




**TO:** Members of Council Finance Committee

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

**CC:** Mayor Edward Kraus

**DATE:** September 14, 2020

**RE: Monthly Income Tax Collection Update – September 2020**

**Monthly Income Tax Overview**

The following monthly income tax collection summary includes all collections from December (2019) through August (2020) that were received by the City through September. 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 just over \$3.4 million and are 20.7% higher than the same monthly collection period in 2019, *the variance was due to the movement of the filing date to July 15<sup>th</sup> and one-time payments in the monthly withholding numbers*
- YTD gross income tax receipts collected totaled \$34.1 million and are almost even (+0.5%) with the 2019 YTD collections through the same period

**Solon Department of Finance**

***Income Tax Collection Summary - September 2020 (August Collections)***

Income Tax Component Summary	2020 Budget Estimate	2020 Monthly Collection	2020 YTD Collection	% Chg from PY YTD	2019 YTD Collection	2018 YTD Collection
<b>Withholding</b>	\$ 34,542,650	\$ 2,995,755	\$ 26,436,103	2.7%	\$ 25,743,312	\$ 25,927,777
<b>Individuals</b>	4,530,500	238,674	3,169,955	-3.7%	3,291,044	3,278,449
<b>Business Net Profit</b>	7,578,200	181,434	4,234,823	-5.8%	4,495,650	6,176,787
<b>Utility Net Profit</b>	98,800	21,928	24,484	-72.1%	87,699	153,556
<b>Penalty &amp; Interest</b>	420,900	14,138	228,486	-23.8%	299,756	219,841
<b>Gross Income Tax Receipts</b>	<b>\$ 47,171,050</b>	<b>\$ 3,451,928</b>	<b>\$ 34,093,850</b>	<b>0.5%</b>	<b>\$ 33,917,461</b>	<b>\$ 35,756,411</b>
<i>Refunds &amp; Adjustments</i>	<i>\$ (757,700)</i>	<i>\$ (36,723)</i>	<i>(656,096)</i>	<i>20.5%</i>	<i>\$ (544,561)</i>	<i>\$ (1,117,486)</i>
<b>Net Income Tax Receipts</b>	<b>\$ 46,413,350</b>	<b>\$ 3,415,205</b>	<b>\$ 33,437,754</b>	<b>0.2%</b>	<b>\$ 33,372,900</b>	<b>\$ 34,638,925</b>

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

General Fund (75%)	34,810,013	2,561,404	25,078,316	0.2%	25,029,675	25,979,194
Infrastructure Fund (25%)	11,603,338	853,801	8,359,439	0.2%	8,343,225	8,659,731
<b>Net Income Tax Funding</b>	<b>46,413,350</b>	<b>3,415,205</b>	<b>33,437,754</b>	<b>0.2%</b>	<b>33,372,900</b>	<b>34,638,925</b>

Figure 1

- Net collections (receipts less refunds issued) totaled \$33.4 million and are close (+0.2%) to the net collections through the same period in 2019
- Collections for withholding are up 2.7% when compared to 2019, a majority of the positive variance is attributable to one-time payments from a single withholding employer
- The other categories of individual and net profit are down 3.7% and 5.8% respectively
- The YTD net revenue received by the General Fund and Infrastructure Fund totaled \$25.1 million and \$8.4 million respectively

**Current Trends and Other Considerations**

- The monthly revenue from withholding showed signs of stabilizing from the prior year monthly collection and is now slightly higher than the 2019 actual revenue, more collection data will be needed to determine a reliable trend for 2021
- The difference in revenue received at or around the filing deadline shows a loss or delay of about \$1.4 million or 40% of the expected revenue
- The revenue from individual and net profit filings should exhibit some form of a rebound once a stable recovery takes hold and tax payers return to reporting revenue and filing on time in lieu of filing extensions or entering into payment plans
- At this rate, collections are tracking to come in slightly above (+0.5%) the 2019 total but are projected to be about 3.6% under the original 2020 estimate (Figure 3)

