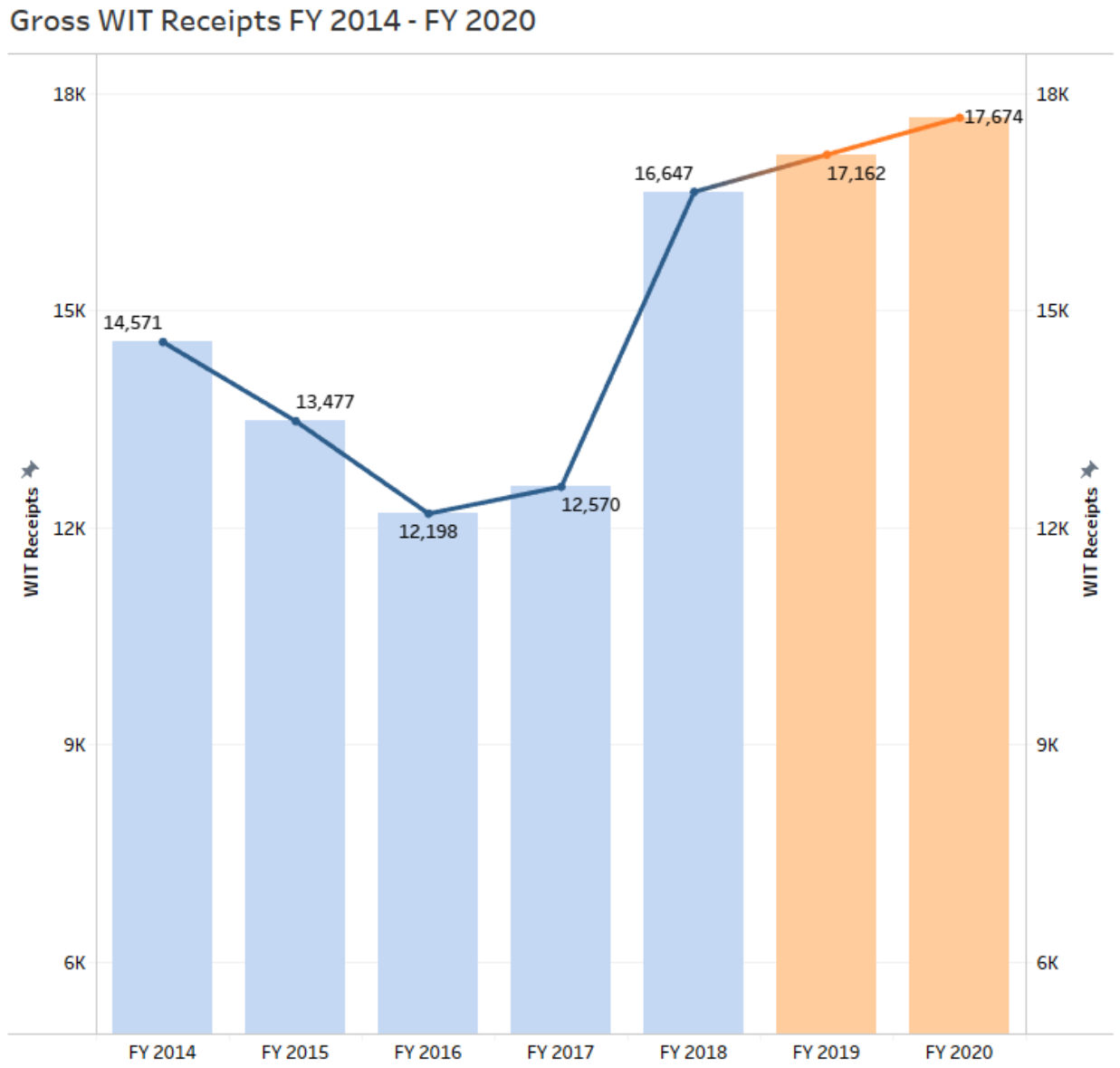
INDIVIDUAL INCOME TAXES

ILLINOIS DEPARTMENT OF REVENUE

Illinois Individual Income Taxes:

