



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

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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 June and FY 2021 Summary**

DATE: July 2, 2021 Copy: Governor's Office

FISCAL YEAR 2021 REVENUE SUMMARY

The Official General Revenue Forecast was revised up by \$212.3 million to a level of \$5.899 billion in Net Available revenue on June 30, 2021.

Results from collections and distributions for FY 2021 reached \$6.845 billion or \$945.7 million above the forecast of June 30, 2021, and \$945.7 million in excess of full funding level for the Revenue Stabilization Act representing a surplus as defined by that budget control and allocation process.

The following results are compared to the Official forecast issued on April 2, 2020 for conformity with prior reports.

Fiscal Year 2021 Net Available General Revenues and Factors for Growth: Fiscal year 2021 net available general revenue collections total \$6,845.3 million. This amount is \$1,091.9 million or 19.0 percent above prior year results and \$1,158.0 million or 20.4 percent above forecast.

The fiscal year ended above forecast in all major categories of collections and above year ago levels. This broad-based gain represents a variety of contributing factors for final collection results. Individual income tax liability in tax years 2019 and 2020 exceeded expectations with payments from the two tax years falling partially in FY 2021 due to filing date extensions. Payroll Withholding tax exceeded expectations amid faster rebound in the state economy. Sales tax exceeded expectations from the combined factors of economic rebound, stimulus transfers, and base growth in online marketplace sales. Corporate Income tax collections exceeded forecast in this volatile category.

Fiscal Year 2021 Gross General Revenues: Fiscal year 2021 gross collections total \$8,121.0 million, representing an increase of \$1,153.3 million or 16.6 percent above last year. Gross general revenues were \$1,226.0 million or 17.8 percent above forecast.

Fiscal Year 2021 Individual Income Taxes: Fiscal year 2021 individual income tax collections total \$3,969.2 million, \$550.6 million or 16.1 percent above FY 2020 collections and \$610.1 million or 18.2 percent above forecast.

Fiscal Year 2021 individual income tax refunds total \$502.1 million, \$1.6 million or -0.3 percent below last year and \$47.1 million or 10.3 percent above forecast. Amounts above forecast in refund categories subtract from net general revenue results.

Fiscal Year 2021 Sales and Use Collections: Fiscal year 2021 Sales and Use tax collections total \$2,883.8 million, an increase of \$340.1 million or 13.4 percent over FY 2020 and \$314.4 million or 12.2 percent above forecast.

Fiscal Year 2021 Corporate Income Taxes: Fiscal year corporate collections total \$651.9 million, an increase of \$169.8 million or 35.2 percent above FY 2020. Collections came in \$202.5 million or 45.1 percent above forecast.

Fiscal Year 2021 Corporate income tax refunds total \$65.3 million, \$16.0 million or 32.4 percent above last year and \$2.2 million above the general revenue forecast.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$740.6 million, \$150.9 million or 25.6 percent above last year. Net available general revenues were \$178.0 million or 31.6 percent above forecast for the month.

Revenues in June were above forecast and year ago levels in all major categories of collections. Revenues exceeded forecast and year ago in Sales Tax with Motor Vehicle Sales Tax up 17.3 percent. Individual and Corporate Income collections also exceeded forecast with gains in Estimated Payments from both categories.

Among smaller revenue sources, Tobacco matched forecast at \$18.3 million. Results in Gaming were above forecast by \$4.3 million.

June Gross General Revenues: June collections total \$867.7 million, an increase of \$171.7 million or 24.7 percent above last year and \$187.2 million or 27.5 percent above the monthly forecast.

June Individual Income Tax collections total \$328.8 million. Collections increased by \$26.5 million, or 8.8 percent, compared to last year. Monthly collections were above forecast by \$71.0 million or 27.5 percent. Withholding tax from payrolls were unchanged from year ago levels due to payroll timing effects accounted for in the monthly forecast series, but above forecast from other factors by 17.5 percent.

June Individual Income Tax Refunds total \$42.0 million. This amount is \$12.4 million or 41.7 percent above year ago refunds and \$18.3 million above the monthly forecast. Refund claim patterns have been altered by the income tax filing due date shift to May 17, 2021.

June Sales and Use Collections: June collections total \$256.8 million, an increase of \$29.4 million or 12.9 percent above last year. Collections were above forecast by \$18.8 million or 7.9 percent. The motor vehicle portion of Sales Tax was up 17.3 percent from year ago levels.

June Corporate Income Tax collections total \$115.0 million, an increase of \$51.7 million or 81.7 percent from year earlier levels, and \$44.9 million or 64.1 percent above forecast.

June Corporate Income Tax Refunds total \$0.7 million. This amount is \$0.2 million below refund levels a year ago.

June Tobacco Tax collections, a small component of general revenue, total \$18.3 million or 7.3 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 2021, \$55.3 million was collected and deposited to the fund. After deductions, the net amount is \$53.7 million. The monthly collection is equivalent to a 11.2 percent increase from prior year collections. Fiscal year net collections total \$597.5 million, compared to \$528.1 million last year. This represents a 13.1 percent fiscal year increase from prior year collections.

