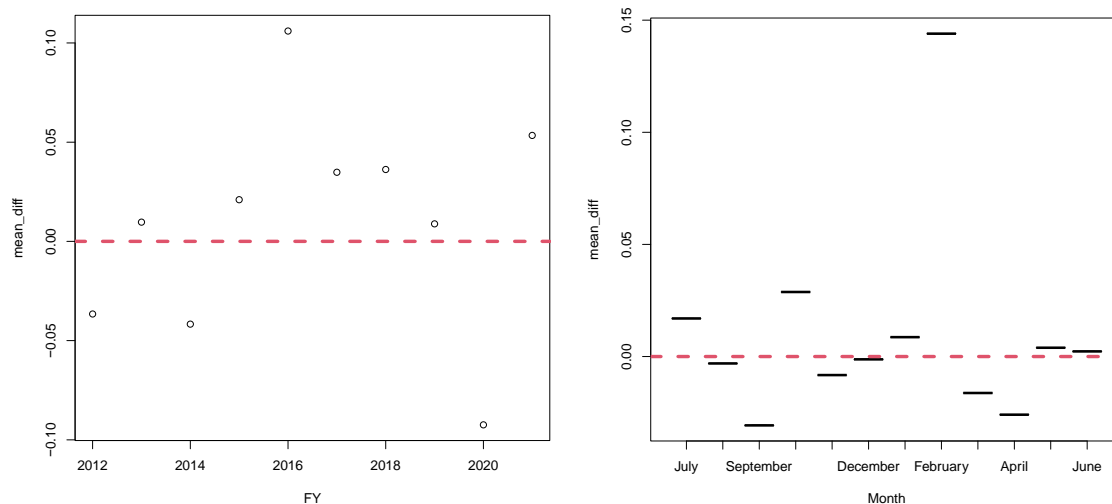


TO: INDIANA STATE BUDGET COMMITTEE
FROM: JACOB ALDER, REVENUE ANALYST
DATE: FEBRUARY 2, 2021
RE: INDIANA 2023 REVENUE TARGETS

This memorandum provides an updated forecast on the Indiana's personal income tax (PIT) revenue for 2023. To prepare this 12-month forecast, I used historic Indiana revenue data and compared it with actual revenue collection. On average from 2012 to 2021, the State revenue forecasts are consistent within a 3% range. I pursued this estimation to validate my forecast results, which are detailed at the end of the memo.

The red dotted line shows the mean of zero. The graph on the left shows the fiscal years from 2012 to 2022, each observation denoted by a circle. The graph on the right denotes the average mean difference by month; note that revenue forecasts in February are unusually higher than the rest of the months.

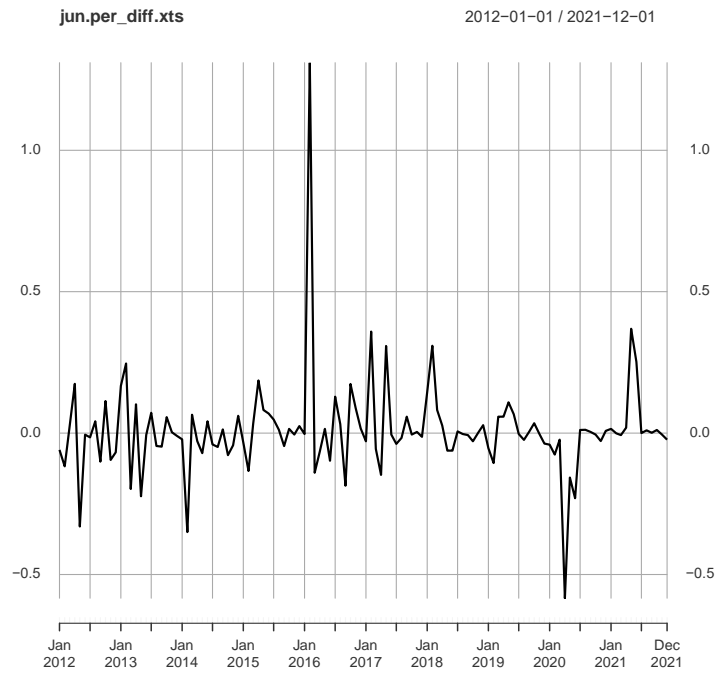
TABLE 1. INDIANA REVENUE TARGET ACCURACY BY FISCAL YEAR AND MONTH; 2012 - 2021



The expected deviation from the mean of zero indicates that Indiana revenue forecasts are relatively consistent over time. A few deviations, such as in 2016 (higher revenues than anticipated) and 2020 (lower revenues than anticipated), all fall within an average three percent range of difference from the mean, though the individual years and months may vary more.

The subsequent figure indicates the actual percentage difference by month across the indicated 2012 – 2021 time frame of interest.

TABLE 2. INDIANA REVENUE TARGET ACCURACY; 2012 - 2021



The final figure shows my revenue target forecast. State revenue from personal income taxes (PIT) will increase follow a somewhat volatile trend through the end of 2023.