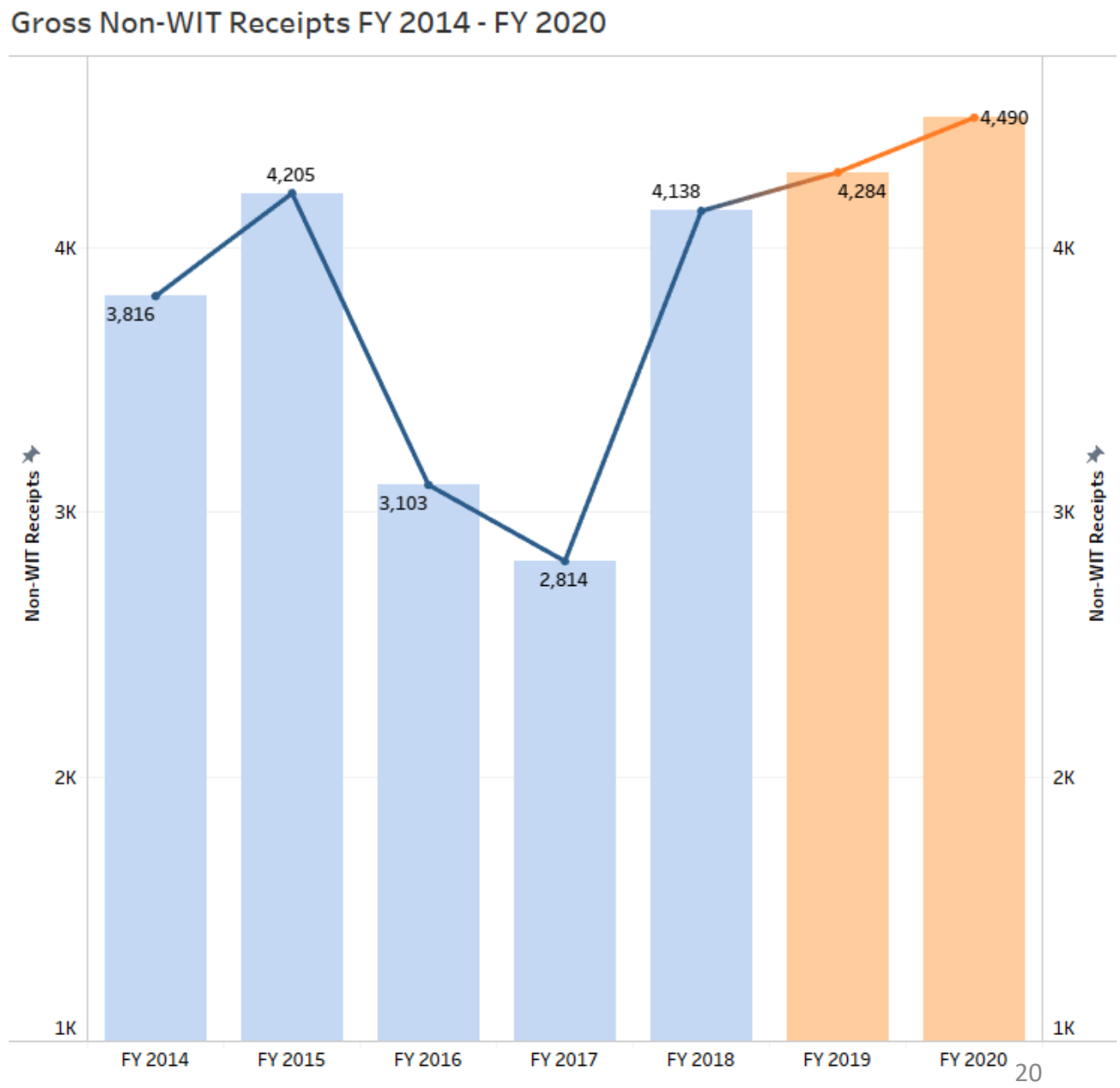
Individual income tax (IIT) receipts have two main components:

Withholding receipts are driven mainly by wage and salary disbursements. Roughly 80 percent of all individual income tax payments come in the form of withholdings.

