



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 June and FY 2019 Summary**

DATE: July 2, 2019 Copy: Governor's Office
Management Services

FISCAL YEAR 2019 REVENUE SUMMARY

Fiscal Year 2019 Net Available General Revenues and Surplus: Fiscal year 2019 net available general revenue collections total \$5,921.4 million. This amount is \$426.5 million or 7.8 percent above prior year results and \$231.2 million or 4.1 percent above forecast.

The fiscal year ended above forecast as a result of high growth in Individual and Corporate Income Tax collections and lower than expected deductions from gross revenue. The two main revenue indicators of the state economy in Sales Tax and Payroll Withholding showed mixed growth of 2.0 percent and 5.1 percent, respectively. Individual and Corporate Income Tax Refunds increased. Sales Tax collections were below forecast and marginally above year ago levels.

The year end result in Net Available revenue produced a surplus above the maximum allocations for distribution of \$295.4 million of which \$64.0 million was designated in the Revenue Stabilization Act (RSA) for division between the Restricted Reserve Fund (75%) and the Arkansas Highway Transfer Fund (25%). The surplus amount above \$64.0 million shall be distributed between General Revenue Allotment Reserve Fund (75%) and Arkansas Highway Transfer Fund (25%).

Fiscal Year 2019 Gross General Revenues: Fiscal year 2019 gross collections total \$7,143.9 million, representing an increase of \$417.3 million or 6.2 percent above last year. Gross general revenues were \$226.1 million or 3.3 percent above forecast.

Fiscal Year 2019 Individual Income Taxes: Fiscal year 2019 individual income tax collections total \$3,520.0 million, \$160.5 million or 4.8 percent above FY 2018 collections and \$74.9 million or 2.2 percent above forecast.

Fiscal Year 2019 individual income tax refunds total \$507.5 million, \$14.1 million or 2.9 percent above last year and \$2.3 million or -0.4 percent below forecast. Amounts below forecast in refund categories add to net general revenue results.

Fiscal Year 2019 Sales and Use Collections: Fiscal year 2019 Sales and Use tax collections total \$2,465.0 million, an increase of \$47.5 million or 2.0 percent over FY 2018 and \$32.1 million or -1.3 percent below forecast.

Fiscal Year 2019 Corporate Income Taxes: Fiscal year corporate collections total \$570.2 million, an increase of \$163.5 million or 40.2 percent above FY 2018. Collections came in \$162.4 million or 39.8 percent above forecast.

Fiscal Year 2019 Corporate income tax refunds total \$62.7 million, \$19.9 million or 46.5 percent above last year and \$14.3 million above the general revenue forecast.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$652.1 million, \$94.2 million or 16.9 percent above last year. Net general revenues were \$56.8 million, or 9.5 percent above forecast for the month.

Revenues in June were above forecast and year ago levels in Individual and Corporate Income Tax. Revenues were below forecast and year ago in Sales Tax with Motor Vehicle Sales Tax down -5.3 percent. Individual and Corporate Refunds were less than expected.

Among smaller revenue sources, Tobacco was below forecast by \$2.2 million. Results in Gaming were above forecast by \$0.5 million.

June Gross General Revenues: June collections total \$743.0 million, an increase of \$84.0 million or 12.7 percent above last year and \$31.1 million or 4.4 percent above the monthly forecast.

June Individual Income Tax collections total \$328.2 million. Collections increased by \$32.2 million, or 10.9 percent, compared to last year. Monthly collections were above forecast by \$9.3 million or 2.9 percent. Withholding tax from payrolls increased by 13.5 percent above year ago levels due to payroll timing effects.

June Individual Income Tax Refunds total \$15.6 million. This amount is \$10.1 million or -39.3 percent below year ago refunds and \$11.4 million below the monthly forecast.

June Sales and Use Collections: June collections total \$209.0 million, a decrease of \$1.9 million or -0.9 percent below last year. Collections were below forecast by \$5.2 million or -2.4 percent. The motor vehicle portion of Sales Tax was down -5.3 percent from year ago levels.

June Corporate Income Tax collections total \$73.2 million, an increase of \$9.8 million or 15.4 percent from year earlier levels, and \$9.8 million or 15.5 percent above forecast.

June Corporate Income Tax Refunds total \$1.7 million. This amount is \$2.6 million below refund levels a year ago.

June Tobacco Tax collections, a small component of general revenue, total \$16.8 million or -11.5 percent below year earlier levels. 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 June 2019, \$44.2 million was collected and deposited to the fund. After deductions, the net amount is \$42.9 million. The monthly collection is equivalent to a 1.2 percent decrease from prior year collections. Fiscal year net collections total \$516.3 million, compared to \$504.8 million last year. This represents a 2.3 percent fiscal year increase from prior year collections.

