



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

**OFFICE OF THE DIRECTOR**  
**Economic Analysis & Tax Research**  
1509 West Seventh Street, Room 404  
Post Office Box 3278  
Little Rock, Arkansas 72203-3278  
Phone: (501) 682-1688  
Fax: (501) 682-1086  
<http://www.dfa.arkansas.gov>

**M E M O R A N D U M**

TO: Richard Weiss, Director  
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for March (FY 2012)**

DATE: April 3, 2012

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 \$3,346.8 million, \$94.7 million or 2.9 percent above year ago levels. After nine months into the fiscal year, net available revenue is above forecast by \$62.6 million or 1.9 percent.

Among major revenue categories, both individual and corporate income taxes are above forecast and sales tax collections (gross receipts) are down year-to-date relative to forecast. The key components of individual income tax are on forecast or ahead for the year, including withholding tax and estimated payments. The sales tax results improved again in March relative to forecast, but year-to-date results reflect a combination of generally weak retail sales earlier in the fiscal year and adverse one-time comparisons in business transactions in the first two months of the fiscal year. Individual refunds are above forecast for the year-to-date period but the large drop in March reduced this offset to collections growth. The significant swing in refunds over February and March compared to year ago levels and forecast represent a reminder of volatility and risk in the filing season. Although the trend may reverse next month with increased refunds as the filing deadline approaches, significant risk from refunds appears to have passed.

**Year-to-date Gross General Revenues:** Year-to-date gross collections total \$4,190.6

million, representing an increase of \$167.2 million or 4.2 percent above last year. Gross general revenues are above forecast by \$93.1 million or 2.3 percent.

**Year-to-date Individual Income Taxes:** Year-to-date individual income tax collections total \$1,969.4 million, \$99.9 million or 5.3 percent above FY 2011 collections and \$64.8 million or 3.4 percent above forecast. Collections growth for individual withholding, a key revenue line, is up 3.9 percent over year ago levels.

**Year-to-date individual income tax refunds** total \$340.6 million, up \$33.1 million or 10.8 percent compared to last year and \$23.3 million or 7.4 percent above forecast. Amounts above forecast in refund categories detract from net available revenue.

**Year-to-date Gross Receipts Collections:** Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$1,592.5 million, an increase of \$26.1 million or 1.7 percent from FY 2011 and \$22.2 million or -1.4 percent below forecast.

**Year-to-date Corporate Income Taxes:** Year-to-date corporate revenues total \$293.8 million, an increase of \$37.9 million or 14.8 percent from year-to-date FY 2011. Corporate income is above forecast by \$35.9 million or 13.9 percent.

**Year-to-date corporate income tax refunds** total \$51.3 million, up \$19.0 million compared to the comparable year-to-date period last year. This amount includes large refunds in October.

## MARCH REVENUE SUMMARY

**March Net Available General Revenues** total \$356.3 million, \$40.5 million or 12.8 percent above last year and \$42.4 million or 13.5 percent above forecast.

All major revenue categories came in on forecast or above in March. Individual income tax accounted for the bulk of the gain in both dollar and percentage terms compared to forecast and year ago measures. As indicators of economic conditions in the state, individual withholding was up 6.4 percent and gross receipts (sales taxes) were up 5.0 percent compared to year ago. Individual income tax refunds also contributed significantly to the amount above forecast as payouts contracted sharply compared to last month and contributed \$20.2 million to net available results.

**March Gross General Revenues:** March collections total \$508.3 million, an increase of \$24.5 million or 5.1 percent from last year and \$22.3 million or 4.6 percent above forecast.

**March Individual Income Tax** collections total \$221.8 million. Collections increased by \$18.8 million, or 9.2 percent, compared to last year. With respect to the forecast,

collections are \$15.5 million or 7.5 percent above forecast. Individual withholding gained 6.4 percent compared to last year.

**March Individual Income Tax Refunds** total \$100.6 million, \$20.2 million below last year and also \$20.2 million below forecast. Low growth in refunds follows high growth in the prior month. Less volatility is expected as refunds return to a normal filing period. In March, 15.1 percent fewer refunds were processed than in March 2011 and the average refund amount was 2.5 percent below last year.

