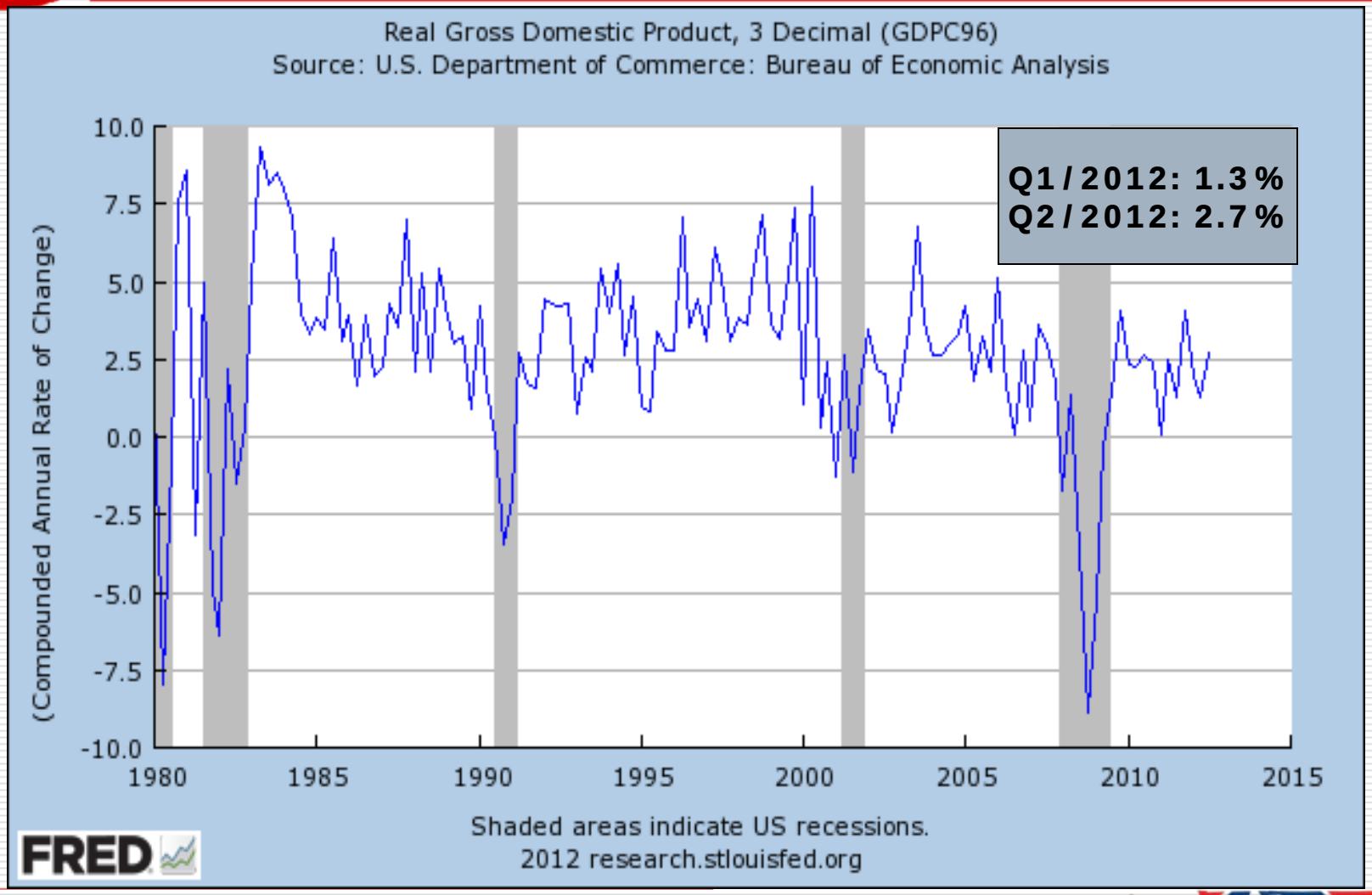
Tennessee Tax Revenue Estimates for FY2012-2013 and FY2013-2014

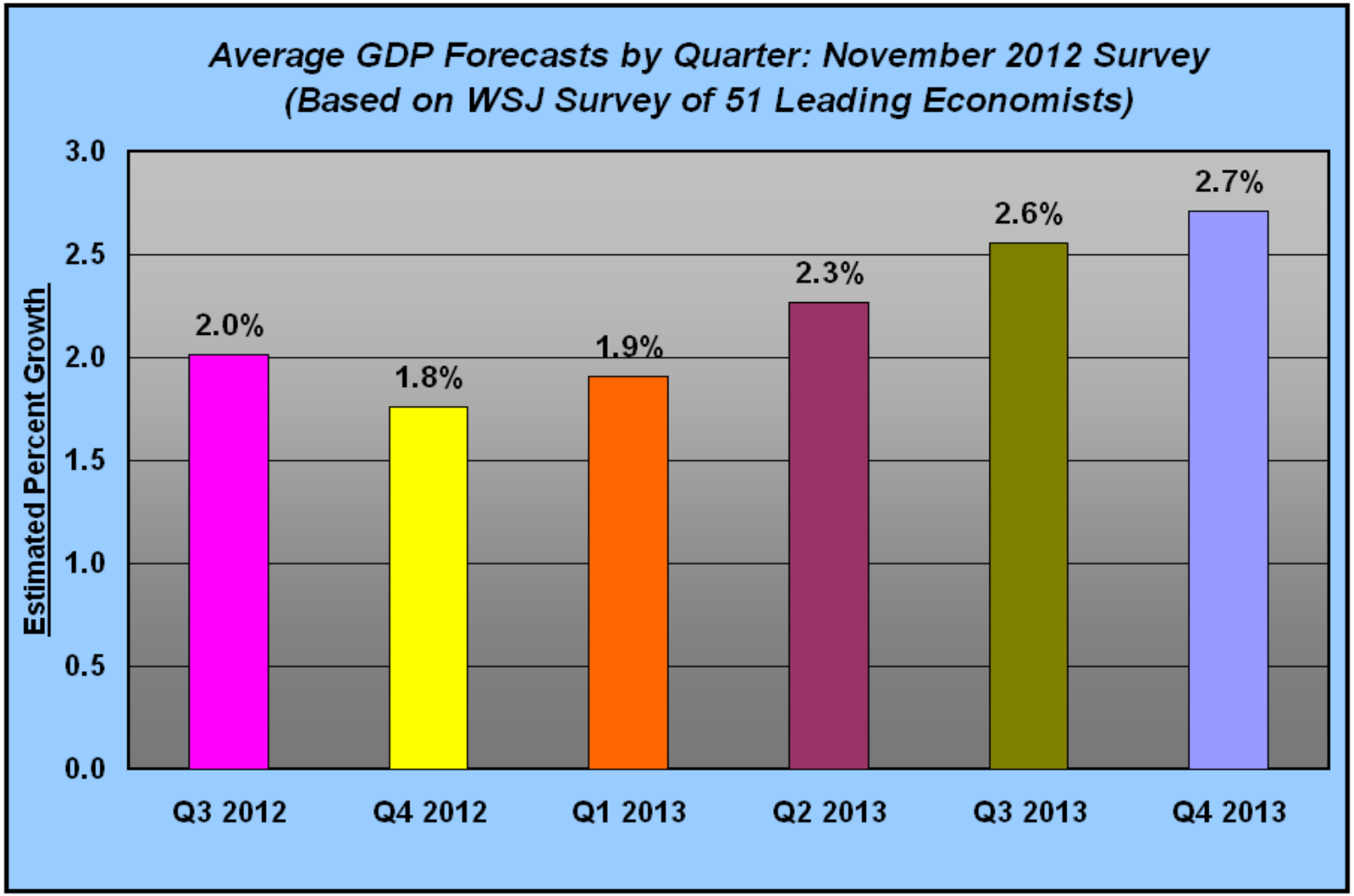
Prepared by:
Fiscal Review Committee Staff

December 14, 2012

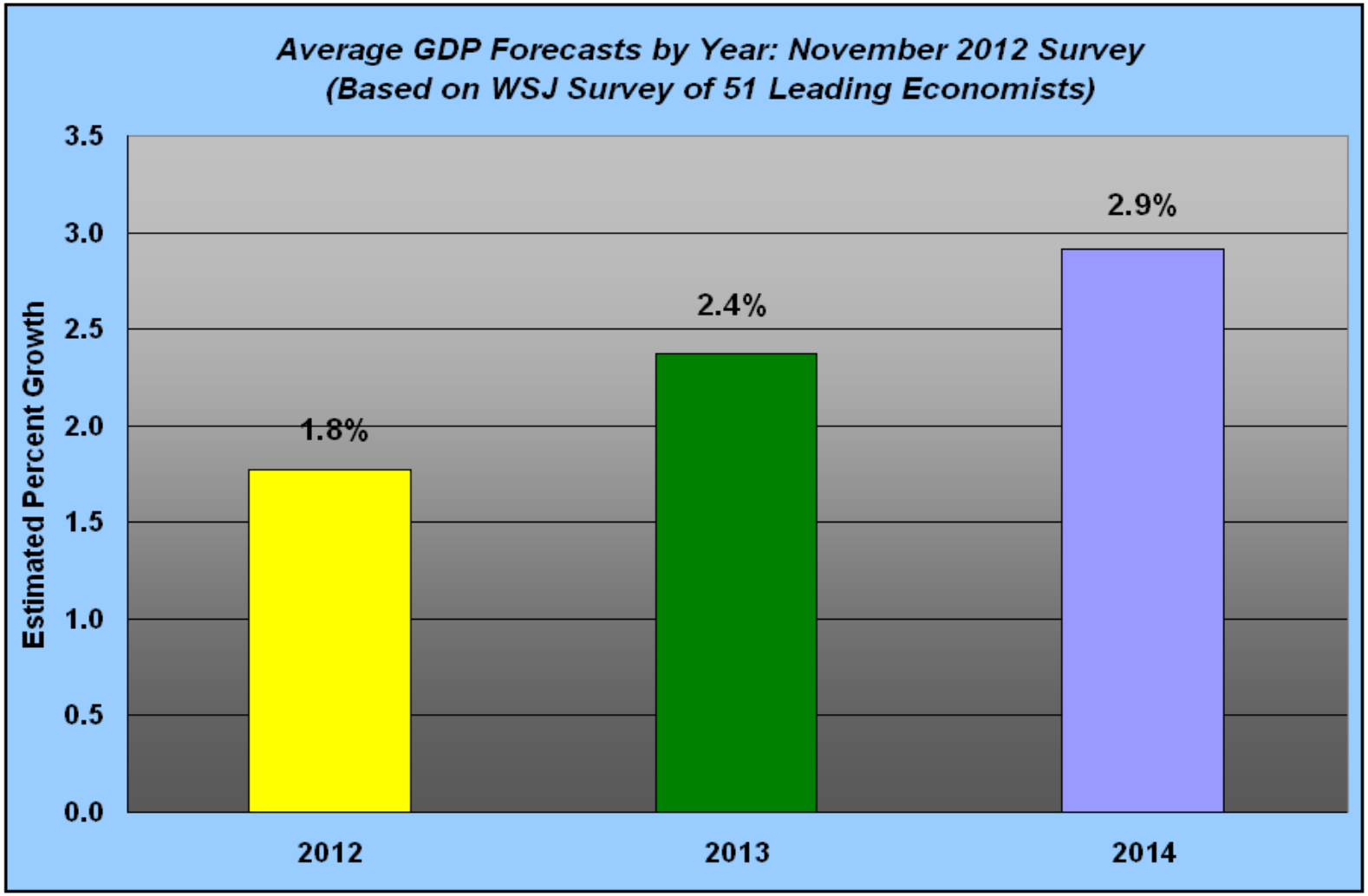
GDP – Quarterly - (Historical)