June 2019 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 11/14/2018

Millions of \$

	Actual June FY18	Forecast June FY19	Actual June FY19	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	3,359.6	3,445.1	3,520.0	74.9	2.2	160.5	4.8
Corporate Income	406.7	407.8	570.2	162.4	39.8	163.5	40.2
Sales & Use	2,417.5	2,497.1	2,465.0	-32.1	-1.3	47.5	2.0
Alcohol	59.4	59.6	60.5	0.9	1.5	1.2	2.0
Tobacco	219.9	213.3	212.0	-1.3	-0.6	-7.8	-3.6
Insurance	114.9	144.7	161.6	16.9	11.7	46.6	40.6
Racing	2.2	2.1	2.0	-0.1	-3.2	-0.1	-6.7
Gaming	64.5	66.8	69.7	2.9	4.3	5.2	8.1
Miscellaneous ¹	82.1	81.3	82.9	1.6	2.0	0.8	1.0
Total Gross	6,726.5	6,917.8	7,143.9	226.1	3.3	417.3	6.2
LESS: (SCSF/COF) ²	208.4	214.5	220.2	5.7	2.6	11.8	5.7
Individual Income Tax Refunds	493.4	509.8	507.5	-2.3	-0.4	14.1	2.9
Corporate Income Tax Refunds	42.8	48.4	62.7	14.3	29.6	19.9	46.5
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Economic Development Incentive	12.4	23.4	11.4	-12.0	-51.5	-1.0	-8.4
Amendment 82 Bonds	5.3	5.3	5.3	0.0	-0.2	0.0	0.0
Recycling Tax Credit	16.0	16.0	16.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	14.8	14.8	14.8	0.0	0.0	0.0	0.0
College Savings Bonds	23.2	24.0	23.2	-0.8	-3.5	0.0	-0.2
City & County Tourist	0.9	0.9	0.9	0.0	-1.3	0.0	0.0
School Desegregation	65.8	0.0	0.0	0.0	0.0	-65.8	-100.0
Educational Excellence	320.3	331.2	331.2	0.0	0.0	10.9	3.4
Educational Adequacy	28.3	29.3	29.3	0.0	-0.1	1.0	3.4
Total Deductions	1,231.6	1,227.6	1,222.5	-5.1	-0.4	-9.2	-0.7
Net Available	5,494.9	5,690.2	5,921.4	231.2	4.1	426.5	7.8
LESS: Surplus	0.0	64.2	295.4				
Net AVAILABLE Distribution	5,494.9	5,626.0	5,626.0	0.0	0.0	131.1	2.4

Revenue Forecast Summary for June

Year-to-Date Gross: \$ 226.1 Million OR 3.3% Above Forecast
Year-to-Date Net Available: \$ 231.2 Million OR 4.1% 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.

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

Forecast Date: 11/14/2018

Millions of \$

	Actual June FY18	Forecast June FY19	Actual June FY19	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	296.0	318.9	328.2	9.3	2.9	32.2	10.9
Corporate Income	63.5	63.4	73.2	9.8	15.5	9.8	15.4
Sales & Use	210.9	214.2	209.0	-5.2	-2.4	-1.9	-0.9
Alcohol	7.2	7.2	7.0	-0.2	-3.0	-0.3	-3.6
Tobacco	19.0	19.0	16.8	-2.2	-11.5	-2.2	-11.5
Insurance	52.0	78.9	96.2	17.3	21.9	44.2	85.1
Racing	0.1	0.1	0.1	0.0	18.0	0.0	-7.6
Gaming	5.6	5.7	6.2	0.5	9.5	0.7	12.1
Miscellaneous ¹	4.7	4.5	6.2	1.7	38.6	1.5	31.7
Total Gross	659.1	711.9	743.0	31.1	4.4	84.0	12.7
LESS: (SCSF/COF) ²	20.3	22.1	21.7	-0.4	-1.6	1.4	7.1
Individual Income Tax Refunds	25.7	27.0	15.6	-11.4	-42.2	-10.1	-39.3
Corporate Income Tax Refunds	4.3	3.7	1.7	-2.0	-55.2	-2.6	-61.3
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Economic Development Incentive	0.4	2.3	0.5	-1.8	-79.4	0.1	14.7
Amendment 82 Bonds	4.2	4.2	4.2	0.0	0.2	0.0	0.6
Recycling Tax Credit	16.0	16.0	16.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
School Desegregation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Excellence	26.7	27.6	27.6	0.0	0.0	0.9	3.4
Educational Adequacy	2.4	2.5	2.4	-0.1	-2.4	0.1	3.4
Total Deductions	101.2	116.6	90.9	-25.7	-22.0	-10.2	-10.1
Net Available	557.9	595.3	652.1	56.8	9.5	94.2	16.9

Revenue Forecast Summary for June

June Gross: \$ 31.1 Million OR 4.4% Above Forecast
June Net Available: \$ 56.8 Million OR 9.5% 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.