



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 February (FY 2014)**

DATE: March 4, 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 \$3,211.3 million, \$54.7 million or 1.7 percent above year ago levels. After eight months into the fiscal year, net available revenue is above forecast by \$34.9 million or 1.1 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,909.8 million, representing an increase of \$89.0 million or 2.3 percent above last year. Gross general revenues are above forecast by \$20.1 million or 0.5 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,907.6 million, \$37.0 million or 2.0 percent above FY 2013 collections and \$21.4 million or 1.1 percent above forecast. Collections for individual withholding are up 2.5 percent from year ago levels.

Year-to-date individual income tax refunds total \$234.0 million, up \$23.2 million or 11.0 percent compared to last year and \$8.0 million or -3.3 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 \$1,446.4 million, an increase of \$34.4 million or 2.4 percent from FY 2013 and \$23.1 million or -1.6 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$240.0 million, an increase of \$13.0 million or 5.7 percent from year-to-date FY 2013. Corporate income is above forecast by \$10.4 million or 4.5 percent.

Year-to-date corporate income tax refunds total \$47.9 million, an increase of \$4.2 million compared to the same year-to-date period last year.

FEBRUARY REVENUE SUMMARY

February Net Available General Revenues total \$212.2 million, \$2.0 million or 1.0 percent above last year and \$4.7 million or -2.2 percent below forecast.

Results were significantly impacted by: 1) decline in Sales and Use tax compared to year ago and versus forecast, 2) higher-than expected growth in individual refunds due in part to delayed start of the tax filing season in January, and 3) a positive contribution from temporary effects of payroll timing for Individual Withholding tax.

Sales and Use tax collections in February largely reflect economic activity in January. Weather effects on collections were noted in the retail sector.

Among other revenue categories, corporate Income tax was below year ago and forecast in an otherwise low-activity month and Tobacco tax collections were down sharply.

February Gross General Revenues: February collections total \$427.3 million, an increase of \$16.0 million or 3.9 percent from last year and \$3.0 million or -0.7 percent below forecast.

February Individual Income Tax collections total \$226.7 million. Collections increased by \$28.5 million, or 14.4 percent compared to last year, reflecting temporary payroll timing effects that were partly anticipated in the forecast. With respect to the forecast, collections were \$14.7 million or 7.0 percent above forecast. Individual withholding increased 14.0 percent compared to last year.

February Individual Income Tax Refunds total \$163.5 million, \$14.8 million or 10.0 percent above last year and \$5.9 million or 3.8 percent above forecast. Gains during month partly reflect delays in the start of the income tax filing season to the end of January and effectively combined the first two months of processing into February.

February Sales and Use Tax Collections: February collections total \$167.0 million, a decrease of \$7.6 million or -4.3 percent below last year. Collections were below monthly forecast levels by \$13.8 million or -7.6 percent. Weather effects on consumer activity and retail store performance were noted in January across much of the state with those collections reported to the State by stores in February results.

February Corporate Income Tax collections total \$5.5 million, a decrease of \$2.2 million from year ago, and \$1.8 million below forecast. February is a low-activity month for Corporate Income tax reporting.

February Corporate Income Tax Refunds total \$1.3 million. This amount is \$1.9 million below year ago levels.

February Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$16.0 million. Collections decreased by \$2.7 million or -14.4 percent from year earlier levels and were below forecast by -\$2.5 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 \$29.4 million, a decrease of -3.8 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 February 2014, \$34.6 million was collected and deposited to the fund. After deductions, the net amount is \$33.5 million. The monthly collection is equivalent to a -4.0 percent decrease from prior year collections.

