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**MEMORANDUM**

TO: Richard Weiss, Director  
Tim Leathers, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for June and FY 2013 Summary**

DATE: July 2, 2013

Copy: Governor's Office  
Management Services

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**FISCAL YEAR 2013 REVENUE SUMMARY**

**Fiscal Year 2013 Net Available General Revenues and Surplus:** Fiscal year 2013 net available general revenue collections total \$5,027.0 million. This amount is \$275.4 million or 5.8 percent above last year. The resulting year-end surplus is \$299.5 million or 6.3 percent above the net available for distribution amount (budgeted) for fiscal year 2013. All categories of the budget were funded during the year.

The fiscal year ended above forecast and above the budgeted amount as a result of growth primarily in Individual Income Tax collections. Evidence of income shifting into tax year 2012 liability to avoid higher federal income tax rates was noted in estimated payments, final payments, and payments with extensions. Withholding income tax payments tied to payroll activity and economic conditions also exceeded forecast, but were modest in comparison to gains in the other categories of income tax payments. Individual income tax accounted for \$190.9 million above forecast over the year out of the \$200.0 million net amount above forecast for general revenue. Non-withholding categories of individual income tax accounted for 76.8 percent of the overage in income tax.

Individual income tax refunds ended below forecast and only slightly above year ago levels. Corporate income tax refunds were also under forecast and below last year. The

lower-than-expected refund payments contributed to net available funds.

Sales and Use tax collections grew \$22.5 million or 1.1 percent over the year, compared to expected growth of 2.5 percent. The difference amounted to a shortfall of \$29.5 million or -1.4 percent compared to forecast. This was more than offset by the gains in Individual Income tax described above.

Corporate income tax collections fell below year ago collections by 1.0 percent (-\$4.1 million) and underperformed the forecast by -2.7 percent. The shortfall relative to forecast amounted to -\$11.9 million.

Other notable departures from forecast occurred in School Desegregation payments and Economic Development Incentive Fund payouts. Both categories of “below the line expenditures” were less than expected and added to net available funds as a result.

**Fiscal Year 2013 Gross General Revenues:** Fiscal year 2013 gross collections total \$6,214.2 million, representing an increase of \$290.0 million or 4.9 percent above last year. Gross general revenues are \$153.0 million or 2.5 percent above forecast.

**Fiscal Year 2013 Individual Income Taxes:** Fiscal year 2013 individual income tax collections total \$3,144.4 million, \$249.2 million or 8.6 percent above FY 2012 collections and \$190.9 million or 6.5 percent above forecast. Collections for individual withholding, the largest component of individual income tax, were \$2,381.7 million, representing a 4.5 percent increase over last year. Estimated payments grew by 17.0 percent above FY 2012 levels. Returns and extensions with payments increased 30.1% above FY 2012. Extensions with payments alone expanded 110.8 percent year over year, with potential for refunds and lower estimated payments later in FY 2014.

**Fiscal Year 2013 individual income tax refunds** total \$494.8 million, \$1.5 million or 0.3 percent above last year and \$21.1 million or -4.1 percent below forecast.

**Fiscal Year 2013 Sales and Use Collections:** Fiscal year 2013 Sales and Use tax collections total \$2,124.5 million, an increase of \$22.5 million or 1.1 percent over FY 2012 and \$29.5 million or -1.4 percent below forecast. Low growth in sales tax collections relative to FY 2012 reflect limited economic growth in wage income, higher payroll tax withholding at the federal level for social security tax, federal sequester spending cuts in government payrolls, and limited growth in taxable business activity.

**Fiscal Year 2013 Corporate Income Taxes:** Fiscal year corporate revenues total \$431.1 million, a decrease of \$4.1 million or -1.0 percent from FY 2012. Collections came in \$11.9 million or -2.7 percent below forecast.

**Fiscal Year 2013 Corporate income tax refunds** total \$55.6 million, \$1.1 million or -1.9 percent below last year and \$5.1 million below the general revenue forecast. Amounts below forecast in refund categories contributed to higher net available revenue.

## **JUNE REVENUE SUMMARY**

**June Net Available General Revenues** total \$546.9 million, \$37.3 million or 7.3 percent above last year.

Net available funds were boosted primarily by gains in individual income tax. These gains included quarterly estimated payments by individuals due in June reporting. Also, individual withholding on payrolls rose as a result of short-term timing effects of paydays during the month.

Other major income categories were slightly-to-significantly below forecast for the month. Sales and Use tax collections slightly underperformed forecast and recorded a 3.1 percent gain compared to year ago collections. The monthly gain exceeded the full-year growth average of 1.1 percent. Corporate income tax, a more volatile component of general revenue, fell below forecast and below year ago levels.

**June Gross General Revenues:** June collections total \$621.4 million, an increase of \$39.9 million or 6.9 percent above last year and \$11.7 million or 1.9 percent above the monthly forecast.