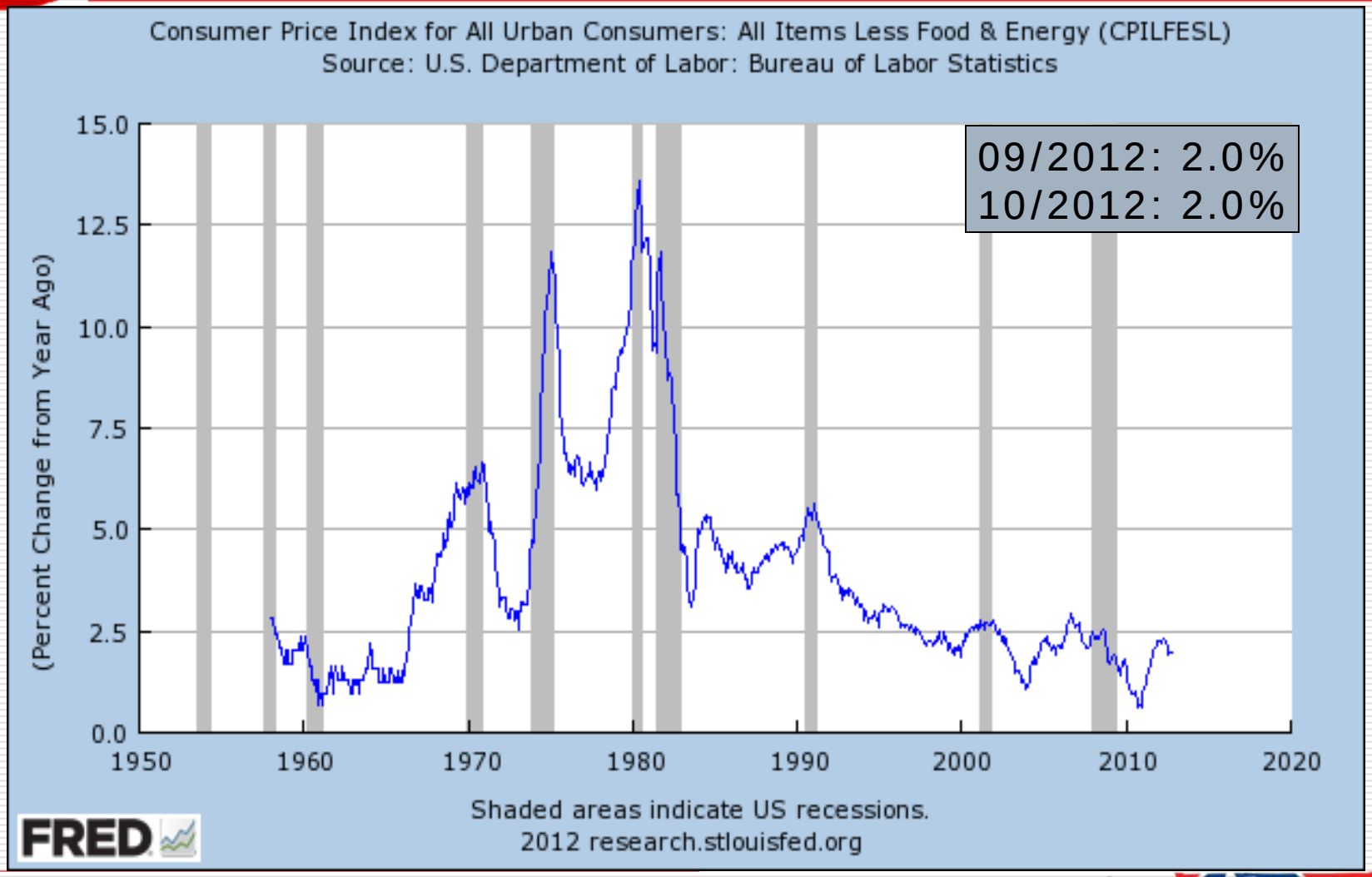
GDP - Quarterly Forecasts - (Nov. 2012)



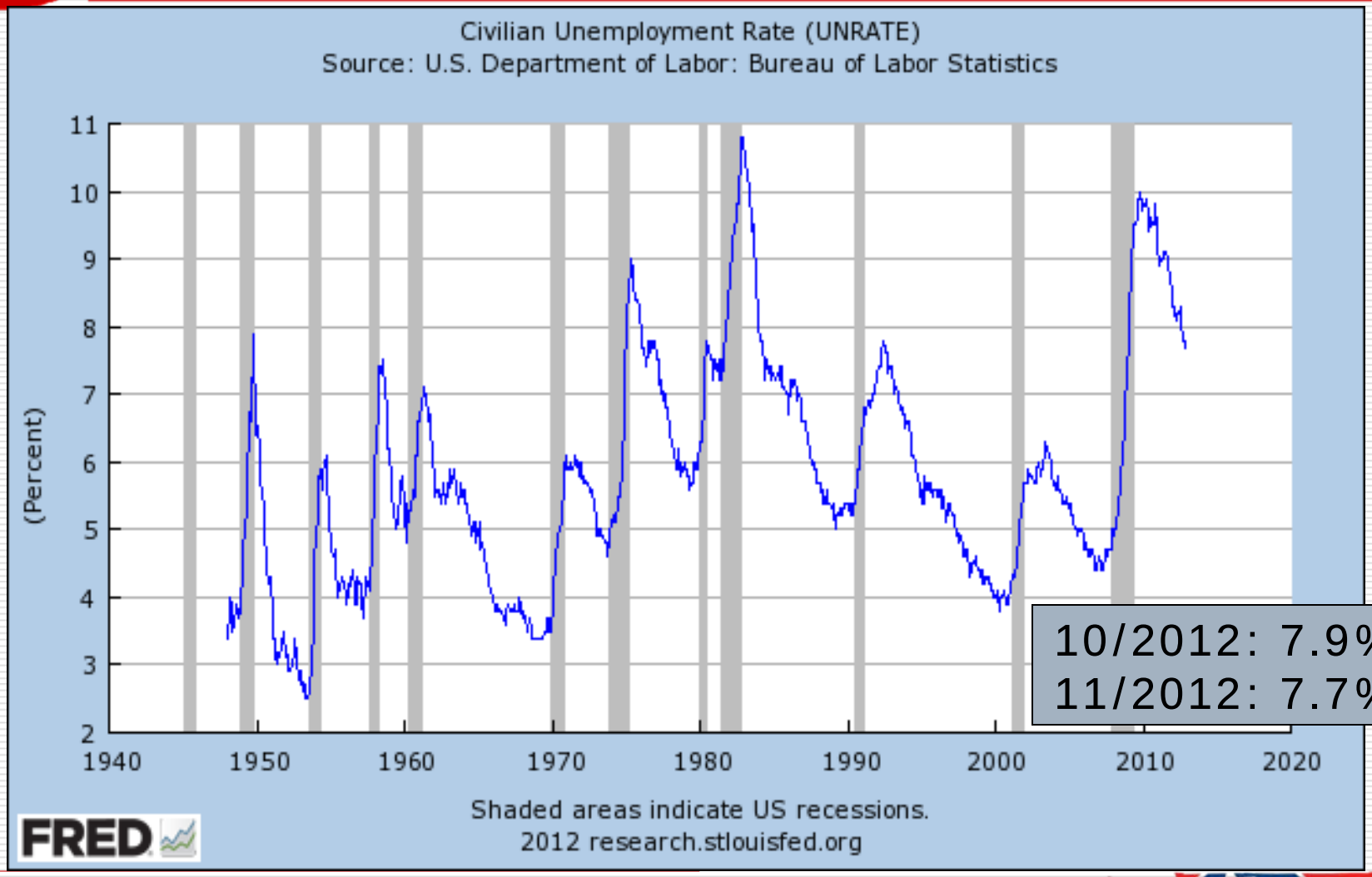
GDP - Annual Forecasts - (Nov. 2012)



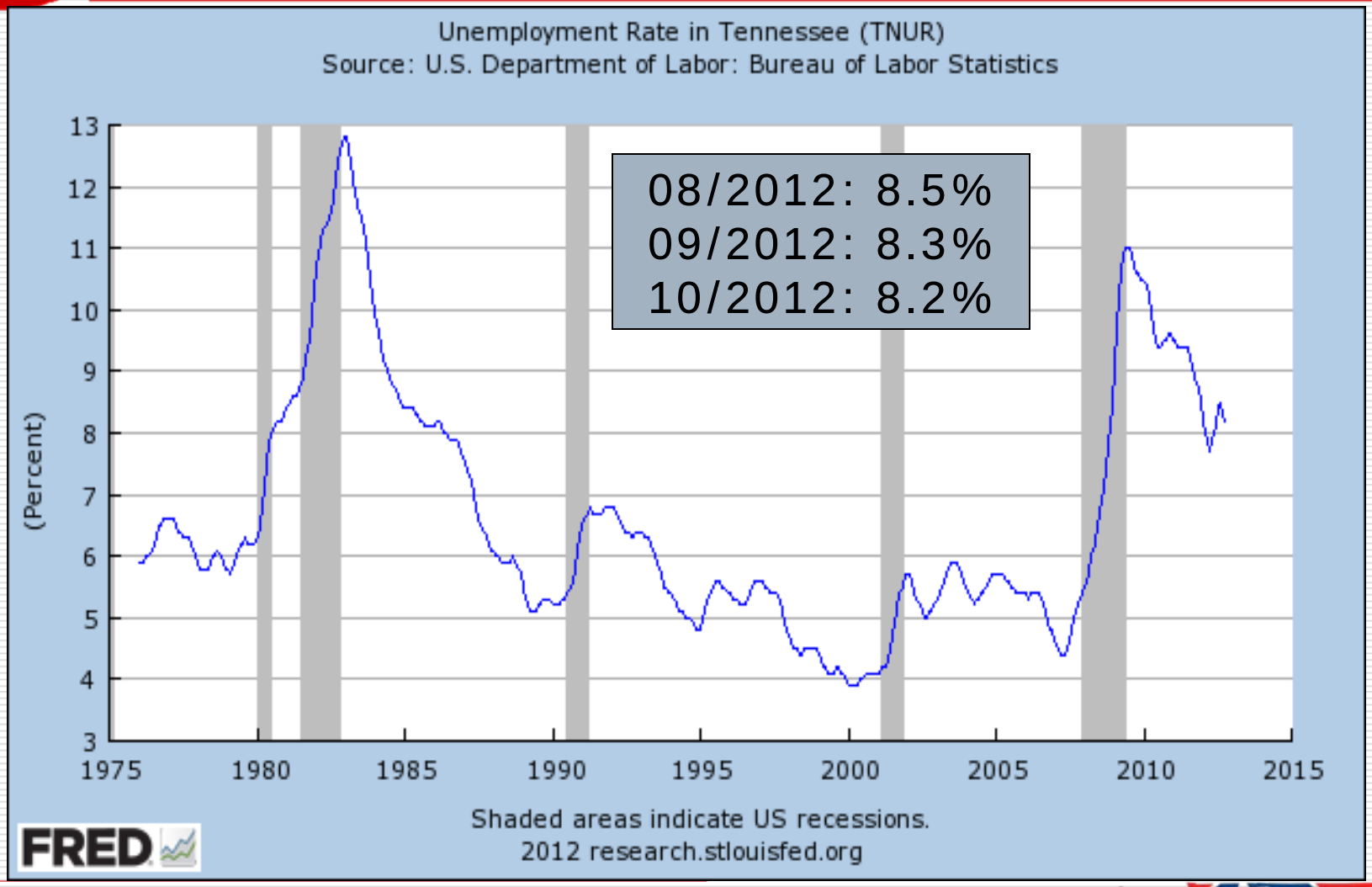
CPI - Inflation (Core)



