

Legislative Fiscal Bureau

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State of Wisconsin

May 10, 2017

Senator Alberta Darling, Senate Chair
Representative John Nygren, Assembly Chair
Joint Committee on Finance
State Capitol
Madison, WI 53702

Dear Senator Darling and Representative Nygren:

On January 18, 2017, this office issued general fund tax revenue estimates for 2016-17 and each year of the 2017-19 biennium. Those estimates were \$15,503.6 million for 2016-17, \$16,033.4 million for 2017-18, and \$16,616.0 million for 2018-19. The estimates reflect current law and do not incorporate changes recommended by the Governor in the 2017-19 biennial budget bill.

In May of each odd-numbered year, this office reviews year-to-date tax collections and current economic forecasts to determine if adjustments to the January estimates should be made. The timing of that review allows for an examination of tax collection data through April.

For 2016-17, the January estimates projected tax collection growth of 2.7% over 2015-16. Through April, 2017, year-to-date collections are approximately 2.2% higher than the same period last year. The discrepancy between the 2.7% estimate and the 2.2% actual year-to-date growth rate is primarily due to the corporate income and franchise tax. Corporate collections for the entire fiscal year are estimated to decline by 6.5% compared to 2015-16, while the year-to-date decrease is 8.9%. However, since January, corporate collections have increased by more than 20% over the same period last year, and the year-to-date growth rate has improved from -22.5% to -8.9%. This collection pattern was anticipated in our January estimates, and it is expected that improved corporate collections will continue through the remainder of the fiscal year. Collections of the other tax sources are tracking closely with the January estimates.

Regarding the economic forecast, IHS Markit released its most recent figures on May 9. The new forecast is very similar to the January forecast, which was the basis of our current

estimates. The projected growth rates for employment and both real and nominal gross domestic product are nearly identical to the January forecast. Forecast growth rates for personal income and consumption are slightly lower than the January projections, but anticipated growth in profits is somewhat higher.

Based on the recent collections data and the new economic forecast, we believe that the current estimates are still reasonable and should not be adjusted.

We will continue to monitor tax collections data and economic indicators and keep you informed of any needed changes to the estimates.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob", written in a cursive style.

Robert Wm. Lang
Director

RWL/sas

cc: Members, Wisconsin Legislature