



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

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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for May (FY 2009)**

DATE: June 2, 2009 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 \$3,999.7 million. This amount is \$38.6 million or -1.0 percent below last year and \$44.1 million or 1.1 percent above the general revenue forecast. The amount above forecast is primarily due to gains in Corporate Income Tax.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$5,061.4 million, representing an increase of \$30.9 million or 0.6 percent above last year. Gross general revenues are \$53.2 million or 1.1 percent above the general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,474.3 million, \$26.1 million or -1.0 percent below FY 2008 collections and \$3.9 million or 0.2 percent above forecast. Collections growth for individual withholding is up 1.9 percent over year ago levels.

Year-to-date individual income tax refunds total \$454.9 million, up \$51.7 million or 12.8 percent compared to last year and \$14.5 million or 3.3 percent above forecast.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$1,939.2 million, a decrease

of \$3.2 million or -0.2 percent from FY 2008 and -\$28.0 million or -1.4 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate income tax revenues total \$333.7 million, an increase of \$34.2 million or 11.4 percent above year-to-date FY 2008. Corporate Income Tax collections are \$68.2 million or 25.7 percent above forecast for the year-to-date period.

Year-to-date corporate income tax refunds total \$56.2 million, up \$22.1 million or 64.7 percent above the comparable year-to-date period last year and \$7.5 million or 15.5 percent above forecast.

MAY REVENUE SUMMARY

May Net Available General Revenues total \$293.0 million, \$3.0 million or -1.0 percent below last year and \$6.1 million or 2.1 percent above forecast. Of the amount above forecast in May, \$5.9 million was attributable to the lack of a monthly transfer of funds for school desegregation. The forecast is based on a transfer in May of \$5.9 million toward an estimated annual transfer of \$69.8 million. Although the \$5.9 million transfer was not necessary in May, a funding transfer may be made in June that would offset or partially offset the \$5.9 million gain against forecast in May.

May Gross General Revenues: May collections total \$382.6 million, a decrease of \$3.0 million or -0.8 percent from last year and \$1.6 million or -0.4 percent below forecast.

May Individual Income Tax collections total \$173.8 million. Collections decreased by \$11.0 million, or -6.0 percent, compared to last year. With respect to the forecast, collections are \$10.1 million or -5.5 percent below forecast. Individual withholding increased 3.5 percent compared to last year.

May Individual Income Tax Refunds total \$31.0 million. Refunds are up \$7.3 million or 30.5 percent above May 2008. This amount is 18.9 percent above forecast for the month.

May Gross Receipts Collections: May collections total \$163.8 million, a decrease of \$12.9 million or -7.3 percent from last year. Collections were below monthly forecast levels by \$12.8 million or -7.3 percent.

May Corporate Income Tax collections total \$18.6 million, an increase of \$14.7 million or 373.8 percent over year earlier levels and 416.3 percent above forecast. Corporate tax collections represent a volatile component of general revenues.

May Corporate Income Tax Refunds total \$1.9 million. This amount is \$2.5 million or -56.5 percent below year ago refunds in May.

May Tobacco Tax collections, a small component of general revenue, total \$19.8 million or 68.7 percent above year earlier levels. The increase relative to year ago periods resulted from enactment of a 56 cent per pack rate increase effective March 1.

SPECIAL REVENUES OF NOTE

Year-to-date Soft Drink Tax (Medicaid Program Trust Fund): Year-to-date collections of the dedicated soft drink tax total \$43.6 million, an increase of \$1.3 million or 3.0 percent above 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 May 2009, \$41.6 million was collected and deposited to the fund. After deductions, the net amount is \$40.5 million. The monthly collection is equivalent to a -7.8 percent decrease from prior year collections.

YEAR TO DATE REPORT, MAY 2009
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH MAY 2009

