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**Department of Finance
and Administration**

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M E M O R A N D U M

TO: Richard Weiss, Director
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FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for May (FY 2011)**

DATE: June 2, 2011 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 \$4,099.0 million. This amount is \$194.2 million or 5.0 percent above last year and \$18.7 million or 0.5 percent above forecast.

Individual income tax and corporate income tax are slightly above forecast and gross receipts (sales taxes) are slightly below after eleven months into the fiscal year. In general, income tax collections exceeded expectations in the second half of the fiscal year while sales taxes appear to be weakening in conjunction with higher fuel prices.

Year-to-date results compared to year ago levels also reflect performance boosted by lower than expected refunds in both individual and corporate income tax.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$5,121.8 million, representing an increase of \$197.0 million or 4.0 percent above last year. Gross general revenues are \$20.4 million or 0.4 percent above the general revenue forecast.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,503.7 million, \$149.0 million or 6.3 percent above FY 2010 collections and \$21.4 million or 0.9% above forecast. Collections growth for individual withholding is up

5.7 percent over year ago levels.

Year-to-date individual income tax refunds total \$443.8 million, down \$30.8 million or -6.5 percent compared to last year and \$4.0 million or 0.9 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 \$1,906.0 million, an increase of \$89.2 million or 4.9 percent above FY 2010. This amount is below forecast by \$5.3 million or -0.3 percent.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$318.7 million, a decrease of \$47.5 million or -13.0 percent from year-to-date FY 2010. Corporate income is above forecast by \$1.6 million or 0.5 percent. Decline compared to year ago levels is due to large, one-time gains in the prior year.

Year-to-date corporate income tax refunds total \$35.4 million, down \$18.8 million or -34.7 percent compared to the same year-to-date period last year. Corporate refunds are -1.5 percent below forecast. Amounts below forecast in refund categories contributed to higher net available revenue.

MAY REVENUE SUMMARY

May Net Available General Revenues total \$315.4 million, \$3.9 million or 1.3 percent above year ago levels. The amount is also \$8.4 million or 2.7 percent above the monthly forecast.

May Gross General Revenues: May collections total \$414.2 million, an increase of \$12.8 million or 3.2 percent above year ago levels. Gross collections were also above forecast by \$8.3 million or 2.0 percent.

May Individual Income Tax collections total \$197.4 million, an increase of \$0.9 million or 0.5 percent above year ago levels and \$8.4 million or 4.5 percent above forecast. The largest category of Individual Income Tax (withholding) was below year ago levels by -0.6 percent.

May Individual Income Tax Refunds total \$38.2 million, up \$9.6 million or 33.7 percent compared to last year and \$2.2 million or 6.0 percent above forecast.

May Gross Receipts Collections: May collections total \$166.4 million, an increase of \$2.1 million or 1.3 percent above last year. Gross receipts were below forecast by \$5.8 million or -3.4 percent.

May Corporate Income Tax collections total \$20.2 million, an increase of \$7.4 million or 58.3 percent above year earlier levels, and \$3.2 million or 18.8 percent above forecast. Corporate income tax is a volatile component of general revenue.

May Corporate Income Tax Refunds total \$2.7 million. This amount is \$2.3 million above year ago levels.

May Tobacco Tax collections, a small component of general revenue, total \$20.5 million. This amount is \$1.1 million or 5.6 percent above forecast and \$1.3 million or 6.8 percent above year ago levels. 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 Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$42.6 million, an increase of \$1.4 million or 3.3 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 2011, \$46.0 million was collected and deposited to the fund. After deductions, the net amount is \$44.7 million. The monthly collection is equivalent to a 7.1 percent change from prior year collections.

YEAR TO DATE REPORT, MAY 2011
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH MAY 2011
11 Months YTD
Forecast Date: 04/21/2011