**June Individual Income Tax** collections total \$285.4 million. Collections increased by \$31.6 million, or 12.5 percent, compared to last year. With respect to the monthly forecast, collections are \$23.8 million or 9.1 percent above forecast. Gains in estimated payments of 17.4 percent year-over-year contributed to growth. Also, Withholding tax from payrolls grew by 11.3 percent above year ago levels and above forecast as short-term payroll timing effects added volatility to the results in a positive manner.

**June Individual Income Tax Refunds** total \$22.9 million. This amount is \$2.5 million or 12.1 percent above year ago refunds and \$1.5 million above the monthly forecast. Delays in IRS processing early in the tax filing season altered refund payment patterns in successive months at the state level. Overall, refunds for the year were below forecast.

**June Sales and Use Collections:** June collections total \$183.9 million, an increase of \$5.6 million or 3.1 percent from last year. Collections underperformed monthly forecast levels by \$1.7 million or 0.9 percent.

**June Corporate Income Tax** collections total \$71.7 million, a decrease of \$10.1 million or -12.4 percent from year earlier levels, and \$11.1 million or -13.5 percent below forecast.

**June Corporate Income Tax Refunds** total \$2.6 million. This amount is \$1.1 million or 70.6 percent above year ago refunds.

**June Tobacco Tax** collections, a small component of general revenue, total \$20.8 million or 6.5 percent above 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**

**Fiscal Year 2013 Soft Drink Tax (for Medicaid Program Trust Fund):** Fiscal year 2013 collections of the dedicated soft drink tax total \$44.5 million, a decrease of \$2.3 million or -4.9 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 June 2013, \$41.8 million was collected and deposited to the fund. After deductions, the net amount is \$40.5 million. The monthly collection is equivalent to a 3.3 percent increase from prior year collections. Fiscal year net collections total \$444.8 million, compared to \$438.1 million last year. This represents a 1.5 percent fiscal year increase from prior year collections.

YEAR TO DATE REPORT, JUNE 2013  
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH JUNE 2013  
12 Months YTD

MILLIONS OF DOLLARS

Forecast Date: 11/15/2012

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2012	FORECAST FY 2013	INCREASE AMOUNT	PERCENT	ACTUAL FY 2012	ACTUAL FY 2013	INCREASE AMOUNT	PERCENT	
INDIVIDUAL INCOME	2,895.2	2,953.5	58.3	2.0	2,895.2	3,144.4	249.2	8.6	106.5
CORPORATE INCOME	435.3	443.0	7.7	1.8	435.3	431.1	-4.1	-1.0	97.3
SALES AND USE	2,102.0	2,154.0	52.0	2.5	2,102.0	2,124.5	22.5	1.1	98.6
ALCOHOLIC BEVERAGE	50.8	52.2	1.4	2.8	50.8	52.6	1.8	3.6	100.8
TOBACCO	239.9	232.7	-7.2	-3.0	239.9	230.3	-9.6	-4.0	99.0
INSURANCE	99.3	112.4	13.1	13.2	99.3	109.9	10.6	10.7	97.8
RACING	3.4	3.1	-0.3	-8.2	3.4	3.0	-0.4	-12.0	95.9
GAMES OF SKILL	27.4	29.4	2.0	7.3	27.4	35.9	8.5	31.0	122.1
MISCELLANEOUS <sup>1</sup>	71.0	80.9	9.9	14.0	71.0	82.5	11.5	16.2	102.0
TOTAL GROSS	5,924.2	6,061.2	137.0	2.3	5,924.2	6,214.2	290.0	4.9	102.5
LESS: SCSF/COF <sup>2</sup>	195.4	200.0	4.6	2.4	195.4	204.7	9.3	4.8	102.3
IND INCOME TAX REFUNDS	493.3	515.9	22.6	4.6	493.3	494.8	1.5	0.3	95.9
CORP INCOME TAX REFUNDS	56.7	60.7	4.0	7.0	56.7	55.6	-1.1	-1.9	91.7
CLAIMS	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	16.5	23.4	6.9	41.7	16.5	10.6	-6.0	-36.1	45.1
WATER/SEWER BONDS	14.8	14.8	0.0	0.0	14.8	14.8	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	17.7	24.0	6.3	35.3	17.7	23.9	6.2	34.9	99.7
CITY/CO. TOURIST	5.3	2.8	-2.5	-46.9	5.3	2.8	-2.5	-46.7	100.3
SCHOOL DESEGREGATION	68.0	69.8	1.8	2.6	68.0	67.1	-0.9	-1.3	96.2
EDUCATIONAL EXCELLENCE	280.0	287.4	7.4	2.6	280.0	287.4	7.4	2.6	100.0
EDUCATIONAL ADEQUACY	24.8	25.4	0.6	2.6	24.8	25.4	0.7	2.6	100.0
ELDERLY TRANSPORTATION	0.2	0.0	-0.2	-100.0	0.2	0.0	-0.2	-100.0	0.0
NET AVAILABLE	4,751.6	4,827.0	75.4	1.6	4,751.6	5,027.0	275.4	5.8	104.1
LESS: SURPLUS TO ALLOTMENT RESERVE FUND	145.6	99.5			145.6	299.5			
NET AVAILABLE DISTRIBUTION	4,605.9	4,727.5	121.6	2.6	4,605.9	4,727.5	121.6	2.6	