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

June 2021 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of \$

	Actual June FY20	Forecast June FY21	Actual June FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	3,418.6	3,359.1	3,969.2	610.1	18.2	550.6	16.1
Corporate Income	482.1	449.4	651.9	202.5	45.1	169.8	35.2
Sales & Use	2,543.7	2,569.4	2,883.8	314.4	12.2	340.1	13.4
Alcohol	60.8	63.7	68.8	5.1	8.1	8.0	13.1
Tobacco	220.4	198.7	224.5	25.8	13.0	4.2	1.9
Insurance	125.0	148.4	191.8	43.4	29.2	66.8	53.4
Racing	1.7	2.0	1.6	-0.4	-18.5	0.0	-2.0
Gaming	32.4	31.2	38.8	7.6	24.4	6.4	19.8
Severance	7.5	5.6	7.2	1.6	29.0	-0.2	-3.2
Franchise	8.0	8.0	8.0	0.0	0.0	0.0	0.0
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	65.0	56.9	72.7	15.8	27.7	7.7	11.8
Total Gross	6,967.7	6,895.0	8,121.0	1,226.0	17.8	1,153.3	16.6
LESS: (SCSF/COF) ¹	215.7	213.7	250.1	36.4	17.0	34.4	16.0
Individual Income Refunds	503.6	455.0	502.1	47.1	10.3	-1.6	-0.3
Corporate Income Refunds	49.3	63.1	65.3	2.2	3.4	16.0	32.4
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Econ Development Incentive	17.9	23.4	13.2	-10.2	-43.6	-4.7	-26.4
Amendment 82 Bonds	5.3	5.3	5.3	0.0	-0.2	0.0	-0.1
Recycling Tax Credit	16.0	22.5	16.0	-6.5	-28.9	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	-3.3	0.0	0.0
City & County Tourist	0.9	0.9	0.9	0.0	-1.3	0.0	0.0
Educational Excellence	337.7	344.5	348.5	4.0	1.2	10.8	3.2
Educational Adequacy	29.9	30.5	30.8	0.3	1.0	1.0	3.2
Highway Casino Transfer	0.0	0.0	5.6	5.6	0.0	5.6	0.0
Total Deductions	1,214.3	1,207.7	1,275.7	68.0	5.6	61.4	5.1
Net Available	5,753.4	5,687.3	6,845.3	1,158.0	20.4	1,091.9	19.0
LESS: Surplus	3.2	0.0	945.7				
Net AVAILABLE Distribution	5,750.2	5,687.3	5,899.6	212.3	3.7	149.4	2.6

Revenue Forecast Summary for the Month

June Year-to-Date Gross: \$ 1226.0 Million OR 17.8% Above Forecast
June Year-to-Date Net Available: \$ 1158.0 Million OR 20.4% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

June 2021 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of \$

	Actual June FY20	Forecast June FY21	Actual June FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	302.2	257.8	328.8	71.0	27.5	26.5	8.8
Corporate Income	63.3	70.1	115.0	44.9	64.1	51.7	81.7
Sales & Use	227.4	238.0	256.8	18.8	7.9	29.4	12.9
Alcohol	6.1	6.4	7.6	1.2	19.1	1.5	24.3
Tobacco	19.7	18.3	18.3	0.0	-0.1	-1.4	-7.3
Insurance	63.5	81.9	124.7	42.8	52.3	61.2	96.3
Racing	0.1	0.1	0.1	0.0	-7.7	0.0	49.0
Gaming	1.2	0.0	4.3	4.3	0.0	3.1	249.4
Severance	0.2	0.2	0.8	0.6	312.3	0.6	291.8
Franchise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	12.2	7.7	11.2	3.5	45.8	-0.9	-7.6
Total Gross	696.0	680.5	867.7	187.2	27.5	171.7	24.7
LESS: (SCSF/COF) ¹	21.3	21.1	25.3	4.2	19.7	4.0	18.7
Individual Income Refunds	29.7	23.7	42.0	18.3	77.4	12.4	41.7
Corporate Income Refunds	1.0	2.0	0.7	-1.3	-63.2	-0.2	-24.6
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Econ Development Incentive	2.2	1.9	1.8	-0.1	-7.3	-0.5	-21.3
Amendment 82 Bonds	4.2	4.3	4.3	0.0	-0.6	0.0	0.8
Recycling Tax Credit	16.0	22.5	16.0	-6.5	-28.9	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
Educational Excellence	28.1	28.7	29.0	0.3	1.2	0.9	3.2
Educational Adequacy	2.5	2.5	2.6	0.1	2.7	0.1	3.2
Highway Casino Transfer	0.0	0.0	4.2	4.2	0.0	4.2	0.0
Total Deductions	106.2	117.9	127.0	9.1	7.7	20.8	19.6
Net Available	589.7	562.6	740.6	178.0	31.6	150.9	25.6

Revenue Forecast Summary for the Month

June Gross: \$ 187.2 Million OR 27.5% Above Forecast
June Net Available: \$ 178.0 Million OR 31.6% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.