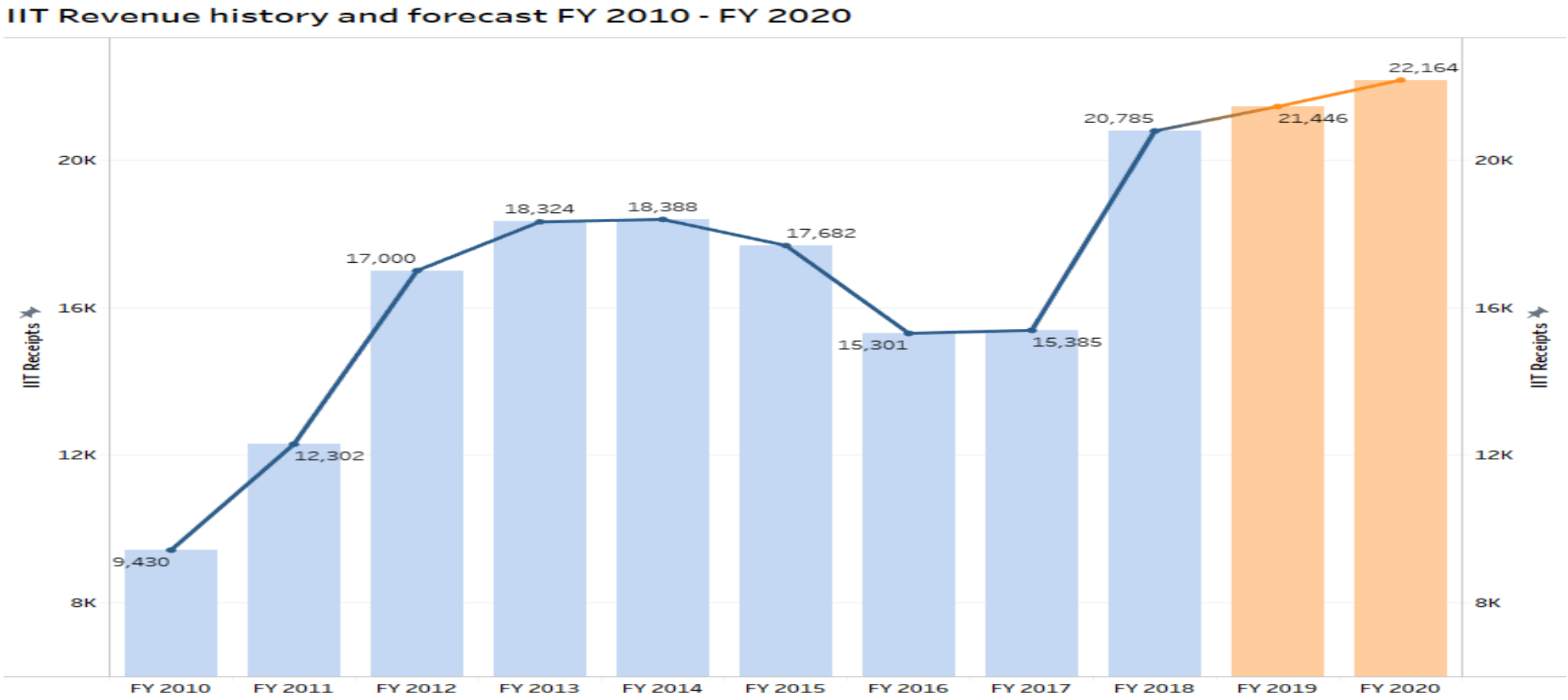


Illinois Individual Income Taxes:

Non-withholding payments depend mostly on variables such as capital gains, proprietor's income, dividends, interest and rental income.