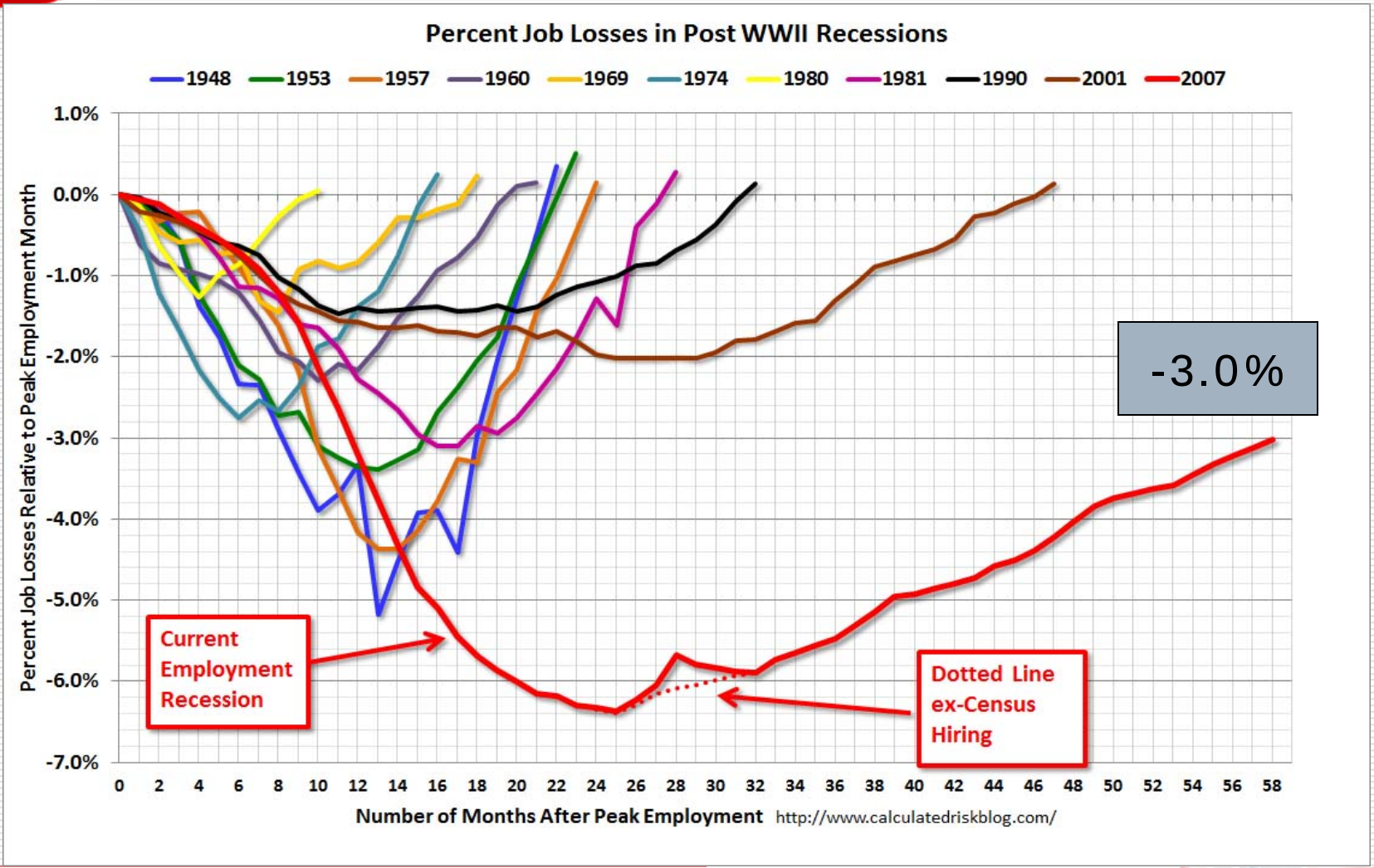
U.S. Unemployment Rate



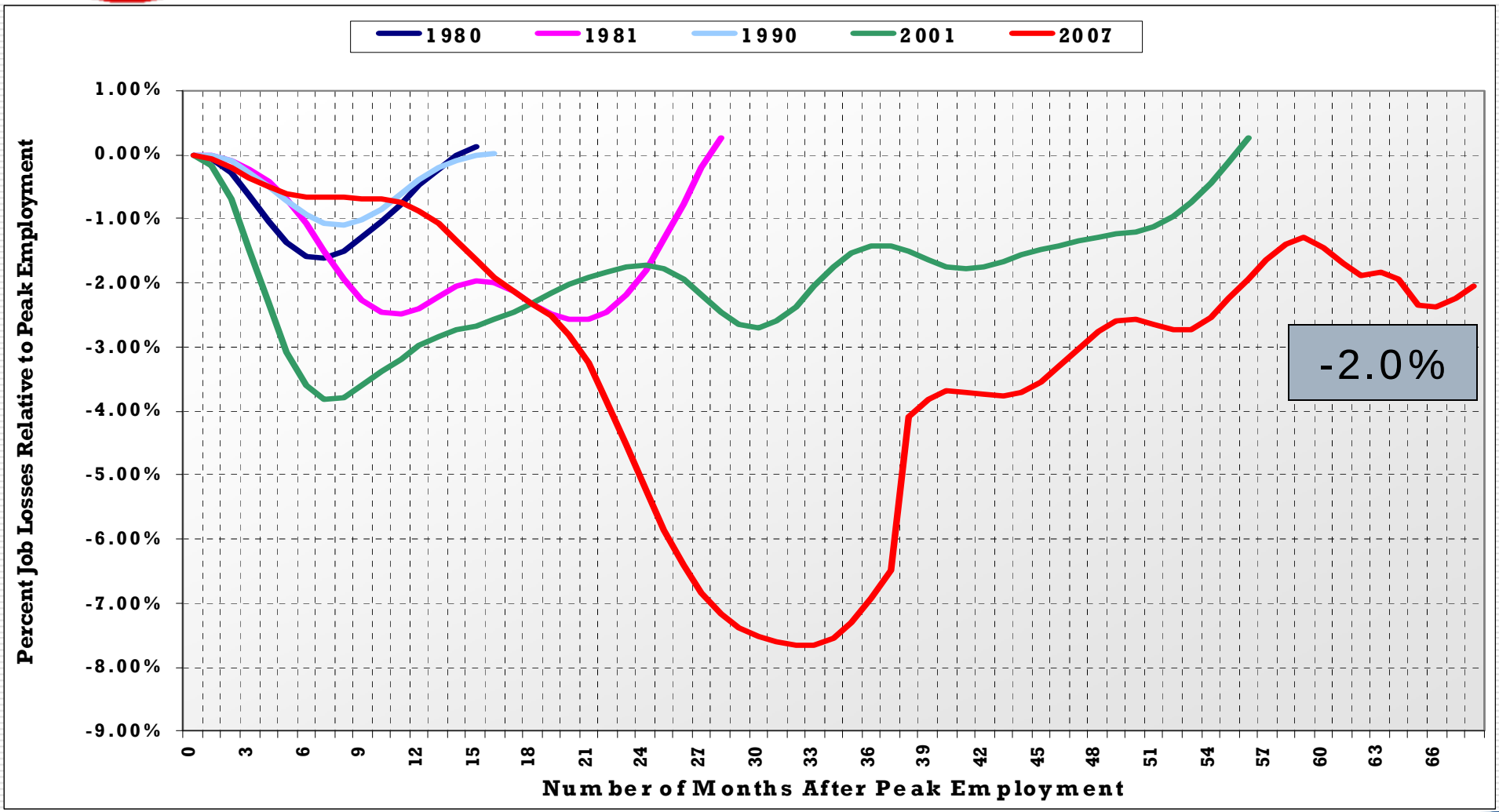
TN Unemployment Rate



Job Losses in Prior Recessions – U.S.