**March Gross Receipts Collections:** March collections total \$174.7 million, an increase of \$8.2 million or 5.0 percent from last year. Collections were above monthly forecast levels by \$2.9 million or 1.7 percent.

**March Corporate Income Tax** collections total \$59.7 million, an increase of \$1.6 million or 2.8 percent from year earlier levels, and equal to forecast level for the month. Corporate income tax filings are a volatile component of general revenue.

**March Corporate Income Tax Refunds** total \$1.7 million. This amount is \$0.9 million above year ago levels and \$0.8 million above forecast for this subtraction from gross general revenues.

**March Tobacco Tax** collections, a small component of general revenue, total \$19.9 million or -2.1 percent below year earlier levels, and \$0.8 million or 4.4 percent above forecast. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

## **SPECIAL REVENUES OF NOTE**

**Year-to-date Medicaid Program Trust Fund:** Year-to-date collections of the dedicated soft drink tax total \$35.2 million, an increase of 0.3 percent from last year.

**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 March 2012, \$36.0 million was collected and deposited to the fund. After deductions, the net amount is \$34.8 million. The monthly collection is equivalent to a 5.3 percent increase from prior year collections.

YEAR TO DATE REPORT, MARCH 2012  
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH MARCH 2012  
9 Months YTD  
Forecast Date: 04/21/2011

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2011	FORECAST FY 2012	INCREASE AMOUNT    PERCENT		ACTUAL FY 2011	ACTUAL FY 2012	INCREASE AMOUNT    PERCENT		
INDIVIDUAL INCOME	1,869.5	1,904.6	35.1	1.9	1,869.5	1,969.4	99.9	5.3	103.4
CORPORATE INCOME	255.9	257.9	2.0	0.8	255.9	293.8	37.9	14.8	113.9
GROSS RECEIPTS <sup>1</sup>	1,566.4	1,614.7	48.3	3.1	1,566.4	1,592.5	26.1	1.7	98.6
ALCOHOLIC BEVERAGE <sup>2</sup>	22.8	23.8	1.0	4.6	22.8	23.1	0.3	1.4	96.9
TOBACCO	179.8	171.9	-7.9	-4.4	179.8	179.0	-0.8	-0.4	104.2
INSURANCE	66.4	66.1	-0.3	-0.5	66.4	64.0	-2.4	-3.6	96.9
RACING	2.8	2.7	-0.1	-4.8	2.8	2.6	-0.2	-8.1	96.5
GAMES OF SKILL	9.3	10.0	0.7	7.0	9.3	19.3	9.9	105.9	192.5
MISCELLANEOUS <sup>3</sup>	50.3	45.8	-4.5	-9.0	50.3	46.8	-3.5	-6.9	102.3
TOTAL GROSS	4,023.3	4,097.5	74.2	1.8	4,023.3	4,190.6	167.2	4.2	102.3
LESS: SCSF/COF <sup>4</sup>	120.7	135.2	14.5	12.0	120.7	138.3	17.6	14.6	102.3
IND INCOME TAX REFUNDS	307.5	317.3	9.8	3.2	307.5	340.6	33.1	10.8	107.4
CORP INCOME TAX REFUNDS	32.3	35.0	2.7	8.4	32.3	51.3	19.0	58.8	146.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	10.6	17.7	7.1	67.0	10.6	11.7	1.1	10.1	65.9
WATER/SEWER BONDS	11.3	11.3	0.0	0.0	11.3	11.3	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.7	5.6	-0.1	-2.1	5.7	2.1	-3.6	-63.6	37.1
CITY/CO. TOURIST	4.0	3.9	-0.1	-1.4	4.0	4.0	0.0	-0.1	101.4
SCHOOL DESEGREGATION	58.6	55.8	-2.8	-4.8	58.6	55.8	-2.8	-4.8	100.0
EDUCATIONAL EXCELLENCE	201.5	211.5	10.0	5.0	201.5	210.0	8.6	4.2	99.3
EDUCATIONAL ADEQUACY	17.8	18.7	0.9	5.0	17.8	18.6	0.8	4.2	99.3
ELDERLY TRANSPORTATION	1.3	1.3	0.0	1.1	1.3	0.2	-1.1	-87.5	12.3
NET AVAILABLE	3,252.1	3,284.2	32.1	1.0	3,252.1	3,346.8	94.7	2.9	101.9

REVENUE FORECAST SUMMARY FOR MARCH

YEAR-TO-DATE GROSS	\$ 93.1 MILLION OR 2.3% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 39.6 MILLION OR 11.2% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 62.6 MILLION OR 1.9% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 11</u> 35.1	<u>YTD FY 12</u> 35.2	<u>% CHANGE</u> 0.3
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 11</u> 312.2	<u>YTD FY 12</u> 316.7	<u>% CHANGE</u> 1.4

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.

