



STATE OF ARKANSAS
**Department of Finance
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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 September (FY 2015)**

DATE: October 2, 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 \$1,322.2 million, \$1.3 million or 0.1 percent above year ago levels. After one quarter into the fiscal year, net available revenue is below forecast by \$7.1 million or -0.5 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,513.2 million, representing an increase of \$12.4 million or 0.8 percent above last year. Gross general revenues are also below forecast by \$8.1 million or -0.5 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$713.7 million, \$22.2 million or 3.2 percent above FY 2014 collections and \$4.9 million or 0.7 percent above forecast. Collections for individual withholding are up 4.3 percent from year ago levels.

Year-to-date individual income tax refunds total \$24.4 million, up \$2.9 million or 13.5 percent compared to last year and \$2.3 million or 10.5 percent above forecast. Amounts above forecast in refund categories decrease net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$557.4 million, a decrease of \$9.9 million or -1.7 percent from FY 2014 and \$13.3 million or -2.3 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$103.2 million, a decrease of \$4.9 million or -4.5 percent from year-to-date FY 2014. Corporate income is below forecast by \$9.4 million or -8.4 percent.

Year-to-date corporate income tax refunds total \$4.7 million, a decrease of \$0.3 million compared to the same year-to-date period last year.

SEPTEMBER REVENUE SUMMARY

September Net Available General Revenues total \$520.7 million, \$2.1 million or -0.4 percent below last year and \$9.7 million or -1.8 percent below forecast.

September results were below forecast in all major categories of collections. Sales tax collections accounted for \$8.1 million of the decline for the month against forecast. Individual Income tax collections were down 1.5 percent from year ago results and below forecast by \$4.1 million, largely due to payroll timing effects in the Withholding category. Quarterly Individual Estimated payments were in line with forecast. Corporate Income tax collections were \$1.1 million below forecast.

Among smaller revenue sources, tobacco was below year ago levels and below forecast. Gaming results again exceeded forecast and continued to display double-digit growth over year ago revenue.

September Gross General Revenues: September collections total \$585.4 million, a decrease of \$4.7 million or -0.8 percent from last year and \$11.9 million or -2.0 percent below forecast.

September Individual Income Tax collections total \$291.3 million. Collections decreased by \$4.4 million, or -1.5 percent compared to last year. With respect to the forecast, collections were \$4.1 million or -1.4 percent below forecast. Individual withholding decreased -1.0 percent compared to last year. A payroll timing factor was partly anticipated in the results for Withholding. Individual Estimated Tax payments due in September were down compared to the prior year but adequately anticipated in the forecast.

September Individual Income Tax Refunds total \$6.0 million, \$1.3 million or -17.3 percent below last year and \$1.9 million or -24.2 percent below forecast. Refund amounts below forecast contribute to bottom line, net available fund results.

September Sales and Use Tax Collections: September collections total \$183.7 million, a decrease of \$3.1 million or -1.7 percent from last year. Collections were below monthly forecast levels by \$8.1 million or -4.2 percent.

September Corporate Income Tax collections total \$77.0 million, an increase of \$1.7 million from year ago, and \$1.1 million or -1.4 percent below forecast.

September Corporate Income Tax Refunds total \$1.7 million. This amount is \$1.5 million below year ago levels.

September Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$17.8 million. Collections decreased by \$0.7 million or -3.8 percent from year earlier levels and were also below forecast by -\$0.4 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 \$11.2 million, a decrease of -4.3 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 September 2014, \$38.6 million was collected and deposited to the fund. After deductions, the net amount is \$37.4 million. The monthly collection is equivalent to a 0.5 percent increase from prior year collections.

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

September 30, 2014
Days Remaining: 0
Forecast date: 07/15/2014

MILLIONS OF \$

	<u>CURRENT MONTH</u>				<u>CURRENT MONTH TO DATE</u>				ACTUAL AS % OF FORECAST
	ACTUAL FY 2014	FORECAST FY 2015	CHANGE AMOUNT	CHANGE PERCENT	ACTUAL FY 2014	ACTUAL FY 2015	CHANGE AMOUNT	CHANGE PERCENT	
INDIVIDUAL INCOME	295.7	295.4	-0.3	-0.1	295.7	291.3	-4.4	-1.5	98.6
CORPORATE INCOME	75.2	78.1	2.9	3.8	75.2	77.0	1.7	2.3	98.6
SALES AND USE	186.8	191.8	5.0	2.7	186.8	183.7	-3.1	-1.7	95.8
ALCOHOLIC BEVERAGE	3.9	4.1	0.2	4.1	3.9	3.9	0.0	-0.1	96.0
TOBACCO	18.5	18.2	-0.3	-1.7	18.5	17.8	-0.7	-3.8	97.9
INSURANCE	0.8	0.8	0.0	-0.1	0.8	1.4	0.6	75.3	175.5
RACING	0.1	0.1	0.0	-30.7	0.1	0.2	0.0	6.5	153.6
GAMES OF SKILL	3.3	3.3	0.0	1.5	3.3	3.6	0.4	12.2	110.6
MISCELLANEOUS ¹	5.8	5.5	-0.3	-5.1	5.8	6.5	0.7	11.3	117.3
TOTAL GROSS	590.1	597.3	7.2	1.2	590.1	585.4	-4.7	-0.8	98.0
LESS: (SCSF/COF) ²	19.5	19.1	-0.4	-1.9	19.5	18.7	-0.7	-3.8	98.1
IND INC TAX REFUNDS	7.2	7.9	0.7	9.1	7.2	6.0	-1.3	-17.3	75.8
CORP INC TAX REFUNDS	3.3	3.6	0.3	10.1	3.3	1.7	-1.5	-47.2	47.9
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	4.7	1.9	-2.8	-59.2	4.7	3.9	-0.7	-15.7	206.4
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	6.0	1.0	20.0	5.0	6.0	1.0	19.6	99.7
EDUCATIONAL EXCELLENCE	24.2	24.9	0.7	2.9	24.2	24.8	0.6	2.4	99.5
EDUCATIONAL ADEQUACY	2.1	2.2	0.1	2.8	2.1	2.2	0.1	2.4	99.6
NET AVAILABLE	522.8	530.4	7.6	1.4	522.8	520.7	-2.1	-0.4	98.2

REVENUE FORECAST SUMMARY FOR SEPTEMBER

SEPTEMBER GROSS \$ 11.9 MILLION OR 2.0% BELOW FORECAST
SEPTEMBER NET AVAILABLE \$ 9.7 MILLION OR 1.8% BELOW FORECAST

	<u>Sept FY14</u>	<u>Sept FY15</u>	<u>% CH</u>
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	37.3	37.4	0.5

- 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.