

MAY 2004



Monthly
REPORT
TO THE
PEOPLE
on the
Fiscal Status
of the
Commonwealth

From the
SENATE DEMOCRATIC
APPROPRIATIONS
COMMITTEE

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Charting the Commonwealth's Surplus

Extraordinary amounts of revenue flowed into the Commonwealth in April. Collections were \$336 million more than the official administration estimate. For the year, \$368 million has been collected above the official projection.

As noted in previous issues of *Report to the People*, the actual surplus is higher, at \$385 million, because the distribution of revenue estimates over the fiscal year continues to mask the extent of the overage. The official revenue estimates were created after the December recertification. As the end of the fiscal year approaches, the difference between the state's actual fiscal status and the official surplus is diminishing. *See Box:*

April is an important business tax collection month. Most corporations are making their final tax payment for the previous calendar year. More than \$566 million was collected from all businesses in April. The amount collected was \$122 million above official estimates.

April is also very important for annual income tax returns, and \$80 million more was collected from taxpayers filing their annual returns than was officially estimated. Collections from employee withholding added an additional \$13 million to the month's surplus. For the year, PIT collections are \$90.7 million higher than officially estimated. Sales tax collections were practically on estimate with only a \$2.3 million excess in April.

Licenses, fees and miscellaneous income was significantly over estimate.

Official Surplus:
\$368 Million

Real Surplus:
\$385 Million

Appropriations Estimate
of June 30 Surplus:
\$470 Million

Insurance company unclaimed property exceeded projections by \$51 million and a gain on the sale of investments added an unexpected \$48 million to the surplus. These are one-time surpluses and are not expected to recur.

These one-time overages in miscellaneous revenue are mainly responsible for a revision in the Senate Appropriation Committee's estimates for the end-of-the-year surplus. We are now projecting a surplus of \$470 million above official administration estimates.

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REPORT TO THE PEOPLE

The pie chart below shows how specific categories of taxes are contributing to the current year-to-date surplus of \$368 million.

May's revenues will probably feature higher personal income tax collections as the remainder of the annual returns is collected. June revenues will probably combine

higher-than-estimated business tax collections and higher income tax collections for both estimated payments and withholding.

The small slice of the pie called consumption is a composite of sales tax, cigarette tax, malt beverage tax and liquor tax. ■

