



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

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MEMORANDUM

TO: Larry Walther, Secretary
 Paul Louthian, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for July (FY 2023)**

DATE: August 2, 2022 Copy: Governor's Office

JULY REVENUE SUMMARY

July Net Available General Revenues total \$542.0 million, \$27.1 million or 5.3 percent above last year. After one month into FY 2023, Net Available Revenue is \$26.6 million or 5.2 percent above the monthly forecast.

All major collection categories were above forecast in July, led by Sales Tax at \$12.1 million above, Corporate Income at \$2.0 million above, and Individual Income at \$1.4 million above. Sales Tax growth remained high across consumer- and business-related sectors while vehicle sales tax collections moved lower. Income Tax Refunds were notably less than forecast and year ago.

July Gross General Revenues: July collections total \$615.9 million, an increase of \$15.5 million or 2.6 percent from last year and \$18.2 million or 3.0 percent above forecast.

July Individual Income Tax collections total \$253.1 million. Collections increased by \$11.4 million or 4.7 percent compared to last year. With respect to the forecast, collections were \$1.4 million or 0.6 percent above forecast. Payroll Withholding Tax increased by 4.8 percent from last year.

July Individual Income Tax Refunds total \$11.0 million, \$9.9 million below last year and \$8.2 million below forecast. Refund amounts below forecast add to net available fund results.

July Sales and Use Tax Collections: July collections total \$272.4 million, an increase of \$12.3 million or 4.7 percent above last year. Collections were also above monthly forecast levels by \$12.1 million or 4.7 percent. Collections from motor vehicle sales tax were down -8.3 percent in July from year ago levels.

July Corporate Income Tax collections total \$35.1 million, a decrease of \$4.8 million from year ago, and \$2.0 million above forecast.

July Corporate Income Tax Refunds total \$1.0 million. This amount is \$4.7 million below year ago levels and \$1.4 million below forecast.

July Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$18.5 million. Collections decreased by \$0.4 million or -2.0 percent from year earlier levels and were above forecast by \$1.3 million. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

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 July, \$57.0 million was collected and deposited to the fund. After deductions, the net amount is \$55.3 million. The monthly collection represents a 6.5 percent increase from prior year collections.

C: /FISCNOT/July FY 2023
Attachment (1)

July 2022 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 05/18/22

Millions of \$

| | Actual July FY22 | Forecast July FY23 | Actual July FY23 | <u>Change from Forecast</u> | | <u>Change from Last Year</u> | |
|-------------------------------|---------------------|-----------------------|---------------------|-----------------------------|-----------------------|------------------------------|-----------------------|
| | | | | Dollar Difference | Percent Difference | Dollar Difference | Percent Difference |
| Individual Income | 241.7 | 251.7 | 253.1 | 1.4 | 0.6 | 11.4 | 4.7 |
| Corporate Income | 39.9 | 33.1 | 35.1 | 2.0 | 6.1 | -4.8 | -11.9 |
| Sales & Use | 260.1 | 260.3 | 272.4 | 12.1 | 4.7 | 12.3 | 4.7 |
| Alcohol | 7.1 | 6.9 | 7.0 | 0.1 | 1.6 | -0.1 | -1.8 |
| Tobacco | 18.9 | 17.2 | 18.5 | 1.3 | 7.7 | -0.4 | -2.0 |
| Insurance | 0.4 | 0.4 | 1.0 | 0.6 | 148.7 | 0.6 | 131.8 |
| Racing | 0.1 | 0.1 | 0.1 | 0.0 | -40.8 | 0.0 | -8.0 |
| Gaming | 3.7 | 4.7 | 4.8 | 0.1 | 2.1 | 1.1 | 28.9 |
| Severance | 1.6 | 1.8 | 2.1 | 0.3 | 16.0 | 0.5 | 29.1 |
| Franchise | 5.2 | 0.3 | 0.0 | -0.3 | -100.0 | -5.2 | -100.0 |
| Real Estate Transfer | 2.1 | 2.1 | 2.3 | 0.2 | 8.7 | 0.2 | 9.2 |
| Miscellaneous | 19.5 | 19.1 | 19.5 | 0.4 | 1.8 | 0.0 | -0.2 |
| Total Gross | 600.3 | 597.7 | 615.9 | 18.2 | 3.0 | 15.5 | 2.6 |
| LESS: (SCSF/COF) ¹ | 18.6 | 18.6 | 19.1 | 0.5 | 2.6 | 0.5 | 2.6 |
| Individual Income Refunds | 20.8 | 19.2 | 11.0 | -8.2 | -43.0 | -9.9 | -47.5 |
| Corporate Income Refunds | 5.7 | 2.4 | 1.0 | -1.4 | -60.3 | -4.7 | -83.2 |
| Claims | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Econ Development Incentive | 3.0 | 2.0 | 2.2 | 0.2 | 9.7 | -0.8 | -26.6 |
| Amendment 82 Bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Recycling Tax Credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Water / Sewer Bonds | 1.3 | 1.3 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| College Savings Bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| City & County Tourist | 0.2 | 0.2 | 0.2 | 0.0 | 11.0 | 0.0 | 0.0 |
| Educational Excellence | 32.9 | 35.5 | 36.0 | 0.5 | 1.5 | 3.1 | 9.4 |
| Educational Adequacy | 2.9 | 3.1 | 3.2 | 0.1 | 2.7 | 0.3 | 9.4 |
| Highway Casino Transfer | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Deductions | 85.5 | 82.3 | 73.9 | -8.4 | -10.2 | -11.5 | -13.5 |
| Net Available | 514.9 | 515.4 | 542.0 | 26.6 | 5.2 | 27.1 | 5.3 |

Revenue Forecast Summary for the Month

July Gross: \$ 18.2 Million OR 3.0% Above Forecast
July Net Available: \$ 26.6 Million OR 5.2% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.