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				
	ACTUAL FY 2010	FORECAST FY 2011	INCREASE AMOUNT PERCENT		ACTUAL FY 2010	ACTUAL FY 2011	INCREASE AMOUNT PERCENT		ACTUAL AS % OF FORECAST
INDIVIDUAL INCOME	2,354.7	2,482.3	127.6	5.4	2,354.7	2,503.7	149.0	6.3	100.9
CORPORATE INCOME	366.2	317.1	-49.1	-13.4	366.2	318.7	-47.5	-13.0	100.5
GROSS RECEIPTS ¹	1,816.8	1,911.3	94.5	5.2	1,816.8	1,906.0	89.2	4.9	99.7
ALCOHOLIC BEVERAGE ²	26.3	28.1	1.8	6.7	26.3	29.0	2.7	10.2	103.3
TOBACCO	223.5	218.9	-4.6	-2.1	223.5	220.1	-3.4	-1.5	100.5
INSURANCE	66.5	68.0	1.5	2.3	66.5	67.7	1.3	1.9	99.6
RACING	4.3	3.6	-0.7	-16.7	4.3	3.7	-0.6	-14.5	102.6
GAMES OF SKILL	7.7	11.7	4.0	52.2	7.7	12.6	4.9	63.5	107.4
MISCELLANEOUS ³	58.8	60.4	1.6	2.7	58.8	60.3	1.5	2.6	99.9
TOTAL GROSS	4,924.9	5,101.4	176.5	3.6	4,924.9	5,121.8	197.0	4.0	100.4
PLUS:									
REVENUE ALLOTMENT RESERVE	61.0	0.0	-61.0	-100.0	61.0	0.0	-61.0	-100.0	0.0
LESS: SCSF/COF ⁴	147.9	153.1	5.2	3.5	147.9	153.7	5.7	3.9	100.4
IND INCOME TAX REFUNDS	474.6	439.8	-34.8	-7.3	474.6	443.8	-30.8	-6.5	100.9
CORP INCOME TAX REFUNDS	54.2	35.9	-18.3	-33.7	54.2	35.4	-18.8	-34.7	98.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	11.5	14.8	3.3	29.1	11.5	12.5	1.0	8.6	84.1
WATER/SEWER BONDS	11.9	13.7	1.8	15.1	11.9	13.7	1.8	15.1	100.0
COLLEGE SAVINGS BONDS	23.7	24.0	0.3	1.4	23.7	23.9	0.3	1.2	99.7
CITY/CO. TOURIST	7.3	5.3	-2.0	-27.1	7.3	5.3	-2.0	-27.4	99.5
SCHOOL DESEGREGATION	65.1	65.1	0.0	0.0	65.1	65.1	0.0	0.0	100.0
EDUCATIONAL EXCELLENCE	260.4	246.2	-14.2	-5.5	260.4	246.2	-14.2	-5.4	100.0
EDUCATIONAL ADEQUACY	23.0	21.7	-1.3	-5.7	23.0	21.8	-1.3	-5.4	100.3
ELDERLY TRANSPORTATION	1.6	1.5	-0.1	-6.7	1.6	1.6	0.0	-2.8	104.2
NET AVAILABLE	3,904.8	4,080.3	175.5	4.5	3,904.8	4,099.0	194.2	5.0	100.5

REVENUE FORECAST SUMMARY FOR MAY

YEAR-TO-DATE GROSS	\$ 20.4 MILLION OR 0.4% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 3.5 MILLION OR 0.7% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 18.7 MILLION OR 0.5% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 10</u> 41.2	<u>YTD FY 11</u> 42.6	<u>% CHANGE</u> 3.3
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 10</u> 375.7	<u>YTD FY 11</u> 393.5	<u>% CHANGE</u> 4.8

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.

May 31, 2011
Days Remaining: 0
Forecast date: 04/21/2011

CURRENT MONTH

	ACTUAL FY 2010	FORECAST FY 2011	CHANGE AMOUNT	PERCENT	ACTUAL FY 2010	ACTUAL FY 2011	CHANGE AMOUNT	PERCENT	ACTUAL AS % OF FORECAST
INDIVIDUAL INCOME	196.5	189.0	-7.5	-3.8	196.5	197.4	0.9	0.5	104.5
CORPORATE INCOME	12.8	17.0	4.2	33.3	12.8	20.2	7.4	58.3	118.8
GROSS RECEIPTS ¹	164.3	172.2	7.9	4.8	164.3	166.4	2.1	1.3	96.6
ALCOHOLIC BEVERAGE ²	2.5	2.7	0.2	9.9	2.5	3.6	1.2	47.5	134.2
TOBACCO	19.2	19.4	0.2	1.1	19.2	20.5	1.3	6.8	105.6
INSURANCE	1.1	1.1	0.0	-1.8	1.1	0.8	-0.3	-25.4	76.0
RACING	0.7	0.3	-0.4	-54.6	0.7	0.5	-0.1	-17.8	181.1
GAMES OF SKILL	0.8	0.7	-0.1	-16.8	0.8	1.6	0.7	86.4	224.1
MISCELLANEOUS ³	3.6	3.5	-0.1	-2.8	3.6	3.1	-0.5	-13.3	89.2
TOTAL GROSS	401.4	405.9	4.5	1.1	401.4	414.2	12.8	3.2	102.0
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) ⁴	12.1	12.2	0.1	1.1	12.1	12.4	0.4	2.9	101.8
IND INC TAX REFUNDS	28.5	36.0	7.5	26.1	28.5	38.2	9.6	33.7	106.0
CORP INC TAX REFUNDS	0.3	3.1	2.8	919.7	0.3	2.7	2.3	773.0	85.6
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	4.1	3.6	-0.5	-11.8	4.1	1.7	-2.4	-59.4	46.0
WATER/SEWER BONDS	1.0	1.2	0.2	20.0	1.0	1.2	0.2	20.0	100.0
COLLEGE SAVINGS BONDS	18.0	18.3	0.3	1.5	18.0	18.2	0.2	1.1	99.5
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	23.7	22.4	-1.3	-5.4	23.7	22.4	-1.3	-5.4	99.9
EDUCATIONAL ADEQUACY	2.1	2.0	-0.1	-4.4	2.1	2.0	-0.1	-5.4	98.9
ELDERLY TRANSPORTATION	0.1	0.1	0.0	-26.2	0.1	0.1	0.0	3.0	139.6
NET AVAILABLE	311.4	307.0	-4.4	-1.4	311.4	315.4	3.9	1.3	102.7

MAY GROSS	\$ 8.3 MILLION OR 2.0% ABOVE FORECAST.
MAY NET AVAILABLE	\$ 8.4 MILLION OR 2.7% ABOVE FORECAST.

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes estate tax, severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.