



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

OFFICE OF THE DIRECTOR
Economic Analysis & Tax Research
1509 West Seventh Street, Room 404
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-1688
Fax: (501) 682-1086
<http://www.dfa.arkansas.gov>

MEMORANDUM

TO: Larry Walther, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

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

DATE: April 4, 2016

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 \$3,826.6 million, which is \$123.0 million or 3.3 percent above year ago levels. After nine months into the fiscal year, net available revenue is above forecast by \$72.9 million.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$4,600.7 million, representing an increase of \$29.0 million or 0.6 percent above last year. Gross general revenues are above forecast by \$14.1 million or 0.3 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,155.7 million, \$44.4 million or -2.0 percent below FY 2015 collections and \$1.0 million or fractionally below forecast on a percentage basis.

Year-to-date individual income tax refunds total \$238.2 million, down \$111.9 million or -32.0 percent compared to last year and \$49.8 million or -17.3 percent below forecast. Amounts below forecast in refund categories add to net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1730.8 million, an increase of \$71.0 million or 4.3 percent from FY 2015

and \$4.8 million or 0.3 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$336.9 million, a decrease of \$0.7 million or -0.2 percent below year-to-date FY 2015. Corporate income is above forecast by \$6.3 million or 1.9 percent.

Year-to-date corporate income tax refunds total \$60.9 million, an increase of \$25.6 million compared to the same year-to-date period last year.

MARCH REVENUE SUMMARY

March Net Available General Revenues total \$413.7 million, \$48.6 million or 13.3 percent above last year and \$41.1 million or 11.0 percent above forecast.

Net Available revenues benefited from a combination of gains in gross collections and lower than expected income tax refunds. Gross revenue collection results were above forecast in all major categories. Lower than expected income tax refunds in Individual and Corporate Income categories accounted for \$18.4 million net results above forecast.

Among smaller revenue sources, Tobacco was above forecast (+\$1.9 million) and Games of Skill was also above forecast (+\$1.0 million).

March Gross General Revenues: March collections total \$547.8 million, an increase of \$11.0 million or 2.1 percent above last year and \$20.8 million or 3.9 percent above forecast.

March Individual Income Tax collections total \$236.4 million. Collections increased by \$7.0 million, or 3.0 percent compared to last year. With respect to the forecast, collections were \$3.6 million or 1.5 percent above expected levels. Gains from Withholding tax and Returns accounted for most of the increase from year ago levels.

March Individual Income Tax Refunds total \$78.2 million, \$37.3 million below last year and \$16.8 million below forecast. Refund amounts below forecast add to net available fund results.

March Sales and Use Tax Collections: March collections total \$193.9 million, an increase of \$14.4 million or 7.8 percent above last year. Collections were above monthly forecast levels by \$8.5 million or 4.6 percent. The results largely reflect taxable sales activity in February.

March Corporate Income Tax collections total \$65.9 million, a decrease of \$9.5 million from year ago, and \$5.0 million or 8.3 percent above forecast.

March Corporate Income Tax Refunds total \$2.6 million. This amount is \$0.4 million below year ago levels. Refunds were \$1.6 million below forecast.

March Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$18.7 million. Collections increased by \$1.7 million or 10.1 percent from year earlier levels and were 11.2 percent above forecast. 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 \$33.4 million, an increase of 6.1 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 2016, \$40.5 million was collected and deposited to the fund. After deductions, the net amount is \$39.3 million. The monthly collection is equivalent to a gain of 7.4 percent from prior year collections.

MARCH 2016 YEAR-TO-DATE GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 2/1/2016

