



STATE OF ARKANSAS
**Department of Finance
and Administration**

**OFFICE OF THE DIRECTOR
Economic Analysis & Tax Research**
1509 West Seventh Street, Room 404
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-1688
Fax: (501) 682-1086
<http://www.dfa.arkansas.gov>

MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for August (FY 2013)**

DATE: September 5, 2012

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 \$773.0 million, \$22.2 million or 3.0 percent above year ago levels. After two months into the fiscal year, net available revenue is above forecast by \$12.3 million or 1.6 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$884.9 million, representing an increase of \$22.4 million or 2.6 percent above last year. Gross general revenues are above forecast by \$10.3 million or 1.2 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$401.8 million, \$16.3 million or 4.2 percent above FY 2012 collections and \$13.5 million or 3.5 percent above forecast. Collections growth for individual withholding is up 2.8 percent over year ago levels.

Year-to-date individual income tax refunds total \$14.0 million, up \$0.1 million or 0.7 percent compared to last year and \$0.3 million or -2.4 percent below forecast. Amounts below forecast in refund categories contributed to higher net available revenue.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$355.9 million, a decrease of \$3.8 million or -1.1 percent from FY 2012 and \$16.8 million or -4.5 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$29.7 million, a decrease of \$0.9 million or -3.1 percent from year-to-date FY 2012. Corporate income is above forecast by \$1.7 million or 5.9 percent.

Year-to-date corporate income tax refunds total \$2.6 million, a decrease of \$0.4 million compared to the comparable year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$369.1 million, \$4.6 million or -1.2 percent below last year and \$3.0 million or -0.8 percent below forecast.

Results were mainly driven by a shortfall in sales and use tax collections, with results falling below forecast and year ago levels. Sales and Use taxes were down in all business and consumer-related categories except automobile sales. In addition, some spending for school supplies and clothing in July may have been postponed to take advantage of the sales tax holiday in August. Although, this cannot be determined since businesses are not required to report all sales of property by category.

Individual income tax came in just above forecast. Corporate income tax was also below forecast but in a traditionally low month of collections for that category.

August Gross General Revenues: August collections total \$423.7 million, a decrease of \$4.0 million or -0.9 percent below last year and \$5.4 million or 1.3 percent below forecast.

August Individual Income Tax collections total \$189.7 million. Collections decreased by \$2.2 million, or 1.2 percent, compared to last year as a result of calendar effects from payroll timing. With respect to the forecast, collections are \$0.7 million or 0.4 percent above forecast. Individual withholding declined -2.6 percent compared to last year as a result of the payroll timing effect.

August Individual Income Tax Refunds total \$5.6 million, \$1.0 million or -15.1 percent below last year and \$1.2 million or -17.7 percent below forecast.

August Sales and Use Tax Collections: August collections total \$178.0 million, a decrease of \$2.8 million or -1.5 percent from last year. Collections were below monthly forecast levels by \$9.3 million or -5.0 percent.

August Corporate Income Tax collections total \$3.7 million, a decrease of \$1.7 million or -31.0 percent below year earlier levels, and \$1.7 million or -30.9 percent below forecast.

August Corporate Income Tax Refunds total \$1.3 million. This amount is \$0.4 million or 45.6 percent above year ago levels.

August Tobacco Tax collections, a small component of general revenue in annual terms, total \$21.2 million or 12.7 percent above year earlier levels, and 16.1 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 Soft Drink Tax (for Medicaid Program Trust Fund): Year-to-date collections of the dedicated soft drink tax total \$8.2 million, a decrease of \$0.3 million or -4.1 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 August 2012, \$37.3 million was collected and deposited to the fund. After deductions, the net amount is \$36.1 million. The monthly collection is equivalent to a -0.3 percent decrease from prior year collections.

YEAR TO DATE REPORT, AUGUST 2012
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH AUGUST 2012
2 Months YTD
Forecast Date: 12/01/2011