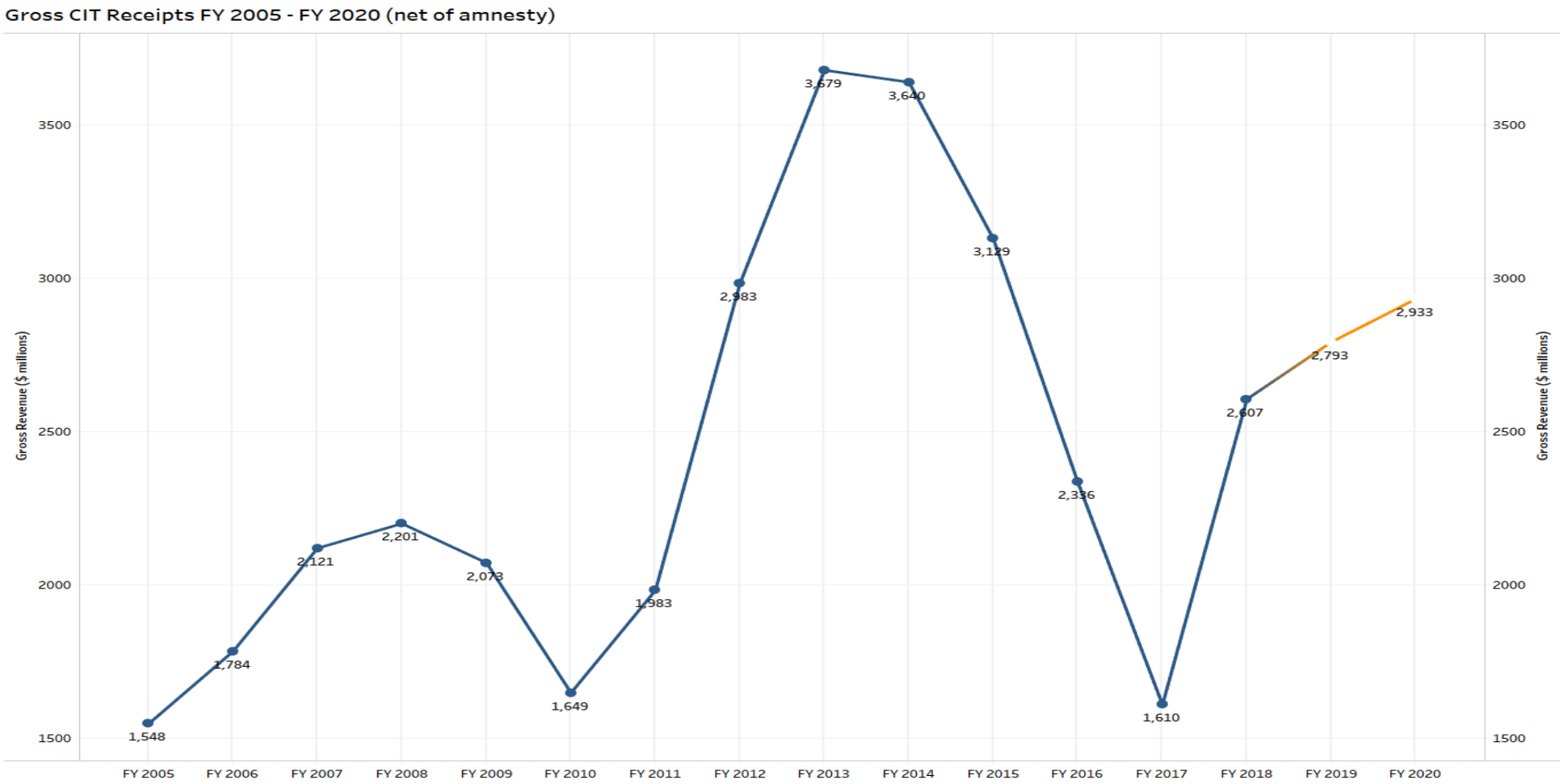
IIT Revenue History and Forecast, FY10 – FY20 ($ millions)



