



STATE OF ARKANSAS
**Department of Finance
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MEMORANDUM

TO: Larry Walther, Director
Paul Louthian, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for December (FY 2018)**

DATE: January 3, 2018

Copy: Governor's Office
Management Services

The Official General Revenue Forecast was revised on December 1, 2017, resulting in no change for Net Available revenue at \$5,453.2 million but includes adjustments to selected categories of gross revenues, income tax refunds, and deductions in the law for Educational Excellence and Educational Adequacy that are based on final FY 2017 Sales Tax collections. The monthly forecast for December now reflects this revision in the categories and accounts for actual collections in the July through November period.

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$2,693.8 million, \$74.5 million or 2.8 percent above year ago levels. After one month from the revised annual forecast and six months into the fiscal year, net available revenue is above forecast by \$23.7 million or 0.9 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,127.1 million, representing an increase of \$91.6 million or 3.0 percent above last year. Gross general revenues are above the revised forecast by \$21.4 million or 0.7 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,456.9 million, \$64.2 million or 4.6 percent above FY 2017 collections and \$11.5 million or 0.8 percent above the revised forecast.

Year-to-date individual income tax refunds total \$75.5 million, up \$31.1 million or 70.0 percent compared to last year and \$0.5 million or 0.7 percent above forecast. Amounts above forecast in refund categories reduce net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,200.0 million, an increase of \$24.4 million or 2.1 percent from FY 2017 and \$10.2 million or 0.9 percent above the revised forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$199.2 million, an increase of \$0.1 million from year-to-date FY 2017. Corporate income is below the revised forecast by \$1.9 million or -1.0 percent.

Year-to-date corporate income tax refunds total \$25.4 million, a decrease of \$18.0 million compared to the same year-to-date period last year.

DECEMBER REVENUE SUMMARY

December Net Available General Revenues total \$521.1 million, \$53.7 million or 11.5 percent above last year and \$23.7 million or 4.8 percent above the revised forecast.

Among the major categories, Individual Income Tax, the largest single category of gross collections exceeded forecast by \$11.5 million, largely due to higher Estimated Payments. Sales tax collection results were above year ago and above forecast by \$10.2 million. Sales Tax collections were higher in Retail and most business categories, but lower in Motor Vehicles Sales Tax. Corporate Income Tax collections were below forecast by \$1.9 million but above year ago collections. Corporate Refunds were below forecast, benefiting Net Available revenues by \$3.9 million.

Among smaller revenue sources, Tobacco was above forecast by \$1.1 million and above year ago collections. Results in Gaming revenue exceeded forecast by \$0.4 million.

December Gross General Revenues: December collections total \$589.4 million, an increase of \$52.6 million or 9.8 percent from last year and \$21.4 million or 3.8 percent above the revised forecast.

December Individual Income Tax collections total \$262.7 million. Collections increased by \$28.8 million, or 12.3 percent compared to last year. With respect to the forecast, collections were \$11.5 million or 4.6 percent above forecast. Individual Withholding Tax was up 9.7 percent compared to last year, reflecting anticipated payday timing effects for the month.

December Individual Income Tax Refunds total \$3.4 million, \$1.2 million above last year and \$0.5 million above forecast. Refund amounts above forecast reduce net available fund results.

December Sales and Use Tax Collections: December collections total \$220.1 million, an increase of \$17.2 million or 8.5 percent above last year. Collections were above monthly forecast levels by \$10.2 million or 4.9 percent.

December Corporate Income Tax collections total \$66.8 million, an increase of \$4.3 million or 6.8 percent from year ago, and \$1.9 million or -2.8 percent below forecast.

December Corporate Income Tax Refunds total \$6.2 million. This amount is \$5.5 million below year ago levels. Refunds were also \$3.9 million below forecast.

December Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$18.0 million. Collections increased by \$0.4 million or 2.0 percent from year earlier levels and were also 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 \$23.8 million, a decrease of 0.3 percent.

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 2017, \$45.3 million was collected and deposited to the fund. After deductions, the net amount is \$43.9 million. The monthly collection is equivalent to a 7.8 percent increase from prior year collections.

