



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 December (FY 2014)**

DATE: January 3, 2014

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 \$2,515.5 million, \$85.2 million or 3.5 percent above year ago levels. After six months into the fiscal year, net available revenue is above forecast by \$32.2 million or 1.3 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$2,922.0 million, representing an increase of \$95.5 million or 3.4 percent above last year. Gross general revenues are above forecast by \$26.9 million or 0.9 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,360.9 million, \$30.0 million or 2.3 percent above FY 2013 collections and \$0.4 million or fractionally above forecast. Collections for individual withholding are up 0.8 percent from year ago levels.

Year-to-date individual income tax refunds total \$54.2 million, up \$2.3 million or 4.5 percent compared to last year and \$0.2 million or -0.5 percent below forecast. Amounts below forecast in refund categories add to net available revenue.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,100.8 million, an increase of \$41.7 million or 3.9 percent from FY 2013 and \$1.9 million or -0.2 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$203.6 million, an increase of \$12.2 million or 6.4 percent from year-to-date FY 2013. Corporate income is above forecast by \$9.1 million or 4.7 percent.

Year-to-date corporate income tax refunds total \$39.1 million, an increase of \$1.6 million compared to the same year-to-date period last year.

DECEMBER REVENUE SUMMARY

December Net Available General Revenues total \$472.1 million, \$15.6 million or 3.4 percent above last year and \$2.8 million or 0.6 percent above forecast.

Results in December included an early deposit to general revenue of \$5.7 million from securities fees relative to forecast and prior year experience, an otherwise small contributor to general revenue. This early deposit, recorded as Miscellaneous in the report, offset small variances below forecast in other revenue categories, including Individual Income, Corporate Income, and Sales tax.

Individual Income tax receipts appear low relative to last year due to the impact of income tax strategy last year as reflected in the comparisons. We expect this adverse comparison to continue across the remainder of the fiscal year in a variety of individual income tax components.

December Gross General Revenues: December collections total \$533.0 million, an increase of \$15.4 million or 3.0 percent above last year and \$1.0 million or 0.2 percent above forecast.

December Individual Income Tax collections total \$245.3 million. Collections increased by \$2.3 million, or 0.9 percent compared to last year. With respect to the forecast, collections were \$1.9 million or -0.8 percent below forecast. Individual withholding decreased -2.9 percent compared to last year.

December Individual Income Tax Refunds total \$3.3 million, \$1.4 million or 73.1 percent above last year and \$1.3 million or 64.0 percent above forecast. Refund amounts above forecast detract from net available fund results.

December Sales and Use Tax Collections: December collections total \$186.5 million, an increase of \$5.6 million or 3.1 percent above last year. Collections were below monthly forecast levels by \$4.1 million or -2.2 percent.

December Corporate Income Tax collections total \$63.7 million, an increase of \$0.9 million from year ago, and \$0.2 million or -0.3 percent below forecast.

December Corporate Income Tax Refunds total \$6.8 million. This amount is \$0.3 million below year ago levels. Refunds were \$1.2 million below forecast.

December Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.3 million. Collections decreased by \$0.2 million or -0.8 percent from year earlier levels and were above forecast by 4.1 percent. 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 \$21.8 million, a decrease of -5.4 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 December 2013, \$38.9 million was collected and deposited to the fund. After deductions, the net amount is \$37.7 million. The monthly collection is equivalent to a 4.0 percent increase from prior year collections.