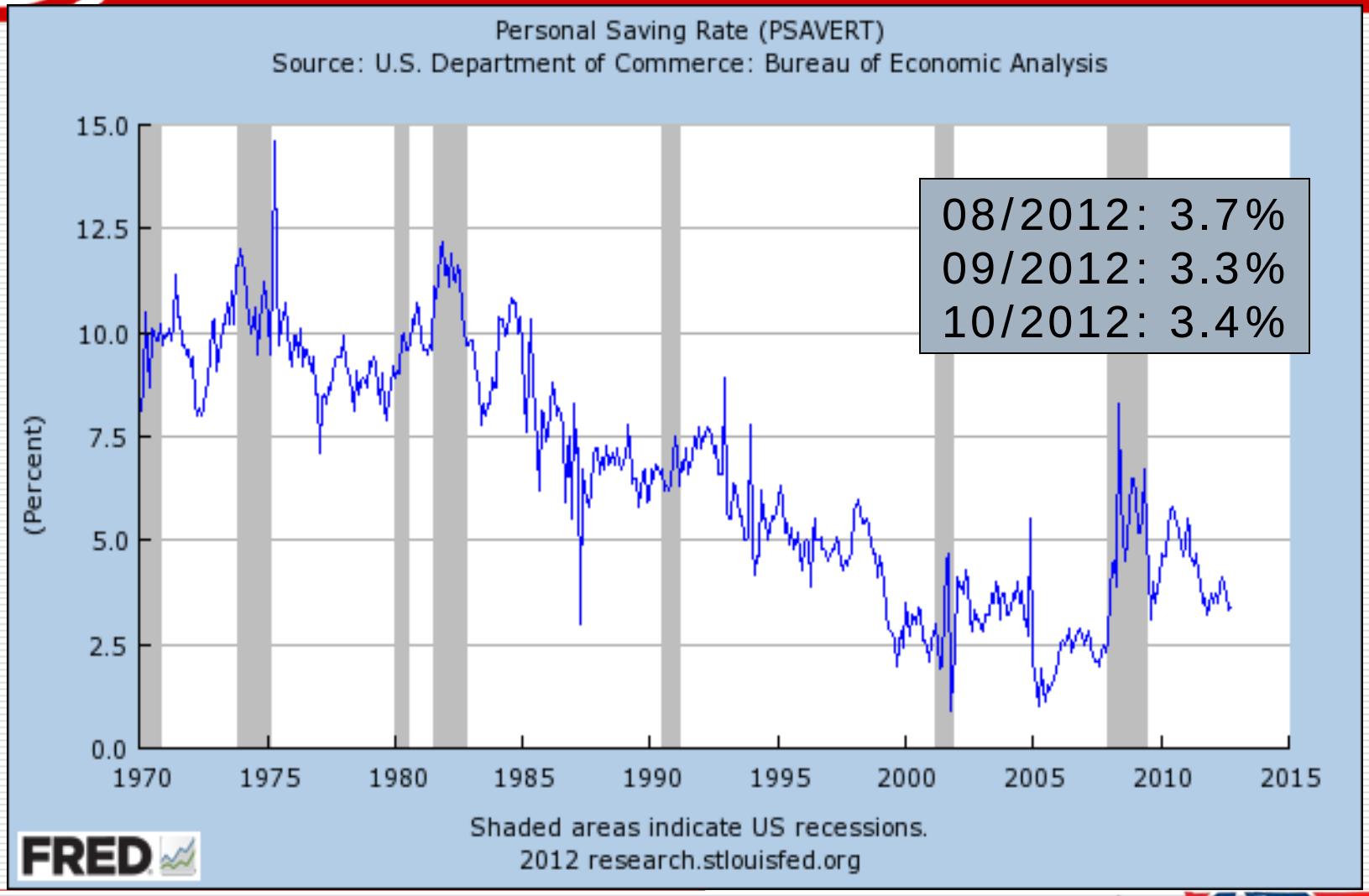


Job Losses in Prior Recessions - TN

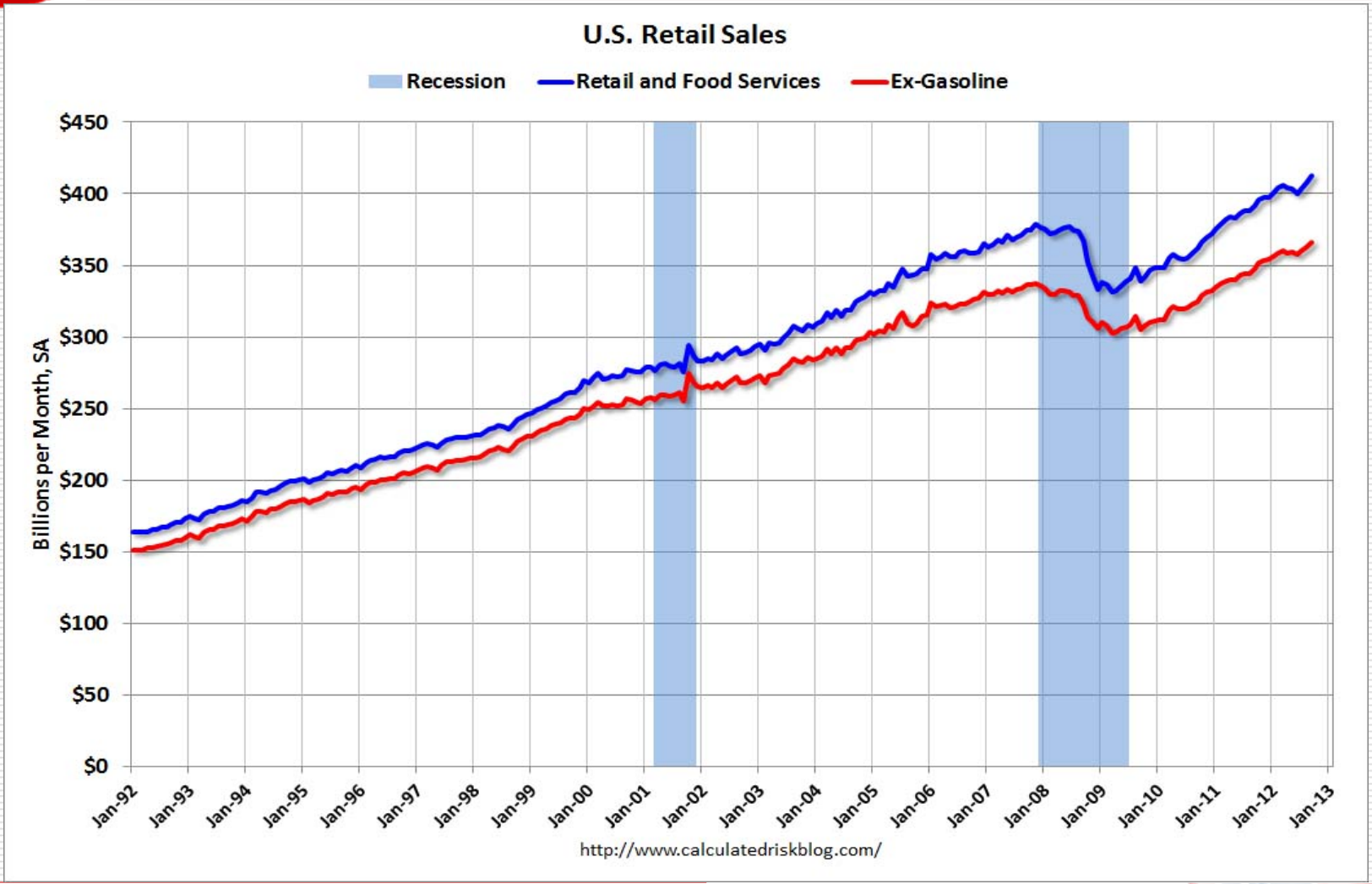


Employment – Part Time

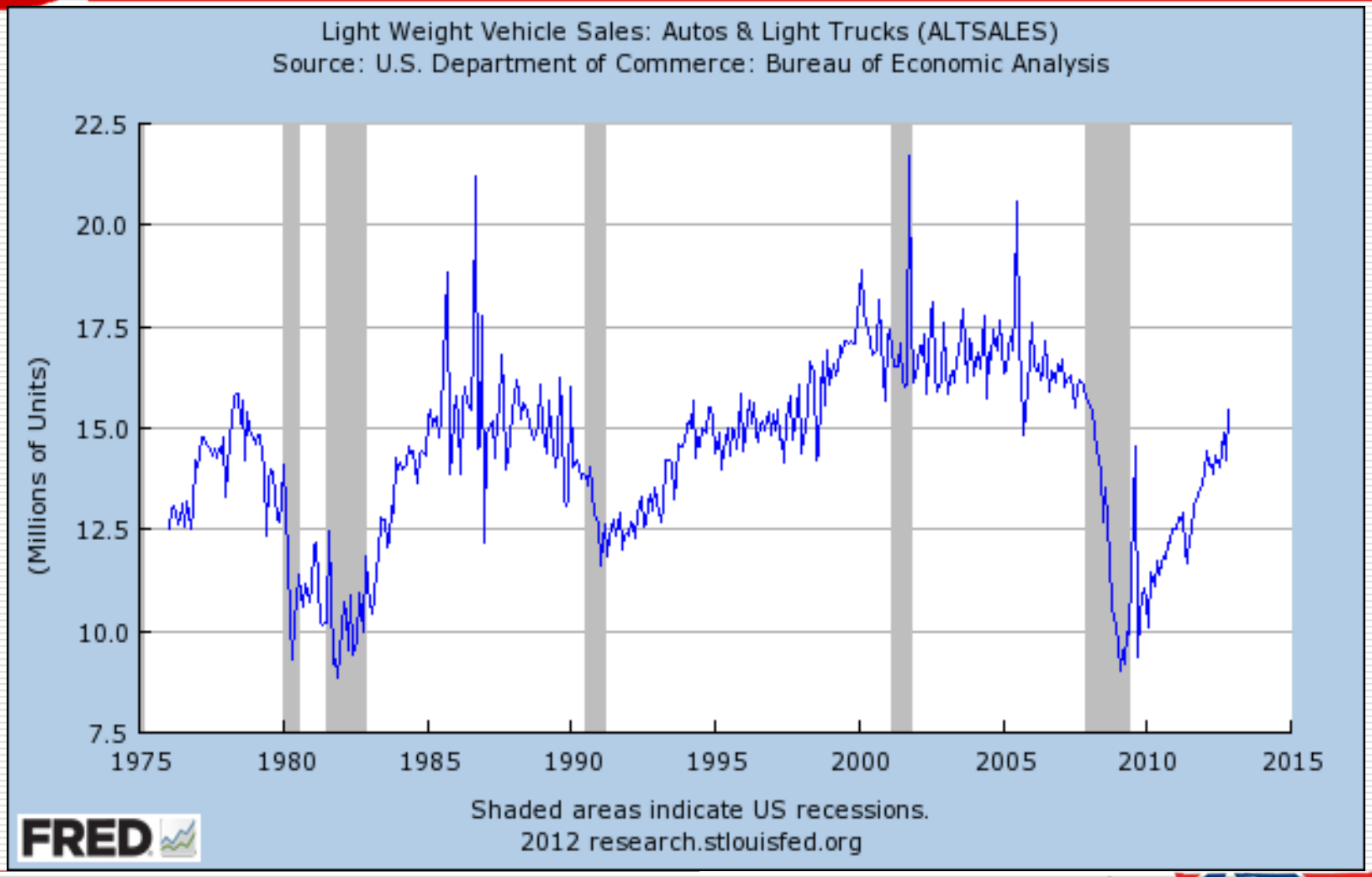
Personal Savings Rate



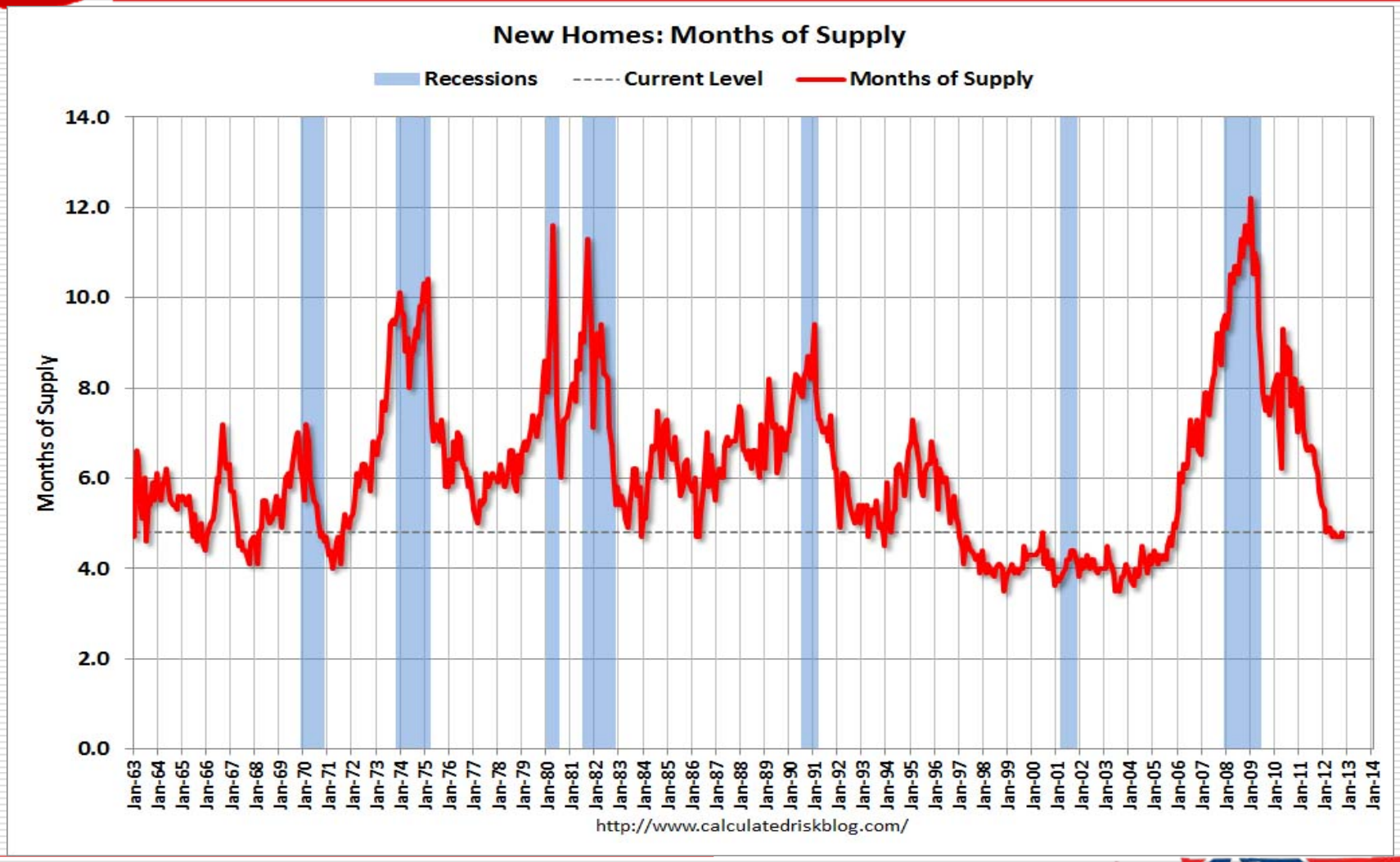
Retail Sales



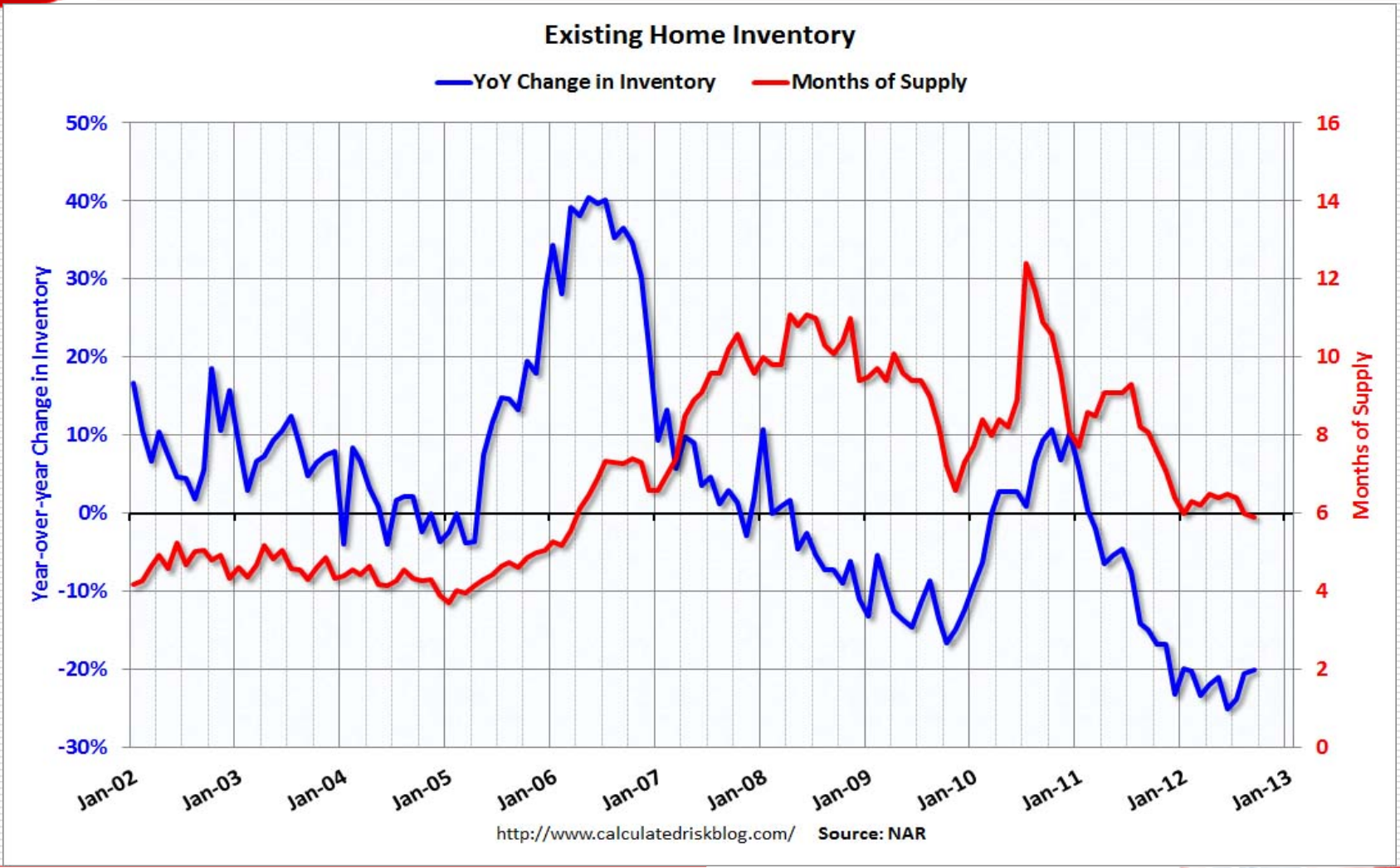
Light Weight Vehicle Sales



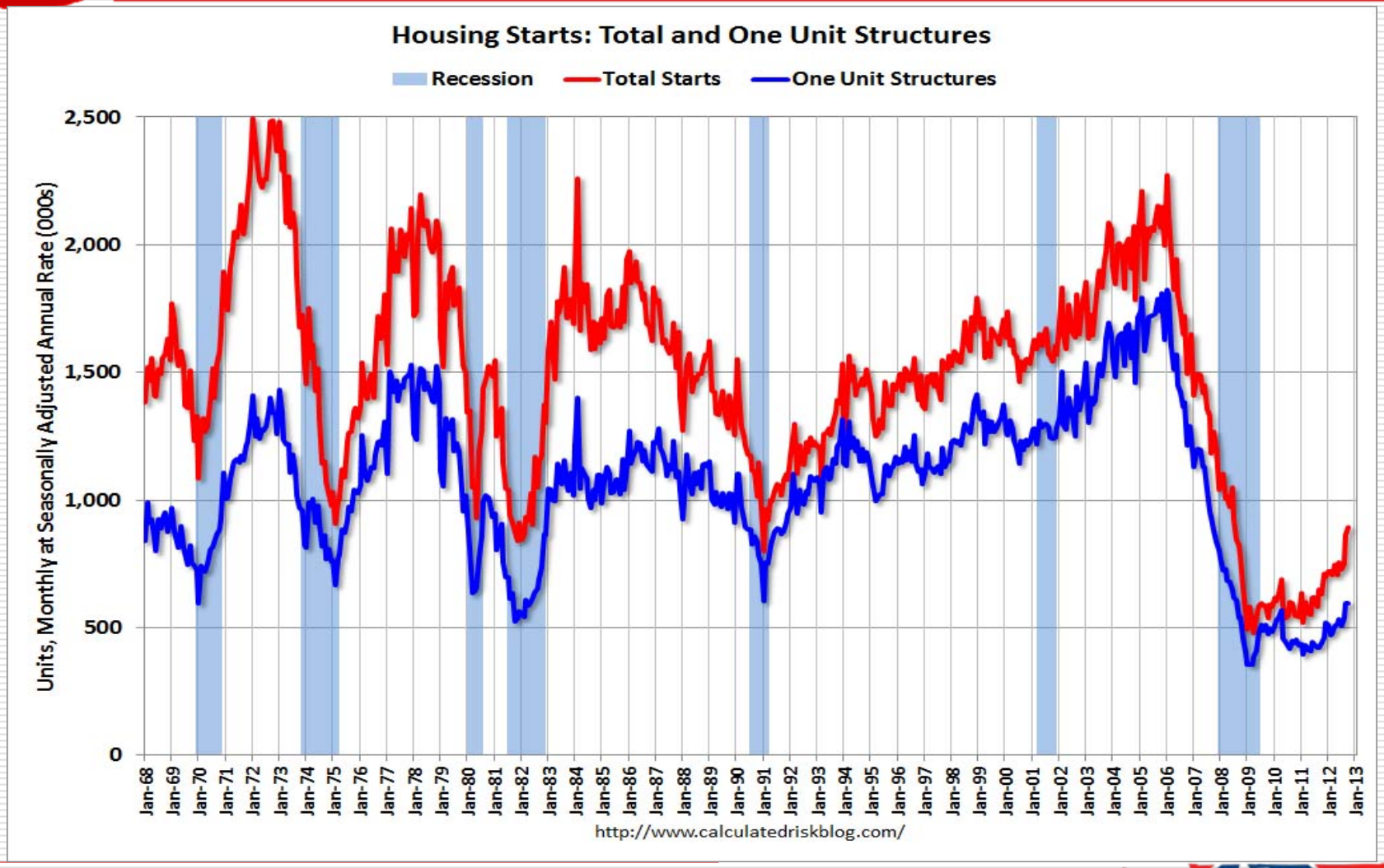
Supply of New Homes



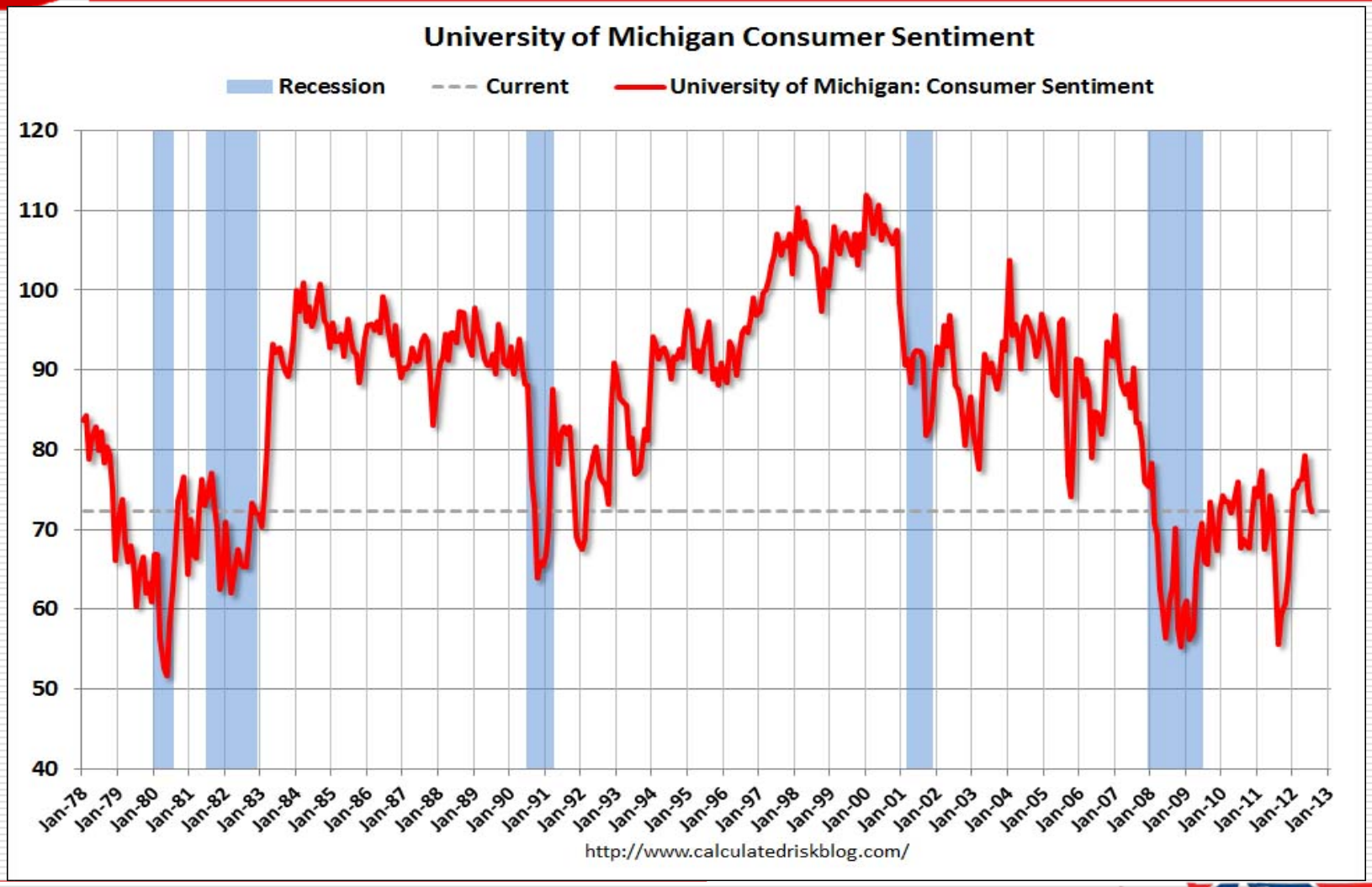
Supply of Existing Homes



New Housing Starts



