



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 May (FY 2022)**

DATE: June 2, 2022 Copy: Governor's Office

The Official General Revenue forecast was revised on May 18, 2022, to reflect an expected year-end surplus of \$1.473 billion. The following comparisons to forecast of monthly and year-to-date actual results reflect the latest forecast revision.

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues total \$6,698.4 million, \$593.7 million or 9.7 percent above year ago levels. After eleven months into the fiscal year, Net Available revenue is above the revised forecast by \$4.6 million or 0.1 percent.

Year-to-date Gross General Revenues total \$7,870.0 million, representing an increase of \$616.6 million or 8.5 percent above last year. Gross general revenues are above the revised forecast by \$6.6 million or 0.1 percent.

Year-to-date Individual Income Tax collections total \$3,832.7 million, \$192.3 million or 5.3 percent above FY 2021 collections and \$5.5 million or 0.1 percent above forecast.

Year-to-date individual income tax refunds total \$426.2 million, down \$33.9 million or -7.4 percent compared to the same period last year and \$4.7 million or 1.1 percent above forecast.

Year-to-date Sales and Use Tax collections total \$2,868.8 million, an increase of \$241.9 million or 9.2 percent from FY 2021 and \$1.3 million below the revised forecast.

Year-to-date Corporate Income Taxes total \$703.7 million, an increase of \$166.8 million from year-to-date FY 2021. Corporate income is above the revised forecast by \$1.2 million or 0.2 percent. Corporate Extension Payments exceeded year ago and forecast levels.

Year-to-date Corporate income tax refunds total \$49.3 million, a decrease of \$15.2 million compared to the same year-to-date period last year.

MAY REVENUE SUMMARY

May Net Available General Revenues total \$512.7 million, \$142.4 million or -21.7 percent below last year and \$4.6 million or 0.9 percent above the revised forecast.

Net Available revenue results were above forecast in Income Tax categories and slightly below in Sales and Use Tax. Individual Income Tax collections were above forecast mainly from additional Extension Payments, adding to gains recorded in April. Individual Refunds exceeded forecast in the wind down of claims for this fiscal year. Corporate Income Tax collections were above forecast, largely from Extension Payments for prior tax year liability. Sales Tax collections were below year ago and slightly below forecast, reflecting adverse comparison with the surge in consumption last May.

Among smaller revenue sources, Tobacco was above forecast by \$1.1 million and below year ago collections. Gaming revenue was below forecast for the month by -\$0.2 million.

May Gross General Revenues total \$645.4 million, down \$177.4 million or -21.6 percent below last year and \$6.6 million or 1.0 percent above forecast. Gains in Gross revenue collections compared to forecast largely occurred in Income Tax categories. Decline compared to year ago partly reflects the income tax due date difference of May last year and April this year.

May Individual Income Tax collections total \$303.6 million. Collections decreased by \$168.1 million or -35.6 percent compared to last year. With respect to the forecast, collections were \$5.5 million or 1.9 percent above forecast. Individual Withholding Tax revenue decreased \$1.3 percent or -0.5 percent compared to last year.

May Individual Income Tax Refunds total \$51.7 million, \$30.4 million below last year and \$4.7 million above forecast. Tax filing due date differences account for much of the change from year ago in refunds. Refund claims above forecast subtract from net revenue results.

May Sales and Use Tax collections total \$261.9 million, down \$12.3 million or -4.5 percent below last year. Collections were below monthly forecast levels by \$1.3 million or -0.5 percent. Major reporting sectors of Sales Tax displayed mixed results compared to year ago in part from comparison with the surge in stimulus-fueled retail spending last year. Motor Vehicles Sales Tax collection was down -10.8 percent from last year, largely because of the spike in vehicle sales and collections last May.

May Corporate Income Tax collections total \$45.0 million, an increase of \$4.3 million from year ago, and \$1.2 million above forecast.

May Corporate Income Tax Refunds total \$1.3 million. This amount is \$1.5 million below year ago levels. Refunds were \$0.9 million below forecast.

May Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$17.9 million. Collections decreased by \$1.4 million 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 May 2022, \$67.7 million was collected and deposited to the fund. After deductions, the net amount is \$65.7 million. The monthly collection is equivalent to a 9.3 percent increase from prior year collections.

