



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

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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for March (FY 2014)**

DATE: April 2, 2014

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 \$3,597.8 million, \$94.8 million or 2.7 percent above year ago levels. After nine months into the fiscal year, net available revenue is above forecast by \$78.2 million or 2.2 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$4,456.3 million, representing an increase of \$124.1 million or 2.9 percent above last year. Gross general revenues are above forecast by \$50.3 million or 1.1 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,154.2 million, \$64.6 million or 3.1 percent above FY 2013 collections and \$43.7 million or 2.1 percent above forecast. Collections for individual withholding are up 2.9 percent from year ago levels.

Year-to-date individual income tax refunds total \$341.0 million, up \$19.4 million or 6.0 percent compared to last year and \$18.2 million or -5.1 percent below forecast. Amounts below forecast in refund categories add to net available revenue.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,629.5 million, an increase of \$47.0 million or 3.0 percent from FY 2013 and \$16.5 million or -1.0 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$305.8 million, an increase of \$9.0 million or 3.0 percent from year-to-date FY 2013. Corporate income is above forecast by \$13.2 million or 4.5 percent.

Year-to-date corporate income tax refunds total \$49.4 million, an increase of \$2.2 million compared to the same year-to-date period last year.

MARCH REVENUE SUMMARY

March Net Available General Revenues total \$386.5 million, \$40.0 million or 11.6 percent above last year and \$43.3 million or 12.6 percent above forecast.

All major categories of collections were above forecast in gross revenue terms and lower-than expected refunds provided an extra gain in net available funds. The monthly swing largely offsets the weakness in the prior month and adds to year-to-date gains going into the largest, and potentially volatile collection month of April.

Results were significantly impacted by: 1) rebound in Sales and Use tax compared to year ago and versus forecast, 2) components of Individual Income tax compared to forecast, and 3) a decline in both individual and corporate refunds compared to forecast and year ago refunds.

Among smaller revenue categories, most categories exceeded forecast except Tobacco tax collections were down sharply.

March Gross General Revenues: March collections total \$546.4 million, an increase of \$35.1 million or 6.9 percent from last year and \$30.1 million or 5.8 percent above forecast.

March Individual Income Tax collections total \$246.6 million. Collections increased by \$27.6 million, or 12.6 percent compared to last year, reflecting better-than expected payroll withholding tax and higher payments from tax returns. With respect to the forecast, collections were \$22.3 million or 9.9 percent above forecast. Individual withholding increased 6.2 percent compared to last year.

March Individual Income Tax Refunds total \$107.0 million, \$3.7 million or -3.4 percent below last year and \$10.2 million or -8.7 percent below forecast.

March Sales and Use Tax Collections: March collections total \$183.1 million, an increase of \$12.6 million or 7.4 percent above last year. Collections were above monthly forecast levels by \$6.6 million or 3.7 percent. Collections growth has been volatile in recent months.

March Corporate Income Tax collections total \$65.8 million, a decrease of \$4.0 million from year ago, but \$2.8 million above forecast. Collections remain above forecast on a year to date basis.

March Corporate Income Tax Refunds total \$1.4 million. This amount is \$2.0 million below year ago levels.

March Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$15.7 million. Collections decreased by \$1.7 million or -9.6 percent from year earlier levels and were below forecast by -\$2.7 million. 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 Soft Drink Tax (for Medicaid Program Trust Fund): Year-to-date collections of the dedicated soft drink tax total \$32.9 million, a decrease of -2.6 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 2014, \$38.5 million was collected and deposited to the fund. After deductions, the net amount is \$37.3 million. The monthly collection is equivalent to an 8.2 percent increase from prior year collections.

YEAR TO DATE REPORT, MARCH 2014
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH MARCH 2014
9 Months YTD
Forecast Date: 05/01/2013

