



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

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MEMORANDUM

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for January (FY 2010)**

DATE: February 2, 2010

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 \$2,685.0 million. This amount is \$22.9 million or -0.8 percent below last year and \$1.8 million or 0.1 percent above the general revenue forecast that was released on January 11, 2010.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,102.2 million, representing a decrease of \$75.8 million or -2.4 percent below last year. Gross general revenues are \$6.3 million or 0.2 percent above the general revenue forecast. The major revenue categories of Individual Income and Gross Receipts (Sales & Use Tax) are fractionally above the revised forecast. However, these revenue categories are also below year ago levels.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,420.7 million, \$66.1 million or -4.4 percent below FY 2009 collections and \$4.0 million or 0.3 percent above the revised forecast. Collections growth for individual monthly withholding is down -1.7 percent from year ago levels.

Year-to-date individual income tax refunds total \$91.9 million, up \$4.1 million or 4.7 percent compared to last year and \$3.9 million or 4.4 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 \$1,166.5 million, a decrease of \$100.4 million or -7.9 percent below FY 2009 and \$8.0 million or 0.7 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$260.1 million, an increase of \$42.9 million or 19.7 percent from year-to-date FY 2009. Collections are down \$2.4 million or -0.9 percent compared to forecast. Several large, non-recurring payments in Corporate Income Tax were anticipated in the forecast and subsequently collected.

Year-to-date corporate income tax refunds total \$41.5 million, up \$3.6 million or 9.5 percent from the comparable year-to-date period last year and \$3.4 million or 8.9 percent above forecast.

JANUARY REVENUE SUMMARY

January Net Available General Revenues total \$440.1 million, \$14.9 million or 3.5 percent above last year and \$1.8 million or 0.4 percent above forecast. Collections were down in most categories compared to year ago January levels. Corporate Income was up significantly due to an anticipated shift in payment pattern that does not represent a permanent collection gain. Income tax refunds were below year ago levels but above forecast for the month. After one month of the Income Tax filing season, the number of individual income tax refunds processed is down 6.7 percent compared to last January.

January Gross General Revenues: January collections total \$525.3 million, an increase of \$4.2 million or 0.8 percent above last year and \$6.3 million or 1.2 percent above forecast.

January Individual Income Tax collections total \$282.2 million. Collections decreased by \$9.3 million, or -3.2 percent, compared to last year. With respect to the forecast, collections are \$4.1 million or 1.4 percent above forecast. Individual withholding increased 1.7 percent compared to last year.

January Individual Income Tax Refunds total \$28.7 million. Refunds are down \$5.1 million or -15.1 percent from January 2009. This amount is 15.7 percent above forecast for the month.

January Gross Receipts Collections: January collections total \$179.4 million, representing no change from last year. Collections were above monthly forecast levels by \$8.0 million or 4.7 percent. One-time gains from audit payments accounted for some of the improvement compared to recent months and the forecast.

January Corporate Income Tax collections total \$32.7 million, an increase of \$10.3 million or 46.2 percent from year earlier levels. Collections were below forecast by \$2.4 million or -6.9 percent. A shift in corporate payments relative to last year and at the expense of future months was anticipated in the forecast. Corporate returns representing payments from prior tax years accounted for the drop below forecast this month.

January Corporate Income Tax Refunds total \$6.6 million. This amount is \$4.2 million or -38.7 percent below year ago refunds.

January Tobacco Tax collections, a small component of general revenue, total \$17.4 million or 27.7 percent above year earlier levels. Collections were 10.8 percent below forecast for the month. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers. Year ago growth comparisons are impacted by tax rate changes that became effective on March 1.

SPECIAL REVENUES OF NOTE

Year-to-date Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$27.1 million, a decrease of \$1.7 million or -6.0 percent below 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 January 2010, \$36.3 million was collected and deposited to the fund. After deductions, the net amount is \$35.3 million. The monthly collection is equivalent to a -1.5 percent decrease from prior year collections.

YEAR TO DATE REPORT, JANUARY 2010
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH JANUARY 2010
7 Months YTD
Forecast Date: 01/11/2010

