




**TO:** Members of Council Finance Committee

**FROM:** Matt Rubino, Director of Finance 

**CC:** Mayor Edward Kraus

**DATE:** November 15, 2019

**RE:** Monthly Income Tax Collection Update – November 2019

**Monthly Income Tax Overview**

The following monthly income tax collection data includes all activity from December (2018) to October (2019) that was received by the City through November. All collection data are presented on a cash basis (Refer to Figure 1). The current monthly results of collections were as follows:

- Collections for the month totaled \$3.9 million and are 22.0% higher than the same monthly period in 2018
- YTD Gross income tax receipts collected totaled \$41.8 million and are running 4.5% under the 2018 YTD collections through the same period

**Solon Department of Finance**

***Income Tax Collection Summary - November 2019***

Income Tax Component Summary	2019 Budget Estimate	2019 Monthly Collection	2019 YTD Collection	% Chg from PY YTD	2018 YTD Collection	2017 YTD Collection
<b>Withholding</b>	\$ 35,073,900	\$ 3,218,652	\$ 31,648,349	1.2%	\$ 31,268,711	\$ 29,890,501
<b>Individuals</b>	4,565,200	338,551	4,101,858	3.0%	3,983,678	3,827,399
<b>Business Net Profit</b>	8,237,700	364,691	5,580,063	-30.8%	8,059,394	7,396,111
<b>Utility Net Profit</b>	77,500	-	87,699	-42.9%	153,556	7,218
<b>Penalty &amp; Interest</b>	322,400	26,391	364,286	31.1%	277,913	226,544
<b>Gross Income Tax Receipts</b>	<b>\$ 48,276,700</b>	<b>\$ 3,948,285</b>	<b>\$ 41,782,256</b>	<b>-4.5%</b>	<b>\$ 43,743,252</b>	<b>\$ 41,347,773</b>
<i>Refunds &amp; Adjustments</i>	<i>\$ (850,000)</i>	<i>\$ (12,225)</i>	<i>(658,745)</i>	<i>-46.4%</i>	<i>\$ (1,228,516)</i>	<i>\$ (619,677)</i>
<b>Net Income Tax Receipts</b>	<b>\$ 47,426,700</b>	<b>\$ 3,936,060</b>	<b>\$ 41,123,511</b>	<b>-3.3%</b>	<b>\$ 42,514,736</b>	<b>\$ 40,728,097</b>

***Funding Allocation (Net Collections)***

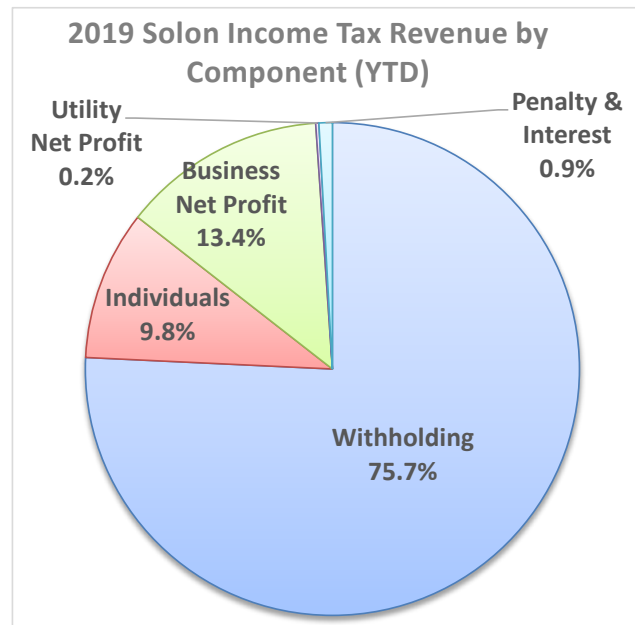
General Fund (75%)	35,570,025	2,952,045	30,842,633	-3.3%	31,886,052	30,546,072
Infrastructure Fund (25%)	11,856,675	984,015	10,280,878	-3.3%	10,628,684	10,182,024
<b>Net Income Tax Funding</b>	<b>47,426,700</b>	<b>3,936,060</b>	<b>41,123,511</b>	<b>-3.3%</b>	<b>42,514,736</b>	<b>40,728,097</b>

Figure 1

- Net collections (receipts less refunds issued) totaled \$41.1 million and are now 3.3% lower than net collections through the same period in 2018
- Collections for withholding and individual filings have started to exhibit growth over 2018 receipts and average monthly receipts for these two categories are running above 2018
- The YTD collections for withholding income tax, the largest category, totaled \$31.6 million, and are 1.2% above the 2018 YTD collections
- Revenue from penalty and interest payments is now at 31.1 % over the prior year amount
- Refunds totaled \$658,745 and were running well under 2018 YTD refunds as a result of some significant one-time refunds that were issued last year, refunds totaled 1.6% of gross collections
- The YTD unadjusted cost of collections retained by RITA (retainer) totaled \$1.2 million
- The YTD net revenue received by the General Fund and Infrastructure Fund totaled \$30.8 million and \$10.3 million respectively