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2013	FORECAST FY 2014	INCREASE AMOUNT PERCENT		ACTUAL FY 2013	ACTUAL FY 2014	INCREASE AMOUNT PERCENT		
INDIVIDUAL INCOME	2,089.6	2,110.5	20.9	1.0	2,089.6	2,154.2	64.6	3.1	102.1
CORPORATE INCOME	296.8	292.6	-4.2	-1.4	296.8	305.8	9.0	3.0	104.5
SALES AND USE	1,582.5	1,646.0	63.5	4.0	1,582.5	1,629.5	47.0	3.0	99.0
ALCOHOLIC BEVERAGE	36.5	36.7	0.2	0.5	36.5	37.6	1.0	2.8	102.3
TOBACCO	167.9	166.4	-1.5	-0.9	167.9	162.5	-5.4	-3.2	97.6
INSURANCE	63.4	64.7	1.3	2.1	63.4	66.3	3.0	4.7	102.5
RACING	2.3	2.1	-0.2	-7.0	2.3	2.2	-0.1	-4.6	102.6
GAMES OF SKILL	25.4	24.8	-0.6	-2.4	25.4	28.6	3.2	12.6	115.4
MISCELLANEOUS ¹	67.8	62.2	-5.6	-8.3	67.8	69.6	1.7	2.6	111.9
TOTAL GROSS	4,332.1	4,406.0	73.9	1.7	4,332.1	4,456.3	124.1	2.9	101.1
LESS: SCSF/COF ²	143.0	145.4	2.4	1.7	143.0	147.1	4.1	2.9	101.1
IND INCOME TAX REFUNDS	321.5	359.2	37.7	11.7	321.5	341.0	19.4	6.0	94.9
CORP INCOME TAX REFUNDS	47.2	52.0	4.8	10.2	47.2	49.4	2.2	4.7	95.0
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	8.3	17.4	9.1	108.9	8.3	9.5	1.2	14.4	54.8
WATER/SEWER BONDS	11.2	11.2	0.0	0.0	11.2	11.2	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.5	5.4	-0.1	-0.9	5.5	5.3	-0.1	-2.1	98.9
CITY/CO. TOURIST	2.1	2.1	0.0	-0.3	2.1	2.1	0.0	-0.1	100.2
SCHOOL DESEGREGATION	55.8	55.8	0.0	0.0	55.8	55.8	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	215.6	218.7	3.1	1.5	215.6	217.9	2.3	1.1	99.6
EDUCATIONAL ADEQUACY	19.1	19.2	0.1	0.8	19.1	19.3	0.2	1.1	100.3
NET AVAILABLE	3,503.0	3,519.6	16.6	0.5	3,503.0	3,597.8	94.8	2.7	102.2

REVENUE FORECAST SUMMARY FOR MARCH

YEAR-TO-DATE GROSS	\$ 50.3 MILLION OR 1.1% ABOVE FORECAST
YEAR-TO-DATE REFUNDS	\$ 20.9 MILLION OR 5.1% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 78.2 MILLION OR 2.2% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 13</u> 33.8	<u>YTD FY 14</u> 32.9	<u>% CHANGE</u> -2.6
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 13</u> 319.0	<u>YTD FY 14</u> 329.6	<u>% CHANGE</u> 3.3

- 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.

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

March 31, 2014
Days Remaining: 0
Forecast date: 05/01/2013

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2013	FORECAST FY 2014	CHANGE AMOUNT	PERCENT	ACTUAL FY 2013	ACTUAL FY 2014	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	219.0	224.3	5.3	2.4	219.0	246.6	27.6	12.6	109.9
CORPORATE INCOME	69.8	63.0	-6.8	-9.7	69.8	65.8	-4.0	-5.7	104.4
SALES AND USE	170.5	176.5	6.0	3.5	170.5	183.1	12.6	7.4	103.7
ALCOHOLIC BEVERAGE	3.8	3.8	0.0	0.0	3.8	3.8	0.0	0.2	100.2
TOBACCO	17.4	18.4	1.0	5.9	17.4	15.7	-1.7	-9.6	85.4
INSURANCE	20.1	20.5	0.4	1.8	20.1	20.5	0.4	2.1	100.2
RACING	0.3	0.3	0.0	-11.9	0.3	0.3	0.0	-9.3	102.9
GAMES OF SKILL	3.6	3.2	-0.4	-10.8	3.6	3.8	0.2	5.6	118.5
MISCELLANEOUS ¹	6.8	6.3	-0.5	-7.5	6.8	6.8	0.0	-0.4	107.6
TOTAL GROSS	511.3	516.3	5.0	1.0	511.3	546.4	35.1	6.9	105.8
LESS: (SCSF/COF) ²	16.9	17.0	0.1	0.7	16.9	18.0	1.2	6.9	106.1
IND INC TAX REFUNDS	110.7	117.2	6.5	5.9	110.7	107.0	-3.7	-3.4	91.3
CORP INC TAX REFUNDS	3.4	3.6	0.2	5.9	3.4	1.4	-2.0	-57.4	40.2
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.1	2.0	0.9	79.1	1.1	0.4	-0.7	-65.0	19.6
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	5.6	5.6	0.0	0.0	5.6	5.6	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	24.0	24.3	0.3	1.5	24.0	24.2	0.3	1.1	99.6
EDUCATIONAL ADEQUACY	2.1	2.2	0.1	3.9	2.1	2.1	0.0	1.1	97.3
NET AVAILABLE	346.4	343.2	-3.2	-0.9	346.4	386.5	40.0	11.6	112.6

REVENUE FORECAST SUMMARY FOR MARCH

MARCH GROSS	\$ 30.1 MILLION OR 5.8% ABOVE FORECAST
MARCH NET AVAILABLE	\$ 43.3 MILLION OR 12.6% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	March 13 34.4	March 14 37.3	% CH 8.2
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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.