



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 July (FY 2014)**

DATE: August 2, 2013

Copy: Governor's Office
Management Services

JULY REVENUE SUMMARY

July Net Available General Revenues total \$410.2 million, \$6.4 million or 1.6 percent above last year and \$7.6 million or 1.9 percent above forecast.

Results in July were mixed, as Individual Income tax fell slightly below forecast, Corporate Income tax and Sales tax slightly exceeded, and income tax refunds contributed to gains by detracting from revenue growth less than expected.

Monthly timing factors contributed to the mixed pattern, as individual withholding was below forecast and below year ago results. Payday timing effects on collections cause monthly swings and added volatility that is not present in the Official Annual Forecast. It is a short-term factor for collections.

Sales and Use tax collections were encouraging at 4.5 percent growth versus year ago and slightly above forecast. The results include high growth from the motor vehicle portion of sales tax.

Among smaller revenue sources, tobacco and gaming results also exceeded forecast.

July Gross General Revenues: July collections total \$467.7 million, an increase of \$6.4 million or 1.4 percent above last year and \$6.2 million or 1.3 percent above forecast.

July Individual Income Tax collections total \$206.0 million. Collections decreased by \$6.2 million, or -2.9 percent compared to last year. With respect to the forecast, collections were \$1.5 million or -0.7 percent below forecast. Individual withholding declined -3.8 percent compared to last year, as a result of monthly payday timing differences.

July Individual Income Tax Refunds total \$7.7 million, \$0.7 million or -8.2 percent below last year and \$1.1 million or -12.9 percent below forecast. Refund amounts below forecast enhance net available fund results.

July Sales and Use Tax Collections: July collections total \$186.0 million, an increase of \$8.1 million or 4.5 percent from last year. Collections were also above monthly forecast levels by \$1.0 million or 0.5 percent.

July Corporate Income Tax collections total \$26.9 million, an increase of \$1.0 million from year ago, and \$0.5 million or 1.9 percent above forecast.

July Corporate Income Tax Refunds total \$0.8 million. This amount is \$0.4 million below year ago levels. Refunds were 49.2 percent below forecast.

July Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.2 million. Collections increased by \$0.9 million or 4.8 percent from year earlier levels and were above forecast by \$0.7 million. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

July Soft Drink Tax (for Medicaid Program Trust Fund): July collections of the dedicated soft drink tax total \$4.3 million, a small increase of 0.3 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 July 2013, \$39.1 million was collected and deposited

to the fund. After deductions, the net amount is \$37.9 million. The monthly collection is equivalent to a 4.1 percent increase from prior year collections.

C: /FISCNOT/July FY 2014
Attachment (1)

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

July 31, 2013
Days Remaining: 0
Forecast date: 05/01/2013

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2013	FORECAST FY 2014	CHANGE AMOUNT	CHANGE PERCENT	ACTUAL FY 2013	ACTUAL FY 2014	CHANGE AMOUNT	CHANGE PERCENT	
INDIVIDUAL INCOME	212.1	207.5	-4.6	-2.2	212.1	206.0	-6.2	-2.9	99.3
CORPORATE INCOME	25.9	26.4	0.5	1.9	25.9	26.9	1.0	3.8	101.9
SALES AND USE	177.9	185.0	7.1	4.0	177.9	186.0	8.1	4.5	100.5
ALCOHOLIC BEVERAGE	4.7	4.7	0.0	-0.5	4.7	5.3	0.5	11.5	112.0
TOBACCO	18.3	18.5	0.2	1.0	18.3	19.2	0.9	4.8	103.7
INSURANCE	0.6	0.6	0.0	3.6	0.6	1.1	0.5	83.3	177.0
RACING	0.3	0.2	-0.1	-30.3	0.3	0.2	0.0	-16.3	120.2
GAMES OF SKILL	2.7	2.7	0.0	1.7	2.7	3.2	0.5	18.8	116.8
MISCELLANEOUS ¹	18.7	15.9	-2.8	-15.1	18.7	19.9	1.2	6.3	125.2
TOTAL GROSS	461.2	461.5	0.3	0.1	461.2	467.7	6.4	1.4	101.3
LESS: (SCSF/COF) ²	15.2	15.2	0.0	-0.1	15.2	15.4	0.2	1.4	101.5
IND INC TAX REFUNDS	8.4	8.8	0.4	5.3	8.4	7.7	-0.7	-8.2	87.1
CORP INC TAX REFUNDS	1.2	1.6	0.4	28.7	1.2	0.8	-0.4	-34.6	50.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.5	1.9	0.4	28.0	1.5	2.2	0.7	44.9	113.2
WATER/SEWER BONDS	1.3	1.3	0.0	0.0	1.3	1.3	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	-100.0	0.0	0.0	0.0	43.3	0.0
CITY & COUNTY TOURIST	0.7	0.7	0.0	-0.3	0.7	0.7	0.0	-0.1	100.2
SCHOOL DESEGREGATION	3.0	3.0	0.0	0.0	3.0	3.0	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	24.0	24.3	0.3	1.5	24.0	24.2	0.3	1.1	99.6
EDUCATIONAL ADEQUACY	2.1	2.1	0.0	-0.8	2.1	2.1	0.0	1.1	101.9
NET AVAILABLE	403.9	402.6	-1.3	-0.3	403.9	410.2	6.4	1.6	101.9

REVENUE FORECAST SUMMARY FOR JULY

JULY GROSS \$ 6.2 MILLION OR 1.3% ABOVE FORECAST.
JULY NET AVAILABLE \$ 7.6 MILLION OR 1.9% ABOVE FORECAST

	July 12	July 13	% CH
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	36.4	37.9	4.1

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.