



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 July (FY 2020)**

DATE: August 2, 2019

Copy: Governor's Office
Management Services

JULY REVENUE SUMMARY

July Net Available General Revenues total \$462.8 million, \$6.5 million or -1.4 percent below last year. After one month into FY 2020, Net Available Revenue shows \$0.0 million departure from the monthly forecast.

Among major collection categories, Individual Income Tax collections were above forecast while Corporate Income and Sales Tax were below forecast. Corporate Income Tax collections were below forecast by less than \$1.0 million. Sales and Use tax collections were below forecast and year ago levels. The Motor Vehicle portion of Sales Tax rebounded in July collections while Retail and a variety of other sectors were down.

An annual deposit to general revenue from the Arkansas State Auditor's Office added \$19.4 million in July compared to \$19.4 million in the prior year. The amount was more than forecast.

July Gross General Revenues: July collections total \$520.9 million, a decrease of \$10.9 million or -2.0 percent from last year and \$1.7 million or -0.3 percent below forecast.

July Individual Income Tax collections total \$232.3 million. Collections decreased by \$3.7 million or -1.6 percent compared to last year. With respect to the forecast,

collections were \$1.8 million or 0.8 percent above forecast. Payroll Withholding Tax declined by -3.6 percent from last year due to payday timing differences.

July Individual Income Tax Refunds total \$8.7 million, \$3.7 million below last year and \$0.4 million or 5.0 percent above forecast. Refund amounts above forecast subtract from net available fund results.

July Sales and Use Tax Collections: July collections total \$205.8 million, a decrease of \$3.7 million or -1.8 percent compared to last year. Collections were also below monthly forecast levels by \$6.7 million or -3.2 percent. Collections from motor vehicle sales tax were up 8.0 percent in July from year ago levels.

July Corporate Income Tax collections total \$25.1 million, a decrease of \$5.6 million from year ago, and \$0.8 million below forecast in an otherwise light collection month.

July Corporate Income Tax Refunds total \$0.7 million. This amount is equal to year ago levels and -\$0.1 million below forecast.

July Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$20.2 million. Collections increased by \$1.9 million or 10.6 percent from year earlier levels and were above forecast by \$3.3 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, \$42.4 million was collected and deposited to the fund. After deductions, the net amount is \$41.1 million. The monthly collection represents a 2.8 percent decrease from prior year collections.

July 2019 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 05/15/2019

Millions of \$

	Actual July FY19	Forecast July FY20	Actual July FY20	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	236.0	230.5	232.3	1.8	0.8	-3.7	-1.6
Corporate Income	30.7	25.9	25.1	-0.8	-3.1	-5.6	-18.3
Sales & Use	209.4	212.5	205.8	-6.7	-3.2	-3.7	-1.8
Alcohol	5.6	5.6	5.9	0.3	4.6	0.3	5.0
Tobacco	18.3	16.9	20.2	3.3	19.8	1.9	10.6
Insurance	0.6	0.7	0.6	-0.1	-8.9	0.1	15.8
Racing	0.2	0.2	0.1	-0.1	-25.8	0.0	-13.2
Gaming	5.6	5.8	5.9	0.1	1.6	0.3	6.0
Miscellaneous ¹	25.5	24.5	25.0	0.5	1.9	-0.5	-2.1
Total Gross	531.8	522.6	520.9	-1.7	-0.3	-10.9	-2.0
LESS: (SCSF/COF) ²	16.5	16.2	16.1	-0.1	-0.3	-0.3	-2.0
Individual Income Tax Refunds	12.5	8.3	8.7	0.4	5.0	-3.7	-30.1
Corporate Income Tax Refunds	0.7	0.8	0.7	-0.1	-10.1	0.0	2.8
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	1.2	2.0	0.4	-1.6	-81.7	-0.9	-70.6
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	27.6	28.5	28.1	-0.4	-1.2	0.5	2.0
Educational Adequacy	2.4	2.5	2.5	0.0	-0.5	0.0	2.0
Total Deductions	62.5	59.8	58.1	-1.7	-2.8	-4.4	-7.0
Net Available	469.3	462.8	462.8	0.0	0.0	-6.5	-1.4

Revenue Forecast Summary for July

July Gross: \$ 1.7 Million OR 0.3% Below Forecast
July Net Available: \$ 0.0 Million OR 0.0% 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.