MILLIONS OF DOLLARS

| | <u>CURRENT YEAR</u> | | | | <u>CURRENT YEAR TO DATE</u> | | | | ACTUAL AS % OF FORECAST |
|-----------------------------|---------------------|---------------------|--------------------|---------------------|-----------------------------|-------------------|--------------------|---------------------|-------------------------------|
| | ACTUAL FY 2012 | FORECAST FY 2013 | INCREASE AMOUNT | INCREASE PERCENT | ACTUAL FY 2012 | ACTUAL FY 2013 | INCREASE AMOUNT | INCREASE PERCENT | |
| INDIVIDUAL INCOME | 385.5 | 388.3 | 2.8 | 0.7 | 385.5 | 401.8 | 16.3 | 4.2 | 103.5 |
| CORPORATE INCOME | 30.6 | 28.0 | -2.6 | -8.5 | 30.6 | 29.7 | -0.9 | -3.1 | 105.9 |
| SALES AND USE | 359.7 | 372.7 | 13.0 | 3.6 | 359.7 | 355.9 | -3.8 | -1.1 | 95.5 |
| ALCOHOLIC BEVERAGE | 8.6 | 8.6 | 0.0 | -0.4 | 8.6 | 8.8 | 0.2 | 2.2 | 102.5 |
| TOBACCO | 42.3 | 36.6 | -5.7 | -13.4 | 42.3 | 39.6 | -2.7 | -6.4 | 108.1 |
| INSURANCE | 20.1 | 20.2 | 0.1 | 0.3 | 20.1 | 19.6 | -0.6 | -2.9 | 96.8 |
| RACING | 0.6 | 0.5 | -0.1 | -14.1 | 0.6 | 0.5 | -0.1 | -16.9 | 96.8 |
| GAMES OF SKILL | 3.9 | 2.6 | -1.3 | -33.0 | 3.9 | 3.7 | -0.2 | -5.7 | 140.8 |
| MISCELLANEOUS ¹ | 11.1 | 17.1 | 6.0 | 54.2 | 11.1 | 25.4 | 14.3 | 129.2 | 148.6 |
| TOTAL GROSS | 862.5 | 874.6 | 12.1 | 1.4 | 862.5 | 884.9 | 22.4 | 2.6 | 101.2 |
| LESS: SCSF/COF ² | 28.5 | 28.9 | 0.4 | 1.5 | 28.5 | 29.2 | 0.7 | 2.6 | 101.0 |
| IND INCOME TAX REFUNDS | 13.9 | 14.3 | 0.4 | 3.2 | 13.9 | 14.0 | 0.1 | 0.7 | 97.6 |
| CORP INCOME TAX REFUNDS | 2.9 | 3.6 | 0.7 | 23.1 | 2.9 | 2.6 | -0.4 | -12.6 | 71.0 |
| CLAIMS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ECON DEVEL INCENTIVE FUND | 3.6 | 4.0 | 0.4 | 11.0 | 3.6 | 2.8 | -0.8 | -23.0 | 69.4 |
| WATER/SEWER BONDS | 2.6 | 2.6 | 0.0 | 0.0 | 2.6 | 2.6 | 0.0 | 0.0 | 100.0 |
| COLLEGE SAVINGS BONDS | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| CITY/CO. TOURIST | 1.3 | 0.7 | -0.6 | -46.9 | 1.3 | 0.7 | -0.6 | -46.7 | 100.3 |
| SCHOOL DESEGREGATION | 8.0 | 8.0 | 0.0 | 0.0 | 8.0 | 8.0 | 0.0 | 0.0 | 100.0 |
| EDUCATIONAL EXCELLENCE | 46.7 | 47.6 | 0.9 | 2.0 | 46.7 | 47.9 | 1.2 | 2.6 | 100.6 |
| EDUCATIONAL ADEQUACY | 4.1 | 4.2 | 0.1 | 1.8 | 4.1 | 4.2 | 0.1 | 2.6 | 100.8 |
| ELDERLY TRANSPORTATION | 0.2 | 0.0 | -0.2 | -100.0 | 0.2 | 0.0 | -0.2 | -100.0 | 0.0 |
| NET AVAILABLE | 750.7 | 760.7 | 10.0 | 1.3 | 750.7 | 773.0 | 22.2 | 3.0 | 101.6 |

REVENUE FORECAST SUMMARY FOR AUGUST

| | |
|----------------------------|---|
| YEAR-TO-DATE GROSS | \$ 10.3 MILLION OR 1.2% ABOVE FORECAST. |
| YEAR-TO-DATE REFUNDS | \$ 1.4 MILLION OR 7.8% BELOW FORECAST. |
| YEAR-TO-DATE NET AVAILABLE | \$ 12.3 MILLION OR 1.6% ABOVE FORECAST |

| | | | |
|--|--------------------------|--------------------------|-------------------------|
| SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND) | <u>YTD FY 12</u> 8.5 | <u>YTD FY 13</u> 8.2 | <u>% CHANGE</u> -4.1 |
| EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS) | <u>YTD FY 12</u> 72.3 | <u>YTD FY 13</u> 72.5 | <u>% CHANGE</u> 0.3 |

- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
2) State Central Services Fund and Constitutional Officers Fund.

