Sales and Use Tax

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
						February	
Revenue	$7,827.1	$7,368.2	$7,424.5	$7,614.2	$7,282.4	$7,155.8	$7,412.3
Growth	3.9%	-5.9%	0.8%	2.9%	-4.4%	-1.7%	3.6%
						June	
Revenue	$7,827.1	$7,368.2	$7,424.5	$7,614.2	$7,159.8	$6,813.4	$6,954.9
Growth	3.9%	-5.9%	0.8%	2.9%	-6.0%	-4.8%	2.1%
						Difference	
					-$122.6	-$342.4	-$457.5

Receipts from the sales and use tax are estimated to be $7,159.8 million in FY 2009, $122.6 million (1.7%) less than the February estimate. The shortfall is due to the prolonged recession and the stalling of overall consumer spending during the fiscal year. For the upcoming biennium, receipts from the tax are forecast to be $799.9 million (5.5%) less than the February forecast due to higher levels of unemployment and declines in Ohio wage and salary incomes than projected in the earlier forecast. Sales and use tax revenues are expected to rebound modestly in FY 2011.

Auto Sales and Use Tax

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
						February	
Revenue	$1,064.1	$936.4	$921.5	$943.5	$866.0	$859.2	$939.4
Growth	-5.2%	-12.0%	-1.6%	2.4%	-8.2%	-0.8%	9.3%
						June	
Revenue	$1,064.1	$936.4	$921.5	$943.5	$880.0	$855.0	$909.0
Growth	-5.2%	-12.0%	-1.6%	2.4%	-6.7%	-2.8%	6.3%
						Difference	
					$14.0	-$4.2	-$30.4

Receipts from the auto sales and use tax are estimated to be $880.0 million in FY 2009, $14.0 million (1.6%) above the February estimate, as the rate of decline in taxable spending on vehicles slowed in the second half of FY 2009 when compared to the first. However, the decline in the auto taxable base is expected to continue into FY 2010. For the upcoming biennium, receipts from the auto sales and use tax are forecast to be $34.6 million (1.9%) less than the February forecast.

Nonauto Sales and Use Tax

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
						February	
Revenue	$6,763.0	$6,431.9	$6,502.9	$6,670.7	$6,416.4	$6,296.6	$6,472.9
Growth	5.5%	-4.9%	1.1%	2.6%	-3.8%	-1.9%	2.8%
						June	
Revenue	$6,763.0	$6,431.9	$6,502.9	$6,670.7	$6,279.8	$5,958.4	$6,045.9
Growth	5.5%	-4.9%	1.1%	2.6%	-5.9%	-5.1%	1.5%
						Difference	
					-$136.6	-$338.2	-$427.1

Receipts from the nonauto sales and use tax are estimated to be $6,279.8 million in FY 2009, $136.6 million (2.1%) less than the February estimate. Taxable spending shrank during the fiscal year as consumers became tightfisted and focused on necessities such as food and healthcare that are not generally in the taxable base. Reduced employment, sagging incomes, and falling wealth from declining house and stock prices are still weighing heavily on consumers. The same headwinds are expected to continue to hinder the nonauto sales and use tax in FY 2010. A modest rebound in taxable sales and sales tax receipts is projected in FY 2011, as income growth is projected to resume. For the upcoming biennium, receipts from the tax are forecast to be $765.3 million (6.0%) less than the February forecast.

Personal Income Tax

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
						February	
Revenue	$8,598.9	$8,786.4	$8,885.3	$9,114.7	$8,243.9	$7,790.6	$8,190.6
Growth	11.7%	2.2%	1.1%	2.6%	-9.6%	-5.5%	5.1%
						June	
Revenue	$8,598.9	$8,786.4	$8,885.3	$9,114.7	$7,697.3	$7,122.8	$7,408.7
Growth	11.7%	2.2%	1.1%	2.6%	-15.6%	-7.5%	4.0%
						Difference	
					($546.6)	($667.8)	($781.9)

Several factors served as catalysts in revising the FY 2009 forecast downward by $546.6 million, from $8.24 billion to $7.70 billion. The largest contributing factor is believed to have been an overestimate of capital gains receipts. The S&P 500 stock index declined by 500 points in just 69 days during the fall of 2008. Given the unprecedented nature of this decline, the models used in February did not adequately forecast the resulting revenues from net capital gain income. The models used were rooted in the behavior of the previous bear market, where the S&P 500 stock index declined by 500 points over 489 calendar days in 2001-2002. Data that would allow a confirmation of the role of capital gains will be available in about two years. The second largest catalyst in the FY 2009 revision was the deteriorating economy. Ohio wage and salary income, as forecasted by Global Insight, was lowered from $224.7 billion to $222.7 billion for FY 2009 over the span of four months.

For FY 2010 and FY 2011, personal income tax revenue is forecast to be $7,122.8 million and $7,408.7 million, respectively. The blended Global Insight forecast, as used by LSC, does not expect Ohio wage and salary income to return to its present level until the last quarter of the biennium. Also, net capital gain income will be modest as individuals carryforward their capital losses from tax year (TY) 2008. Finally, the next biennium will have lower income tax rates than those in the current biennium as the final stages of the H.B. 66 tax reform are implemented. The cumulative effect of these three factors is expected to prevent personal income tax revenues from returning to their FY 2009 level in the next biennium.

Corporate Franchise Tax

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
						February	
Revenue	$1,051.6	$1,054.9	$1,076.5	$753.5	$488.0	$139.0	$136.0
Growth	30.0%	0.3%	2.0%	-30.0%	-35.2%	-71.5%	-2.2%
						June	
Revenue	$1,051.6	$1,054.9	$1,076.5	$753.5	$515.0	$139.0	$136.0
Growth	30.0%	0.3%	2.0%	-30.0%	-31.6%	-73.0%	-2.2%
						Difference	
					$27.0	$0.0	$0.0

Receipts from the corporate franchise tax are estimated to be $515.0 million in FY 2009, $27.0 million (5.5%) more than the February estimate. Receipts were higher from unexpected large settlements in FY 2009 from prior years' tax liabilities. For the upcoming biennium, receipts from the corporate franchise tax, which becomes a tax on financial institutions, are forecast to be the same as that of the February forecast. The full impact of asset write-offs on the net worth tax base (from the recent financial crisis), and the unprecedented infusion of capital in financial institutions by the federal government add a high degree of uncertainty to the forecast.