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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 June and FY 2014 Summary**

DATE: July 2, 2014

Copy: Governor's Office
Management Services

FISCAL YEAR 2014 REVENUE SUMMARY

Fiscal Year 2014 Net Available General Revenues and Surplus: Fiscal year 2014 net available general revenue collections total \$5,022.4 million. This amount is \$4.5 million or -0.1 percent below last year. The resulting year-end surplus is \$78.7 million or 1.6 percent above the net available-for-distribution amount (budgeted) for fiscal year 2014. 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 stable collections in gross revenue and lower-than-expected payouts from gross general revenue in Individual Income tax refunds and other deductions.

Weak absolute growth in year ago growth measures was attributable to adverse comparison to the income shifting into tax year 2012 liability that benefited fiscal year 2013 collections. Aside from special factors, the economic-related Withholding Income tax payments grew 2.0 percent in Fiscal year 2014, largely in line with employment, personal income, and inflation indicators over the same period.

Sales and Use tax collections grew \$48.6 million or 2.3 percent over the year, compared to expected growth of 3.9 percent. The difference amounted to a shortfall of \$34.6 million or -1.6 percent compared to forecast. This was more than offset by the gains in

income tax components and smaller revenue sources.

Individual Income tax collections were down compared to the prior year in aggregate and within most components as a result of the wind down from the income tax shift to prior year collections. Results compared to forecast reflect adequate provisioning for the anticipated decline from this large shift by taxpayer strategy.

Individual income tax refunds ended below forecast and moderately above year ago levels at 2.9 percent growth. Provision for the income tax shift effects described above in this refund category proved redundant. The lower-than-expected refund payments contributed to net available funds.

Corporate income tax collections were above year ago collections by 2.1 percent (\$9.1 million) and above the forecast by 2.6 percent. The gain relative to forecast amounted to \$11.2 million. Corporate income tax refunds were above forecast and significantly higher than last year.

Among smaller collections categories, tobacco tax collections were below forecast and below year ago collections. Insurance, Gaming, and Miscellaneous taxes were notably above forecast and year ago levels.

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 2014 Gross General Revenues: Fiscal year 2014 gross collections total \$6,242.6 million, representing an increase of \$28.4 million or 0.5 percent above last year. Gross general revenues are \$14.2 million or 0.2 percent above forecast.

Fiscal Year 2014 Individual Income Taxes: Fiscal year 2014 individual income tax collections total \$3,111.2 million, \$33.2 million or -1.1 percent below FY 2013 collections and \$10.0 million or 0.3 percent above forecast. Collections for individual withholding, the largest component of individual income tax, were \$2,429.5 million, representing a 2.0 percent increase over last year. Estimated payments declined by -1.6 percent from FY 2013 levels. Returns and extensions with payments decreased 18.2% below FY 2013. Extensions with payments alone contracted -47.5 percent from the elevated levels in the prior year.

Fiscal Year 2014 individual income tax refunds total \$509.0 million, \$14.2 million or 2.9 percent above last year and \$32.4 million or -6.0 percent below forecast.

Fiscal Year 2014 Sales and Use Collections: Fiscal year 2014 Sales and Use tax collections total \$2,173.1 million, an increase of \$48.6 million or 2.3 percent over FY 2013 and \$34.6 million or -1.6 percent below forecast. Modest growth in sales tax collections relative to FY 2013 reflects limited economic growth in most indicators over the year.

Fiscal Year 2014 Corporate Income Taxes: Fiscal year corporate revenues total \$440.2 million, an increase of \$9.1 million or 2.1 percent above FY 2013. Collections came in \$11.2 million or 2.6 percent above forecast.

Fiscal Year 2014 Corporate income tax refunds total \$69.0 million, \$13.4 million or 24.0 percent above last year and \$7.4 million above the general revenue forecast. Amounts above forecast in refund categories detract from general revenue.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$539.0 million, \$7.9 million or 1.4 percent below last year.