REVENUE FORECAST SUMMARY FOR JUNE

YEAR-TO-DATE GROSS	\$ 153.0 MILLION OR 2.5% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 26.1 MILLION OR 4.5% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 200.0 MILLION OR 4.1% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 12</u> 46.8	<u>YTD FY 13</u> 44.5	<u>% CHANGE</u> -4.9
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 12</u> 438.1	<u>YTD FY 13</u> 444.8	<u>% CHANGE</u> 1.5

1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.

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

Days Remaining: 0

Forecast date: 11/15/2012

MILLIONS OF \$

## CURRENT MONTH

## CURRENT MONTH TO DATE

	ACTUAL FY 2012	FORECAST FY 2013	CHANGE		ACTUAL FY 2012	ACTUAL FY 2013	CHANGE		ACTUAL AS % OF FORECAST
			AMOUNT	PERCENT			AMOUNT	PERCENT	
INDIVIDUAL INCOME	253.8	261.6	7.8	3.1	253.8	285.4	31.6	12.5	109.1
CORPORATE INCOME	81.8	82.8	1.0	1.3	81.8	71.7	-10.1	-12.4	86.5
SALES AND USE	178.3	185.6	7.3	4.1	178.3	183.9	5.6	3.1	99.1
ALCOHOLIC BEVERAGE	5.7	5.8	0.1	2.4	5.7	6.0	0.3	6.1	103.6
TOBACCO	19.6	19.3	-0.3	-1.3	19.6	20.8	1.3	6.5	107.9
INSURANCE	33.5	46.8	13.3	39.7	33.5	44.8	11.3	33.8	95.8
RACING	0.2	0.2	0.0	-0.8	0.2	0.2	0.0	-21.8	78.8
GAMES OF SKILL	2.6	2.3	-0.3	-13.0	2.6	3.3	0.6	23.3	141.7
MISCELLANEOUS <sup>1</sup>	6.1	5.3	-0.8	-12.7	6.1	5.4	-0.7	-11.4	101.4
<b>TOTAL GROSS</b>	<b>581.5</b>	<b>609.7</b>	<b>28.2</b>	<b>4.8</b>	<b>581.5</b>	<b>621.4</b>	<b>39.9</b>	<b>6.9</b>	<b>101.9</b>
<b>LESS: (SCSF/COF) <sup>2</sup></b>	<b>19.1</b>	<b>20.1</b>	<b>1.0</b>	<b>5.5</b>	<b>19.1</b>	<b>20.1</b>	<b>1.1</b>	<b>5.7</b>	<b>100.2</b>
IND INC TAX REFUNDS	20.4	21.4	1.0	4.7	20.4	22.9	2.5	12.1	107.0
CORP INC TAX REFUNDS	1.5	5.0	3.5	232.1	1.5	2.6	1.1	70.6	51.4
CLAIMS	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	2.2	2.5	0.3	15.2	2.2	0.3	-1.9	-86.5	11.7
WATER/SEWER BONDS	1.1	1.2	0.1	9.1	1.1	1.2	0.1	9.1	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	2.2	4.0	1.8	81.4	2.2	1.3	-0.9	-39.1	33.6
EDUCATIONAL EXCELLENCE	23.3	24.0	0.7	2.9	23.3	24.0	0.6	2.6	99.8
EDUCATIONAL ADEQUACY	2.1	2.2	0.1	6.7	2.1	2.1	0.1	2.6	96.2
ELDERLY TRANSPORTATION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>NET AVAILABLE</b>	<b>509.6</b>	<b>519.3</b>	<b>9.7</b>	<b>1.9</b>	<b>509.6</b>	<b>546.9</b>	<b>37.3</b>	<b>7.3</b>	<b>105.3</b>

## REVENUE FORECAST SUMMARY FOR JUNE

JUNE GROSS	\$ 11.7 MILLION OR 1.9% ABOVE FORECAST.
JUNE NET AVAILABLE	\$ 27.6 MILLION OR 5.3% ABOVE FORECAST.

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>June 12</u> 39.2	<u>June 13</u> 40.5	<u>% CH</u> 3.3
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- 1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 2) State Central Services Fund and Constitutional Officers Fund.