C: /FISCNOT/May FY 2022
Attachment (2)

May 2022 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 05/18/22

Millions of \$

	Actual May FY21	Forecast May FY22	Actual May FY22	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar	Percent	Dollar	Percent
				Difference	Difference	Difference	Difference
Individual Income	3,640.5	3,827.2	3,832.7	5.5	0.1	192.3	5.3
Corporate Income	536.9	702.5	703.7	1.2	0.2	166.8	31.1
Sales & Use	2,627.0	2,870.1	2,868.8	-1.3	0.0	241.9	9.2
Alcohol	61.2	66.6	66.3	-0.3	-0.4	5.1	8.3
Tobacco	206.3	195.7	196.8	1.1	0.6	-9.4	-4.6
Insurance	67.1	78.3	78.2	-0.1	-0.2	11.1	16.6
Racing	1.5	1.4	1.7	0.3	19.0	0.1	8.4
Gaming	34.5	41.5	41.3	-0.2	-0.4	6.8	19.8
Severance	6.4	12.0	12.2	0.2	1.8	5.8	90.8
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	61.4	57.5	57.6	0.1	0.1	-3.9	-6.3
Total Gross	7,253.4	7,863.4	7,870.0	6.6	0.1	616.6	8.5
LESS: (SCSF/COF) ¹	224.9	243.7	244.0	0.3	0.1	19.1	8.5
Individual Income Refunds	460.0	421.5	426.2	4.7	1.1	-33.9	-7.4
Corporate Income Refunds	64.5	50.2	49.3	-0.9	-1.7	-15.2	-23.5
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	11.4	15.3	13.4	-1.9	-12.7	1.9	16.9
Amendment 82 Bonds	1.0	1.0	1.0	0.0	-2.8	0.0	-4.2
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	13.6	13.6	13.6	0.0	0.0	0.0	0.0
College Savings Bonds	23.2	20.4	20.4	0.0	0.2	-2.8	-11.9
City & County Tourist	0.9	0.9	0.9	0.0	-1.3	0.0	0.0
Educational Excellence	319.5	362.2	362.2	0.0	0.0	42.7	13.4
Educational Adequacy	28.2	32.0	32.0	0.0	0.1	3.8	13.4
Highway Casino Transfer	1.4	8.8	8.6	-0.2	-2.1	7.2	497.5
Total Deductions	1,148.7	1,169.6	1,171.6	2.0	0.2	22.9	2.0
Net Available	6,104.7	6,693.8	6,698.4	4.6	0.1	593.7	9.7

Revenue Forecast Summary for the Month

May Year-to-Date Gross: \$ 6.6 Million OR 0.1% Above Forecast
 May Year-to-Date Net Available: \$ 4.6 Million OR 0.1% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

May 2022 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 05/18/22

Millions of \$

	Actual May FY21	Forecast May FY22	Actual May FY22	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	471.7	298.1	303.6	5.5	1.9	-168.1	-35.6
Corporate Income	40.6	43.8	45.0	1.2	2.7	4.3	10.7
Sales & Use	274.2	263.1	261.9	-1.3	-0.5	-12.3	-4.5
Alcohol	6.8	7.2	6.9	-0.3	-3.9	0.0	0.6
Tobacco	19.3	16.8	17.9	1.1	6.8	-1.4	-7.1
Insurance	1.4	1.4	1.3	-0.1	-8.9	-0.1	-9.5
Racing	0.3	0.1	0.3	0.3	355.9	0.0	2.7
Gaming	5.5	5.1	4.9	-0.2	-3.5	-0.6	-11.0
Severance	0.3	0.8	1.0	0.2	28.3	0.7	248.7
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	-100.0	0.0	0.0
Miscellaneous	2.6	2.6	2.7	0.1	2.6	0.0	1.9
Total Gross	822.8	638.9	645.4	6.6	1.0	-177.4	-21.6
LESS: (SCSF/COF) ¹	25.5	19.7	20.0	0.3	1.4	-5.5	-21.6
Individual Income Refunds	82.1	47.0	51.7	4.7	9.9	-30.4	-37.0
Corporate Income Refunds	2.8	2.2	1.3	-0.9	-39.9	-1.5	-54.3
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	2.8	2.2	0.2	-1.9	-90.1	-2.6	-92.3
Amendment 82 Bonds	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	1.2	1.2	1.2	0.0	0.0	0.0	0.0
College Savings Bonds	20.2	17.7	17.7	0.0	0.2	-2.5	-12.4
City & County Tourist	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
Educational Excellence	29.0	32.9	32.9	0.0	0.0	3.9	13.4
Educational Adequacy	2.6	2.9	2.9	0.0	0.7	0.3	13.4
Highway Casino Transfer	1.4	4.9	4.7	-0.2	-3.7	3.3	228.1
Total Deductions	167.7	130.7	132.7	2.0	1.5	-35.0	-20.9
Net Available	655.2	508.2	512.7	4.6	0.9	-142.4	-21.7

Revenue Forecast Summary for the Month

May Gross: \$ 6.6 Million OR 1.0% Above Forecast
May Net Available: \$ 4.6 Million OR 0.9% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.