



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>

MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research

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

DATE: May 2, 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 \$3,905.7 million, \$122.0 million or 3.2 percent above year ago levels. After ten months into the fiscal year, net available revenue is above forecast by \$93.6 million or 2.5 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 April 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. Although high volatility was recorded in individual income tax refunds during the tax filing season, significant risk from refunds appears to have passed.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$4,908.7 million, representing an increase of \$201.1 million or 4.3 percent above last year. Gross general revenues are above forecast by \$123.6 million or 2.6 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,435.5 million, \$129.3 million or 5.6 percent above FY 2011 collections and \$94.9 million or 4.1 percent above forecast. Collections growth for individual withholding, a key revenue line, is up 4.8 percent over year ago levels.

Year-to-date individual income tax refunds total \$439.9 million, up \$34.3 million or 8.5 percent compared to last year and \$21.5 million or 5.1 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 \$1,773.6 million, an increase of \$33.9 million or 2.0 percent from FY 2011 and \$19.8 million or -1.1 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$332.5 million, an increase of \$34.0 million or 11.4 percent from year-to-date FY 2011. Corporate income is above forecast by \$32.2 million or 10.7 percent.

Year-to-date corporate income tax refunds total \$53.0 million, up \$20.3 million compared to the comparable year-to-date period last year. This amount includes large refunds in October.

APRIL REVENUE SUMMARY

April Net Available General Revenues total \$558.9 million, \$27.3 million or 5.1 percent above last year and \$31.0 million or 5.9 percent above forecast.

Among major revenue categories, Individual Income and Sales Tax (gross receipts) came in substantially above forecast and year ago levels in April. Individual income tax accounted for the bulk of the gain in both dollar and percentage terms compared to forecast and year ago measures. Individual withholding was up 11.2 percent reflecting a combination of payroll timing effect and steady income gains. Sales taxes were up 4.5 percent compared to year ago and 1.3 percent above forecast. Individual income tax refunds also contributed to the amount above forecast as payouts remained below forecast for a second month.

April Gross General Revenues: April collections total \$718.2 million, an increase of \$33.9 million or 5.0 percent from last year and \$30.6 million or 4.4 percent above forecast.

April Individual Income Tax collections total \$466.1 million. Collections increased by \$29.4 million, or 6.7 percent, compared to last year. With respect to the forecast, collections are \$30.1 million or 6.9 percent above forecast. Individual withholding gained 11.2 percent compared to last year.

April Individual Income Tax Refunds total \$99.3 million, \$1.2 million above last year and also \$1.8 million below forecast. In April, 1.5 percent fewer refunds were processed than in April 2011 and the average refund amount was 2.8 percent above last year. Both measures of refund activity are moderate compared to swings in recent months.

April Gross Receipts Collections: April collections total \$181.1 million, an increase of \$7.9 million or 4.5 percent from last year. Collections were above monthly forecast levels by \$2.4 million or 1.3 percent.

April Corporate Income Tax collections total \$38.8 million, a decrease of \$3.9 million or -9.1 percent from year earlier levels, and below forecast by 8.6 percent for the month. Corporate income tax filings are a volatile component of general revenue.

April Corporate Income Tax Refunds total \$1.7 million. This amount is \$1.3 million above year ago levels and \$1.1 million above forecast for this subtraction from gross general revenues.

April Tobacco Tax collections, a small component of general revenue, total \$19.4 million or -2.0 percent below year earlier levels, and \$0.4 million or 2.0 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 \$39.1 million, an increase of 0.4 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 April 2012, \$39.3 million was collected and deposited to the fund. After deductions, the net amount is \$38.1 million. The monthly collection is equivalent to a 4.0 percent increase from prior year collections.