Net available funds were boosted primarily by reduced refund claims in Individual Income tax, higher Insurance tax funds deposited to general revenue, and lower than expected deductions from general revenue in Desegregation and Claims categories. Year-end deposits to general revenue from Insurance were 11.3 percent above year ago levels.

The major income categories displayed mixed results for the month. Individual Income tax matched the forecast and Sales and Use tax collections fell from year ago levels and forecast. Corporate Income tax was also below year ago levels and forecast.

June Gross General Revenues: June collections total \$616.4 million, a decrease of \$5.1 million or -0.8 percent from last year and \$2.0 million or 0.3 percent below the monthly forecast.

June Individual Income Tax collections total \$286.8 million. Collections increased by \$1.4 million, or 0.5 percent, compared to last year. Collections matched the forecast for the month. Also, Withholding tax from payrolls grew by 2.9 percent above year ago levels.

June Individual Income Tax Refunds total \$14.9 million. This amount is \$8.0 million or -34.8 percent below year ago refunds and \$9.2 million below the monthly forecast.

June Sales and Use Collections: June collections total \$180.2 million, a decrease of \$3.7 million or -2.0 percent from last year. Collections underperformed monthly forecast levels by \$10.4 million or -5.5 percent.

June Corporate Income Tax collections total \$66.1 million, a decrease of \$5.6 million or -7.8 percent from year earlier levels, and \$6.7 million or -9.3 percent below forecast.

June Corporate Income Tax Refunds total \$11.0 million. This amount is \$8.4 million above year ago refunds.

June Tobacco Tax collections, a small component of general revenue, total \$18.0 million or -13.7 percent below 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 2014 Soft Drink Tax (for Medicaid Program Trust Fund): Fiscal year 2014 collections of the dedicated soft drink tax total \$43.9 million, a decrease of \$0.6 million or -1.4 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 June 2014, \$39.9 million was collected and deposited to the fund. After deductions, the net amount is \$38.7 million. The monthly collection is equivalent to a -4.5 percent decrease from prior year collections. Fiscal year net collections total \$456.6 million, compared to \$444.8 million last year. This represents a 2.7 percent fiscal year increase from prior year collections.

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

THROUGH JUNE 2014
12 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	3,144.4	3,101.2	-43.2	-1.4	3,144.4	3,111.2	-33.2	-1.1	100.3
CORPORATE INCOME	431.1	429.0	-2.1	-0.5	431.1	440.2	9.1	2.1	102.6
SALES AND USE	2,124.5	2,207.7	83.2	3.9	2,124.5	2,173.1	48.6	2.3	98.4
ALCOHOLIC BEVERAGE	52.6	52.9	0.3	0.5	52.6	53.2	0.6	1.1	100.6
TOBACCO	230.3	221.6	-8.7	-3.8	230.3	219.2	-11.1	-4.8	98.9
INSURANCE	109.9	101.6	-8.3	-7.6	109.9	118.4	8.5	7.8	116.6
RACING	3.0	2.9	-0.1	-2.4	3.0	2.9	0.0	-1.1	101.4
GAMES OF SKILL	35.9	34.2	-1.7	-4.7	35.9	39.5	3.6	10.0	115.4
MISCELLANEOUS ¹	82.5	77.3	-5.2	-6.3	82.5	84.8	2.3	2.8	109.7
TOTAL GROSS	6,214.2	6,228.4	14.2	0.2	6,214.2	6,242.6	28.4	0.5	100.2
LESS: SCSF/COF ²	204.7	205.5	0.8	0.4	204.7	205.9	1.2	0.6	100.2
IND INCOME TAX REFUNDS	494.8	541.4	46.6	9.4	494.8	509.0	14.2	2.9	94.0
CORP INCOME TAX REFUNDS	55.6	61.6	6.0	10.7	55.6	69.0	13.4	24.0	112.1
CLAIMS	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	10.6	23.4	12.8	121.6	10.6	12.8	2.2	21.1	54.6
WATER/SEWER BONDS	14.8	14.8	0.0	0.0	14.8	14.8	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	23.9	24.0	0.1	0.3	23.9	23.9	0.0	0.0	99.7
CITY/CO. TOURIST	2.8	2.8	0.0	-0.3	2.8	2.8	0.0	-0.1	100.2
SCHOOL DESEGREGATION	67.1	69.8	2.7	4.0	67.1	65.8	-1.4	-2.0	94.2
EDUCATIONAL EXCELLENCE	287.4	291.7	4.3	1.5	287.4	290.5	3.1	1.1	99.6
EDUCATIONAL ADEQUACY	25.4	25.8	0.4	1.5	25.4	25.7	0.3	1.1	99.5
NET AVAILABLE	5,027.0	4,957.6	-69.4	-1.4	5,027.0	5,022.4	-4.5	-0.1	101.3
LESS: SURPLUS TO ALLOTMENT									
RESERVE FUND	299.5	13.8			299.5	78.7			
NET AVAILABLE DISTRIBUTION	4,727.5	4,943.8	216.3	4.6	4,727.5	4,943.8	216.3	4.6	

