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**Department of Finance
and Administration**

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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for November (FY 2012)**

DATE: December 2, 2011

Copy: Governor's Office
Management Services

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$1,920.9 million, \$40.3 million or 2.1 percent above year ago levels. After five months into the fiscal year, net available revenue is above forecast by \$10.8 million or 0.6 percent.

Among major revenue categories, both individual and corporate income taxes are above forecast and sales tax collections (gross receipts) are down relative to forecast. The key components of individual income tax are now ahead of forecast for the year, including withholding tax and estimated payments. The sales tax results reflect a combination of generally weak retail sales across the year-to-date period and adverse one-time comparisons in business transactions in the first two months of the fiscal year. Low individual income tax refunds also contributed positively to the net revenue results. Offsetting some of the positive factors is a large increase in corporate refunds.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$2,254.9 million, representing an increase of \$56.2 million or 2.6 percent above last year. Gross general revenues are above forecast by \$14.7 million or 0.7 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,036.8 million, \$46.9 million or 4.7 percent above FY 2011 collections and \$26.3

million or 2.6 percent above forecast. Collections growth for individual withholding is up 3.7 percent over year ago levels.

Year-to-date individual income tax refunds total \$45.1 million, down \$4.8 million or -9.6 percent compared to last year and \$6.2 million or -12.1 percent below forecast. Amounts below forecast in refund categories contributed to higher net available revenue.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$888.7 million, a decrease of \$3.2 million or -0.4 percent from FY 2011 and \$30.3 million or -3.3 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$137.2 million, an increase of \$8.3 million or 6.5 percent from year-to-date FY 2011. Corporate income is above forecast by \$9.6 million or 7.5 percent.

Year-to-date corporate income tax refunds total \$38.3 million, up \$18.5 million compared to the comparable year-to-date period last year. This amount includes large refunds in October.

NOVEMBER REVENUE SUMMARY

November Net Available General Revenues total \$342.7 million, \$1.7 million or -0.5 percent below last year and \$0.8 million or 0.2 percent above forecast.

Payroll timing factors in withholding income tax accounted for the shortfall compared to year ago collections. Such shifts are partially accounted for in the monthly forecast and are better understood when averaged over several months. Growth in withholding averaged over the volatile two-month period of October (up) and November (down) is on track for the annual Official Forecast.

Results were positive in corporate income tax but weak in sales tax (gross receipts). Sales tax collections have generally underperformed expectations year to date, while income tax categories have more than offset the weakness.

Corporate income tax refunds were less than forecast. This contributed to net available revenues. Other normal subtractions from gross revenue were less than forecast this month, notably payout to the Economic Development Incentive Fund.

November Gross General Revenues: November collections total \$412.7 million, a decrease of \$2.4 million or -0.6 percent from last year and \$5.1 million or -1.2 percent below forecast.

November Individual Income Tax collections total \$183.7 million. Collections decreased by \$6.0 million, or -3.2 percent, compared to last year. With respect to the forecast, collections are \$4.7 million or -2.5 percent below forecast. Individual withholding declined -5.1 percent compared to last year, resulting from payroll timing shift as noted earlier.

November Individual Income Tax Refunds total \$10.0 million, \$1.8 million or 22.4 percent above last year and 19.2 percent above forecast.

November Gross Receipts Collections: November collections total \$168.9 million, an increase of \$0.3 million or 0.2 percent from last year. Collections were below monthly forecast levels by \$5.2 million or -3.0 percent.

November Corporate Income Tax collections total \$10.2 million, an increase of \$1.5 million or 16.9 percent above year earlier levels, and \$2.9 million or 39.1 percent above forecast.

November Corporate Income Tax Refunds total \$11.6 million. This amount is \$1.1 million below year ago levels and -14.3 percent below forecast for this subtraction from gross general revenues.

November Tobacco Tax collections, a small component of general revenue, total \$20.9 million or 4.9 percent above year earlier levels, and \$1.8 million or 9.6 percent above forecast. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

Year-to-date Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$20.3 million, an increase of 0.4 percent from last year.

Educational Adequacy Fund: Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.125% to 6.0%, effective March 1, 2004. Effective July 1, 2004 a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004.

The additional revenues are deposited as special revenues to the Educational Adequacy Fund to be used to fulfill the financial obligations of the state to provide an adequate educational system. In November 2011, \$34.8 million was collected and deposited to the fund. After deductions, the net amount is \$33.7 million. The monthly collection is equivalent to a 0.8 percent decrease from prior year collections.

YEAR TO DATE REPORT, NOVEMBER 2011
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH NOVEMBER 2011
5 Months YTD
Forecast Date: 04/21/2011