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

THROUGH FEBRUARY 2014
8 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	1,870.6	1,886.2	15.6	0.8	1,870.6	1,907.6	37.0	2.0	101.1
CORPORATE INCOME	227.0	229.6	2.6	1.2	227.0	240.0	13.0	5.7	104.5
SALES AND USE	1,412.0	1,469.5	57.5	4.1	1,412.0	1,446.4	34.4	2.4	98.4
ALCOHOLIC BEVERAGE	32.7	32.9	0.2	0.6	32.7	33.8	1.0	3.2	102.6
TOBACCO	150.5	148.0	-2.5	-1.7	150.5	146.8	-3.8	-2.5	99.2
INSURANCE	43.2	44.2	1.0	2.3	43.2	45.8	2.5	5.9	103.6
RACING	1.9	1.8	-0.1	-6.2	1.9	1.8	-0.1	-3.8	102.5
GAMES OF SKILL	21.8	21.6	-0.2	-1.0	21.8	24.8	3.0	13.8	115.0
MISCELLANEOUS ¹	61.0	55.9	-5.1	-8.4	61.0	62.8	1.8	2.9	112.3
TOTAL GROSS	3,820.8	3,889.7	68.9	1.8	3,820.8	3,909.8	89.0	2.3	100.5
LESS: SCSF/COF ²	126.1	128.4	2.3	1.8	126.1	129.0	2.9	2.3	100.5
IND INCOME TAX REFUNDS	210.8	242.0	31.2	14.8	210.8	234.0	23.2	11.0	96.7
CORP INCOME TAX REFUNDS	43.8	48.4	4.6	10.6	43.8	47.9	4.2	9.5	99.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	7.2	15.4	8.2	113.5	7.2	9.1	1.9	26.6	59.3
WATER/SEWER BONDS	10.0	10.0	0.0	0.0	10.0	10.0	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	50.2	50.2	0.0	0.0	50.2	50.2	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	191.6	194.4	2.8	1.5	191.6	193.7	2.1	1.1	99.6
EDUCATIONAL ADEQUACY	16.9	17.0	0.1	0.4	16.9	17.1	0.2	1.1	100.7
NET AVAILABLE	3,156.6	3,176.4	19.8	0.6	3,156.6	3,211.3	54.7	1.7	101.1

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 20.1 MILLION OR 0.5% ABOVE FORECAST
YEAR-TO-DATE REFUNDS	\$ 8.5 MILLION OR 2.9% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 34.9 MILLION OR 1.1% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 13</u> 30.6	<u>YTD FY 14</u> 29.4	<u>% CHANGE</u> -3.8
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 13</u> 284.6	<u>YTD FY 14</u> 292.3	<u>% CHANGE</u> 2.7

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.

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

February 28, 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	198.3	212.0	13.7	6.9	198.3	226.7	28.5	14.4	107.0
CORPORATE INCOME	7.7	7.3	-0.4	-5.2	7.7	5.5	-2.2	-28.1	75.8
SALES AND USE	174.6	180.8	6.2	3.6	174.6	167.0	-7.6	-4.3	92.4
ALCOHOLIC BEVERAGE	3.6	3.6	0.0	0.4	3.6	3.5	-0.1	-2.2	97.4
TOBACCO	18.7	18.5	-0.2	-0.8	18.7	16.0	-2.7	-14.4	86.3
INSURANCE	0.4	0.5	0.1	13.6	0.4	0.5	0.1	16.5	102.5
RACING	0.3	0.3	0.0	-10.6	0.3	0.3	0.0	-13.9	96.3
GAMES OF SKILL	2.7	2.7	0.0	-0.7	2.7	3.1	0.4	14.4	115.2
MISCELLANEOUS ¹	5.0	4.6	-0.4	-7.7	5.0	4.6	-0.4	-7.1	100.7
TOTAL GROSS	411.3	430.3	19.0	4.6	411.3	427.3	16.0	3.9	99.3
LESS: (SCSF/COF) ²	13.6	14.2	0.6	4.6	13.6	14.1	0.5	3.9	99.3
IND INC TAX REFUNDS	148.7	157.6	8.9	6.0	148.7	163.5	14.8	10.0	103.8
CORP INC TAX REFUNDS	3.2	3.5	0.3	9.3	3.2	1.3	-1.9	-57.9	38.5
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	2.0	2.0	0.0	0.0	0.2	0.2	0.0	11.3
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	8.4	8.4	0.0	0.0	8.4	8.4	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	210.1	216.9	6.8	3.2	210.1	212.2	2.0	1.0	97.8

REVENUE FORECAST SUMMARY FOR FEBRUARY

FEBRUARY GROSS \$ 3.0 MILLION OR 0.7% BELOW FORECAST
FEBRUARY NET AVAILABLE \$ 4.7 MILLION OR 2.2% BELOW FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Feb 13</u> 34.9	<u>Feb 14</u> 33.5	<u>% CH</u> -4.0
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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.