### **Current Trends and Other Considerations**

- Monthly receipts totaled about 18.2% of the projected annual collection, the original estimate assumed that the monthly receipts would have been 6.9% of the total collected
- Collections for net profit filings have continued to lag the trends from previous years and are currently down 30.8% from last year
- The deficiency in net profit income tax receipts is almost entirely attributable to a handful of large net profit filers that have continued to file estimated returns for tax year 2018 that are lower than expected



- Withholding comprised 75.7% of gross collection, business net profits and individuals comprised 13.4% and 9.8% of gross collections respectively

*Exhibit A of the collection summary provides a month by month reporting of income tax receipts as compared to the estimate for the current year*

**Solon Department of Finance**  
**2019 Income Tax Revenue Comparison Summary \***

**Exhibit A**

Tax Period	Month Collected	Est. % of Monthly	2019 Monthly Estimate	2019 MTD Income Tax Collections	2019 Monthly Collection Variance	Monthly Collection Variance %	2019 YTD Collection Estimate	2019 YTD Income Tax Collections	% of 2019 Est.	2019 YTD Collection Variance	YTD Collection Variance %
Dec	Jan	8.7%	\$ 4,191,162	\$ 3,847,719	\$ (343,443)	-8.2%	\$ 4,191,162	\$ 3,847,719	8.0%	\$ (343,443)	-8.2%
Jan	Feb	9.3%	\$ 4,476,784	\$ 3,530,087	\$ (946,697)	-21.1%	\$ 8,667,946	\$ 7,377,806	15.3%	\$ (1,290,140)	-14.9%
Feb	Mar	6.5%	\$ 3,115,265	\$ 3,051,583	\$ (63,682)	-2.0%	\$ 11,783,211	\$ 10,429,389	21.6%	\$ (1,353,822)	-11.5%
Mar	Apr	6.8%	\$ 3,262,952	\$ 3,455,166	\$ 192,214	5.9%	\$ 15,046,163	\$ 13,884,555	28.8%	\$ (1,161,608)	-7.7%
Apr	May	11.4%	\$ 5,501,345	\$ 6,219,866	\$ 718,521	13.1%	\$ 20,547,508	\$ 20,104,421	41.6%	\$ (443,087)	-2.2%
May	Jun	11.1%	\$ 5,372,536	\$ 3,895,768	\$ (1,476,768)	-27.5%	\$ 25,920,044	\$ 24,000,189	49.7%	\$ (1,919,856)	-7.4%
Jun	Jul	9.7%	\$ 4,672,779	\$ 4,031,390	\$ (641,389)	-13.7%	\$ 30,592,823	\$ 28,031,579	58.1%	\$ (2,561,244)	-8.4%
Jul	Aug	7.0%	\$ 3,379,959	\$ 3,024,881	\$ (355,078)	-10.5%	\$ 33,972,782	\$ 31,056,460	64.3%	\$ (2,916,322)	-8.6%
Aug	Sep	6.1%	\$ 2,950,196	\$ 2,861,001	\$ (89,195)	-3.0%	\$ 36,922,978	\$ 33,917,461	70.3%	\$ (3,005,517)	-8.1%
Sep	Oct	10.2%	\$ 4,906,699	\$ 3,916,509	\$ (990,189)	-20.2%	\$ 41,829,676	\$ 37,833,970	78.4%	\$ (3,995,706)	-9.6%
Oct	Nov	6.9%	\$ 3,340,717	\$ 3,948,285	\$ 607,568	18.2%	\$ 45,170,393	\$ 41,782,256	86.5%	\$ (3,388,138)	-7.5%
Nov	Dec	6.4%	\$ 3,106,307	\$ -	\$ -		<b>\$ 48,276,700</b>		0.0%		0.0%
<b>Total Collections</b>			<b>100.0%</b>	<b>\$ 48,276,700</b>	<b>\$ 41,782,256</b>	<b>\$ (3,388,138)</b>			<b>Avg.</b>	<b>\$ (2,034,444)</b>	<b>-7.8%</b>

\* Income tax collections from December 2018 through October 2019 received by the City in calendar year 2019 (cash basis).

*Exhibit B of the collection summary provides a monthly comparison of collections (gross) by total and by category to the same month in the prior year.*

Exhibit B