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

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

THROUGH DECEMBER 2013
6 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	1,330.9	1,360.5	29.6	2.2	1,330.9	1,360.9	30.0	2.3	100.0
CORPORATE INCOME	191.4	194.5	3.1	1.6	191.4	203.6	12.2	6.4	104.7
SALES AND USE	1,059.1	1,102.7	43.6	4.1	1,059.1	1,100.8	41.7	3.9	99.8
ALCOHOLIC BEVERAGE	24.5	24.6	0.1	0.3	24.5	25.7	1.2	5.0	104.6
TOBACCO	116.7	111.0	-5.7	-4.9	116.7	113.5	-3.1	-2.7	102.3
INSURANCE	42.2	43.1	0.9	2.1	42.2	44.1	1.8	4.4	102.3
RACING	1.3	1.2	-0.1	-4.6	1.3	1.2	0.0	-1.7	103.0
GAMES OF SKILL	16.3	16.2	-0.1	-0.3	16.3	18.8	2.6	16.0	116.3
MISCELLANEOUS ¹	44.2	41.3	-2.9	-6.5	44.2	53.3	9.2	20.7	129.2
TOTAL GROSS	2,826.5	2,895.1	68.6	2.4	2,826.5	2,922.0	95.5	3.4	100.9
LESS: SCSF/COF ²	93.3	95.6	2.3	2.5	93.3	96.4	3.2	3.4	100.9
IND INCOME TAX REFUNDS	51.8	54.4	2.6	5.0	51.8	54.2	2.3	4.5	99.5
CORP INCOME TAX REFUNDS	37.5	41.4	3.9	10.4	37.5	39.1	1.6	4.4	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	6.5	11.4	4.9	74.6	6.5	8.2	1.7	25.7	72.0
WATER/SEWER BONDS	7.6	7.6	0.0	0.0	7.6	7.6	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.5	5.4	-0.1	-0.9	5.5	5.3	-0.1	-2.1	98.9
CITY/CO. TOURIST	1.4	1.4	0.0	-0.3	1.4	1.4	0.0	-0.1	100.2
SCHOOL DESEGREGATION	36.2	36.2	0.0	0.0	36.2	36.2	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	143.7	145.8	2.1	1.5	143.7	145.2	1.5	1.1	99.6
EDUCATIONAL ADEQUACY	12.7	12.6	-0.1	-0.8	12.7	12.8	0.1	1.1	101.9
NET AVAILABLE	2,430.3	2,483.3	53.0	2.2	2,430.3	2,515.5	85.2	3.5	101.3

REVENUE FORECAST SUMMARY FOR DECEMBER

YEAR-TO-DATE GROSS	\$ 26.9 MILLION OR 0.9% ABOVE FORECAST
YEAR-TO-DATE REFUNDS	\$ 2.5 MILLION OR 2.6% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 32.2 MILLION OR 1.3% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 13</u> 23.0	<u>YTD FY 14</u> 21.8	<u>% CHANGE</u> -5.4
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 13</u> 213.9	<u>YTD FY 14</u> 222.6	<u>% CHANGE</u> 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.

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

December 31, 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	PERCENT	ACTUAL FY 2013	ACTUAL FY 2014	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	243.0	247.2	4.2	1.7	243.0	245.3	2.3	0.9	99.2
CORPORATE INCOME	62.8	63.9	1.1	1.8	62.8	63.7	0.9	1.5	99.7
SALES AND USE	180.9	190.6	9.7	5.4	180.9	186.5	5.6	3.1	97.8
ALCOHOLIC BEVERAGE	3.8	3.8	0.0	0.3	3.8	4.0	0.2	6.6	106.2
TOBACCO	19.4	18.5	-0.9	-4.7	19.4	19.3	-0.2	-0.8	104.1
INSURANCE	0.7	0.7	0.0	4.6	0.7	0.6	-0.1	-16.7	79.6
RACING	0.2	0.2	0.0	28.2	0.2	0.3	0.1	81.2	141.4
GAMES OF SKILL	2.7	2.7	0.0	-0.7	2.7	3.1	0.4	13.8	114.6
MISCELLANEOUS ¹	4.2	4.4	0.2	4.6	4.2	10.3	6.1	145.1	234.3
TOTAL GROSS	517.6	532.0	14.4	2.8	517.6	533.0	15.4	3.0	100.2
LESS: (SCSF/COF) ²	17.1	17.6	0.5	3.0	17.1	17.6	0.5	3.0	99.9
IND INC TAX REFUNDS	1.9	2.0	0.1	5.5	1.9	3.3	1.4	73.1	164.0
CORP INC TAX REFUNDS	7.1	8.0	0.9	12.8	7.1	6.8	-0.3	-3.9	85.2
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	2.2	1.9	-0.3	-12.7	2.2	0.1	-2.0	-93.9	7.0
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	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	456.5	469.3	12.8	2.8	456.5	472.1	15.6	3.4	100.6

REVENUE FORECAST SUMMARY FOR DECEMBER

DECEMBER GROSS \$ 1.0 MILLION OR 0.2% ABOVE FORECAST
DECEMBER NET AVAILABLE \$ 2.8 MILLION OR 0.6% ABOVE FORECAST

	<u>Dec 12</u>	<u>Dec 13</u>	<u>% CH</u>
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	36.2	37.7	4.0

- 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.