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

THROUGH APRIL 2012
10 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	2,306.2	2,340.6	34.4	1.5	2,306.2	2,435.5	129.3	5.6	104.1
CORPORATE INCOME	298.5	300.3	1.8	0.6	298.5	332.5	34.0	11.4	110.7
GROSS RECEIPTS ¹	1,739.6	1,793.4	53.8	3.1	1,739.6	1,773.6	33.9	2.0	98.9
ALCOHOLIC BEVERAGE ²	25.4	26.5	1.1	4.4	25.4	25.5	0.1	0.6	96.3
TOBACCO	199.6	190.9	-8.7	-4.4	199.6	198.4	-1.2	-0.6	103.9
INSURANCE	66.9	66.6	-0.3	-0.4	66.9	64.9	-2.0	-3.0	97.4
RACING	3.2	3.0	-0.2	-4.8	3.2	3.0	-0.2	-6.0	98.7
GAMES OF SKILL	11.0	11.2	0.2	1.8	11.0	22.3	11.3	102.7	199.1
MISCELLANEOUS ³	57.2	52.6	-4.6	-8.1	57.2	53.0	-4.2	-7.3	100.8
TOTAL GROSS	4,707.6	4,785.1	77.5	1.6	4,707.6	4,908.7	201.1	4.3	102.6
LESS: SCSF/COF ⁴	141.2	157.9	16.7	11.8	141.2	162.0	20.8	14.7	102.6
IND INCOME TAX REFUNDS	405.6	418.4	12.8	3.2	405.6	439.9	34.3	8.5	105.1
CORP INCOME TAX REFUNDS	32.7	35.6	2.9	8.9	32.7	53.0	20.3	62.0	148.9
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	10.8	19.6	8.8	81.5	10.8	13.4	2.6	24.1	68.3
WATER/SEWER BONDS	12.5	12.5	0.0	0.0	12.5	12.5	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	5.3	5.3	0.0	0.5	5.3	5.3	0.0	-0.1	99.4
SCHOOL DESEGREGATION	65.1	60.8	-4.3	-6.6	65.1	60.8	-4.3	-6.6	100.0
EDUCATIONAL EXCELLENCE	223.8	235.1	11.3	5.0	223.8	233.3	9.5	4.2	99.3
EDUCATIONAL ADEQUACY	19.8	20.8	1.0	5.1	19.8	20.6	0.8	4.2	99.2
ELDERLY TRANSPORTATION	1.4	1.4	0.0	-1.7	1.4	0.2	-1.3	-88.8	11.4
NET AVAILABLE	3,783.6	3,812.1	28.5	0.8	3,783.6	3,905.7	122.0	3.2	102.5

REVENUE FORECAST SUMMARY FOR APRIL

YEAR-TO-DATE GROSS	\$ 123.6 MILLION OR 2.6% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 38.9 MILLION OR 8.6% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 93.6 MILLION OR 2.5% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 11</u> 39.0	<u>YTD FY 12</u> 39.1	<u>% CHANGE</u> 0.4
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 11</u> 348.8	<u>YTD FY 12</u> 354.8	<u>% CHANGE</u> 1.7

- 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.

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

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

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2011	FORECAST FY 2012	CHANGE AMOUNT	PERCENT	ACTUAL FY 2011	ACTUAL FY 2012	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	436.7	436.0	-0.7	-0.2	436.7	466.1	29.4	6.7	106.9
CORPORATE INCOME	42.6	42.4	-0.2	-0.6	42.6	38.8	-3.9	-9.1	91.4
GROSS RECEIPTS ¹	173.2	178.7	5.5	3.2	173.2	181.1	7.9	4.5	101.3
ALCOHOLIC BEVERAGE ²	2.6	2.7	0.1	2.7	2.6	2.4	-0.2	-6.8	90.7
TOBACCO	19.8	19.0	-0.8	-4.0	19.8	19.4	-0.4	-2.0	102.0
INSURANCE	0.5	0.5	0.0	6.4	0.5	0.8	0.4	78.9	168.2
RACING	0.3	0.3	0.0	-4.9	0.3	0.4	0.0	12.8	118.6
GAMES OF SKILL	1.7	1.2	-0.5	-27.4	1.7	3.0	1.4	84.0	253.3
MISCELLANEOUS ³	6.9	6.8	-0.1	-1.0	6.9	6.2	-0.7	-10.1	90.7
TOTAL GROSS	684.3	687.6	3.3	0.5	684.3	718.2	33.9	5.0	104.4
LESS: (SCSF/COF) ⁴	20.5	22.7	2.2	10.6	20.5	23.7	3.2	15.4	104.4
IND INC TAX REFUNDS	98.1	101.1	3.0	3.0	98.1	99.3	1.2	1.2	98.2
CORP INC TAX REFUNDS	0.4	0.6	0.2	44.0	0.4	1.7	1.3	311.7	286.0
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.2	1.9	1.7	859.3	0.2	1.7	1.5	774.0	91.1
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	1.3	1.4	0.1	6.2	1.3	1.3	0.0	-0.1	94.1
SCHOOL DESEGREGATION	6.5	5.0	-1.5	-23.1	6.5	5.0	-1.5	-23.1	100.0
EDUCATIONAL EXCELLENCE	22.4	23.6	1.2	5.4	22.4	23.3	1.0	4.2	98.9
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
NET AVAILABLE	531.5	527.9	-3.6	-0.7	531.5	558.9	27.3	5.1	105.9

REVENUE FORECAST SUMMARY FOR APRIL

APRIL GROSS	\$ 30.6 MILLION OR 4.4% ABOVE FORECAST.
APRIL NET AVAILABLE	\$ 31.0 MILLION OR 5.9% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Apr 11</u>	<u>Apr 12</u>	<u>% CH</u>
	36.6	38.1	4.0

- 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.