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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 October (FY 2016)**

DATE: November 3, 2015

Copy: Governor's Office  
Management Services

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**YEAR-TO-DATE REVENUE SUMMARY**

**Year-to-date Net Available General Revenues:** Year-to-date net available general revenues total \$1,742.5 million, \$17.5 million or 1.0 percent above year ago levels. After four months into the fiscal year, net available revenue is above forecast by \$63.5 million or 3.8 percent.

**Year-to-date Gross General Revenues:** Year-to-date gross collections total \$2,012.3 million, representing an increase of \$20.5 million or 1.0 percent above last year. Gross general revenues are above forecast by \$66.6 million or 3.4 percent.

**Year-to-date Individual Income Taxes:** Year-to-date individual income tax collections total \$915.2 million, \$28.6 million or -3.0 percent below FY 2015 collections and \$26.6 million or 3.0 percent above forecast.

**Year-to-date individual income tax refunds** total \$33.5 million, down \$3.4 million or -9.2 percent compared to last year and \$5.4 million or -13.8 percent below forecast. Amounts below forecast in refund categories increase net available revenue results.

**Year-to-date Sales and Use Tax Collections:** On a year-to-date basis, sales and use taxes total \$789.7 million, an increase of \$48.3 million or 6.5 percent from FY 2015 and \$33.7 million or 4.5 percent above forecast.

**Year-to-date Corporate Income Taxes:** Year-to-date corporate revenues total \$137.1 million, an increase of \$4.4 million or 3.3 percent from year-to-date FY 2015. Corporate income is below forecast by \$0.7 million or -0.5 percent.

**Year-to-date corporate income tax refunds** total \$23.9 million, an increase of \$13.2 million compared to the same year-to-date period last year.

## **OCTOBER REVENUE SUMMARY**

**October Net Available General Revenues** total \$405.9 million, \$3.1 million or 0.8 percent above last year and \$13.6 million or 3.5 percent above forecast.

October results were ahead of forecast in all major categories. Sales tax growth was 5.2 percent above year ago collections and \$6.0 million over forecast. Corporate Income tax collections added \$1.8 million above forecast to gross revenue but large refunds detracted from net available funds by \$12.2 million during the month. Individual Income tax collections added \$18.5 million above forecast, largely resulting from returns reconciling extensions from Tax Year 2014 filings.

Among smaller revenue sources, Tobacco was slightly above forecast but below year ago collections. Results in Gaming revenue exceeded forecast and continued to display double-digit growth over year ago revenue.

**October Gross General Revenues:** October collections total \$490.4 million, an increase of \$11.8 million or 2.5 percent above last year and \$25.9 million or 5.6 percent above forecast.

**October Individual Income Tax** collections total \$233.8 million. Collections increased by \$3.7 million, or 1.6 percent compared to last year. With respect to the forecast, collections were \$18.5 million or 8.6 percent above forecast. Returns reconciling extensions for Tax Year 2014 accounted for \$12.5 million above forecast in October.

**October Individual Income Tax Refunds** total \$13.6 million, \$1.1 million or 8.6 percent above last year and \$0.4 million or 3.2 percent above forecast. Refund amounts above forecast detract from net available fund results.

**October Sales and Use Tax Collections:** October collections total \$193.6 million, an increase of \$9.6 million or 5.2 percent above last year. Collections were above monthly forecast levels by \$6.0 million or 3.2 percent. The results reflect continued growth in underlying economic indicators for consumption, and now totals seven consecutive months of elevated growth in collections.

**October Corporate Income Tax** collections total \$30.5 million, an increase of \$1.0 million from year ago, and \$1.8 million or 6.3 percent above forecast.

**October Corporate Income Tax Refunds** total \$19.4 million. This amount is \$13.4 million above year ago levels. Refunds were \$12.2 million above forecast.

**October Tobacco Tax** collections, a smaller component of general revenue in annual terms, total \$18.9 million. Collections decreased by \$1.9 million or -9.2 percent from year earlier levels and were slightly above forecast by \$0.3 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 \$15.6 million, an increase of 4.0 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 October 2015, \$39.6 million was collected and deposited to the fund. After deductions, the net amount is \$38.4 million. The monthly collection is equivalent to a 3.3 percent increase from prior year collections.

