



STATE OF ARKANSAS
**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 March (FY 2013)**

DATE: April 2, 2013 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 \$3,503.0 million, \$156.2 million or 4.7 percent above year ago levels. Net available revenue is above forecast by \$84.1 million or 2.5 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$4,332.1 million, representing an increase of \$141.6 million or 3.4 percent above last year. Gross general revenues are above forecast by \$40.6 million or 0.9 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,089.6 million, \$120.2 million or 6.1 percent above FY 2012 collections and \$63.6 million or 3.1 percent above forecast. Collections growth for individual withholding is up 4.2 percent over year ago levels.

Year-to-date individual income tax refunds total \$321.5 million, down \$19.1 million or -5.6 percent compared to last year and \$34.8 million or -9.8 percent below forecast. Amounts below forecast contribute to net available funds.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,582.5 million, an increase of \$9.4 million or 0.6% from FY 2012 and \$20.5 million or -1.3 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$296.8 million, an increase of \$3.0 million or 1.0 percent above year-to-date FY 2012. Corporate income tax is fractionally above forecast by \$0.1 million.

Year-to-date corporate income tax refunds total \$47.2 million, a decrease of \$4.1 million compared to the same year-to-date period last year. The amount is \$2.7 million or -5.5 percent below forecast.

MARCH REVENUE SUMMARY

March Net Available General Revenues total \$346.4 million, \$9.9 million or -2.8 percent below last year and \$15.1 million or -4.2 percent below forecast.

Results were mainly driven by the combination of rebound in income tax refunds this month and collections below forecast and below year ago levels in the two largest sources of general revenue.

Sales and Use tax collections were below forecast by \$9.3 million or -5.2 percent and individual income tax was also below forecast by \$6.6 million or -2.9 percent. These two sources of revenue account for over 84 percent of gross collections in the annual forecast.

Corporate Income tax collections exceeded the forecast in March and pulled even with the forecast year to date. Monthly collections in corporate income are a volatile component of general revenue.

March Gross General Revenues: March collections total \$511.3 million, an increase of \$3.1 million or 0.6 percent above last year and \$11.0 million or -2.1 percent below forecast.

March Individual Income Tax collections total \$219.0 million. Collections decreased by \$2.8 million, or -1.3 percent compared to last year. With respect to the forecast, collections were \$6.6 million or -2.9 percent below forecast. Individual withholding rose 1.3 percent compared to last year, significantly below the 4.2 percent gain year-to-date.

March Individual Income Tax Refunds total \$110.7 million, \$10.1 million or 10.0 percent above last year and \$5.4 million or 5.1 percent above forecast. The gains follow filing delays at the IRS and among states early in the tax filing season and limited rebound in February for Arkansas filings. Amounts below forecast for refunds contribute to gains in net available funds. In March, this rebound detracted from net available funds.

March Sales and Use Tax Collections: March collections total \$170.5 million, a decrease of \$2.1 million or -1.2 percent from last year. Collections were also below monthly forecast levels by \$9.3 million or -5.2 percent.

March Corporate Income Tax collections total \$69.8 million, an increase of \$10.1 million, and \$4.4 million or 6.7 percent above forecast.

March Corporate Income Tax Refunds total \$3.4 million. This amount is \$1.7 million above year ago levels. Refunds were above forecast by \$0.5 million or 17.3 percent.

March Tobacco Tax collections, a small component of general revenue in annual terms, total \$17.4 million. Collections decreased by \$2.6 million or -12.9 percent from year earlier levels and were below forecast by \$2.0 million. 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 \$33.8 million, a decrease of \$1.4 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 March 2013, \$35.5 million was collected and deposited to the fund. After deductions, the net amount is \$34.4 million. The monthly collection is equivalent to a -1.1 percent decrease from prior year collections.

YEAR TO DATE REPORT, MARCH 2013
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH MARCH 2013
9 Months YTD
Forecast Date: 11/15/2012