CORPORATE INCOME TAXES

ILLINOIS DEPARTMENT OF REVENUE

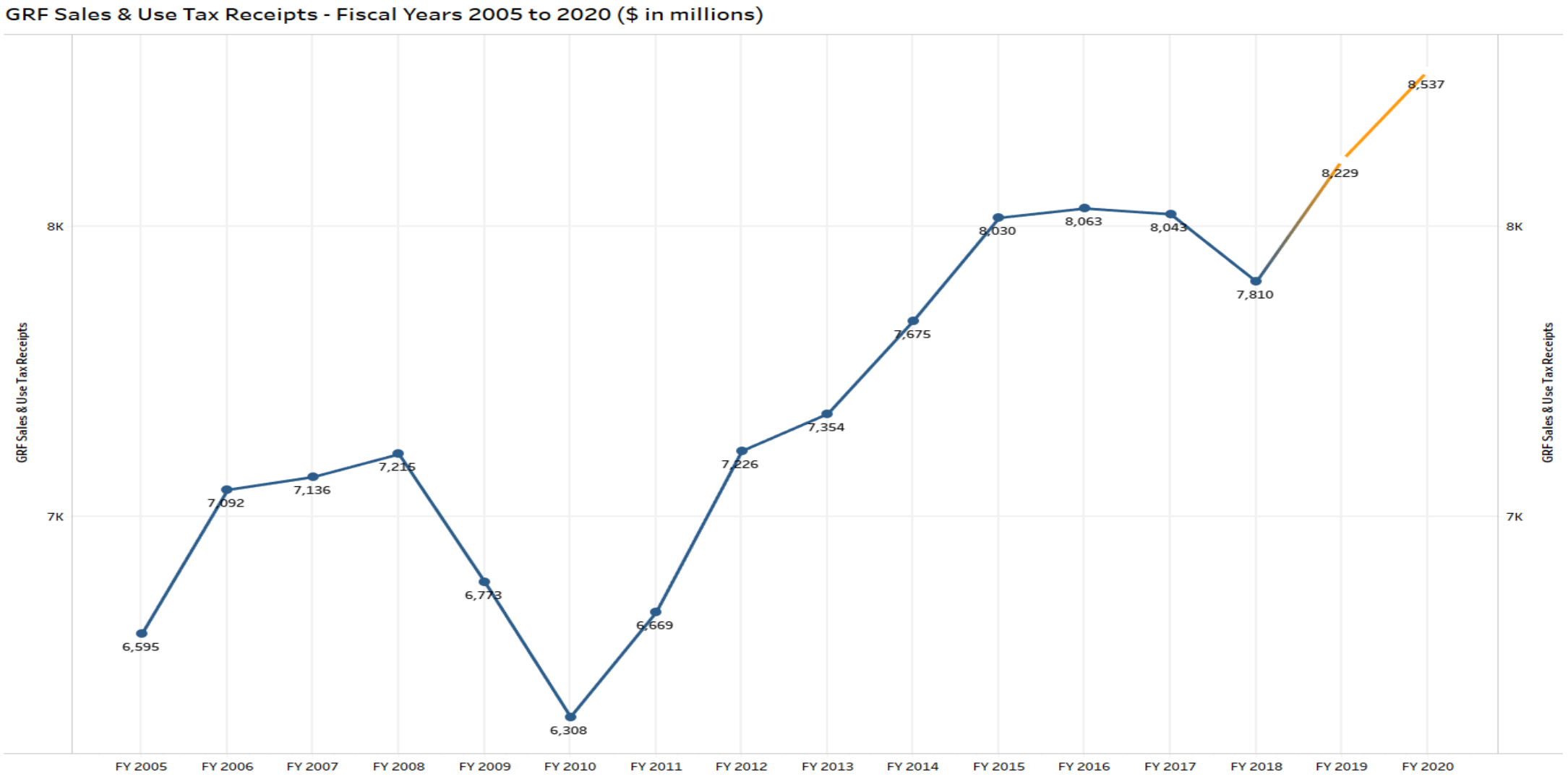
Illinois Corporate Income Tax FY05 –FY20



SALES AND USE TAXES

ILLINOIS DEPARTMENT OF REVENUE

Illinois Sales & Use Tax FY05 to FY20 ($ in millions)



Questions?

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