



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 August (FY 2014)**

DATE: September 4, 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 \$798.0 million, \$25.1 million or 3.2 percent above year ago levels. After two months into the fiscal year, net available revenue is above forecast by \$13.3 million or 1.7 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$910.6 million, representing an increase of \$25.7 million or 2.9 percent above last year. Gross general revenues are above forecast by \$10.4 million or 1.2 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$395.8 million, \$6.0 million or -1.5 percent below FY 2013 collections and \$8.6 million or -2.1 percent below forecast. Collections for individual withholding is down -1.6 percent from year ago levels.

Year-to-date individual income tax refunds total \$14.3 million, up \$0.3 million or 2.3 percent compared to last year and \$0.4 million or -2.9 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 \$380.5 million, an increase of \$24.6 million or 6.9 percent from FY 2013 and \$8.5 million or 2.3 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$32.8 million, an increase of \$3.2 million or 10.7 percent from year-to-date FY 2013. Corporate income is above forecast by \$2.6 million or 8.7 percent.

Year-to-date corporate income tax refunds total \$1.8 million, a decrease of \$0.8 million compared to the same year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$387.8 million, \$18.7 million or 5.1 percent above last year and \$5.7 million or 1.5 percent above forecast.

August results were boosted by one-time Sales tax audit payments and better than expected Corporate Income tax collections. Weakness in Individual Income tax partially offset these increases. Additional reporting periods should determine whether this weakness is part of a trend or a temporary payroll timing issue.

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

August Gross General Revenues: August collections total \$443.0 million, an increase of \$19.3 million or 4.6 percent above last year and \$4.3 million or 1.0 percent above forecast.

August Individual Income Tax collections total \$189.9 million. Collections increased by \$0.1 million, or 0.1 percent compared to last year. With respect to the forecast, collections were \$7.0 million or -3.6 percent below forecast. Individual withholding increased 0.8 percent compared to last year.

August Individual Income Tax Refunds total \$6.6 million, \$1.0 million or 18.1 percent above last year and \$0.7 million or 12.0 percent above forecast. Refund amounts above forecast detract from net available fund results.

August Sales and Use Tax Collections: August collections total \$194.5 million, an increase of \$16.5 million or 9.3 percent from last year. Collections were also above monthly forecast levels by \$7.5 million or 4.0 percent.

August Corporate Income Tax collections total \$5.9 million, an increase of \$2.2 million from year ago, and \$2.1 million or 56.1 percent above forecast.

August Corporate Income Tax Refunds total \$1.0 million. This amount is \$0.4 million below year ago levels. Refunds were 40.2 percent below forecast.

August Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.2 million. Collections decreased by \$2.1 million or -9.7 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

Year-to-date Soft Drink Tax (for Medicaid Program Trust Fund): Year-to-date collections of the dedicated soft drink tax total \$8.1 million, a decrease of -1.0 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 2013, \$40.7 million was collected and deposited to the fund. After deductions, the net amount is \$39.4 million. The monthly collection is equivalent to a 9.0 percent increase from prior year collections.

C: /FISCNOT/August FY 2014
Attachment (2)