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	2,200.0	2,156.7	2,155.7	-1.0	0.0	-44.4	-2.0
CORPORATE INCOME	337.6	330.6	336.9	6.3	1.9	-0.7	-0.2
SALES AND USE	1,659.8	1,726.0	1,730.8	4.8	0.3	71.0	4.3
ALCOHOLIC BEVERAGE	38.9	39.4	39.7	0.3	0.9	0.8	2.1
TOBACCO	162.4	163.6	165.4	1.8	1.1	3.0	1.9
INSURANCE	66.9	62.2	61.9	-0.3	-0.5	-5.0	-7.5
RACING	1.9	1.9	1.9	0.0	0.2	0.0	-1.2
GAMES OF SKILL	33.4	39.4	40.7	1.3	3.2	7.2	21.7
MISCELLANEOUS ¹	70.7	66.8	67.7	0.9	1.3	-3.0	-4.2
TOTAL GROSS	4,571.7	4,586.6	4,600.7	14.1	0.3	29.0	0.6
LESS: SCSF/COF ²	146.3	146.8	147.2	0.4	0.3	0.9	0.6
INDIV INCOME TAX REFUNDS	350.1	288.0	238.2	-49.8	-17.3	-111.9	-32.0
CORP INCOME TAX REFUNDS	35.4	64.0	60.9	-3.1	-4.8	25.6	72.3
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	8.8	12.0	5.7	-6.3	-52.6	-3.1	-35.5
WATER/SEWER BONDS	11.2	11.2	11.2	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	5.2	4.7	4.7	0.0	-0.9	-0.6	-10.6
CITY & COUNTY TOURIST	2.1	0.8	0.8	0.0	-1.8	-1.3	-62.6
SCHOOL DESEGREGATION	66.1	59.8	59.8	0.0	0.0	-6.3	-9.5
EDUCATIONAL EXCELLENCE	223.1	225.7	225.6	-0.1	0.0	2.5	1.1
EDUCATIONAL ADEQUACY	19.7	19.9	19.9	0.0	0.2	0.2	1.1
TOTAL DEDUCTIONS	868.0	832.9	774.1	-58.8	-7.1	-94.0	-10.8
NET AVAILABLE	3,703.7	3,753.7	3,826.6	72.9	1.9	123.0	3.3

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 14.1 MILLION OR 0.3% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 72.9 MILLION OR 1.9% ABOVE FORECAST

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

2) State Central Services Fund and Constitutional Officers Fund.

MARCH 2016 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 2/1/2016

MILLIONS OF \$

	CHANGE FROM FORECAST				CHANGE FROM LAST YEAR		
	ACTUAL MAR FY15	FORECAST MAR FY16	ACTUAL MAR FY16	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	229.4	232.8	236.4	3.6	1.5	7.0	3.0
CORPORATE INCOME	75.4	60.9	65.9	5.0	8.3	-9.5	-12.5
SALES AND USE	179.8	185.4	193.9	8.5	4.6	14.1	7.8
ALCOHOLIC BEVERAGE	4.1	4.2	4.5	0.3	7.8	0.4	10.2
TOBACCO	17.0	16.8	18.7	1.9	11.2	1.7	10.1
INSURANCE	20.6	16.7	16.3	-0.4	-2.6	-4.3	-21.1
RACING	0.3	0.3	0.3	0.0	4.0	0.0	8.9
GAMES OF SKILL	4.8	4.7	5.7	1.0	20.6	0.9	18.3
MISCELLANEOUS ¹	5.3	5.2	6.1	0.9	16.9	0.7	13.8
TOTAL GROSS	536.7	527.0	547.8	20.8	3.9	11.0	2.1
LESS: SCSF/COF ²	17.2	16.9	17.5	0.6	3.7	0.4	2.1
INDIV INCOME TAX REFUNDS	115.5	95.0	78.2	-16.8	-17.7	-37.3	-32.3
CORP INCOME TAX REFUNDS	3.0	4.2	2.6	-1.6	-36.9	-0.4	-13.0
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.7	3.8	1.2	-2.6	-67.8	-0.5	-27.3
WATER/SEWER BONDS	1.2	1.2	1.2	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCHOOL DESEGREGATION	6.0	6.0	6.0	0.0	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	24.8	25.1	25.1	0.0	-0.1	0.3	1.1
EDUCATIONAL ADEQUACY	2.2	2.2	2.2	0.0	0.7	0.0	1.1
TOTAL DEDUCTIONS	171.6	154.4	134.0	-20.4	-13.2	-37.5	-21.9
NET AVAILABLE	365.2	372.6	413.7	41.1	11.0	48.6	13.3

REVENUE FORECAST SUMMARY FOR FEBRUARY

MARCH GROSS	\$ 20.8 MILLION OR 3.9% ABOVE FORECAST
MARCH NET AVAILABLE	\$ 41.1 MILLION OR 11.0% ABOVE FORECAST

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

2) State Central Services Fund and Constitutional Officers Fund.