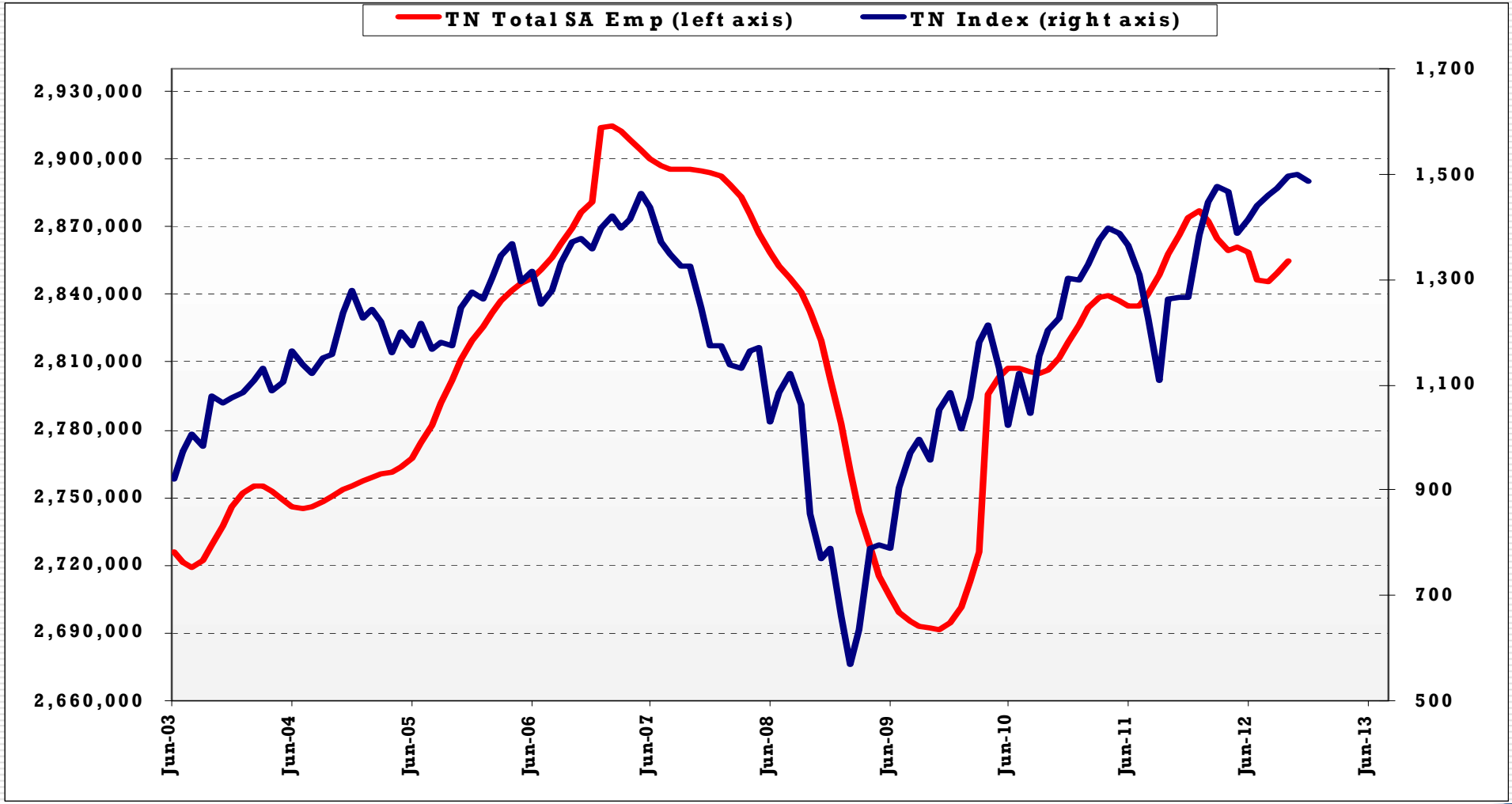
Consumer Sentiment



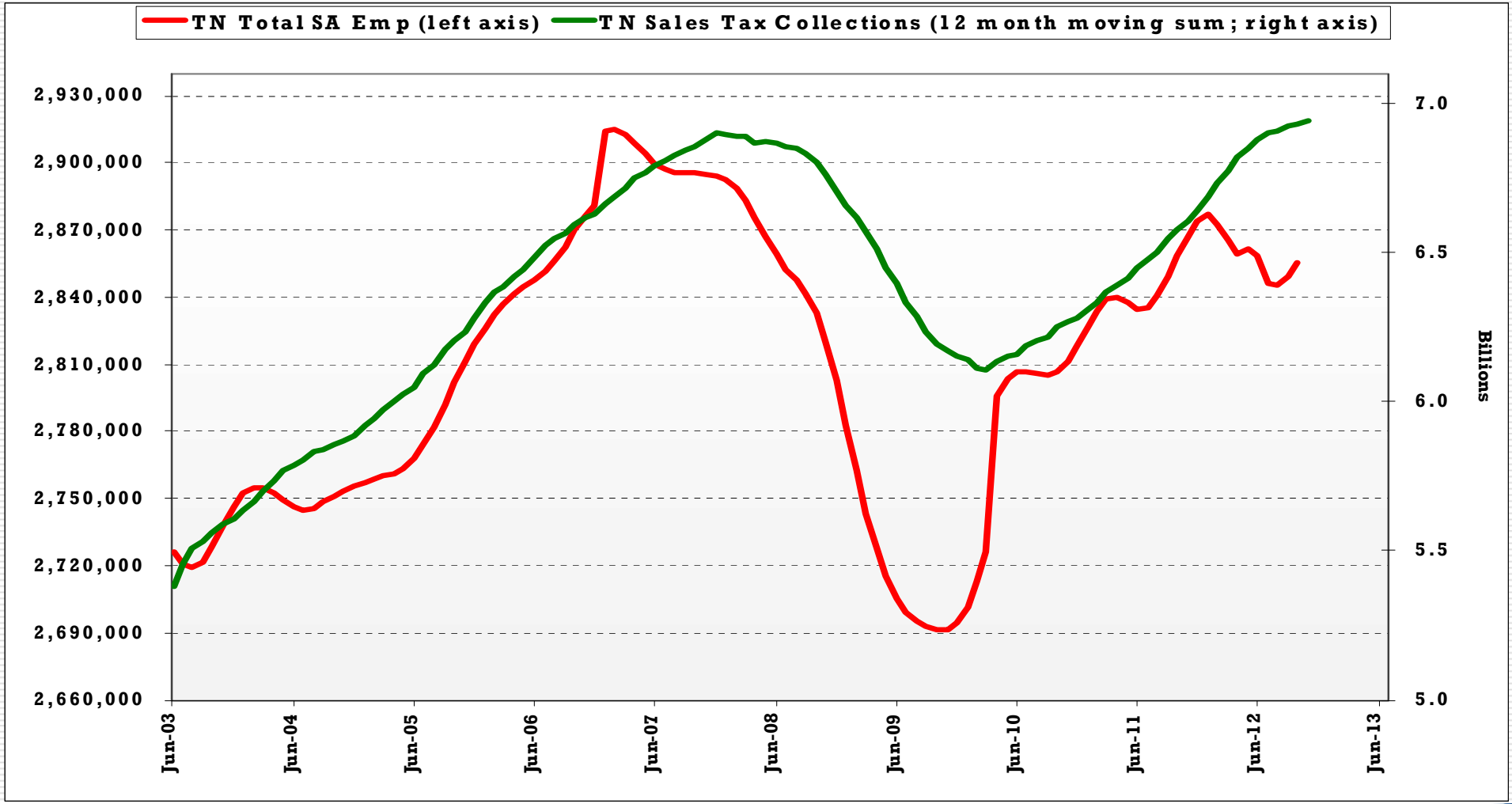
TN Index

- Developed by Fiscal Review Staff last year
- What is it? An index of market capitalization for 36 publicly traded TN companies.
- Purpose? To serve as a leading indicator that will aid in forecasting directional changes in the TN economy, changes in certain TN tax revenue collections, TN employment, and the magnitude of any such changes.
- Interesting relationships…