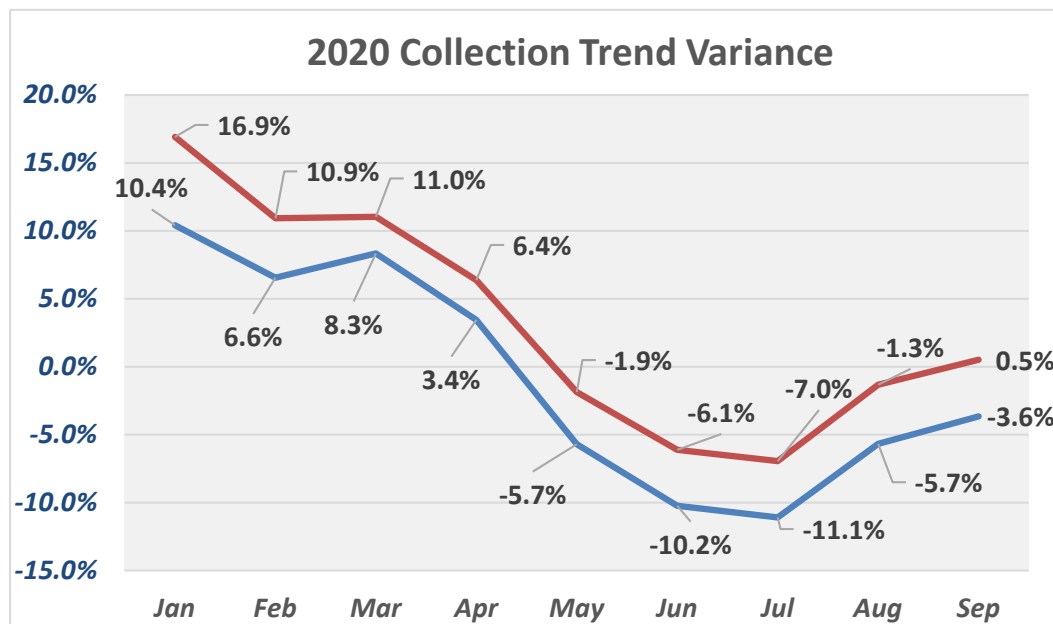


Figure 2

- Based on this current trend the revenue loss from the decrease in collections will result in a loss to the General Fund of over \$1.7 million as compared to the original estimate
- No formal changes have been made to the withholding provisions for businesses that have employees working remotely, the withholding payments will continue to flow to the headquarter municipality for the foreseeable future during the duration of the emergency declaration
- Revenue from penalty and interest is down 23.8% as a result of the delayed filing date and the suspension of fees related to estimated 2019 and 2020 filings
- Refunds to taxpayers have totaled \$656,000, an increase of 20.4% and equate to 1.9% of gross collections
- Withholding comprised 77.5% of gross collection, business net profits and individuals comprised 21.4% and 9.3% of gross collections respectively (refer to Figure 3)

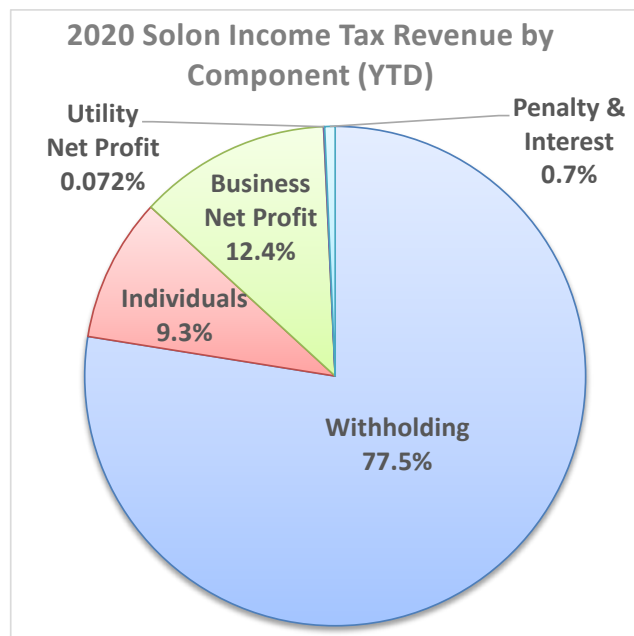


Figure 3

- The annual retainer refund was received from RITA in May and the amount returned to the City was \$884,900, the net cost of collections for 2019 was 0.95%