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	1,969.4	2,026.0	56.6	2.9	1,969.4	2,089.6	120.2	6.1	103.1
CORPORATE INCOME	293.8	296.7	2.9	1.0	293.8	296.8	3.0	1.0	100.0
SALES AND USE	1,573.1	1,603.0	29.9	1.9	1,573.1	1,582.5	9.4	0.6	98.7
ALCOHOLIC BEVERAGE	35.7	36.6	0.9	2.5	35.7	36.5	0.8	2.3	99.8
TOBACCO	179.0	174.7	-4.3	-2.4	179.0	167.9	-11.1	-6.2	96.1
INSURANCE	64.0	63.9	-0.1	-0.2	64.0	63.4	-0.7	-1.1	99.1
RACING	2.6	2.4	-0.2	-7.9	2.6	2.3	-0.3	-13.3	94.1
GAMES OF SKILL	19.3	22.4	3.1	16.3	19.3	25.4	6.2	32.0	113.4
MISCELLANEOUS ¹	53.7	65.8	12.1	22.6	53.7	67.8	14.1	26.4	103.1
TOTAL GROSS	4,190.6	4,291.5	100.9	2.4	4,190.6	4,332.1	141.6	3.4	100.9
LESS: SCSF/COF ²	138.3	141.6	3.3	2.4	138.3	143.0	4.7	3.4	101.0
IND INCOME TAX REFUNDS	340.6	356.3	15.7	4.6	340.6	321.5	-19.1	-5.6	90.2
CORP INCOME TAX REFUNDS	51.3	49.9	-1.4	-2.7	51.3	47.2	-4.1	-8.0	94.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	11.7	15.9	4.2	36.3	11.7	8.3	-3.3	-28.6	52.4
WATER/SEWER BONDS	11.3	11.2	-0.1	-0.9	11.3	11.2	-0.1	-0.9	100.0
COLLEGE SAVINGS BONDS	2.1	5.4	3.3	159.8	2.1	5.5	3.4	162.2	100.9
CITY/CO. TOURIST	4.0	2.1	-1.9	-46.9	4.0	2.1	-1.8	-46.7	100.3
SCHOOL DESEGREGATION	55.8	55.8	0.0	0.0	55.8	55.8	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	210.0	215.4	5.4	2.6	210.0	215.6	5.6	2.6	100.1
EDUCATIONAL ADEQUACY	18.6	19.0	0.4	2.3	18.6	19.1	0.5	2.6	100.3
ELDERLY TRANSPORTATION	0.2	0.0	-0.2	-100.0	0.2	0.0	-0.2	-100.0	0.0
NET AVAILABLE	3,346.8	3,418.9	72.1	2.2	3,346.8	3,503.0	156.2	4.7	102.5

REVENUE FORECAST SUMMARY FOR MARCH

YEAR-TO-DATE GROSS	\$ 40.6 MILLION OR 0.9% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 37.5 MILLION OR 9.2% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 84.1 MILLION OR 2.5% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 12</u> 35.2	<u>YTD FY 13</u> 33.8	<u>% CHANGE</u> -4.1
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 12</u> 316.7	<u>YTD FY 13</u> 319.0	<u>% CHANGE</u> 0.7

- 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.

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

March 29, 2013
Days Remaining: 0
Forecast date: 11/15/2012

MILLIONS OF \$

	<u>CURRENT MONTH</u>				<u>CURRENT MONTH TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2012	FORECAST FY 2013	CHANGE AMOUNT	CHANGE PERCENT	ACTUAL FY 2012	ACTUAL FY 2013	CHANGE AMOUNT	CHANGE PERCENT	
INDIVIDUAL INCOME	221.8	225.6	3.8	1.7	221.8	219.0	-2.8	-1.3	97.1
CORPORATE INCOME	59.7	65.4	5.7	9.6	59.7	69.8	10.1	17.0	106.7
SALES AND USE	172.6	179.8	7.2	4.2	172.6	170.5	-2.1	-1.2	94.8
ALCOHOLIC BEVERAGE	3.7	3.8	0.1	1.9	3.7	3.8	0.1	1.8	100.0
TOBACCO	19.9	19.4	-0.5	-2.7	19.9	17.4	-2.6	-12.9	89.5
INSURANCE	20.0	20.0	0.0	0.2	20.0	20.1	0.2	0.9	100.6
RACING	0.4	0.4	0.0	6.7	0.4	0.3	0.0	-9.2	85.1
GAMES OF SKILL	3.1	2.4	-0.7	-22.6	3.1	3.6	0.5	15.7	149.5
MISCELLANEOUS ¹	7.1	5.5	-1.6	-22.7	7.1	6.8	-0.3	-4.4	123.8
TOTAL GROSS	508.3	522.3	14.0	2.8	508.3	511.3	3.1	0.6	97.9
LESS: (SCSF/COF)²	16.8	17.2	0.4	2.5	16.8	16.9	0.1	0.6	98.1
IND INC TAX REFUNDS	100.6	105.3	4.7	4.7	100.6	110.7	10.1	10.0	105.1
CORP INC TAX REFUNDS	1.7	2.9	1.2	70.3	1.7	3.4	1.7	99.7	117.3
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.7	2.5	1.8	258.9	0.7	1.1	0.4	60.3	44.7
WATER/SEWER BONDS	1.2	1.2	0.0	0.0	1.2	1.2	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 & COUNTY TOURIST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCHOOL DESEGREGATION	5.6	5.6	0.0	0.0	5.6	5.6	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	23.3	24.0	0.7	2.9	23.3	24.0	0.6	2.6	99.8
EDUCATIONAL ADEQUACY	2.1	2.1	0.0	1.8	2.1	2.1	0.1	2.6	100.8
ELDERLY TRANSPORTATION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET AVAILABLE	356.3	361.5	5.2	1.5	356.3	346.4	-9.9	-2.8	95.8

REVENUE FORECAST SUMMARY FOR MARCH

MARCH GROSS	\$ 11.0 MILLION OR 2.1% BELOW FORECAST.
MARCH NET AVAILABLE	\$ 15.1 MILLION OR 4.2% BELOW FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>March 12</u>	<u>March 13</u>	<u>% CH</u>
	34.8	34.4	-1.1

- 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.