



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

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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for May (FY 2014)**

DATE: June 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 \$4,483.4 million, \$3.3 million or 0.1 percent above year ago levels. After eleven months into the fiscal year, net available revenue is above forecast by \$52.9 million or 1.2 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$5,626.3 million, representing an increase of \$33.5 million or 0.6 percent above last year. Gross general revenues are above forecast by \$16.3 million or 0.3 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,824.4 million, \$34.6 million or -1.2 percent below FY 2013 collections and \$10.1 million or 0.4 percent above forecast. Collections for individual withholding are up 1.9 percent from year ago levels.

Year-to-date individual income tax refunds total \$494.1 million, up \$22.2 million or 4.7 percent compared to last year and \$23.2 million or -4.5 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 \$1,993.0 million, an increase of \$52.4 million or 2.7 percent from FY 2013 and \$24.1 million or -1.2 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$374.2 million, an increase of \$14.7 million or 4.1 percent from year-to-date FY 2013. Corporate income is above forecast by \$18.0 million or 5.0 percent.

Year-to-date corporate income tax refunds total \$58.1 million, an increase of \$5.0 million compared to the same year-to-date period last year.

MAY REVENUE SUMMARY

May Net Available General Revenues total \$315.4 million, \$18.8 million or -5.6 percent below last year and \$24.7 million or -7.3 percent below forecast.

Results in May reflect a shift of approximately \$20 million in Corporate Income tax collections previously reported in April but normally expected in filings for May. This one-month shift boosted April results at the expense of May while year-to-date results now reflect a more realistic look at performance with one month remaining in the fiscal year. The budget is on track to be fully funded.

In addition, modest growth in collections for Individual Withholding tax and decline in Sales and Use tax provided further drag on results compared to year ago and forecast.

Among smaller revenue categories, most categories exceeded forecast.

Individual Income tax refunds increased after running below projections in earlier months.

May Gross General Revenues: May collections total \$425.3 million, a decrease of \$17.8 million or -4.0 percent from last year and \$28.3 million or -6.2 percent below forecast.

May Individual Income Tax collections total \$203.6 million. Collections increased by \$2.5 million, or 1.2 percent compared to last year, reflecting modest gains in Withholding Income tax. Total collections were \$3.5 million or -1.7 percent below forecast. Individual withholding increased 1.8 percent compared to last year.

May Individual Income Tax Refunds total \$42.3 million, \$2.4 million or 6.0 percent above last year and \$0.4 million or 1.0 percent above forecast.

May Sales and Use Tax Collections total \$180.7 million, a decrease of \$3.3 million or -1.8 percent from last year. Collections were also below monthly forecast levels by \$9.9 million or -5.2 percent.

May Corporate Income Tax collections total \$7.2 million, a decrease of \$15.6 million from year ago, and \$16.0 million below forecast. Some expected Corporate Income tax collections were recorded in April at the expense of May, in an otherwise small collection month for this category.

May Corporate Income Tax Refunds total \$2.9 million. This amount is \$0.1 million below year ago levels.

May Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.5 million. Collections decreased by \$1.8 million or -8.3 percent from year earlier levels, but were above forecast by \$1.1 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 \$40.0 million, a decrease of -2.2 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 May 2014, \$49.9 million was collected and deposited to the fund. After deductions, the net amount is \$48.4 million. The monthly collection is equivalent to a 1.6 percent increase from prior year collections.

YEAR TO DATE REPORT, MAY 2014
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH MAY 2014
11 Months YTD
Forecast Date: 05/01/2013

