



STATE OF ARKANSAS
**Department of Finance
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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 2010)**

DATE: June 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 \$3,904.8 million. This amount is \$94.9 million or -2.4 percent below last year and \$38.3 million or 1.0 percent above the general revenue forecast that was released on May 4, 2010.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$4,924.9 million, representing a decrease of \$136.6 million or -2.7 percent below last year. Gross general revenues are \$37.0 million or 0.8 percent above the general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,354.7 million, \$119.6 million or -4.8 percent below FY 2009 collections and \$21.3 million or 0.9 percent above forecast. Collections growth for individual monthly withholding is down -0.8 percent from year ago levels.

Year-to-date individual income tax refunds total \$474.6 million, up \$19.7 million or 4.3 percent compared to last year and \$1.3 million or -0.3 percent below 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 \$1,816.8 million, a decrease

of \$122.4 million or -6.3 percent below FY 2009 and \$5.3 million or 0.3 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$366.2 million, an increase of \$32.5 million or 9.7 percent from year-to-date FY 2009. Collections are \$7.6 million or 2.1 percent above 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 \$54.2 million, down \$2.1 million or -3.7 percent from the comparable year-to-date period last year and \$1.9 million or -3.4 percent below forecast.

MAY REVENUE SUMMARY

May Net Available General Revenues total \$311.4 million, \$18.4 million or 6.3 percent above last year and \$38.3 million or 14.0 percent above forecast. A combination of one-time effects boosted collections in May. These consisted of a positive, monthly payroll timing shift in individual withholding income tax and non-recurring collections in Corporate Income tax. Lower income tax refunds in individual and corporate returns were also contributing factors for exceeding forecast in May.

May Gross General Revenues: May collections total \$401.4 million, an increase of \$18.8 million or 4.9 percent from last year and \$37.0 million or 10.1 percent above forecast.

May Individual Income Tax collections total \$196.5 million. Collections increased by \$22.7 million, or 13.0 percent compared to last year. With respect to the forecast, collections are \$21.3 million or 12.1 percent above forecast. Income Tax Withholding was up over last year by 13.8 percent and above forecast by 10.9 percent. This rate of growth includes payroll timing shift in collections mixed with underlying economic recovery. Payroll timing shifts are significant factors for month-to-month change and year ago monthly comparisons. A negative payroll timing shift is expected in June, the final month of the fiscal year.

May Individual Income Tax Refunds total \$28.5 million. Refunds are down \$2.5 million or -8.0 percent from May 2009. This amount is \$1.4 million or -4.4 percent below forecast for the month.

May Gross Receipts Collections: May collections total \$164.3 million, representing an increase of \$0.5 million or 0.3 percent from last year. Collections were above monthly forecast levels by \$5.4 million or 3.3 percent.

May Corporate Income Tax collections total \$12.8 million, a decrease of \$5.8 million or -31.4 percent from year earlier levels. However, collections were above forecast by \$7.7 million or 147.9 percent. Non-recurring payments in this volatile collection category account for the variance from forecast.

May Corporate Income Tax Refunds total \$0.3 million. This amount is \$1.6 million or -84.0 percent below year ago refunds.

May Tobacco Tax collections, a smaller component of general revenue, total \$19.2 million or -2.9 percent below year earlier levels. Collections were 6.3 percent above forecast for the month.

SPECIAL REVENUES OF NOTE

Year-to-date Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$41.2 million, a decrease of \$2.0 million or -4.6 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 May 2010, \$43.0 million was collected and deposited to the fund. After deductions, the net amount is \$41.8 million. The monthly collection is equivalent to a 3.2 percent increase from prior year collections.

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

THROUGH MAY 2010
11 Months YTD
Forecast Date: 05/04/2010

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	2,474.3	2,333.4	-140.9	-5.7	2,474.3	2,354.7	-119.6	-4.8	100.9
ESTATE ¹	-1.2	0.1	1.3	0.0	-1.2	0.1	1.3	0.0	89.2
CORPORATE INCOME	333.7	358.6	24.9	7.5	333.7	366.2	32.5	9.7	102.1
GROSS RECEIPTS ²	1,939.2	1,811.5	-127.7	-6.6	1,939.2	1,816.8	-122.4	-6.3	100.3
ALCOHOLIC BEVERAGE ³	27.1	26.8	-0.3	-1.0	27.1	26.3	-0.8	-2.8	98.2
TOBACCO	143.8	222.4	78.6	54.7	143.8	223.5	79.7	55.5	100.5
INSURANCE	65.3	66.3	1.0	1.6	65.3	66.5	1.2	1.8	100.3
RACING	4.7	4.0	-0.7	-15.4	4.7	4.3	-0.4	-8.6	108.0
GAMES OF SKILL	5.6	7.4	1.8	33.1	5.6	7.7	2.1	38.3	103.9
MISCELLANEOUS ⁴	68.9	57.4	-11.5	-16.7	68.9	58.7	-10.2	-14.8	102.3
TOTAL GROSS	5,061.4	4,887.9	-173.5	-3.4	5,061.4	4,924.9	-136.6	-2.7	100.8
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	151.9	146.7	-5.2	-3.4	151.9	147.9	-4.0	-2.6	100.8
IND INCOME TAX REFUNDS	454.9	475.9	21.0	4.6	454.9	474.6	19.7	4.3	99.7
CORP INCOME TAX REFUNDS	56.2	56.1	-0.1	-0.2	56.2	54.2	-2.1	-3.7	96.6
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	12.2	10.4	-1.8	-14.9	12.2	11.5	-0.8	-6.3	110.2
WATER/SEWER BONDS	5.5	11.9	6.4	116.4	5.5	11.9	6.4	116.4	100.0
COLLEGE SAVINGS BONDS	23.9	24.0	0.1	0.3	23.9	23.7	-0.3	-1.1	98.6
CITY/CO. TOURIST	7.1	7.3	0.2	2.3	7.1	7.3	0.1	1.9	99.5
SCHOOL DESEGREGATION	63.9	65.1	1.2	1.9	63.9	65.1	1.2	1.9	100.0
EDUCATIONAL EXCELLENCE	264.2	260.4	-3.8	-1.4	264.2	260.4	-3.8	-1.4	100.0
EDUCATIONAL ADEQUACY	23.4	23.0	-0.4	-1.5	23.4	23.0	-0.3	-1.4	100.1
ELDERLY TRANSPORTATION	1.9	1.6	-0.3	-13.6	1.9	1.6	-0.2	-13.1	100.5
NET AVAILABLE	3,999.7	3,866.5	-133.2	-3.3	3,999.7	3,904.8	-94.9	-2.4	101.0

