



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

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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 August (FY 2020)**

DATE: September 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 \$911.8 million, \$8.4 million or 0.9 percent above year ago levels. After two months into the fiscal year, net available revenue is above forecast by \$7.5 million or 0.8 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,028.9 million, representing an increase of \$6.9 million or 0.7 percent above last year. Gross general revenues are above forecast by \$6.7 million or 0.7 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$461.4 million, \$8.4 million or 1.9 percent above FY 2019 collections and \$4.7 million or 1.0 percent above forecast.

Year-to-date individual income tax refunds total \$19.1 million, down \$0.2 million or -0.9 percent compared to last year and \$5.2 million or 37.1 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 \$428.5 million, an increase of \$7.9 million or 1.9 percent from FY 2019 and \$0.5 million or -0.1 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$29.2 million, a decrease of \$8.1 million from year-to-date FY 2019. Corporate income is below forecast by \$1.6 million or -5.1 percent.

Year-to-date corporate income tax refunds total \$1.5 million, a decrease of \$1.8 million compared to the same year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$449.0 million, \$14.9 million or 3.4 percent above last year and \$7.5 million or 1.7 percent above forecast.

The largest collection categories of Individual Income and Sales Tax were above forecast. Individual Income Tax revenue was up 5.6 percent compared to prior year and \$2.8 million above forecast. Sales tax collections were 5.5 percent above last year and \$6.3 million above forecast for the month. Corporate Income tax collections were below year ago and forecast in a minor collection month for that category. Income Tax Refunds were above forecast in August reducing results in net terms.

Among smaller revenue sources, Tobacco was fractionally below forecast by -\$0.1 million and fractionally above year ago collections. Results in Gaming revenue exceeded forecast by \$0.2 million.

August Gross General Revenues: August collections total \$508.0 million, an increase of \$17.8 million or 3.6 percent above last year and \$8.4 million or 1.7 percent above forecast.

August Individual Income Tax collections total \$229.0 million. Collections increased by \$12.1 million or 5.6 percent compared to last year. With respect to the forecast, collections were \$2.8 million or 1.3 percent above forecast. Individual withholding increased 4.6 percent compared to last year.

August Individual Income Tax Refunds total \$10.3 million, \$3.6 million or 52.9 percent above last year and \$4.7 million above forecast. Refund amounts above forecast reduce net available fund results.

August Sales and Use Tax Collections: August collections total \$222.8 million, an increase of \$11.6 million or 5.5 percent above last year. Collections were above monthly forecast levels by \$6.3 million or 2.9 percent.

August Corporate Income Tax collections total \$4.1 million, a decrease of \$2.5 million from year ago, and \$0.8 million or -15.7 percent below forecast in an otherwise minor collection month for this category.

August Corporate Income Tax Refunds total \$0.8 million. This amount is \$1.8 million below year ago levels. Refunds were also \$2.0 million below forecast.

August Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.7 million. Collections increased fractionally by 0.2 percent from year earlier levels and were fractionally below 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 August 2019, \$46.0 million was collected and deposited to the fund. After deductions, the net amount is \$44.7 million. The monthly collection is equivalent to a 4.1 percent increase from prior year collections.

August 2019 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 05/15/2019

Millions of \$

	Actual Aug FY19	Forecast Aug FY20	Actual Aug FY20	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	452.9	456.7	461.4	4.7	1.0	8.4	1.9
Corporate Income	37.4	30.8	29.2	-1.6	-5.1	-8.1	-21.8
Sales & Use	420.7	429.0	428.5	-0.5	-0.1	7.9	1.9
Alcohol	10.2	10.3	10.7	0.4	3.7	0.5	4.4
Tobacco	38.0	36.7	40.0	3.3	9.0	2.0	5.2
Insurance	20.7	20.4	20.4	0.0	-0.2	-0.4	-1.9
Racing	0.3	0.3	0.2	-0.1	-25.1	-0.1	-23.9
Gaming	11.2	8.1	8.4	0.3	4.0	-2.7	-24.6
Miscellaneous ¹	30.7	29.9	30.1	0.2	0.8	-0.6	-1.8
Total Gross	1,022.1	1,022.2	1,028.9	6.7	0.7	6.9	0.7
LESS: (SCSF/COF) ²	31.7	31.7	31.9	0.2	0.6	0.2	0.7
Individual Income Tax Refunds	19.2	13.9	19.1	5.2	37.1	-0.2	-0.9
Corporate Income Tax Refunds	3.3	3.6	1.5	-2.1	-57.6	-1.8	-54.1
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	1.5	3.9	0.6	-3.3	-85.9	-1.0	-63.5
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	2.6	2.6	2.6	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	55.2	57.0	56.3	-0.7	-1.2	1.1	2.0
Educational Adequacy	4.9	5.0	5.0	0.0	-0.5	0.1	2.0
Total Deductions	118.7	117.9	117.1	-0.8	-0.7	-1.5	-1.3
Net Available	903.4	904.3	911.8	7.5	0.8	8.4	0.9

Revenue Forecast Summary for August

Year-to-Date Gross:	\$ 6.7 Million OR 0.7% Above Forecast
Year-to-Date Net Available:	\$ 7.5 Million OR 0.8% 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.

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

Forecast Date: 05/15/2019

Millions of \$

	Actual Aug FY19	Forecast Aug FY20	Actual Aug FY20	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	216.9	226.2	229.0	2.8	1.3	12.1	5.6
Corporate Income	6.6	4.9	4.1	-0.8	-15.7	-2.5	-37.9
Sales & Use	211.2	216.5	222.8	6.3	2.9	11.6	5.5
Alcohol	4.6	4.7	4.8	0.1	2.5	0.2	3.7
Tobacco	19.7	19.8	19.7	-0.1	-0.3	0.0	0.2
Insurance	20.2	19.7	19.7	0.0	0.1	-0.5	-2.3
Racing	0.1	0.1	0.1	0.0	-23.7	0.0	-38.6
Gaming	5.6	2.3	2.5	0.2	10.1	-3.1	-54.9
Miscellaneous ¹	5.2	5.4	5.2	-0.2	-4.5	0.0	-0.4
Total Gross	490.3	499.6	508.0	8.4	1.7	17.8	3.6
LESS: (SCSF/COF) ²	15.2	15.5	15.7	0.2	1.6	0.6	3.6
Individual Income Tax Refunds	6.8	5.6	10.3	4.7	84.8	3.6	52.9
Corporate Income Tax Refunds	2.6	2.8	0.8	-2.0	-71.1	-1.8	-69.3
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	0.3	1.9	0.2	-1.7	-90.3	-0.1	-29.2
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	0.0	0.0	0.0	0.0	0.0	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	56.2	58.1	59.0	0.9	1.6	2.8	5.0
Net Available	434.1	441.5	449.0	7.5	1.7	14.9	3.4

Revenue Forecast Summary for August

August Gross: \$ 8.4 Million OR 1.7% Above Forecast
August Net Available: \$ 7.5 Million OR 1.7% 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.