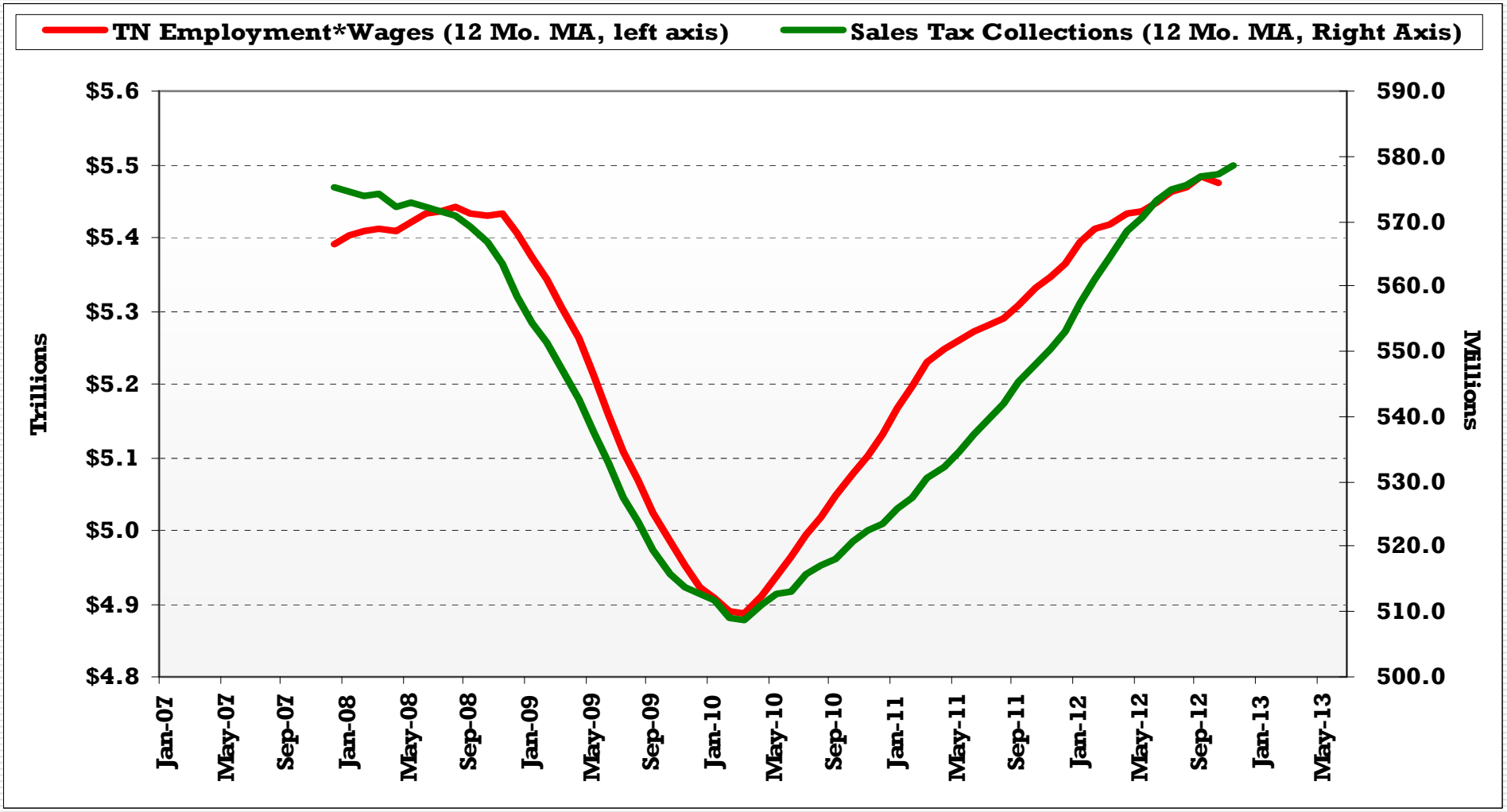
TN Index vs. TN Employment



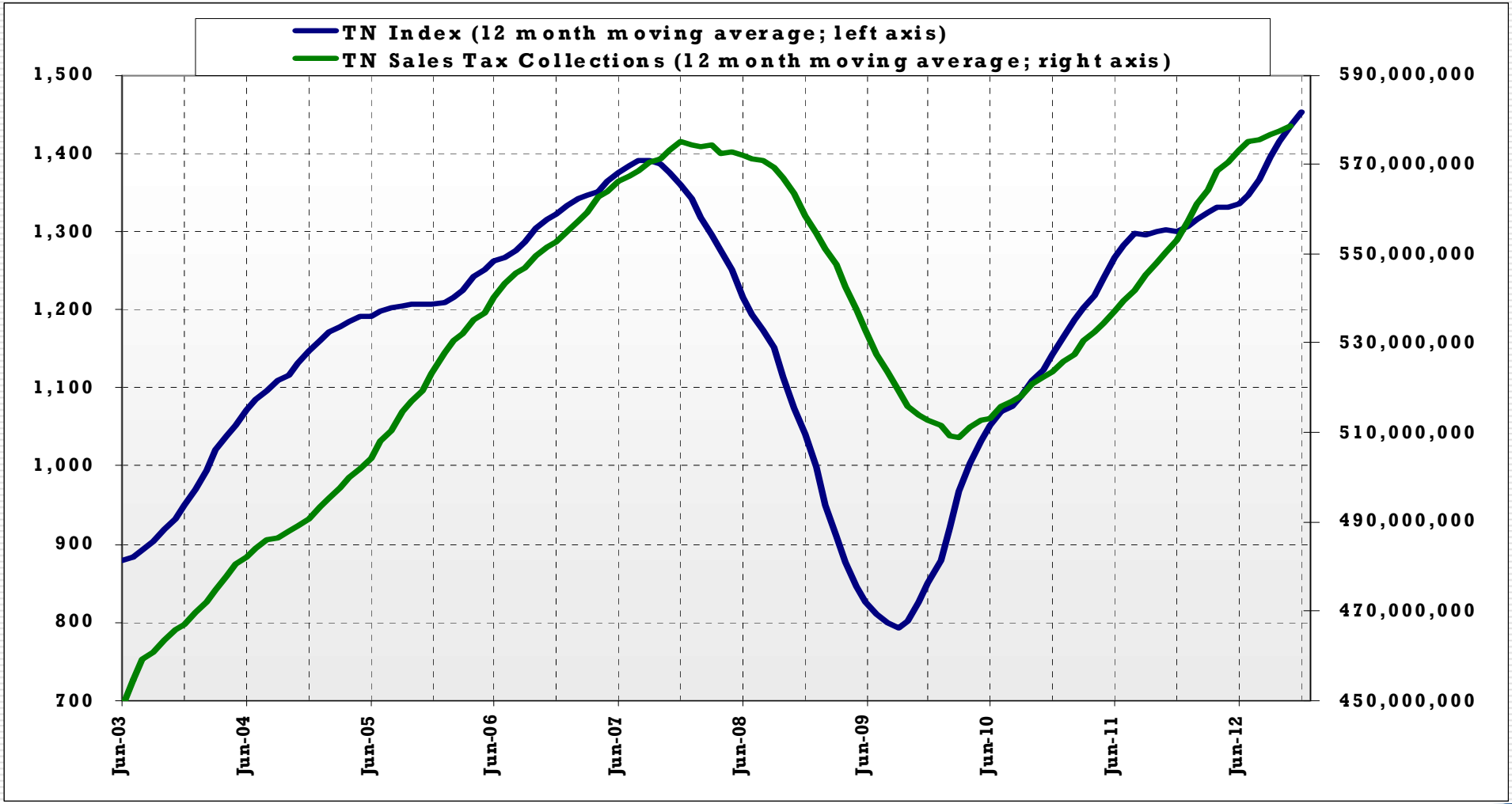
TN Employment vs. Sales Tax Collections



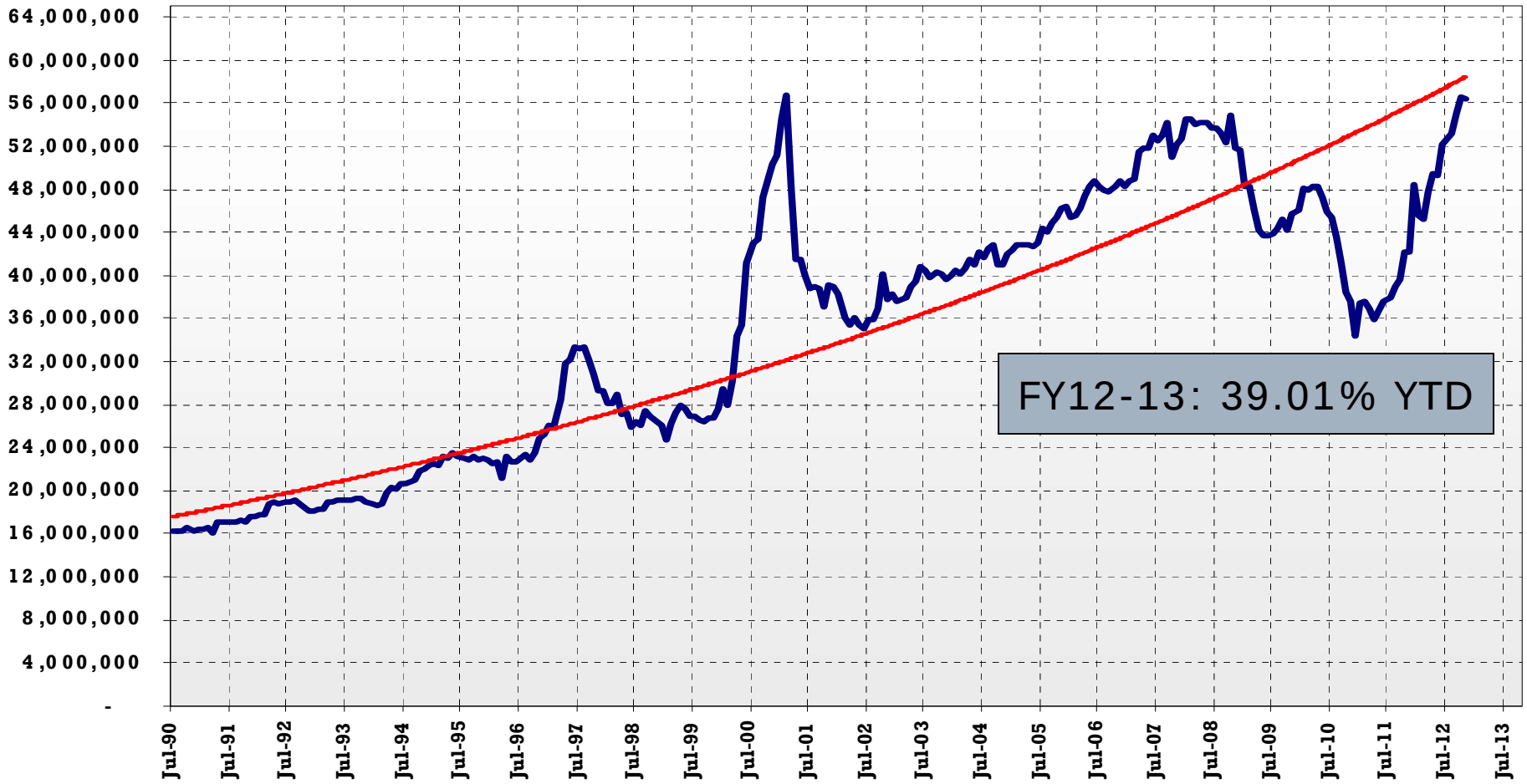
TN Employment*Wages vs. Sales Tax Collections