REVENUE FORECAST SUMMARY FOR MAY

YEAR-TO-DATE GROSS	\$ 37.0 MILLION OR 0.8% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 3.2 MILLION OR 0.6% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 38.3 MILLION OR 1.0% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 09</u> 43.2	<u>YTD FY 10</u> 41.2	<u>% CHANGE</u> -4.6
EDUCATIONAL ADEQUACY FUND (NET DEPOSIT)	<u>YTD FY 09</u> 396.0	<u>YTD FY 10</u> 375.7	<u>% CHANGE</u> -5.1

- 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.

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

May 28, 2010
Days Remaining: 0
Forecast date: 05/04/2010

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2009	FORECAST FY 2010	CHANGE AMOUNT	PERCENT	ACTUAL FY 2009	ACTUAL FY 2010	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	173.8	175.2	1.4	0.8	173.8	196.5	22.7	13.0	112.1
ESTATE ¹	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CORPORATE INCOME	18.6	5.1	-13.4	-72.3	18.6	12.8	-5.8	-31.4	247.9
GROSS RECEIPTS ²	163.8	158.9	-4.8	-2.9	163.8	164.3	0.5	0.3	103.3
ALCOHOLIC BEVERAGE ³	2.5	2.9	0.5	18.3	2.5	2.5	0.0	-0.9	83.8
TOBACCO	19.8	18.1	-1.7	-8.6	19.8	19.2	-0.6	-2.9	106.3
INSURANCE	1.1	0.9	-0.2	-17.3	1.1	1.1	0.0	-2.5	117.9
RACING	0.4	0.3	0.0	-11.7	0.4	0.7	0.3	71.2	193.8
GAMES OF SKILL	0.5	0.6	0.1	14.4	0.5	0.8	0.4	74.3	152.4
MISCELLANEOUS ⁴	2.2	2.3	0.1	5.0	2.2	3.6	1.4	67.0	159.0
TOTAL GROSS	382.6	364.4	-18.2	-4.8	382.6	401.4	18.8	4.9	110.1
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	11.5	10.8	-0.6	-5.5	11.5	12.1	0.6	5.2	111.3
IND INC TAX REFUNDS	31.0	29.9	-1.2	-3.8	31.0	28.5	-2.5	-8.0	95.6
CORP INC TAX REFUNDS	1.9	2.2	0.3	17.4	1.9	0.3	-1.6	-84.0	13.6
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.6	3.0	2.5	440.3	0.6	4.1	3.5	629.9	135.1
WATER/SEWER BONDS	0.5	1.0	0.5	100.0	0.5	1.0	0.5	100.0	100.0
COLLEGE SAVINGS BONDS	17.8	18.4	0.5	2.9	17.8	18.0	0.2	1.0	98.1
CITY & COUNTY TOURIST	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SCHOOL DESEGREGATION	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EDUCATIONAL EXCELLENCE	24.0	23.7	-0.4	-1.5	24.0	23.7	-0.3	-1.4	100.0
EDUCATIONAL ADEQUACY	2.1	2.1	-0.1	-2.4	2.1	2.1	0.0	-1.4	101.0
ELDERLY TRANSPORTATION	0.1	0.1	0.0	-11.9	0.1	0.1	0.0	-6.3	106.4
NET AVAILABLE	293.0	273.1	-19.9	-6.8	293.0	311.4	18.4	6.3	114.0

REVENUE FORECAST SUMMARY FOR MAY

MAY GROSS \$ 37.0 MILLION OR 10.1% ABOVE FORECAST.
MAY NET AVAILABLE \$ 38.3 MILLION OR 14.0% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	May 09 40.5	May 10 41.8	% CH 3.2
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- 1) Effective January 1, 2005, the federal estate tax credit is abolished, effectively ending state tax collections in FY06.
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