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

THROUGH AUGUST 2013
2 Months YTD
Forecast Date: 05/01/2013

MILLIONS OF DOLLARS

	<u>CURRENT YEAR</u>				<u>CURRENT YEAR TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2013	FORECAST FY 2014	INCREASE AMOUNT	INCREASE PERCENT	ACTUAL FY 2013	ACTUAL FY 2014	INCREASE AMOUNT	INCREASE PERCENT	
INDIVIDUAL INCOME	401.8	404.4	2.6	0.6	401.8	395.8	-6.0	-1.5	97.9
CORPORATE INCOME	29.7	30.2	0.5	1.9	29.7	32.8	3.2	10.7	108.7
SALES AND USE	355.9	372.0	16.1	4.5	355.9	380.5	24.6	6.9	102.3
ALCOHOLIC BEVERAGE	8.8	8.8	0.0	-0.2	8.8	9.4	0.6	6.5	106.7
TOBACCO	39.6	37.0	-2.6	-6.5	39.6	38.4	-1.2	-3.0	103.7
INSURANCE	19.6	20.1	0.5	2.8	19.6	20.7	1.1	5.8	103.0
RACING	0.5	0.4	-0.1	-17.3	0.5	0.4	-0.1	-14.6	103.3
GAMES OF SKILL	3.7	5.4	1.7	47.6	3.7	6.3	2.7	73.5	117.6
MISCELLANEOUS ¹	25.4	21.9	-3.5	-13.8	25.4	26.3	0.9	3.4	120.0
TOTAL GROSS	884.9	900.2	15.3	1.7	884.9	910.6	25.7	2.9	101.2
LESS: SCSF/COF ²	29.2	29.7	0.5	1.7	29.2	30.1	0.8	2.9	101.2
IND INCOME TAX REFUNDS	14.0	14.7	0.7	5.4	14.0	14.3	0.3	2.3	97.1
CORP INCOME TAX REFUNDS	2.6	3.2	0.6	25.1	2.6	1.8	-0.8	-30.9	55.3
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	2.8	3.8	1.0	36.8	2.8	2.5	-0.3	-10.6	65.3
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	-100.0	0.0	0.0	0.0	43.3	0.0
CITY/CO. TOURIST	0.7	0.7	0.0	-0.3	0.7	0.7	0.0	-0.1	100.2
SCHOOL DESEGREGATION	8.0	8.0	0.0	0.0	8.0	8.0	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	47.9	48.6	0.7	1.5	47.9	48.4	0.5	1.1	99.6
EDUCATIONAL ADEQUACY	4.2	4.2	0.0	-0.8	4.2	4.3	0.0	1.1	101.9
NET AVAILABLE	773.0	784.7	11.7	1.5	773.0	798.0	25.1	3.2	101.7

REVENUE FORECAST SUMMARY FOR AUGUST

YEAR-TO-DATE GROSS	\$ 10.4 MILLION OR 1.2% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 1.9 MILLION OR 10.4% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 13.3 MILLION OR 1.7% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 13</u> 8.2	<u>YTD FY 14</u> 8.1	<u>% CHANGE</u> -1.0
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 13</u> 72.5	<u>YTD FY 14</u> 77.3	<u>% CHANGE</u> 6.6

- 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.

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

August 30, 2013
Days Remaining: 0
Forecast date: 05/01/2013

MILLIONS OF \$

	<u>CURRENT MONTH</u>				<u>CURRENT MONTH TO DATE</u>				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	189.7	196.9	7.2	3.8	189.7	189.9	0.1	0.1	96.4
CORPORATE INCOME	3.7	3.8	0.1	1.8	3.7	5.9	2.2	59.0	156.1
SALES AND USE	178.0	187.0	9.0	5.0	178.0	194.5	16.5	9.3	104.0
ALCOHOLIC BEVERAGE	4.1	4.1	0.0	0.1	4.1	4.1	0.0	0.7	100.6
TOBACCO	21.2	18.5	-2.7	-12.9	21.2	19.2	-2.1	-9.7	103.7
INSURANCE	19.0	19.5	0.5	2.8	19.0	19.6	0.7	3.5	100.7
RACING	0.2	0.2	0.0	1.7	0.2	0.2	0.0	-12.2	86.4
GAMES OF SKILL	1.0	2.7	1.7	168.8	1.0	3.2	2.2	218.0	118.3
MISCELLANEOUS ¹	6.7	6.0	-0.7	-10.3	6.7	6.4	-0.3	-4.5	106.4
TOTAL GROSS	423.7	438.7	15.0	3.6	423.7	443.0	19.3	4.6	101.0
LESS: (SCSF/COF) ²	14.0	14.5	0.5	3.7	14.0	14.6	0.6	4.6	100.8
IND INC TAX REFUNDS	5.6	5.9	0.3	5.4	5.6	6.6	1.0	18.1	112.0
CORP INC TAX REFUNDS	1.3	1.6	0.3	21.7	1.3	1.0	-0.4	-27.3	59.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.3	1.9	0.6	46.9	1.3	0.3	-1.0	-74.4	17.4
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	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	5.0	5.0	0.0	0.0	5.0	5.0	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	369.1	382.1	13.0	3.5	369.1	387.8	18.7	5.1	101.5

REVENUE FORECAST SUMMARY FOR AUGUST

AUGUST GROSS \$ 4.3 MILLION OR 1.0% ABOVE FORECAST.
AUGUST NET AVAILABLE \$ 5.7 MILLION OR 1.5% ABOVE FORECAST

	<u>Aug 12</u>	<u>Aug 13</u>	<u>% CH</u>
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	36.1	39.4	9.0

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.