SUMMARY

In the first four months of FY 2022, revenue to the General and Education Funds totaled over $3.0 billion, which represents a year-over-year (YoY) decrease of –8.4%, compared to a target rate of –6.1%. The decrease is largely due to seemingly underperforming individual income tax collections (see Education Fund box), while sales tax remains historically strong. The differential between the actual and projected growth rates will narrow in future months as the effect of the 2020 income tax filing deadline shift becomes less consequential.

This snapshot still compares forecasted collections and growth rates to those established by the Office of the Legislative Fiscal Analyst, the Governor’s Office of Planning and Budget, and the Utah State Tax Commission in early 2021. Next month’s snapshots will update these figures to reflect the new consensus numbers for FY 2022.

GENERAL FUND

General Fund collections totaled over $1.2 billion in the first four months of FY 2022, representing a YoY growth rate of 18.2%, far above the target growth rate of 2.8%. However, the growth rate is moderating as the fiscal year wears on. This could be due to various aberrations in the economy, including low inventories, weakening consumer sentiment, and a consumption shift back away from taxable goods and toward services, a trend that reversed during the COVID-19 pandemic. Additionally, severance tax collections are outperforming estimates, given the strength of commodity prices and the resulting increase in natural resources activity in the state.

EDUCATION FUND

Education Fund collections reached over $1.7 billion in the first four months of FY 2022, representing a YoY decrease of –20.9%, compared to the target rate of –10.4%. However, the reference period for the YoY comparison is FY 2021, which had abnormally high income tax collections due to the filing delay from FY 2020 to FY 2021; the shift-adjusted growth rate is 15.8%. The negative growth rate is moderating and will continue to do so as the fiscal year progresses. On the other hand, the corporate tax growth is accelerating, but the extent to which it is aided by federal stimulus and timing due to corporate tax planning remains to be seen.

TRANSPORTATION FUND

Transportation Fund collections totaled over $217 million in the first four months of FY 2022, a rate of –0.4% YoY. Motor fuel collections softened considerably in the last month, at 0.6% YoY. Motor fuel collections softened considerably in the last month, at 0.6% YoY compared to the target of 5.0%. This could be due to a wearing-off of base effects, as the YoY comparison reflects increasing mobility and gas purchases in the fall of 2020.