



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

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MEMORANDUM

TO: Larry Walther, Director
Paul Louthian, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research ^{JS}

SUBJECT: **General Revenue Report for January (FY 2019)**

DATE: February 4, 2019

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 \$3,411.1 million, \$134.0 million or 4.1 percent above year ago levels. After seven months into the fiscal year, net available revenue is above forecast by \$3.9 million or 0.1 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,887.4 million, representing an increase of \$112.2 million or 3.0 percent above last year. Gross general revenues are above forecast by \$7.9 million or 0.2 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,855.3 million, \$15.2 million or 0.8 percent above FY 2018 collections and \$22.5 million or -1.2 percent below forecast.

Year-to-date individual income tax refunds total \$80.5 million, an increase of \$1.4 million or 1.8 percent compared to last year and \$0.3 million or 0.4 percent below forecast. Amounts below forecast in refund categories add to net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,457.2 million, an increase of \$50.5 million or 3.6 percent from FY 2018

and \$9.6 million or -0.7 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$268.2 million, an increase of \$43.6 million from year-to-date FY 2018. Corporate income is above forecast by \$37.1 million or 16.1 percent.

Year-to-date corporate income tax refunds total \$44.3 million, an increase of \$14.4 million compared to the same year-to-date period last year. Corporate Refunds were \$9.1 million above forecast over the period.

JANUARY REVENUE SUMMARY

January Net Available General Revenues and Summary Results: Net Available general revenues total \$554.1 million, \$29.2 million or -5.0 percent below last year and \$13.1 million or -2.3 percent below the forecast.

Among the major categories, Individual Income Tax collections reflect sharply lower 4th quarter Estimated Tax payments for TY 2018 as a continuation of effects related to taxpayer strategy surrounding the Federal Tax Cuts and Jobs Act. Sales Tax collections were below forecast due to lower collections in business categories. Corporate Income Tax collections were above forecast by \$9.5 million and above year ago collections. Corporate Tax Refunds also exceeded forecast in January results.

Among smaller revenue sources, Tobacco was above forecast by \$0.1 million and below year ago collections. Results in Gaming revenue exceeded forecast by \$0.4 million.

January Gross General Revenues: January collections total \$622.6 million, a decrease of \$25.6 million or -4.0 percent below last year and \$15.5 million or -2.4 percent below forecast.

January Individual Income Tax collections total \$342.2 million. Collections decreased by \$41.0 million or -10.7 percent compared to last year. With respect to the forecast, collections were \$22.0 million or -6.0 percent below forecast. Individual withholding decreased 2.5 percent compared to last year with payday timing differences contributing to the decreased collections compared to year ago results.

January Individual Income Tax Refunds total \$1.0 million, \$2.6 million or -72.1 percent below last year and \$3.2 million or -76.2 percent below forecast. Refund amounts below forecast add to net available fund results.

January Sales and Use Tax Collections: January collections total \$207.8 million, an increase of \$1.2 million or 0.6 percent above last year. Collections were below monthly forecast levels by \$10.6 million or -4.9 percent.

January Corporate Income Tax collections total \$32.1 million, an increase of \$6.6 million from year ago, and \$9.5 million or 41.8 percent above forecast. Higher Estimated Payments accounted for most of the gain.

January Corporate Income Tax Refunds total \$16.7 million. This amount is \$12.2 million above year ago levels. Refunds were also \$3.6 million above forecast.

January Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$16.3 million. Collections decreased by \$0.1 million or -0.7 percent from year earlier levels and were above forecast by \$0.1 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 January 2019, \$43.1 million was collected and deposited to the fund. After deductions, the net amount is \$41.8 million. The monthly collection is equivalent to a 0.6 percent increase from prior year collections.

Q:\Monthly Reports\FY 2019\January FY 2019
Attachment (2)

JANUARY 2019 YEAR-TO-DATE GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 11/14/2018