*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*

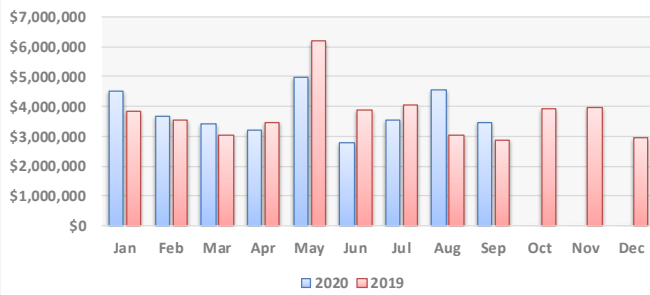
**Solon Department of Finance  
 2020 Income Tax Collection Comparison Summary \***

**Exhibit A**

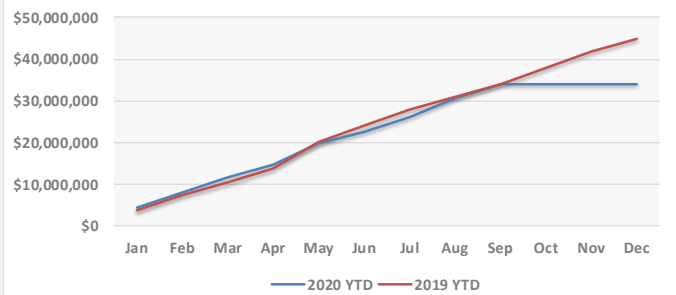
Tax Period	Month Collected	Est. % of Monthly	2020 Monthly Estimate	2020 MTD Income Tax Collections	2020 Monthly Collection Variance	Monthly Collection Variance %	2020 YTD Collection Estimate	2020 YTD Income Tax Collections	% of 2020 Est.	2020 YTD Collection Variance	YTD Collection Variance %		
Dec	Jan	8.7%	\$ 4,074,286	\$ 4,498,827	\$ 424,542	10.4%	\$ 4,074,286	\$ 4,498,827	9.6%	\$ 424,542	10.4%		
Jan	Feb	7.7%	\$ 3,605,743	\$ 3,684,905	\$ 79,162	2.2%	\$ 7,680,028	\$ 8,183,732	17.5%	\$ 503,704	6.6%		
Feb	Mar	6.4%	\$ 3,008,812	\$ 3,397,191	\$ 388,379	12.9%	\$ 10,688,840	\$ 11,580,923	24.8%	\$ 892,083	8.3%		
Mar	Apr	7.7%	\$ 3,589,205	\$ 3,187,301	\$ (401,904)	-11.2%	\$ 14,278,045	\$ 14,768,224	31.7%	\$ 490,179	3.4%		
Apr	May	14.2%	\$ 6,640,088	\$ 4,959,420	\$ (1,680,669)	-25.3%	\$ 20,918,133	\$ 19,727,644	42.3%	\$ (1,190,490)	-5.7%		
May	Jun	9.0%	\$ 4,177,049	\$ 2,801,845	\$ (1,375,204)	-32.9%	\$ 25,095,182	\$ 22,529,489	48.3%	\$ (2,565,694)	-10.2%		
Jun	Jul	9.1%	\$ 4,240,733	\$ 3,551,908	\$ (688,825)	-16.2%	\$ 29,335,915	\$ 26,081,396	55.9%	\$ (3,254,519)	-11.1%		
Jul	Aug	6.8%	\$ 3,152,434	\$ 4,560,526	\$ 1,408,092	44.7%	\$ 32,488,349	\$ 30,641,922	65.7%	\$ (1,846,427)	-5.7%		
Aug	Sep	6.2%	\$ 2,895,931	\$ 3,451,928	\$ 555,996	19.2%	\$ 35,384,281	\$ 34,093,850	73.1%	\$ (1,290,430)	-3.6%		
Sep	Oct	8.9%	\$ 4,155,713	\$ -	\$ (4,155,713)	-100.0%	\$ 39,539,993	\$ 34,093,850	73.1%	\$ (5,446,143)	-13.8%		
Oct	Nov	8.8%	\$ 4,090,243	\$ -	\$ (4,090,243)	-100.0%	\$ 43,630,236	\$ 34,093,850	73.1%	\$ (9,536,386)	-21.9%		
Nov	Dec	6.5%	\$ 3,021,114	\$ -	\$ (3,021,114)	-100.0%	\$ 46,651,350	\$ 34,093,850	73.1%	\$ (12,557,500)	-26.9%		
<b>Total Collections</b>											<b>Avg.</b>	<b>\$ (2,948,090)</b>	<b>-5.8%</b>

\* Income tax collections from December 2019 received by the City in calendar year 2020 (cash basis), not inclusive of P&I.