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2011	FORECAST FY 2012	INCREASE AMOUNT	INCREASE PERCENT	ACTUAL FY 2011	ACTUAL FY 2012	INCREASE AMOUNT	INCREASE PERCENT	
INDIVIDUAL INCOME	989.9	1,010.5	20.6	2.1	989.9	1,036.8	46.9	4.7	102.6
CORPORATE INCOME	128.9	127.6	-1.3	-1.0	128.9	137.2	8.3	6.5	107.5
GROSS RECEIPTS ¹	891.9	919.0	27.1	3.0	891.9	888.7	-3.2	-0.4	96.7
ALCOHOLIC BEVERAGE ²	13.6	13.8	0.2	1.4	13.6	13.3	-0.3	-2.0	96.6
TOBACCO	103.0	95.5	-7.5	-7.3	103.0	104.2	1.1	1.1	109.1
INSURANCE	44.5	44.1	-0.4	-0.8	44.5	42.5	-2.0	-4.5	96.3
RACING	1.6	1.4	-0.2	-10.2	1.6	1.3	-0.2	-15.3	94.3
GAMES OF SKILL	4.6	5.5	0.9	19.8	4.6	9.7	5.1	111.5	176.6
MISCELLANEOUS ³	20.8	22.8	2.0	9.4	20.8	21.2	0.4	2.0	93.2
TOTAL GROSS	2,198.7	2,240.2	41.5	1.9	2,198.7	2,254.9	56.2	2.6	100.7
LESS: SCSF/COF ⁴	66.0	73.9	7.9	12.0	66.0	74.4	8.5	12.8	100.7
IND INCOME TAX REFUNDS	49.8	51.3	1.5	2.9	49.8	45.1	-4.8	-9.6	87.9
CORP INCOME TAX REFUNDS	19.7	20.9	1.2	5.8	19.7	38.3	18.5	93.9	183.2
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	9.3	10.0	0.7	7.5	9.3	7.3	-2.0	-21.4	73.1
WATER/SEWER BONDS	6.5	6.5	0.0	0.0	6.5	6.5	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.7	5.6	-0.1	-2.1	5.7	2.1	-3.6	-63.6	37.1
CITY/CO. TOURIST	2.6	2.6	0.0	-1.4	2.6	2.6	0.0	-0.1	101.4
SCHOOL DESEGREGATION	35.9	30.6	-5.3	-14.8	35.9	30.6	-5.3	-14.8	100.0
EDUCATIONAL EXCELLENCE	111.9	117.5	5.6	5.0	111.9	116.7	4.8	4.2	99.3
EDUCATIONAL ADEQUACY	9.9	10.3	0.4	4.1	9.9	10.3	0.4	4.2	100.1
ELDERLY TRANSPORTATION	0.7	0.9	0.2	23.2	0.7	0.2	-0.6	-78.1	17.8
NET AVAILABLE	1,880.5	1,910.1	29.6	1.6	1,880.5	1,920.9	40.3	2.1	100.6

REVENUE FORECAST SUMMARY FOR NOVEMBER

YEAR-TO-DATE GROSS	\$ 14.7 MILLION OR 0.7% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 11.2 MILLION OR 15.5% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 10.8 MILLION OR 0.6% ABOVE FORECAST

	<u>YTD FY 11</u>	<u>YTD FY 12</u>	<u>% CHANGE</u>
SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	20.3	20.3	0.4
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	178.2	176.8	-0.8

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.

NOVEMBER GENERAL REVENUE REPORT
(ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)
(682-1688 for further information)

November 30, 2011
Days Remaining: 0
Forecast date: 04/21/2011

MILLIONS OF \$

	<u>CURRENT MONTH</u>				<u>CURRENT MONTH TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2011	FORECAST FY 2012	CHANGE AMOUNT	CHANGE PERCENT	ACTUAL FY 2011	ACTUAL FY 2012	CHANGE AMOUNT	CHANGE PERCENT	
INDIVIDUAL INCOME	189.7	188.4	-1.3	-0.7	189.7	183.7	-6.0	-3.2	97.5
CORPORATE INCOME	8.7	7.3	-1.4	-15.9	8.7	10.2	1.5	16.9	139.1
GROSS RECEIPTS ¹	168.7	174.1	5.4	3.2	168.7	168.9	0.3	0.2	97.0
ALCOHOLIC BEVERAGE ²	2.3	2.6	0.3	11.2	2.3	2.4	0.1	2.8	92.4
TOBACCO	20.0	19.1	-0.9	-4.3	20.0	20.9	1.0	4.9	109.6
INSURANCE	20.8	20.9	0.1	0.4	20.8	20.7	-0.1	-0.6	99.0
RACING	0.4	0.3	-0.1	-29.9	0.4	0.2	-0.2	-53.2	66.8
GAMES OF SKILL	1.0	1.1	0.1	12.1	1.0	2.0	1.0	102.3	180.5
MISCELLANEOUS ³	3.5	4.0	0.5	13.6	3.5	3.8	0.2	6.8	94.0
TOTAL GROSS	415.1	417.8	2.7	0.6	415.1	412.7	-2.4	-0.6	98.8
LESS: (SCSF/COF) ⁴	12.5	13.8	1.3	10.8	12.5	13.6	1.2	9.4	98.7
IND INC TAX REFUNDS	8.2	8.4	0.2	2.7	8.2	10.0	1.8	22.4	119.2
CORP INC TAX REFUNDS	12.7	13.5	0.8	6.2	12.7	11.6	-1.1	-9.0	85.7
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.6	2.0	1.4	210.8	0.6	0.5	-0.2	-27.6	23.3
WATER/SEWER BONDS	1.3	1.3	0.0	0.0	1.3	1.3	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.7	5.6	-0.1	-1.7	5.7	2.1	-3.6	-63.7	36.9
CITY & COUNTY TOURIST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCHOOL DESEGREGATION	5.2	5.6	0.4	7.7	5.2	5.6	0.4	7.7	100.0
EDUCATIONAL EXCELLENCE	22.4	23.5	1.1	5.0	22.4	23.3	1.0	4.2	99.3
EDUCATIONAL ADEQUACY	2.0	2.1	0.1	6.1	2.0	2.1	0.1	4.2	98.2
ELDERLY TRANSPORTATION	0.1	0.1	0.0	-26.9	0.1	0.0	-0.1	-100.0	0.0
NET AVAILABLE	344.4	341.9	-2.5	-0.7	344.4	342.7	-1.7	-0.5	100.2

REVENUE FORECAST SUMMARY FOR NOVEMBER

NOVEMBER GROSS \$ 5.1 MILLION OR 1.2% BELOW FORECAST.
NOVEMBER NET AVAILABLE \$ 0.8 MILLION OR 0.2% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Nov 10</u>	<u>Nov 11</u>	<u>% CH</u>
	34.0	33.7	-0.8

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes estate tax, severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.