DECEMBER 2017 YEAR-TO-DATE GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 12/1/2017

MILLIONS OF \$

	ACTUAL FY17	FORECAST FY18	ACTUAL FY18	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	1,392.7	1,445.4	1,456.9	11.5	0.8	64.2	4.6
CORPORATE INCOME	199.1	201.1	199.2	-1.9	-1.0	0.1	0.0
SALES AND USE	1,175.7	1,189.8	1,200.0	10.2	0.9	24.4	2.1
ALCOHOLIC BEVERAGE	27.4	28.1	27.9	-0.2	-0.6	0.5	1.9
TOBACCO	110.2	111.2	112.3	1.1	1.0	2.1	1.9
INSURANCE	43.6	43.1	42.7	-0.4	-0.9	-0.9	-2.1
RACING	0.9	0.9	0.8	-0.1	-14.0	-0.1	-11.9
GAMES OF SKILL	28.0	30.3	30.7	0.4	1.3	2.7	9.7
MISCELLANEOUS ¹	57.9	55.8	56.6	0.8	1.4	-1.3	-2.3
TOTAL GROSS	3,035.4	3,105.7	3,127.1	21.4	0.7	91.6	3.0
LESS: SCSF/COF ²	97.1	96.2	96.9	0.7	0.8	-0.2	-0.2
INDIV INCOME TAX REFUNDS	44.4	75.0	75.5	0.5	0.7	31.1	70.0
CORP INCOME TAX REFUNDS	43.4	29.3	25.4	-3.9	-13.4	-18.0	-41.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	6.2	6.1	6.5	0.4	5.9	0.3	4.5
AMENDMENT 82 BONDS	1.1	1.1	1.1	0.0	0.7	0.0	-1.6
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	7.6	7.6	7.6	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	3.4	3.6	3.6	0.0	0.1	0.2	7.4
CITY & COUNTY TOURIST	0.4	0.4	0.4	0.0	11.0	0.0	0.0
SCHOOL DESEGREGATION	41.9	41.9	41.9	0.0	-0.1	0.0	0.0
EDUCATIONAL EXCELLENCE	156.7	160.2	160.2	0.0	0.0	3.4	2.2
EDUCATIONAL ADEQUACY	13.9	14.2	14.2	0.0	-0.3	0.3	2.2
TOTAL DEDUCTIONS	416.1	435.6	433.2	-2.4	-0.5	17.1	4.1
NET AVAILABLE	2,619.4	2,670.1	2,693.8	23.7	0.9	74.5	2.8

REVENUE FORECAST SUMMARY FOR DECEMBER

YEAR-TO-DATE GROSS	\$ 21.4 MILLION OR 0.7% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 23.7 MILLION OR 0.9% ABOVE FORECAST

1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.

DECEMBER 2017 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 12/1/2017

MILLIONS OF \$

	ACTUAL DEC FY17	FORECAST DEC FY18	ACTUAL DEC FY18	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	233.9	251.2	262.7	11.5	4.6	28.8	12.3
CORPORATE INCOME	62.5	68.8	66.8	-1.9	-2.8	4.3	6.8
SALES AND USE	202.9	209.9	220.1	10.2	4.9	17.2	8.5
ALCOHOLIC BEVERAGE	4.5	4.5	4.3	-0.2	-3.5	-0.2	-3.8
TOBACCO	17.6	16.9	18.0	1.1	6.6	0.4	2.0
INSURANCE	1.0	1.0	0.6	-0.4	-41.4	-0.5	-45.8
RACING	0.1	0.2	0.0	-0.1	-76.5	0.0	-49.5
GAMES OF SKILL	4.5	4.6	5.0	0.4	8.3	0.5	10.4
MISCELLANEOUS ¹	9.7	11.1	11.9	0.8	6.9	2.2	22.7
TOTAL GROSS	536.9	568.1	589.4	21.4	3.8	52.6	9.8
LESS: SCSF/COF ²	17.2	17.5	18.3	0.7	4.2	1.1	6.4
INDIV INCOME TAX REFUNDS	2.2	2.9	3.4	0.5	17.2	1.2	52.8
CORP INCOME TAX REFUNDS	11.7	10.1	6.2	-3.9	-38.8	-5.5	-47.3
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.7	2.8	3.2	0.4	12.7	1.5	90.0
AMENDMENT 82 BONDS	1.1	1.1	1.1	0.0	0.7	0.0	-1.6
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	1.2	1.2	1.2	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
CITY & COUNTY TOURIST	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
SCHOOL DESEGREGATION	6.0	6.0	6.0	0.0	-0.5	0.0	0.0
EDUCATIONAL EXCELLENCE	26.1	26.7	26.7	0.0	-0.1	0.6	2.2
EDUCATIONAL ADEQUACY	2.3	2.4	2.4	0.0	-1.7	0.1	2.2
TOTAL DEDUCTIONS	69.5	70.7	68.4	-2.4	-3.4	-1.2	-1.7
NET AVAILABLE	467.4	497.3	521.1	23.7	4.8	53.7	11.5

REVENUE FORECAST SUMMARY FOR DECEMBER

DECEMBER GROSS	\$ 21.4 MILLION OR 3.8% ABOVE FORECAST
DECEMBER NET AVAILABLE	\$ 23.7 MILLION OR 4.8% ABOVE FORECAST

1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.