OCTOBER 2015 YEAR-TO-DATE GENERAL REVENUE REPORT  
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/6/2015

MILLIONS OF \$

	ACTUAL FY15	FORECAST FY16	ACTUAL FY16	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	943.8	888.6	915.2	26.6	3.0	-28.6	-3.0
CORPORATE INCOME	132.7	137.8	137.1	-0.7	-0.5	4.4	3.3
SALES AND USE	741.3	756.0	789.7	33.7	4.5	48.3	6.5
ALCOHOLIC BEVERAGE	18.1	18.3	17.5	-0.8	-4.2	-0.5	-3.0
TOBACCO	77.2	72.7	76.4	3.7	5.2	-0.8	-1.0
INSURANCE	23.7	23.7	22.7	-1.0	-4.3	-1.0	-4.2
RACING	0.7	0.6	0.6	0.0	0.7	-0.1	-14.3
GAMES OF SKILL	13.7	14.1	17.3	3.2	22.5	3.6	26.0
MISCELLANEOUS <sup>1</sup>	40.5	33.9	35.8	1.9	5.5	-4.8	-11.7
<b>TOTAL GROSS</b>	<b>1,991.7</b>	<b>1,945.7</b>	<b>2,012.3</b>	<b>66.6</b>	<b>3.4</b>	<b>20.5</b>	<b>1.0</b>
LESS: SCSF/COF <sup>2</sup>	63.7	62.3	64.4	2.1	3.4	0.7	1.0
INDIV INCOME TAX REFUNDS	36.9	38.9	33.5	-5.4	-13.8	-3.4	-9.2
CORP INCOME TAX REFUNDS	10.7	12.5	23.9	11.4	91.1	13.2	123.3
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	4.6	7.6	3.2	-4.4	-58.3	-1.4	-31.4
WATER/SEWER BONDS	5.2	5.2	5.2	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	1.4	0.6	0.5	-0.1	-12.7	-0.9	-62.6
SCHOOL DESEGREGATION	36.2	30.0	29.9	-0.1	-0.3	-6.3	-17.4
EDUCATIONAL EXCELLENCE	99.1	100.8	100.3	-0.5	-0.5	1.1	1.1
EDUCATIONAL ADEQUACY	8.8	8.8	8.9	0.1	0.7	0.1	1.1
<b>NET AVAILABLE</b>	<b>1,725.0</b>	<b>1,679.0</b>	<b>1,742.5</b>	<b>63.5</b>	<b>3.8</b>	<b>17.5</b>	<b>1.0</b>

REVENUE FORECAST SUMMARY FOR OCTOBER

YEAR-TO-DATE GROSS	\$ 66.6 MILLION OR 3.4% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 63.5 MILLION OR 3.8% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY15</u> 15.0	<u>YTD FY16</u> 15.6	<u>% CH</u> 4.0
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY15</u> 150.3	<u>YTD FY16</u> 158.3	<u>% CH</u> 5.3

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

2) State Central Services Fund and Constitutional Officers Fund.

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

FORECAST DATE: 5/6/2015

MILLIONS OF \$

	ACTUAL OCT FY15	FORECAST OCT FY16	ACTUAL OCT FY16	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	230.2	215.3	233.8	18.5	8.6	3.7	1.6
CORPORATE INCOME	29.5	28.7	30.5	1.8	6.3	1.0	3.4
SALES AND USE	184.0	187.6	193.6	6.0	3.2	9.6	5.2
ALCOHOLIC BEVERAGE	4.1	4.3	4.4	0.1	1.7	0.3	6.5
TOBACCO	20.9	18.6	18.9	0.3	1.9	-1.9	-9.2
INSURANCE	1.6	1.6	0.7	-0.9	-56.0	-0.9	-56.2
RACING	0.1	0.1	0.1	0.0	21.3	0.0	-15.7
GAMES OF SKILL	3.2	3.5	4.2	0.7	19.3	0.9	29.0
MISCELLANEOUS <sup>1</sup>	5.0	4.8	4.2	-0.6	-12.9	-0.8	-16.2
<b>TOTAL GROSS</b>	<b>478.6</b>	<b>464.5</b>	<b>490.4</b>	<b>25.9</b>	<b>5.6</b>	<b>11.8</b>	<b>2.5</b>
LESS: SCSF/COF <sup>2</sup>	15.3	14.9	15.7	0.8	5.3	0.4	2.5
INDIV INCOME TAX REFUNDS	12.5	13.2	13.6	0.4	3.2	1.1	8.6
CORP INCOME TAX REFUNDS	5.9	7.2	19.4	12.2	169.2	13.4	225.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.7	1.9	1.0	-0.9	-48.8	0.3	39.0
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	0.0
CITY & COUNTY TOURIST	0.7	0.3	0.3	0.0	-12.7	-0.4	-62.6
SCHOOL DESEGREGATION	12.3	6.0	6.0	0.0	-0.3	-6.3	-51.3
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
<b>NET AVAILABLE</b>	<b>402.8</b>	<b>392.3</b>	<b>405.9</b>	<b>13.6</b>	<b>3.5</b>	<b>3.1</b>	<b>0.8</b>

REVENUE FORECAST SUMMARY FOR OCTOBER

OCTOBER GROSS	\$ 25.9 MILLION OR 5.6% ABOVE FORECAST
OCTOBER NET AVAILABLE	\$ 13.6 MILLION OR 3.5% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Oct FY15</u> 37.2	<u>Oct FY16</u> 38.4	<u>% CH</u> 3.3
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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.