REVENUE FORECAST SUMMARY FOR JUNE

YEAR-TO-DATE GROSS	\$ 14.2 MILLION OR 0.2% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 64.8 MILLION OR 1.3% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 13</u> 44.5	<u>YTD FY 14</u> 43.9	<u>% CHANGE</u> -1.4
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 13</u> 444.8	<u>YTD FY 14</u> 456.6	<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.

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

June 30, 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	285.4	286.9	1.5	0.5	285.4	286.8	1.4	0.5	100.0
CORPORATE INCOME	71.7	72.8	1.1	1.6	71.7	66.1	-5.6	-7.8	90.7
SALES AND USE	183.9	190.6	6.7	3.6	183.9	180.2	-3.7	-2.0	94.5
ALCOHOLIC BEVERAGE	6.0	6.0	0.0	-0.2	6.0	6.1	0.1	2.1	102.2
TOBACCO	20.8	18.4	-2.4	-11.6	20.8	18.0	-2.8	-13.7	97.7
INSURANCE	44.8	35.1	-9.7	-21.7	44.8	49.9	5.1	11.3	142.1
RACING	0.2	0.2	0.0	27.0	0.2	0.2	0.0	27.2	100.2
GAMES OF SKILL	3.3	3.0	-0.3	-8.0	3.3	3.6	0.3	10.7	120.3
MISCELLANEOUS ¹	5.4	5.4	0.0	0.4	5.4	5.5	0.2	3.0	102.5
TOTAL GROSS	621.4	618.4	-3.0	-0.5	621.4	616.4	-5.1	-0.8	99.7
LESS: (SCSF/COF) ²	20.1	20.4	0.3	1.3	20.1	20.2	0.1	0.3	99.0
IND INC TAX REFUNDS	22.9	24.1	1.2	5.2	22.9	14.9	-8.0	-34.8	62.0
CORP INC TAX REFUNDS	2.6	3.0	0.4	16.8	2.6	11.0	8.4	326.7	365.3
CLAIMS	0.0	10.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.3	2.0	1.7	583.5	0.3	2.7	2.4	826.7	135.6
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	1.3	4.0	2.7	197.7	1.3	1.0	-0.4	-27.8	24.3
EDUCATIONAL EXCELLENCE	24.0	24.4	0.4	1.9	24.0	24.2	0.3	1.1	99.2
EDUCATIONAL ADEQUACY	2.1	2.2	0.1	3.9	2.1	2.1	0.0	1.1	97.3
NET AVAILABLE	546.9	527.1	-19.8	-3.6	546.9	539.0	-7.9	-1.4	102.3

REVENUE FORECAST SUMMARY FOR JUNE

JUNE GROSS	\$ 2.0 MILLION OR 0.3% BELOW FORECAST
JUNE NET AVAILABLE	\$ 11.9 MILLION OR 2.3% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	June 13 40.5	June 14 38.7	% CH -4.5
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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.