11 Months YTD

Forecast Date: 11/13/2008

MILLIONS OF DOLLARS

	ACTUAL FY 2008	FORECAST FY 2009	INCREASE		ACTUAL FY 2008	ACTUAL FY 2009	INCREASE		ACTUAL AS % OF FORECAST
			AMOUNT	PERCENT			AMOUNT	PERCENT	
INDIVIDUAL INCOME	2,500.5	2,470.4	-30.1	-1.2	2,500.5	2,474.3	-26.1	-1.0	100.2
ESTATE ¹	-0.5	-0.5	0.0	3.2	-0.5	-1.2	-0.7	141.1	233.6
CORPORATE INCOME	299.6	265.5	-34.1	-11.4	299.6	333.7	34.2	11.4	125.7
GROSS RECEIPTS ²	1,942.4	1,967.2	24.8	1.3	1,942.4	1,939.2	-3.2	-0.2	98.6
ALCOHOLIC BEVERAGE ³	25.5	25.9	0.3	1.3	25.5	27.1	1.5	6.0	104.7
TOBACCO	128.6	128.2	-0.4	-0.3	128.6	143.8	15.2	11.8	112.2
INSURANCE	69.1	69.9	0.8	1.1	69.1	65.3	-3.9	-5.6	93.4
RACING	4.8	4.8	0.0	0.3	4.8	4.7	-0.1	-1.3	98.5
GAMES OF SKILL	5.1	6.7	1.6	32.2	5.1	5.6	0.5	9.7	83.0
MISCELLANEOUS ⁴	55.4	70.1	14.7	26.5	55.4	68.9	13.5	24.3	98.3
TOTAL GROSS	5,030.5	5,008.2	-22.3	-0.4	5,030.5	5,061.4	30.9	0.6	101.1
PLUS:									
PROP. TAX RELIEF TR. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE ALLOTMENT RESERVE	4.7	3.4	-1.4	-28.7	4.7	3.4	-1.4	-28.7	100.0
LESS: SCSF/COF ⁵	150.9	150.2	-0.7	-0.5	150.9	151.9	0.9	0.6	101.1
IND INCOME TAX REFUNDS	403.2	440.4	37.2	9.2	403.2	454.9	51.7	12.8	103.3
CORP INCOME TAX REFUNDS	34.1	48.7	14.6	42.6	34.1	56.2	22.1	64.7	115.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	9.8	20.9	11.1	113.4	9.8	12.2	2.4	24.8	58.5
WATER/SEWER BONDS	2.2	5.5	3.3	150.0	2.2	5.5	3.3	150.0	100.0
COLLEGE SAVINGS BONDS	23.8	24.0	0.2	0.8	23.8	23.9	0.1	0.5	99.7
CITY/CO. TOURIST	7.2	7.1	-0.1	-2.0	7.2	7.1	-0.1	-1.5	100.5
SCHOOL DESEGREGATION	66.0	69.8	3.8	5.8	66.0	63.9	-2.1	-3.2	91.5
EDUCATIONAL EXCELLENCE	273.6	264.1	-9.5	-3.5	273.6	264.2	-9.3	-3.4	100.0
EDUCATIONAL ADEQUACY	24.2	23.3	-0.9	-3.7	24.2	23.4	-0.8	-3.4	100.2
ELDERLY TRANSPORTATION	1.9	2.0	0.1	3.2	1.9	1.9	-0.1	-4.5	92.6
NET AVAILABLE	4,038.3	3,955.6	-82.7	-2.0	4,038.3	3,999.7	-38.6	-1.0	101.1

REVENUE FORECAST SUMMARY FOR MAY

YEAR-TO-DATE GROSS	\$ 53.2 MILLION OR 1.1% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 22.0 MILLION OR 4.5% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 44.1 MILLION OR 1.1% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 08</u> 42.3	<u>YTD FY 09</u> 43.6	<u>% CHANGE</u> 3.0
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 08</u> 397.6	<u>YTD FY 09</u> 396.0	<u>% CHANGE</u> -0.4

1) Effective January 1, 2005, the federal estate tax credit was abolished, effectively ending state tax collections in FY06.

2) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.

3) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.

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

5) State Central Services Fund and Constitutional Officers Fund.

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

May 29, 2009
Days Remaining: 0
Forecast date: 11/13/2008

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2008	FORECAST FY 2009	CHANGE AMOUNT	PERCENT	ACTUAL FY 2008	ACTUAL FY 2009	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	184.8	183.9	-0.9	-0.5	184.8	173.8	-11.0	-6.0	94.5
ESTATE ¹	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CORPORATE INCOME	3.9	3.6	-0.3	-8.2	3.9	18.6	14.7	373.8	516.3
GROSS RECEIPTS ²	176.7	176.6	-0.1	-0.1	176.7	163.8	-12.9	-7.3	92.7
ALCOHOLIC BEVERAGE ³	3.1	3.0	-0.1	-2.6	3.1	2.5	-0.6	-19.4	82.7
TOBACCO	11.7	11.4	-0.3	-2.6	11.7	19.8	8.0	68.7	173.3
INSURANCE	0.9	0.9	0.0	3.7	0.9	1.1	0.3	32.3	127.5
RACING	0.4	0.4	0.0	-7.6	0.4	0.4	0.0	-10.9	96.5
GAMES OF SKILL	0.5	0.7	0.2	35.0	0.5	0.5	0.0	-6.8	69.0
MISCELLANEOUS ⁴	3.6	3.7	0.1	3.6	3.6	2.2	-1.4	-39.7	58.3
TOTAL GROSS	385.6	384.2	-1.4	-0.4	385.6	382.6	-3.0	-0.8	99.6
PLUS:									
PROP. TAX RELIEF TR. FUND	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
REV. ALLOTMENT RESERVE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
LESS: 3% (SCSF/COF) ⁵	11.6	11.5	-0.1	-0.6	11.6	11.5	-0.1	-0.8	99.8
IND INC TAX REFUNDS	23.8	26.1	2.3	9.8	23.8	31.0	7.3	30.5	118.9
CORP INC TAX REFUNDS	4.4	6.5	2.1	48.3	4.4	1.9	-2.5	-56.5	29.3
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.9	2.5	1.6	190.9	0.9	0.6	-0.3	-34.9	22.4
WATER/SEWER BONDS	0.2	0.5	0.3	150.0	0.2	0.5	0.3	150.0	100.0
COLLEGE SAVINGS BONDS	17.1	17.9	0.8	4.7	17.1	17.8	0.8	4.4	99.7
CITY & COUNTY TOURIST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCHOOL DESEGREGATION	4.5	5.9	1.4	31.1	4.5	0.0	-4.5	-100.0	0.0
EDUCATIONAL EXCELLENCE	24.9	24.0	-0.9	-3.5	24.9	24.0	-0.8	-3.4	100.1
EDUCATIONAL ADEQUACY	2.2	2.2	0.0	0.1	2.2	2.1	-0.1	-3.4	96.5
ELDERLY TRANSPORTATION	0.2	0.2	0.0	12.2	0.2	0.1	0.0	-18.9	72.3
NET AVAILABLE	296.0	286.9	-9.1	-3.1	296.0	293.0	-3.0	-1.0	102.1

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>May 08</u> 43.9	<u>May 09</u> 40.5	<u>% CH</u> -7.8
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- 3) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
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