MARCH GENERAL REVENUE REPORT  
(ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)  
(682-1688 for further information)

March 30, 2012  
Days Remaining: 0  
Forecast date: 04/21/2011

MILLIONS OF \$

CURRENT MONTH

CURRENT MONTH TO DATE

	ACTUAL FY 2011	FORECAST FY 2012	CHANGE AMOUNT	PERCENT	ACTUAL FY 2011	ACTUAL FY 2012	CHANGE AMOUNT	PERCENT	ACTUAL AS % OF FORECAST
INDIVIDUAL INCOME	203.0	206.3	3.3	1.6	203.0	221.8	18.8	9.2	107.5
CORPORATE INCOME	58.1	59.7	1.6	2.8	58.1	59.7	1.6	2.8	100.0
GROSS RECEIPTS <sup>1</sup>	166.5	171.8	5.3	3.2	166.5	174.7	8.2	5.0	101.7
ALCOHOLIC BEVERAGE <sup>2</sup>	2.1	2.3	0.2	8.7	2.1	2.3	0.2	7.1	98.5
TOBACCO	20.4	19.1	-1.3	-6.2	20.4	19.9	-0.4	-2.1	104.4
INSURANCE	20.0	20.0	0.0	0.2	20.0	20.0	0.0	0.0	99.8
RACING	0.4	0.4	0.0	-9.5	0.4	0.4	-0.1	-15.1	93.7
GAMES OF SKILL	1.5	1.2	-0.3	-19.4	1.5	3.1	1.6	108.2	258.4
MISCELLANEOUS <sup>3</sup>	11.9	5.2	-6.7	-56.2	11.9	6.4	-5.4	-45.7	123.9
<b>TOTAL GROSS</b>	<b>483.8</b>	<b>486.0</b>	<b>2.2</b>	<b>0.5</b>	<b>483.8</b>	<b>508.3</b>	<b>24.5</b>	<b>5.1</b>	<b>104.6</b>
LESS: (SCSF/COF) <sup>4</sup>	14.5	16.0	1.5	10.2	14.5	16.8	2.3	15.6	104.8
IND INC TAX REFUNDS	120.8	120.8	0.0	0.0	120.8	100.6	-20.2	-16.7	83.3
CORP INC TAX REFUNDS	0.8	0.9	0.1	16.8	0.8	1.7	0.9	120.9	189.2
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.0	1.9	1.9	0.0	0.0	0.7	0.7	0.0	36.7
WATER/SEWER BONDS	1.2	1.2	0.0	0.0	1.2	1.2	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	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	0.0	0.0
SCHOOL DESEGREGATION	6.2	5.6	-0.6	-9.7	6.2	5.6	-0.6	-9.7	100.0
EDUCATIONAL EXCELLENCE	22.4	23.5	1.1	5.0	22.4	23.3	1.0	4.2	99.3
EDUCATIONAL ADEQUACY	2.0	2.1	0.1	6.1	2.0	2.1	0.1	4.2	98.2
ELDERLY TRANSPORTATION	0.1	0.1	0.0	-27.4	0.1	0.0	-0.1	-100.0	0.0
<b>NET AVAILABLE</b>	<b>315.9</b>	<b>313.9</b>	<b>-2.0</b>	<b>-0.6</b>	<b>315.9</b>	<b>356.3</b>	<b>40.5</b>	<b>12.8</b>	<b>113.5</b>

## REVENUE FORECAST SUMMARY FOR MARCH

MARCH GROSS	\$ 22.3 MILLION OR 4.6% ABOVE FORECAST.
MARCH NET AVAILABLE	\$ 42.4 MILLION OR 13.5% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Mar 11</u> 33.1	<u>Mar 12</u> 34.8	<u>% CH</u> 5.3
---	-----------------------	-----------------------	--------------------

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes estate tax, severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.