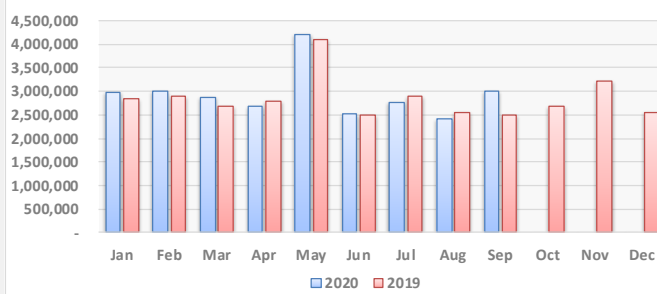
Monthly Income Tax Collection Comparison



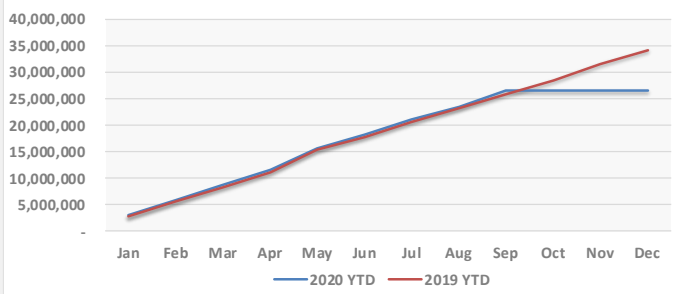
Monthly Income Tax Collection Comparison



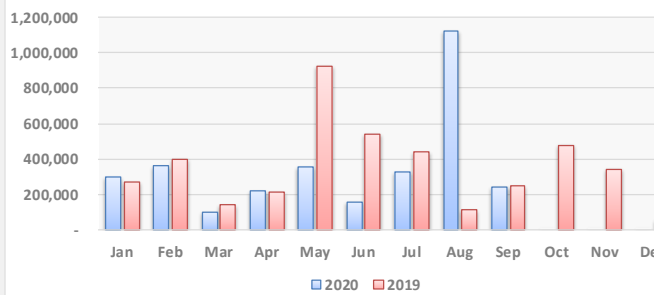
Withholding



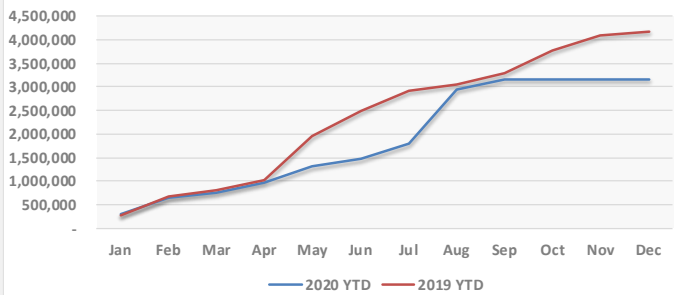
Withholding



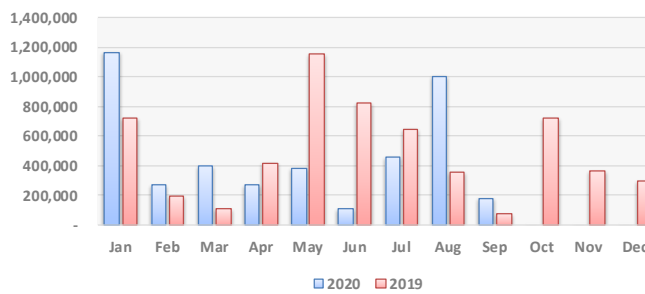
Individual



Individual



Net Profit



Net Profit