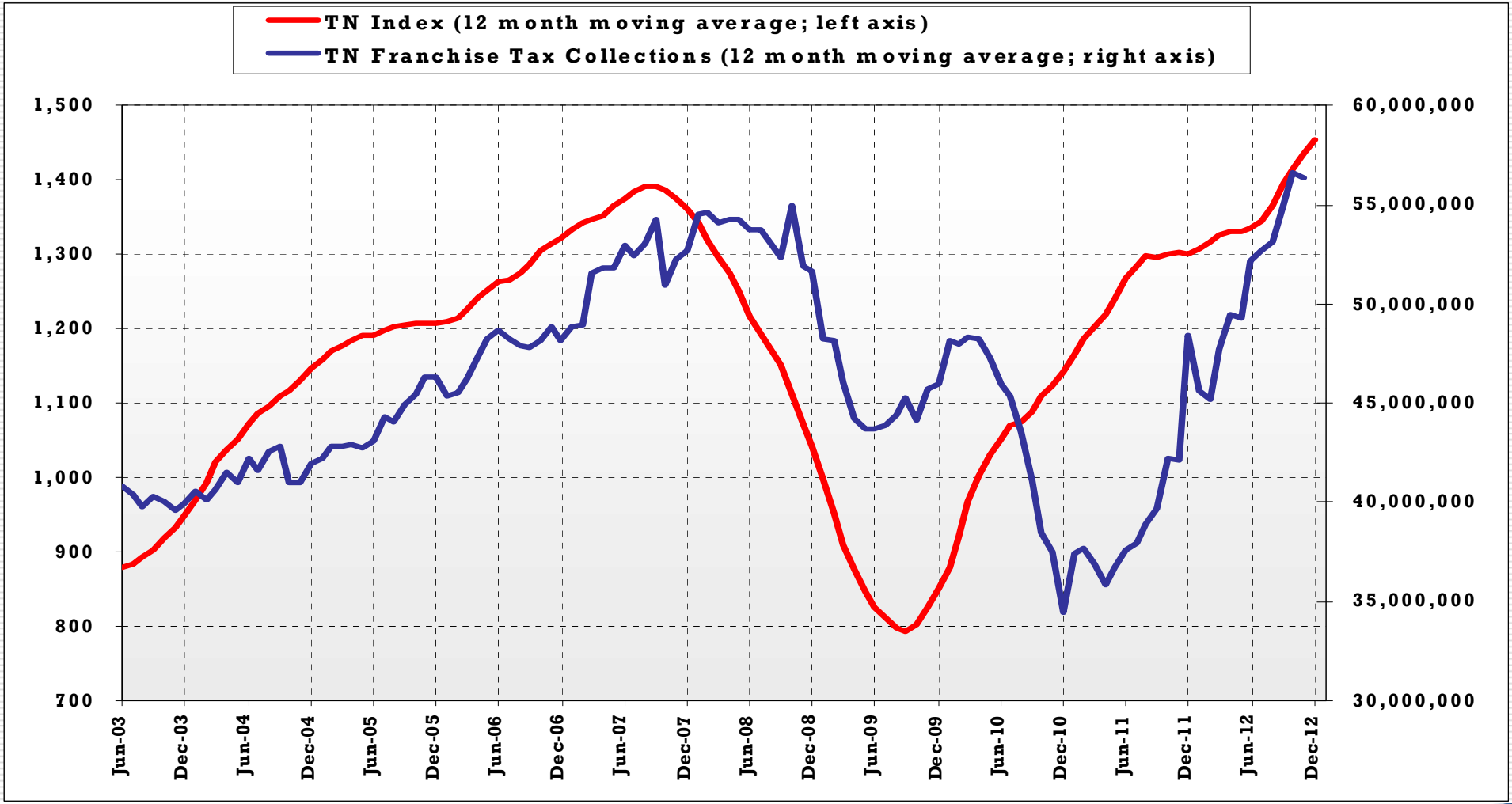
TN Index vs. Sales Tax Collections



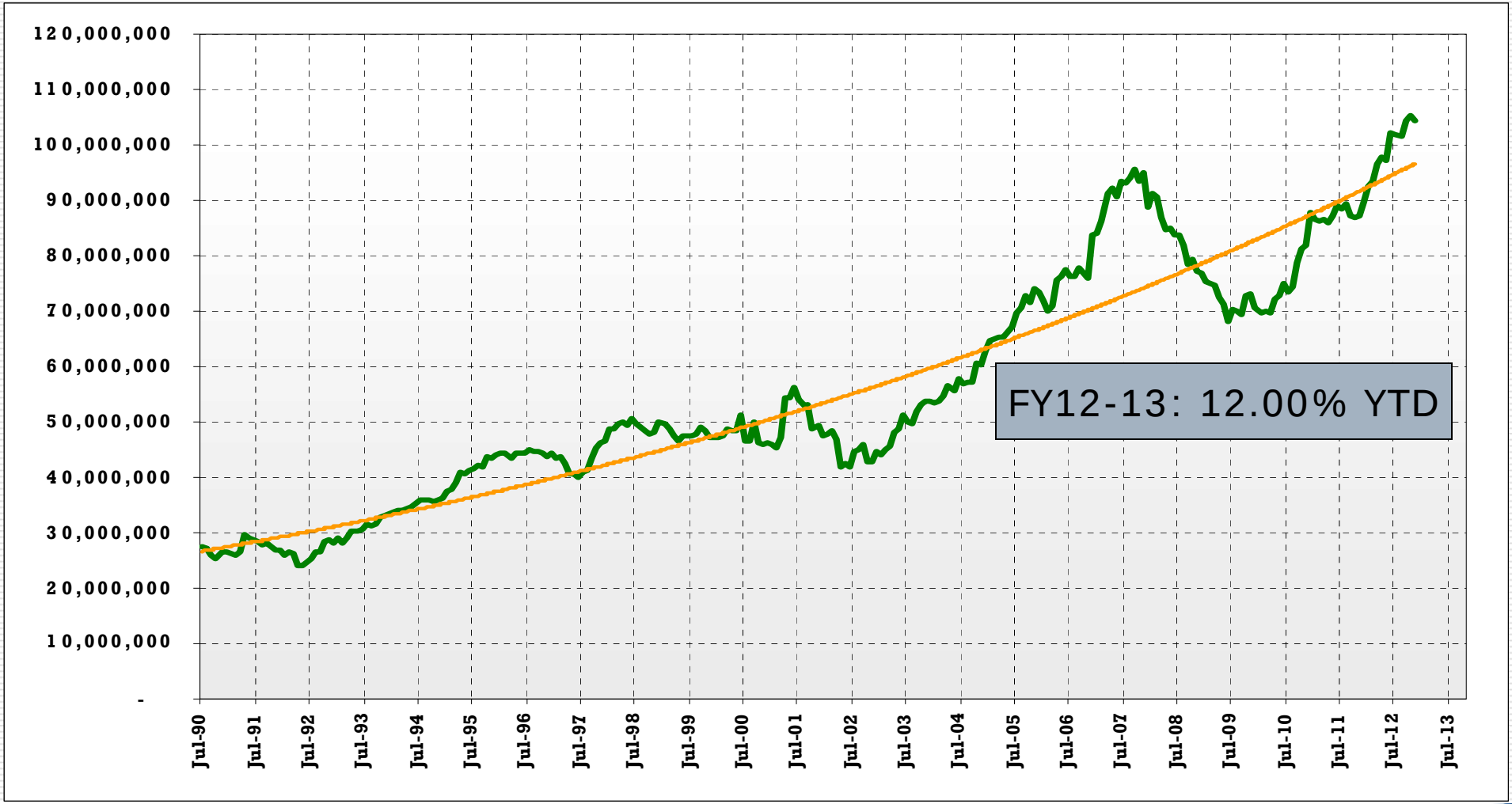
Franchise Tax Collections (12 month MA)



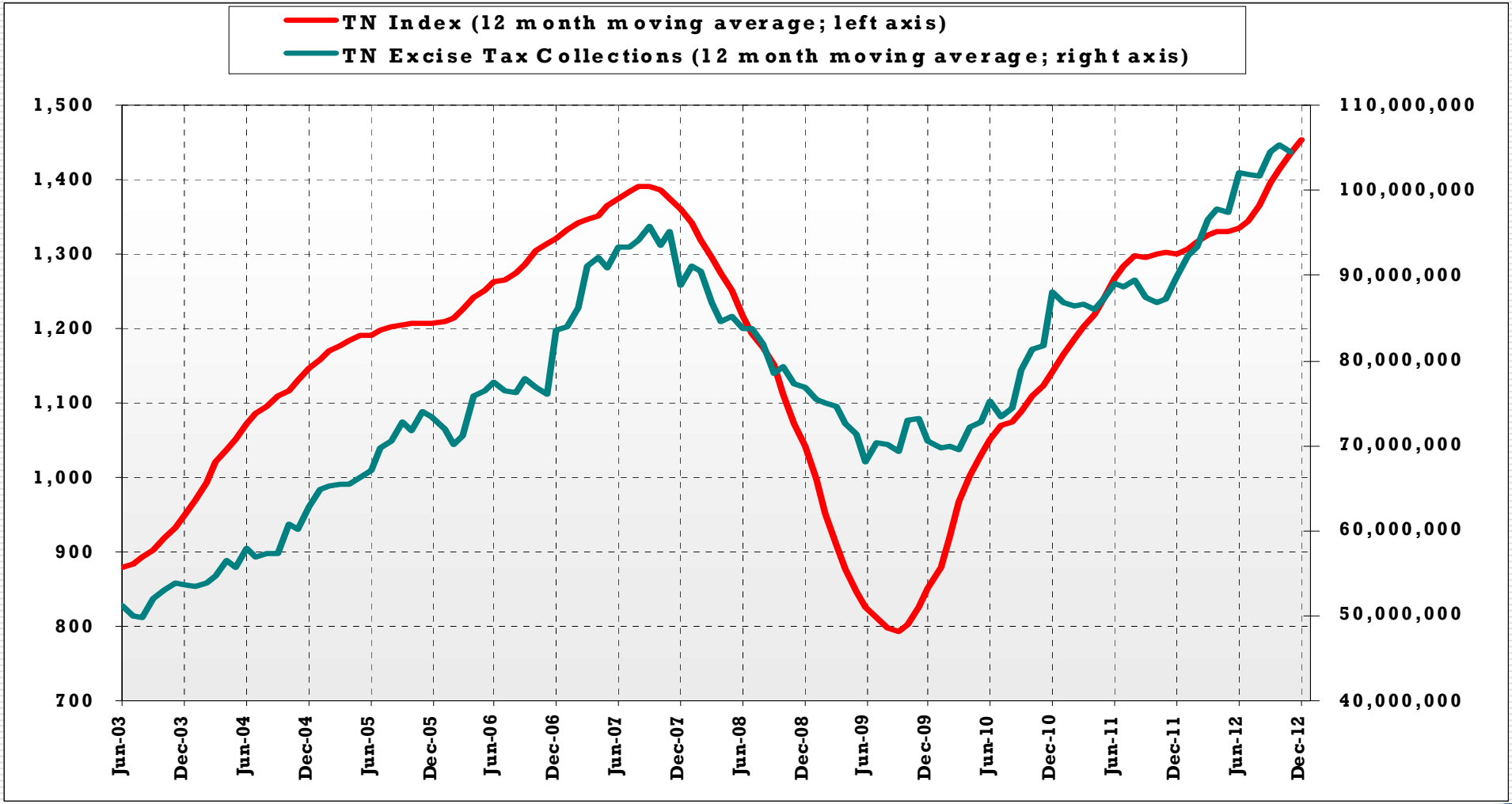
TN Index vs. Franchise Tax Collections



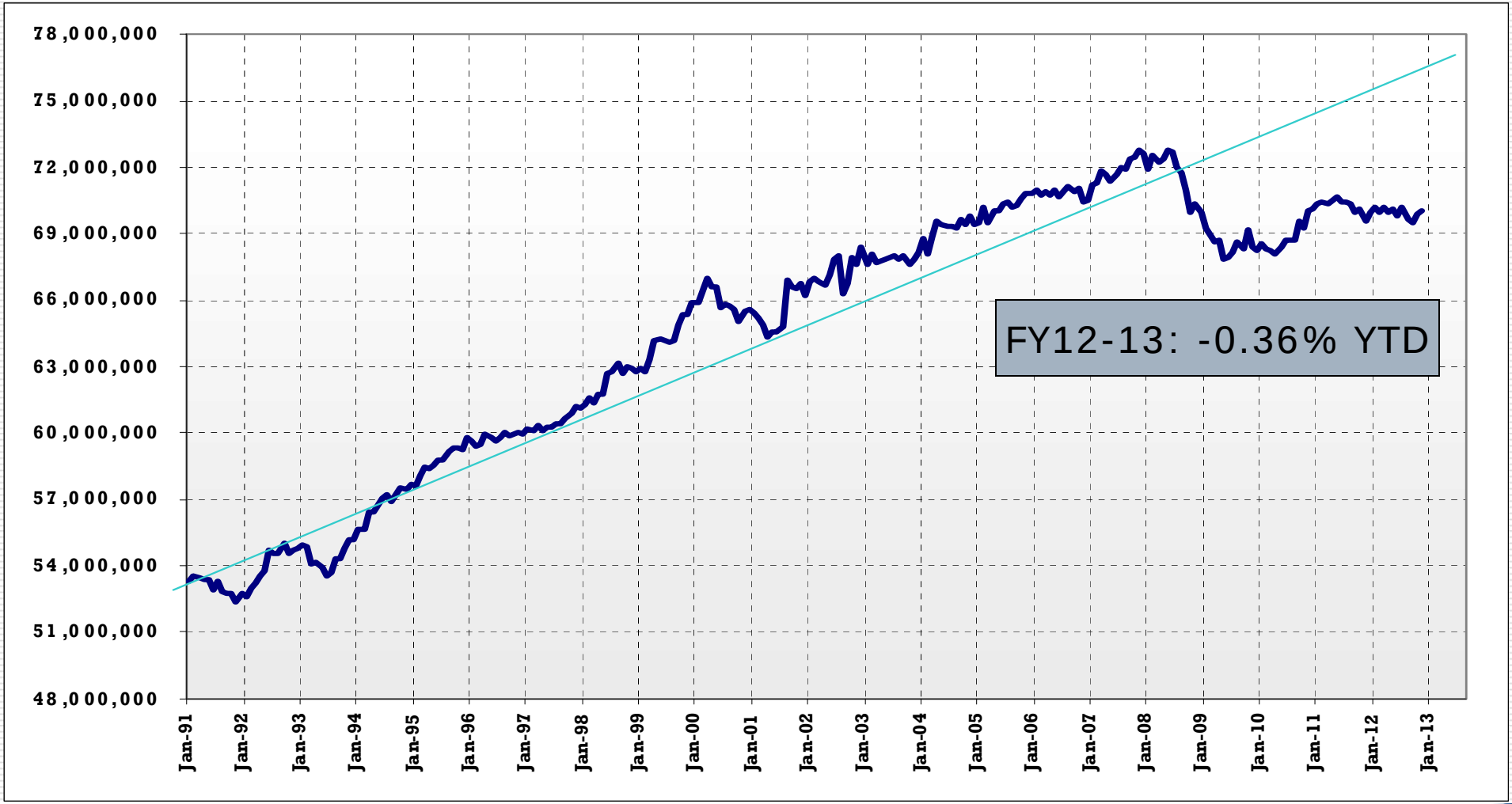
Excise Tax Collections (12 month MA)



