



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

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MEMORANDUM

TO: Larry Walther, Director
Paul Louthian, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for August (FY 2018)**

DATE: September 5, 2017

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 \$860.4 million, \$43.6 million or 5.3 percent above year ago levels. After two months into the fiscal year, net available revenue is above forecast by \$9.3 million or 1.1 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$992.3 million, representing an increase of \$51.0 million or 5.4 percent above last year. Gross general revenues are above forecast by \$10.8 million or 1.1 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$445.5 million, \$20.7 million or 4.9 percent above FY 2017 collections and \$7.7 million or 1.8 percent above forecast.

Year-to-date individual income tax refunds total \$17.7 million, up \$6.5 million or 57.7 percent compared to last year and \$3.2 million or 22.0 percent above forecast. Amounts above forecast in refund categories reduce net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$400.0 million, an increase of \$6.7 million or 1.7 percent from FY 2017 and \$6.1 million or -1.5 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$35.5 million, an increase of \$23.1 million from year-to-date FY 2017. Corporate income is above forecast by \$4.1 million or 12.9 percent.

Year-to-date corporate income tax refunds total \$2.8 million, a decrease of \$0.6 million compared to the same year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$405.9 million, \$10.2 million or -2.5 percent below last year and \$1.2 million or -0.3 percent below forecast.

Among the major categories, Sales tax collections were flat compared to year ago levels and \$4.7 million below forecast for the month. Individual Income tax collections were -4.1 percent below year ago collections (\$0.2 million under forecast), mostly attributable to monthly payday timing effects in the Withholding tax category. Corporate Income tax collections were down slightly in a seasonally low collection month for that revenue category.

Among smaller revenue sources, Tobacco was above forecast by \$4.0 million and above year ago collections. Results in Gaming revenue also exceeded forecast.

August Gross General Revenues: August collections total \$468.2 million, a decrease of \$5.4 million or -1.1 percent below last year and \$0.5 million or -0.1 percent below forecast.

August Individual Income Tax collections total \$205.4 million. Collections decreased by \$8.7 million, or -4.1 percent compared to last year. With respect to the forecast, collections were \$0.2 million or -0.1 percent below forecast. Individual withholding decreased -4.2 percent compared to last year due to payday timing effects.

August Individual Income Tax Refunds total \$7.4 million, \$2.1 million or 38.9 percent above last year and \$0.5 million or 7.7 percent above forecast. Refund amounts above forecast reduce net available fund results.

August Sales and Use Tax Collections: August collections total \$200.4 million, an increase of \$0.2 million or 0.1 percent above last year. Collections were below monthly forecast levels by \$4.7 million or -2.3 percent.

August Corporate Income Tax collections total \$5.2 million, a decrease of \$0.3 million from year ago, and \$0.7 million or -12.5 percent below forecast in an otherwise minor collection month for this category.

August Corporate Income Tax Refunds total \$2.2 million. This amount is \$1.6 million above year ago levels. Refunds were also \$0.3 million above forecast.

August Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$21.8 million. Collections increased by \$1.9 million or 9.5 percent from year earlier levels and were also above forecast by \$4.0 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 \$8.2 million, a decrease of -7.0 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 August 2017, \$41.6 million was collected and deposited to the fund. After deductions, the net amount is \$40.4 million. The monthly collection is equivalent to a 1.1 percent increase from prior year collections.

AUGUST 2017 YEAR-TO-DATE GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/2/2017

