



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

Economic Analysis and Tax Research

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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 August (FY 2021)**

DATE: September 2, 2020 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 \$1,151.4 million, \$239.6 million or 26.3 percent above year ago levels. After two months into the fiscal year, net available revenue is above forecast by \$93.7 million or 8.9 percent. The results include net collection increases tied to the income tax due date shift to July from April in the prior fiscal year.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,331.7 million, representing an increase of \$302.8 million or 29.4 percent above last year. Gross general revenues are above forecast by \$133.8 million or 11.2 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$685.4 million, \$224.0 million or 48.6 percent above FY 2020 collections and \$41.5 million or 6.4 percent above forecast.

Year-to-date individual income tax refunds total \$68.0 million, up \$49.0 million or 256.9 percent compared to last year and \$36.2 million or 114.0 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 \$472.7 million, an increase of \$44.2 million or 10.3 percent from FY 2020 and \$53.3 million or 12.7 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$56.5 million, an increase of \$27.3 million from year-to-date FY 2020. Corporate income is above forecast by \$21.4 million or 61.0 percent.

Year-to-date corporate income tax refunds total \$3.6 million, an increase of \$2.1 million compared to the same year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$485.5 million, \$36.5 million or 8.1 percent above last year and \$41.0 million or 9.2 percent above forecast.

The largest collection categories of Individual Income and Sales Tax were above forecast and year ago levels. Individual Income Tax revenue was up 7.2 percent compared to prior year contributing \$23.9 million above the gross revenue forecast. Sales tax collections were 6.0 percent above last year contributing \$20.7 million above forecast. 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 above forecast by \$1.1 million and fractionally below year ago collections. Results in Gaming revenue exceeded forecast by \$0.2 million.

August Gross General Revenues: August collections total \$564.9 million, an increase of \$56.9 million or 11.2 percent above last year and \$53.9 million or 10.6 percent above forecast.

August Individual Income Tax collections total \$245.5 million. Collections increased by \$16.5 million or 7.2 percent compared to last year. With respect to the forecast, collections were \$23.9 million or 10.8 percent above forecast. Individual withholding increased 7.6 percent compared to last year, partly reflecting payday timing differences with year ago collections.

August Individual Income Tax Refunds total \$26.4 million, \$16.1 million or 155.2 percent above last year and \$11.2 million above forecast. Refund amounts above forecast reduce net available fund results.

August Sales and Use Tax Collections: August collections total \$236.2 million, an increase of \$13.5 million or 6.0 percent above last year. Collections were above monthly forecast levels by \$20.7 million or 9.6 percent.

August Corporate Income Tax collections total \$3.7 million, a decrease of \$0.4 million from year ago, and \$2.3 million or -37.7 percent below forecast in an otherwise minor collection month for this category.

August Corporate Income Tax Refunds total \$1.3 million. This amount is \$0.5 million above year ago levels. Refunds were also \$0.3 million above forecast.

August Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.5 million. Collections decreased by 1.4 percent from year earlier levels and were above forecast by \$1.1 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 2020, \$48.6 million was collected and deposited to the fund. After deductions, the net amount is \$47.2 million. The monthly collection is equivalent to a 5.7 percent increase from prior year collections.

C: /FISCNOT/August FY 2021
Attachment (2)

August 2020 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of \$

	Actual Aug FY20	Forecast Aug FY21	Actual Aug FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	461.4	643.9	685.4	41.5	6.4	224.0	48.6
Corporate Income	29.2	35.1	56.5	21.4	61.0	27.3	93.3
Sales & Use	428.5	419.4	472.7	53.3	12.7	44.2	10.3
Alcohol	10.7	11.1	11.9	0.8	6.9	1.2	11.1
Tobacco	40.0	35.6	39.6	4.0	11.3	-0.4	-0.9
Insurance	20.4	20.3	20.0	-0.3	-1.4	-0.3	-1.7
Racing	0.2	0.2	0.1	-0.1	-33.8	-0.1	-41.1
Gaming	8.4	5.2	5.1	-0.1	-1.7	-3.3	-39.3
Severance	2.0	1.5	1.7	0.2	12.1	-0.3	-16.4
Franchise	1.1	1.0	3.7	2.7	271.7	2.6	236.1
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	24.4	22.0	32.3	10.3	46.9	7.9	32.5
Total Gross	1,028.9	1,197.9	1,331.7	133.8	11.2	302.8	29.4
LESS: (SCSF/COF) ¹	31.9	37.1	41.3	4.2	11.3	9.4	29.4
Individual Income Refunds	19.1	31.8	68.0	36.2	114.0	49.0	256.9
Corporate Income Refunds	1.5	1.9	3.6	1.7	89.6	2.1	135.9
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	0.6	3.9	1.3	-2.6	-65.8	0.8	142.4
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	0.3	0.2	-0.1	-26.0	0.0	0.0
Educational Excellence	56.3	57.5	58.1	0.6	1.0	1.8	3.2
Educational Adequacy	5.0	5.1	5.1	0.0	0.7	0.2	3.2
Total Deductions	117.1	140.2	180.3	40.1	28.6	63.2	53.9
Net Available	911.8	1,057.7	1,151.4	93.7	8.9	239.6	26.3

Revenue Forecast Summary for August

Year-to-Date Gross: \$ 133.8 Million OR 11.2% Above Forecast
Year-to-Date Net Available: \$ 93.7 Million OR 8.9% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

August 2020 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of \$

	Actual Aug FY20	Forecast Aug FY21	Actual Aug FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	229.0	221.6	245.5	23.9	10.8	16.5	7.2
Corporate Income	4.1	6.0	3.7	-2.3	-37.7	-0.4	-9.6
Sales & Use	222.8	215.5	236.2	20.7	9.6	13.5	6.0
Alcohol	4.8	5.0	5.4	0.4	7.5	0.6	11.6
Tobacco	19.7	18.4	19.5	1.1	5.8	-0.3	-1.4
Insurance	19.7	19.7	19.5	-0.2	-1.2	-0.3	-1.3
Racing	0.1	0.1	0.1	0.0	-39.0	0.0	-20.0
Gaming	2.5	2.3	2.5	0.2	8.8	0.0	-1.1
Severance	0.7	0.7	0.6	-0.1	-16.2	-0.1	-9.8
Franchise	0.8	0.7	0.8	0.1	15.3	0.0	4.5
Real Estate Transfer	1.2	1.2	1.0	-0.2	-20.3	-0.2	-19.1
Miscellaneous	2.6	19.8	30.2	10.4	52.5	27.6	1,082.3
Total Gross	508.0	511.0	564.9	53.9	10.6	56.9	11.2
LESS: (SCSF/COF) ¹	15.7	15.8	17.5	1.7	10.8	1.8	11.2
Individual Income Refunds	10.3	15.2	26.4	11.2	73.8	16.1	155.2
Corporate Income Refunds	0.8	1.0	1.3	0.3	28.9	0.5	59.4
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	0.2	1.9	1.3	-0.6	-29.8	1.2	624.8
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	28.1	28.7	29.0	0.3	1.2	0.9	3.2
Educational Adequacy	2.5	2.6	2.6	0.0	-1.2	0.1	3.2
Total Deductions	59.0	66.5	79.5	13.0	19.5	20.4	34.6
Net Available	449.0	444.5	485.5	41.0	9.2	36.5	8.1

Revenue Forecast Summary for August

August Gross: \$ 53.9 Million OR 10.6% Above Forecast
August Net Available: \$ 41.0 Million OR 9.2% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.