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2013	FORECAST FY 2014	INCREASE AMOUNT PERCENT		ACTUAL FY 2013	ACTUAL FY 2014	INCREASE AMOUNT PERCENT		
INDIVIDUAL INCOME	2,859.0	2,814.3	-44.7	-1.6	2,859.0	2,824.4	-34.6	-1.2	100.4
CORPORATE INCOME	359.5	356.2	-3.3	-0.9	359.5	374.2	14.7	4.1	105.0
SALES AND USE	1,940.6	2,017.1	76.5	3.9	1,940.6	1,993.0	52.4	2.7	98.8
ALCOHOLIC BEVERAGE	46.6	46.9	0.3	0.6	46.6	47.1	0.5	1.0	100.4
TOBACCO	209.5	203.2	-6.3	-3.0	209.5	201.2	-8.2	-3.9	99.0
INSURANCE	65.1	66.5	1.4	2.1	65.1	68.6	3.5	5.3	103.1
RACING	2.8	2.7	-0.1	-4.1	2.8	2.7	-0.1	-2.7	101.5
GAMES OF SKILL	32.6	31.2	-1.4	-4.4	32.6	35.9	3.2	9.9	115.0
MISCELLANEOUS ¹	77.1	71.9	-5.2	-6.8	77.1	79.3	2.2	2.8	110.3
TOTAL GROSS	5,592.8	5,610.0	17.2	0.3	5,592.8	5,626.3	33.5	0.6	100.3
LESS: SCSF/COF ²	184.6	185.1	0.5	0.3	184.6	185.7	1.1	0.6	100.3
IND INCOME TAX REFUNDS	471.9	517.3	45.4	9.6	471.9	494.1	22.2	4.7	95.5
CORP INCOME TAX REFUNDS	53.1	58.6	5.5	10.4	53.1	58.1	5.0	9.4	99.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	10.3	21.4	11.1	108.4	10.3	10.1	-0.2	-1.9	47.1
WATER/SEWER BONDS	13.6	13.6	0.0	0.0	13.6	13.6	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	23.9	24.0	0.1	0.3	23.9	23.9	0.0	0.0	99.7
CITY/CO. TOURIST	2.8	2.8	0.0	-0.3	2.8	2.8	0.0	-0.1	100.2
SCHOOL DESEGREGATION	65.8	65.8	0.0	0.0	65.8	64.8	-1.0	-1.5	98.5
EDUCATIONAL EXCELLENCE	263.5	267.3	3.8	1.5	263.5	266.3	2.8	1.1	99.6
EDUCATIONAL ADEQUACY	23.3	23.6	0.3	1.3	23.3	23.5	0.2	1.1	99.7
NET AVAILABLE	4,480.1	4,430.5	-49.6	-1.1	4,480.1	4,483.4	3.3	0.1	101.2

REVENUE FORECAST SUMMARY FOR MAY

YEAR-TO-DATE GROSS	\$ 16.3 MILLION OR 0.3% ABOVE FORECAST
YEAR-TO-DATE REFUNDS	\$ 23.7 MILLION OR 4.1% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 52.9 MILLION OR 1.2% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 13</u> 40.9	<u>YTD FY 14</u> 40.0	<u>% CHANGE</u> -2.2
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 13</u> 404.3	<u>YTD FY 14</u> 418.0	<u>% CHANGE</u> 3.4

- 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.

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

May 30, 2014
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	PERCENT	ACTUAL FY 2013	ACTUAL FY 2014	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	201.1	207.1	6.0	3.0	201.1	203.6	2.5	1.2	98.3
CORPORATE INCOME	22.8	23.2	0.4	1.9	22.8	7.2	-15.6	-68.4	31.0
SALES AND USE	183.9	190.6	6.7	3.6	183.9	180.7	-3.3	-1.8	94.8
ALCOHOLIC BEVERAGE	5.7	5.7	0.0	0.1	5.7	5.2	-0.5	-8.0	91.9
TOBACCO	21.3	18.4	-2.9	-13.5	21.3	19.5	-1.8	-8.3	106.1
INSURANCE	1.1	1.1	0.0	-0.1	1.1	1.3	0.2	17.4	117.5
RACING	0.2	0.3	0.1	39.0	0.2	0.2	0.0	-20.4	57.3
GAMES OF SKILL	3.3	3.2	-0.1	-4.2	3.3	3.4	0.0	1.5	105.9
MISCELLANEOUS ¹	3.8	4.0	0.2	5.6	3.8	4.3	0.5	13.4	107.4
TOTAL GROSS	443.2	453.6	10.4	2.3	443.2	425.3	-17.8	-4.0	93.8
LESS: (SCSF/COF) ²	14.6	15.0	0.4	2.6	14.6	14.0	-0.6	-4.0	93.6
IND INC TAX REFUNDS	39.9	41.9	2.0	5.0	39.9	42.3	2.4	6.0	101.0
CORP INC TAX REFUNDS	3.0	3.3	0.3	11.2	3.0	2.9	-0.1	-2.6	87.6
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	2.0	1.3	186.0	0.7	0.5	-0.2	-21.8	27.3
WATER/SEWER BONDS	1.2	1.2	0.0	0.0	1.2	1.2	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	18.5	18.6	0.1	0.7	18.5	18.6	0.1	0.6	99.9
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	4.0	-1.0	-20.0	80.0
EDUCATIONAL EXCELLENCE	24.0	24.3	0.3	1.5	24.0	24.2	0.3	1.1	99.6
EDUCATIONAL ADEQUACY	2.1	2.2	0.1	3.9	2.1	2.1	0.0	1.1	97.3
NET AVAILABLE	334.2	340.1	5.9	1.8	334.2	315.4	-18.8	-5.6	92.7

REVENUE FORECAST SUMMARY FOR MAY

MAY GROSS	\$ 28.3 MILLION OR 6.2% BELOW FORECAST
MAY NET AVAILABLE	\$ 24.7 MILLION OR 7.3% BELOW FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>May 13</u> 47.6	<u>May 14</u> 48.4	<u>% CH</u> 1.6
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- 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.