MILLIONS OF DOLLARS

	ACTUAL FY 2009	FORECAST FY 2010	INCREASE		ACTUAL FY 2009	ACTUAL FY 2010	INCREASE		ACTUAL AS % OF FORECAST
			AMOUNT	PERCENT			AMOUNT	PERCENT	
INDIVIDUAL INCOME	1,486.8	1,416.7	-70.1	-4.7	1,486.8	1,420.7	-66.1	-4.4	100.3
ESTATE ¹	-1.0	0.0	1.0	0.0	-1.0	0.1	1.0	0.0	0.0
CORPORATE INCOME	217.2	262.5	45.3	20.8	217.2	260.1	42.9	19.7	99.1
GROSS RECEIPTS ²	1,266.9	1,158.5	-108.4	-8.6	1,266.9	1,166.5	-100.4	-7.9	100.7
ALCOHOLIC BEVERAGE ³	17.6	17.6	0.0	-0.2	17.6	17.3	-0.3	-1.8	98.4
TOBACCO	86.9	146.4	59.5	68.5	86.9	144.3	57.4	66.1	98.6
INSURANCE	42.8	46.3	3.5	8.2	42.8	45.6	2.8	6.6	98.5
RACING	2.7	2.4	-0.3	-12.6	2.7	2.4	-0.4	-13.2	99.3
GAMES OF SKILL	3.4	4.2	0.8	23.4	3.4	4.2	0.8	23.3	100.0
MISCELLANEOUS ⁴	54.6	41.3	-13.3	-24.3	54.6	41.1	-13.5	-24.8	99.5
TOTAL GROSS	3,178.0	3,095.9	-82.1	-2.6	3,178.0	3,102.2	-75.8	-2.4	100.2
PLUS:									
REVENUE ALLOTMENT RESERVE	3.4	61.0	57.6	1,704.7	3.4	61.0	57.7	1,706.2	100.1
LESS: SCSF/COF ⁵	95.4	92.8	-2.6	-2.7	95.4	93.1	-2.3	-2.4	100.3
IND INCOME TAX REFUNDS	87.8	88.0	0.2	0.3	87.8	91.9	4.1	4.7	104.4
CORP INCOME TAX REFUNDS	37.9	38.1	0.2	0.6	37.9	41.5	3.6	9.5	108.9
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	8.1	8.4	0.3	3.3	8.1	5.5	-2.6	-32.4	65.4
WATER/SEWER BONDS	3.5	7.7	4.2	120.0	3.5	7.7	4.2	120.0	100.0
COLLEGE SAVINGS BONDS	6.1	5.7	-0.4	-6.2	6.1	5.6	-0.4	-7.2	98.9
CITY/CO. TOURIST	5.4	5.5	0.1	2.8	5.4	5.4	0.1	1.9	99.1
SCHOOL DESEGREGATION	45.1	46.1	1.0	2.2	45.1	46.1	1.0	2.2	100.0
EDUCATIONAL EXCELLENCE	168.1	165.7	-2.4	-1.5	168.1	165.7	-2.4	-1.4	100.0
EDUCATIONAL ADEQUACY	14.9	14.6	-0.3	-1.8	14.9	14.6	-0.2	-1.4	100.3
ELDERLY TRANSPORTATION	1.3	1.1	-0.2	-15.9	1.3	1.0	-0.3	-20.3	94.8
NET AVAILABLE	2,707.9	2,683.2	-24.7	-0.9	2,707.9	2,685.0	-22.9	-0.8	100.1

REVENUE FORECAST SUMMARY FOR JANUARY

YEAR-TO-DATE GROSS	\$ 6.3 MILLION OR 0.2% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 7.3 MILLION OR 5.8% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 1.8 MILLION OR 0.1% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 09</u> 28.8	<u>YTD FY 10</u> 27.1	<u>% CHANGE</u> -6.0
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 09</u> 253.5	<u>YTD FY 10</u> 233.1	<u>% CHANGE</u> -8.1

- 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.

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

January 29, 2010
Days Remaining: 0
Forecast date: 01/11/2010

MILLIONS OF \$

CURRENT MONTH

CURRENT MONTH TO DATE

	ACTUAL FY 2009	FORECAST FY 2010	CHANGE AMOUNT	CHANGE PERCENT	ACTUAL FY 2009	ACTUAL FY 2010	CHANGE AMOUNT	CHANGE PERCENT	ACTUAL AS % OF FORECAST
INDIVIDUAL INCOME	291.4	278.1	-13.3	-4.6	291.4	282.2	-9.3	-3.2	101.4
ESTATE ¹	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
CORPORATE INCOME	22.3	35.1	12.7	57.0	22.3	32.7	10.3	46.2	93.1
GROSS RECEIPTS ²	179.4	171.4	-8.0	-4.5	179.4	179.4	0.0	0.0	104.7
ALCOHOLIC BEVERAGE ³	2.6	2.8	0.1	5.5	2.6	2.5	-0.1	-4.9	90.1
TOBACCO	13.6	19.5	5.9	43.1	13.6	17.4	3.8	27.7	89.2
INSURANCE	0.9	1.1	0.3	32.0	0.9	0.4	-0.4	-49.8	38.0
RACING	0.6	0.5	-0.1	-19.9	0.6	0.5	-0.1	-22.9	96.3
GAMES OF SKILL	0.5	0.6	0.2	35.9	0.5	0.6	0.2	35.7	99.9
MISCELLANEOUS ⁴	9.7	9.8	0.2	1.6	9.7	9.6	-0.1	-0.8	97.7
TOTAL GROSS	521.0	518.9	-2.1	-0.4	521.0	525.3	4.2	0.8	101.2
PLUS:									
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	15.6	15.5	-0.1	-0.9	15.6	15.8	0.2	1.0	101.9
IND INC TAX REFUNDS	33.9	24.8	-9.0	-26.6	33.9	28.7	-5.1	-15.1	115.7
CORP INC TAX REFUNDS	10.8	3.2	-7.6	-70.0	10.8	6.6	-4.2	-38.7	204.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.8	3.0	1.2	66.6	1.8	0.1	-1.7	-97.2	1.7
WATER/SEWER BONDS	0.5	1.1	0.6	120.0	0.5	1.1	0.6	120.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
CITY & COUNTY TOURIST	1.8	1.9	0.1	4.7	1.8	1.8	0.0	1.9	97.3
SCHOOL DESEGREGATION	5.1	5.1	0.0	0.0	5.1	5.1	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	24.0	23.7	-0.4	-1.5	24.0	23.7	-0.3	-1.4	100.1
EDUCATIONAL ADEQUACY	2.1	2.0	-0.1	-3.8	2.1	2.1	0.0	-1.4	102.4
ELDERLY TRANSPORTATION	0.2	0.2	0.0	-18.1	0.2	0.1	-0.1	-45.1	67.1
NET AVAILABLE	425.2	438.3	13.1	3.1	425.2	440.1	14.9	3.5	100.4

REVENUE FORECAST SUMMARY FOR JANUARY

JANUARY GROSS	\$ 6.3 MILLION OR 1.2% ABOVE FORECAST.
JANUARY NET AVAILABLE	\$ 1.8 MILLION OR 0.4% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Jan 09</u> 35.8	<u>Jan 10</u> 35.3	<u>% CH</u> -1.5
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