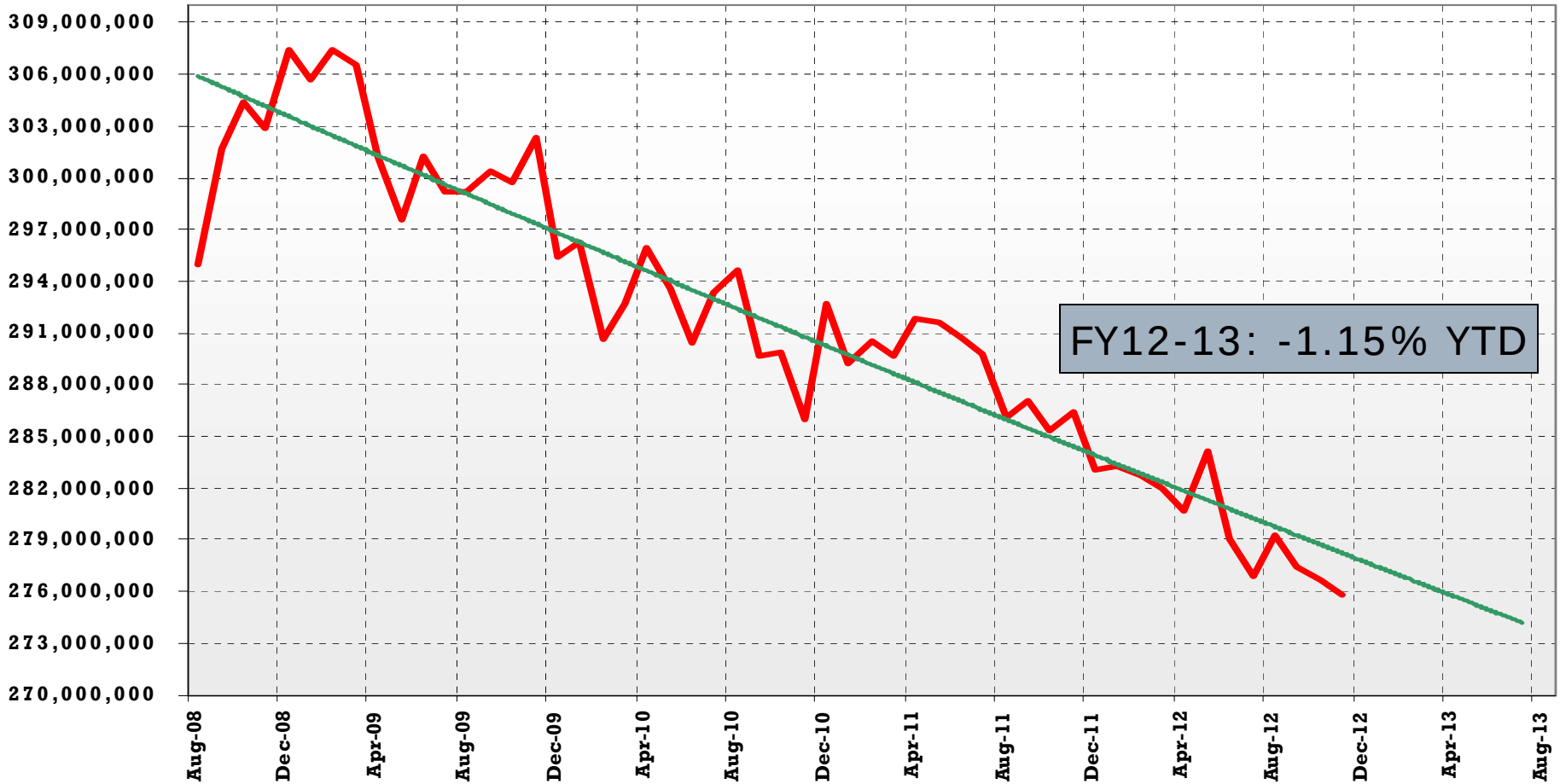
TN Index vs. Excise Tax Collections



Fuel Tax Collections (12 month MA)



Tobacco Tax Collections (12 month MS)



Base Analysis for Sales Tax

	FY11-12	Growth over FY10-11	FY12-13	Growth over FY11-12
August	5.09%	6.18%	1.13%	1.91%
September	8.33%		2.84%	
October	6.17%		0.93%	
November	5.19%		2.80%	
December	6.78%	6.76%	?	*1.98% FRC Forecast*
January	7.47%		?	
February	10.24%		?	
March	7.58%		?	
April	8.77%		?	
May	4.40%		?	
June	6.24%		?	
July	3.30%		?	

Base Analysis for F&E Taxes

	FY11-12	Growth over FY10-11	FY12-13	Growth over FY11-12
August	194.00%	10.47%	4.63%	20.37%
September*	-6.21%		22.31%	
October	274.54%		85.63%	
November	8.03%		-34.84%	
December*	69.86%	25.51%	?	2.57% FRC Forecast
January*	-1.77%		?	
February	20.96%		?	
March*	54.88%		?	
April**	10.78%		?	
May	-14.59%		?	
June**	32.39%		?	
July	8.63%		?	

**April & June are the two largest collection months each year

*September, December, January, and March are next largest collection months each year

FRC Economic Outlook

- Economic recovery will continue
  - 2012 GDP growth ≈ 2.0%
  - 2013 GDP growth ≈ 2.5%
  - 2014 GDP growth ≈ 3.0%
- Slight, continued improvement in employment over next 18 months
- Retail sales will continue to grow
- Housing market will continue recovery
- Inflation remains between 2.0 and 2.5%
- Congress makes a deal on fiscal cliff issue

Growth Forecasts: FY12-13 & FY13-14

Source	FY12-13			FY13-14
	FY12-13 YTD Growth	Growth Forecast for Remainder of FY12-13	Growth Forecast for FY12-13	Growth Forecast for FY13-14
Sales Tax	1.91%	1.98%	1.96%	3.20%
F&E	20.37%	2.57%	6.03%	3.38%
Other	0.57%	-1.92%	-1.17%	1.36%
Total	3.58%	1.20%	1.91%	2.82%

*Growth rate forecasts for FY12-13 are relative to FY11-12 accrual collections

Estimates for FY12-13 & FY13-14

REVENUE SOURCE	ACTUAL ACCRUAL COLLECTIONS FY11-12	FRC STAFF TAX REVENUE ESTIMATES FY12-13	PERCENT INCREASE OVER FY11-12	FRC STAFF TAX REVENUE ESTIMATES FY13-14	PERCENT INCREASE OVER FY12-13
SALES & USE TAX*	$6,899,944,000	$7,035,000,000	2.0%	$7,260,120,000	3.2%
GASOLINE TAX	$617,991,500	$618,300,000	0.0%	$621,391,000	0.5%
MOTOR FUEL TAX	$160,739,900	$161,400,000	0.4%	$163,418,000	1.3%
GASOLINE INSPECTION TAX	$63,401,900	$63,600,000	0.3%	$63,918,000	0.5%
MOTOR VEHICLE REG. TAX	$244,116,700	$249,000,000	2.0%	$254,478,000	2.2%
INCOME TAX*	$185,151,400	$195,000,000	5.3%	$200,070,000	2.6%
PRIVILEGE TAX - LESS EARMARKED**	$251,048,400	$264,000,000	5.2%	$274,560,000	4.0%
GROSS RECEIPTS TAX: TVA	$338,868,900	$337,384,000	-0.4%	$344,132,000	2.0%
GROSS RECEIPTS TAX: OTHER	$31,548,400	$27,800,000	-11.9%	$29,468,000	6.0%
BEER TAX	$17,286,100	$18,200,000	5.3%	$18,637,000	2.4%
ALCOHOLIC BEVERAGE TAX	$50,604,100	$53,700,000	6.1%	$56,009,000	4.3%
FRANCHISE & EXCISE TAX*	$1,865,029,500	$1,977,500,000	6.0%	$2,044,375,000	3.4%
INHERITANCE TAX*	$161,266,000	$95,000,000	-41.1%	$85,500,000	-10.0%
TOBACCO TAX	$276,837,200	$275,300,000	-0.6%	$273,924,000	-0.5%
MOTOR VEHICLE TITLE FEES	$12,036,800	$11,800,000	-2.0%	$12,095,000	2.5%
MIXED DRINK TAX	$64,713,900	$68,200,000	5.4%	$70,655,000	3.6%
BUSINESS TAX*	$127,512,700	$134,000,000	5.1%	$139,360,000	4.0%
SEVERANCE TAX	$2,325,300	$2,200,000	-5.4%	$2,200,000	0.0%
AMUSEMENT TAX	$312,200	$300,000	-3.9%	$300,000	0.0%
UNAUTHORIZED SUBSTANCE TAX	($19,800)	$0	N/A	$0	N/A
TOTAL REVENUE	**$11,370,715,100**	**$11,587,684,000**	**1.9%**	**$11,914,610,000**	**2.8%**

*Estimate adjusted for legislation enacted during the 2012 legislative session

**Privilege Tax estimates are reduced by $34.8 million for the earmarked portion of the tax.

FY12-13: All Funds and General Fund

	ALL FUNDS	GENERAL FUND
REVENUE SOURCE	FY12-13	FY12-13
SALES & USE TAX	$7,035,000,000	$6,635,238,000
GASOLINE TAX	$618,300,000	$9,641,000
MOTOR FUEL TAX	$161,400,000	$3,054,000
GASOLINE INSPECTION TAX	$63,600,000	$18,591,000
MOTOR VEHICLE REGISTRATION TAX	$249,000,000	$43,742,000
INCOME TAX	$195,000,000	$130,786,000
PRIVILEGE TAX	$264,000,000	$258,177,000
GROSS RECEIPTS TAX: TVA	$337,384,000	$184,847,000
GROSS RECEIPTS TAX: OTHER	$27,800,000	$24,238,000
BEER TAX	$18,200,000	$12,364,000
ALCOHOLIC BEVERAGE TAX	$53,700,000	$44,509,000
FRANCHISE & EXCISE TAX	$1,977,500,000	$1,720,900,000
INHERITANCE TAX	$95,000,000	$95,000,000
TOBACCO TAX	$275,300,000	$275,300,000
MOTOR VEHICLE TITLE FEES	$11,800,000	$9,100,000
MIXED DRINK TAX	$68,200,000	$34,100,000
BUSINESS TAX	$134,000,000	$134,000,000
SEVERANCE TAX	$2,200,000	$1,000,000
AMUSEMENT TAX	$300,000	$300,000
UNAUTHORIZED SUBSTANCE	$0	$0
TOTAL REVENUE	$11,587,684,000	$9,634,887,000

FRC Estimates for FY12-13 Relative to Current Budgeted Estimates

CURRENT FRC STAFF ESTIMATE FOR FY12-13	
SALES TAX	$7,035,000,000
FRANCHISE & EXCISE TAXES	$1,977,500,000
ALL FUNDS	$11,587,684,000
GENERAL FUND	$9,634,887,000
CURRENT BUDGETED ESTIMATE FOR FY12-13	
SALES TAX	$7,049,200,000
FRANCHISE & EXCISE TAXES	$1,733,300,000
ALL FUNDS	$11,384,700,000
GENERAL FUND	$9,403,600,000
EST. OVERAGE/(SHORTAGE) COMPARED TO	
CURRENT BUDGETED ESTIMATE FOR FY12-13:	
SALES TAX	($14,200,000)
FRANCHISE & EXCISE TAXES	$244,200,000
ALL FUNDS	$202,984,000
GENERAL FUND	$231,287,000
ACT. GENERAL FUND FOR FY11-12:	$9,440,466,500
EST. GENERAL FUND INCREASE OVER FY11-12:	$194,420,500

FY13-14: All Funds and General Fund

	ALL FUNDS	GENERAL FUND
REVENUE SOURCE	FY13-14	FY13-14
SALES & USE TAX	$7,260,120,000	$6,847,565,000
GASOLINE TAX	$621,391,000	$9,689,000
MOTOR FUEL TAX	$163,418,000	$3,092,000
GASOLINE INSPECTION TAX	$63,918,000	$18,684,000
MOTOR VEHICLE REGISTRATION TAX	$254,478,000	$44,605,000
INCOME TAX	$200,070,000	$134,186,000
PRIVILEGE TAX	$274,560,000	$268,504,000
GROSS RECEIPTS TAX: TVA	$344,132,000	$188,544,000
GROSS RECEIPTS TAX: OTHER	$29,468,000	$25,693,000
BEER TAX	$18,637,000	$12,661,000
ALCOHOLIC BEVERAGE TAX	$56,009,000	$46,423,000
FRANCHISE & EXCISE TAX	$2,044,375,000	$1,739,507,000
INHERITANCE TAX	$85,500,000	$85,500,000
TOBACCO TAX	$273,924,000	$273,924,000
MOTOR VEHICLE TITLE FEES	$12,095,000	$9,395,000
MIXED DRINK TAX	$70,655,000	$35,328,000
BUSINESS TAX	$139,360,000	$139,360,000
SEVERANCE TAX	$2,200,000	$1,000,000
AMUSEMENT TAX	$300,000	$300,000
UNAUTHORIZED SUBSTANCE	$0	$0
TOTAL REVENUE	$11,914,610,000	$9,883,960,000