MILLIONS OF \$

	ACTUAL FY18	FORECAST FY19	ACTUAL FY19	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	1,840.1	1,877.8	1,855.3	-22.5	-1.2	15.2	0.8
CORPORATE INCOME	224.6	231.1	268.2	37.1	16.1	43.6	19.4
SALES AND USE	1,406.6	1,466.8	1,457.2	-9.6	-0.7	50.5	3.6
ALCOHOLIC BEVERAGE	33.0	33.4	33.6	0.2	0.5	0.6	1.8
TOBACCO	128.8	125.5	128.1	2.6	2.1	-0.6	-0.5
INSURANCE	44.4	46.3	45.2	-1.1	-2.3	0.9	1.9
RACING	0.9	0.9	0.9	0.0	0.8	0.0	-0.8
GAMES OF SKILL	36.0	37.6	38.4	0.8	2.2	2.4	6.8
MISCELLANEOUS ¹	60.9	60.1	60.5	0.4	0.7	-0.4	-0.7
TOTAL GROSS	3,775.3	3,879.5	3,887.4	7.9	0.2	112.2	3.0
LESS: SCSF/COF ²	117.0	120.3	120.5	0.2	0.2	3.5	3.0
INDIV INCOME TAX REFUNDS	79.1	80.8	80.5	-0.3	-0.4	1.4	1.8
CORP INCOME TAX REFUNDS	29.9	35.2	44.3	9.1	25.8	14.4	48.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	6.7	11.8	6.8	-5.0	-42.0	0.1	1.4
AMENDMENT 82 BONDS	1.1	1.1	1.1	0.0	-1.6	0.0	-2.3
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	8.8	8.8	8.8	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	3.6	3.4	3.4	0.0	0.3	-0.2	-5.3
CITY & COUNTY TOURIST	0.7	0.7	0.7	0.0	-4.9	0.0	0.0
SCHOOL DESEGREGATION	47.9	0.0	0.0	0.0	0.0	-47.9	-100.0
EDUCATIONAL EXCELLENCE	186.9	193.2	193.2	0.0	0.0	6.4	3.4
EDUCATIONAL ADEQUACY	16.5	17.0	17.1	0.1	0.5	0.6	3.4
TOTAL DEDUCTIONS	498.1	472.3	476.3	4.0	0.9	-21.8	-4.4
NET AVAILABLE	3,277.1	3,407.2	3,411.1	3.9	0.1	134.0	4.1

REVENUE FORECAST SUMMARY FOR JANUARY

YEAR-TO-DATE GROSS	\$ 7.9 MILLION OR 0.2% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 3.9 MILLION OR 0.1% 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.

JANUARY 2019 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 11/14/2018

MILLIONS OF \$

			CHANGE FROM FORECAST		CHANGE FROM LAST YEAR		
	ACTUAL JAN FY18	FORECAST JAN FY19	ACTUAL JAN FY19	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	383.2	364.2	342.2	-22.0	-6.0	-41.0	-10.7
CORPORATE INCOME	25.4	22.6	32.1	9.5	41.8	6.6	26.0
SALES AND USE	206.6	218.4	207.8	-10.6	-4.9	1.2	0.6
ALCOHOLIC BEVERAGE	5.0	5.0	4.9	-0.1	-1.3	-0.1	-1.8
TOBACCO	16.4	16.2	16.3	0.1	0.8	-0.1	-0.7
INSURANCE	1.7	1.8	0.8	-1.0	-53.5	-0.8	-49.9
RACING	0.1	0.1	0.1	0.0	34.0	0.0	-4.8
GAMES OF SKILL	5.3	5.4	5.8	0.4	7.7	0.5	9.8
MISCELLANEOUS ¹	4.4	4.4	12.5	8.1	183.2	8.1	185.8
TOTAL GROSS	648.2	638.1	622.6	-15.5	-2.4	-25.6	-4.0
LESS: SCSF/COF ²	20.1	19.8	19.3	-0.5	-2.5	-0.8	-4.0
INDIV INCOME TAX REFUNDS	3.6	4.2	1.0	-3.2	-76.2	-2.6	-72.1
CORP INCOME TAX REFUNDS	4.5	13.1	16.7	3.6	27.8	12.2	271.2
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.3	2.4	0.0	-2.4	-100.0	-0.3	-100.0
AMENDMENT 82 BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	0.0	0.0	0.0
CITY & COUNTY TOURIST	0.2	0.2	0.2	0.0	11.0	0.0	0.0
SCHOOL DESEGREGATION	6.0	0.0	0.0	0.0	0.0	-6.0	-100.0
EDUCATIONAL EXCELLENCE	26.7	27.6	27.6	0.0	0.0	0.9	3.4
EDUCATIONAL ADEQUACY	2.4	2.4	2.4	0.0	1.7	0.1	3.4
TOTAL DEDUCTIONS	64.9	70.9	68.5	-2.4	-3.4	3.6	5.5
NET AVAILABLE	583.3	567.2	554.1	-13.1	-2.3	-29.2	-5.0

REVENUE FORECAST SUMMARY FOR JANUARY

JANUARY GROSS	\$ 15.5 MILLION OR 2.4% BELOW FORECAST
JANUARY NET AVAILABLE	\$ 13.1 MILLION OR 2.3% BELOW 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.