



State of Wisconsin • DEPARTMENT OF REVENUE

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General Purpose Revenue Collections, FY2008

Fiscal Year 2008 Finals (*Unaudited)
Amounts in Millions (\$), rounded

Tax	Actual FY07	LFB Estimate	Preliminary FY 2008	Variance From Estimate by Source		
				Total	Process Changes	Residual
Individual Income	\$6,573.8	\$6,660.0	\$6,706.0	\$46.0	\$26.3	\$19.7
General Sales and Use	4,158.6	4,210.0	4,269.1	59.1	17.3	41.8
Corporate Income/Franchise	890.1	810.0	841.4	31.4	29.2	2.2
Public Utility	284.9	295.6	297.4	1.8	-	1.8
Excise Taxes						
Cigarette	296.1	448.9	455.7	6.8		6.8
Liquor and Wine	42.7	42.5	45.2	2.7		2.7
Tobacco Products	17.5	28.9	29.7	0.8		0.8
Beer	9.5	9.4	9.6	0.2		0.2
Estate	121.1	140.0	158.8	18.8	12.1	6.7
Insurance	141.4	150.0	156.6	6.6	-	6.6
Miscellaneous	82.2	73.0	71.9	(1.1)	-	(1.1)
Total	\$ 12,618.0	\$12,868.3	\$13,041.4	\$173.1	\$84.9	\$88.2

* These are unaudited figures.

Preliminary general purpose revenue (GPR) tax collections for 2007-08 totaled \$13,041.4 million. This is \$173.1 million, or 1.35%, above the Legislative Fiscal Bureau (LFB) February revenue estimates of \$12,868.3 million.

These are unaudited figures subject to final review by the State Controller's Office prior to the publication of the Department of Administration's Annual Fiscal Report to be released October 15, 2008. Additionally, the Legislative Audit Bureau performs an audit of the State's Comprehensive Annual Financial Report which is published in December of each year. These collections do not offer guidance on the budget balance for FY08. Other general purpose revenues and the final general purpose revenue expenditures will have substantial bearing on the final budget balance.

The difference between the estimated revenues and the actual collections comes from two sources: a slightly stronger economy in the first half of 2008 and process improvements at the Department of Revenue.

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Slightly more than half of the \$173.1 million difference between the February estimate and the actual collections, \$88.2 million, is the result of a stronger economy in the first half of calendar year 2008 than originally forecast. Much of this gain was realized in sales tax revenues. In May and June, the U.S. Treasury issued \$2.1 billion in stimulus checks to Wisconsin taxpayers. The resulting spending lifted sales tax revenue late in the fiscal year. In addition, about \$2 million of those payments were intercepted for payment on delinquent state income tax. The rest of the gains were minor and spread among nearly all tax types.

Table 1 below summarizes the additional collections from a stronger economy than forecast.

Table 1
FY08 Collections from Stronger Economy than Forecast
Amounts in Millions (\$)

Individual Income	\$19.7
General Sales and Use	41.8
Corporate Income	2.2
Public Utility	1.8
Cigarette	6.8
Liquor and Wine	2.7
Tobacco	0.8
Beer	0.2
Estate	6.7
Insurance	6.6
<u>Miscellaneous</u>	<u>-1.1</u>
Total	\$88.2

These gains suggest little as to the likely pace of revenue collections for fiscal year 2009 and later. Much of these stronger collections were realized because of the timing of the fiscal stimulus payments. By design, these one-time payments moved economic activity into second quarter 2008 from subsequent quarters in 2008 and 2009. Thus, much of the gains may not be repeated in fiscal year 2009.

Slightly less than half of the total revenue gain, \$84.9 million, is the result of process improvements at the Department of Revenue. During fiscal year 2008, DOR continued the deployment of its tax processing software to include sales tax, corporate income tax and individual income tax. Withholding tax was converted effective in FY09. In addition, the department systematically re-engineered its income tax return processing. The result of both of these improvements was more efficient, thus timelier, processing of tax returns, including the corresponding payments and refunds. This permitted DOR to record tax revenues, i.e. payments received through July 31, as allowed by statute, to the proper fiscal year. The gain realized is a one-time occurrence for tax types converted to the new system prior to FY09.

Table 2 below summarizes the revenue gains from improved tax processing.

Table 2
Additional Collections from Process Improvements, FY08
Amounts in Millions (\$)

Individual Income	\$26.3
General Sales and Use	\$17.3
Corporate Income	\$29.2
Estate	<u>\$12.1</u>
Total	\$84.9

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