MILLIONS OF \$

	ACTUAL FY17	FORECAST FY18	ACTUAL FY18	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	424.7	437.8	445.5	7.7	1.8	20.7	4.9
CORPORATE INCOME	12.3	31.4	35.5	4.1	12.9	23.1	187.4
SALES AND USE	393.2	406.1	400.0	-6.1	-1.5	6.7	1.7
ALCOHOLIC BEVERAGE	10.0	10.1	10.0	-0.1	-1.3	0.0	-0.2
TOBACCO	37.1	35.5	38.9	3.4	9.5	1.8	4.8
INSURANCE	20.4	20.3	20.1	-0.2	-1.0	-0.3	-1.3
RACING	0.4	0.4	0.3	-0.1	-23.3	0.0	-12.7
GAMES OF SKILL	9.5	9.5	10.4	0.9	9.7	1.0	10.1
MISCELLANEOUS ¹	33.8	30.4	31.7	1.3	4.3	-2.1	-6.2
TOTAL GROSS	941.3	981.5	992.3	10.8	1.1	51.0	5.4
LESS: SCSF/COF ²	30.1	30.4	30.8	0.4	1.2	0.6	2.1
INDIV INCOME TAX REFUNDS	11.2	14.5	17.7	3.2	22.0	6.5	57.7
CORP INCOME TAX REFUNDS	3.4	3.9	2.8	-1.1	-28.4	-0.6	-17.3
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	2.2	2.9	1.8	-1.1	-38.9	-0.4	-19.0
AMENDMENT 82 BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	2.6	2.6	2.6	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	0.2	0.2	0.2	0.0	11.0	0.0	0.0
SCHOOL DESEGREGATION	17.9	18.0	17.9	-0.1	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	52.2	53.2	53.4	0.2	0.4	1.1	2.2
EDUCATIONAL ADEQUACY	4.6	4.7	4.7	0.0	0.4	0.1	2.2
TOTAL DEDUCTIONS	124.5	130.4	131.9	1.5	1.1	7.4	5.9
NET AVAILABLE	816.8	851.1	860.4	9.3	1.1	43.6	5.3

REVENUE FORECAST SUMMARY FOR AUGUST

YEAR-TO-DATE GROSS	\$ 10.8 MILLION OR 1.1% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 9.3 MILLION OR 1.1% 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.

AUGUST 2017 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 5/2/2017

MILLIONS OF \$

	CHANGE FROM FORECAST				CHANGE FROM LAST YEAR		
	ACTUAL AUG FY17	FORECAST AUG FY18	ACTUAL AUG FY18	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	214.1	205.6	205.4	-0.2	-0.1	-8.7	-4.1
CORPORATE INCOME	5.5	5.9	5.2	-0.7	-12.5	-0.3	-5.3
SALES AND USE	200.2	205.1	200.4	-4.7	-2.3	0.2	0.1
ALCOHOLIC BEVERAGE	4.4	4.4	4.5	0.1	2.3	0.1	3.2
TOBACCO	19.9	17.8	21.8	4.0	22.7	1.9	9.5
INSURANCE	19.2	19.2	19.3	0.1	0.3	0.0	0.1
RACING	0.2	0.2	0.1	-0.1	-41.6	0.0	-22.6
GAMES OF SKILL	4.9	4.9	5.3	0.4	7.9	0.4	8.5
MISCELLANEOUS ¹	5.2	5.6	6.2	0.6	10.7	1.0	18.2
TOTAL GROSS	473.6	468.7	468.2	-0.5	-0.1	-5.4	-1.1
LESS: SCSF/COF ²	15.2	14.5	14.5	0.0	0.1	-0.6	-4.2
INDIV INCOME TAX REFUNDS	5.4	6.9	7.4	0.5	7.7	2.1	38.9
CORP INCOME TAX REFUNDS	0.5	1.9	2.2	0.3	14.9	1.6	300.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.7	2.0	1.8	-0.2	-11.4	1.1	168.3
AMENDMENT 82 BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	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	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	26.1	26.6	26.7	0.1	0.4	0.6	2.2
EDUCATIONAL ADEQUACY	2.3	2.4	2.4	0.0	-1.7	0.1	2.2
TOTAL DEDUCTIONS	57.4	61.6	62.2	0.6	1.0	4.8	8.4
NET AVAILABLE	416.1	407.1	405.9	-1.2	-0.3	-10.2	-2.5

REVENUE FORECAST SUMMARY FOR AUGUST

AUGUST GROSS	\$ 0.5 MILLION OR 0.1% BELOW FORECAST
AUGUST NET AVAILABLE	\$ 1.2 MILLION OR 0.3% BELOW 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.