



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

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MEMORANDUM

TO: Larry Walther, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for July (FY 2016)**

DATE: August 4, 2015

Copy: Governor's Office
Management Services

JULY REVENUE SUMMARY

July Net Available General Revenues total \$399.2 million, \$3.9 million or -1.0 percent below last year and \$6.8 million or 1.7 percent above forecast.

Results in July for major categories consisted of Sales and Use tax collections well above expectations, Corporate Income tax below forecast, and Individual Income tax matching forecast. Collections are down compared to year ago results as expected, largely because of payroll withholding rates from updates to the state withholding tax tables.

Sales and Use Tax collections grew 4.1 percent, marking the fourth consecutive month of 4.0 percent or better annual growth.

July Gross General Revenues: July collections total \$466.8 million, a decrease of \$4.0 million or -0.8 percent from last year and \$4.5 million or 1.0 percent above forecast.

July Individual Income Tax collections total \$200.9 million. Collections decreased by \$12.4 million, or -5.8 percent compared to last year, stemming from the withholding rate table change. With respect to the forecast, collections were \$0.8 million or 0.4 percent above forecast.

July Individual Income Tax Refunds total \$9.6 million, \$0.8 million or -7.3 percent below last year and \$1.3 million or -11.8 percent below forecast. Refund amounts below forecast add to net available fund results.

July Sales and Use Tax Collections: July collections total \$193.1 million, an increase of \$7.6 million or 4.1 percent from last year. Collections were above monthly forecast levels by \$3.9 million or 2.1 percent.

July Corporate Income Tax collections total \$20.4 million, an increase of \$2.0 million from year ago, and \$6.3 million or -23.7 percent below forecast.

July Corporate Income Tax Refunds total \$1.3 million. This amount is 1.7 percent above year ago levels. Refunds were -0.5 percent below forecast.

July Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$20.9 million. Collections decreased by \$0.1 million or -0.3 percent from year earlier levels and were above forecast by \$2.4 million.

SPECIAL REVENUES OF NOTE

July Soft Drink Tax (for Medicaid Program Trust Fund): July collections of the dedicated soft drink tax total \$4.1 million, an increase of \$0.3 million 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 July 2015, \$40.9 million was collected and deposited to the fund. After deductions, the net amount is \$39.6 million. The monthly collection represents a 4.5 percent increase from prior year collections.

JULY 2015 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/6/2015

MILLIONS OF \$

	CHANGE FROM FORECAST				CHANGE FROM LAST YEAR		
	ACTUAL JULY FY15	FORECAST JULY FY16	ACTUAL JULY FY16	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	213.2	200.1	200.9	0.8	0.4	-12.4	-5.8
CORPORATE INCOME	18.4	26.7	20.4	-6.3	-23.7	2.0	10.9
SALES AND USE	185.5	189.2	193.1	3.9	2.1	7.6	4.1
ALCOHOLIC BEVERAGE	5.7	5.5	5.4	-0.1	-2.5	-0.4	-6.3
TOBACCO	21.0	18.5	20.9	2.4	13.2	-0.1	-0.3
INSURANCE	1.0	1.0	0.7	-0.3	-29.9	-0.3	-30.0
RACING	0.2	0.2	0.2	0.0	-11.4	0.0	-2.7
GAMES OF SKILL	3.3	3.4	4.1	0.7	20.3	0.8	24.0
MISCELLANEOUS ¹	22.5	17.7	21.2	3.5	19.7	-1.3	-5.8
TOTAL GROSS	470.8	462.3	466.8	4.5	1.0	-4.0	-0.8
LESS: SCSF/COF ²	15.1	14.8	14.9	0.1	0.9	-0.1	-0.8
INDIV INCOME TAX REFUNDS	10.4	10.9	9.6	-1.3	-11.8	-0.8	-7.3
CORP INCOME TAX REFUNDS	1.3	1.3	1.3	0.0	-0.5	0.0	1.7
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.0	1.9	0.9	-1.0	-50.4	0.9	0.0
WATER/SEWER BONDS	1.3	1.3	1.3	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	105.8
CITY & COUNTY TOURIST	0.7	0.3	0.3	0.0	-12.7	-0.4	-62.6
SCHOOL DESEGREGATION	12.0	12.0	12.0	0.0	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	24.8	25.2	25.1	-0.1	-0.5	0.3	1.1
EDUCATIONAL ADEQUACY	2.2	2.2	2.2	0.0	0.7	0.0	1.1
NET AVAILABLE	403.1	392.4	399.2	6.8	1.7	-3.9	-1.0

REVENUE FORECAST SUMMARY FOR JULY

JULY GROSS	\$ 4.5 MILLION OR 1.0% ABOVE FORECAST
JULY NET AVAILABLE	\$ 6.8 MILLION OR 1.7% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>July FY15</u> 37.9	<u>July FY16</u> 39.6	<u>% CH</u> 4.5
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1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.