



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

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MEMORANDUM

TO: Larry Walther, Secretary
 Paul Louthian, Deputy Director

FROM: John Shelnut, Economic Analysis & Tax Research *JS*

SUBJECT: **General Revenue Report for December (FY 2022)**

DATE: January 4, 2022 Copy: Governor's Office

The general revenue forecast was revised December 16, 2021. The following forecast comparisons are based on the monthly forecast patterns associated with the revised annual Official Forecast.

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$3,419.1 million, \$195.3 million or 6.1 percent above year ago levels. After six months into the fiscal year, Net Available revenue is above the revised forecast by \$52.1 million or 1.5 percent. Comparisons with year ago collections remain somewhat distorted by the Income Tax due date shift to July of last year as a one-time change for pandemic relief efforts and the occurrence of two income tax filing dates in that fiscal year.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$3,896.0 million, representing an increase of \$198.6 million or 5.4 percent above last year. Gross general revenues are above forecast by \$56.8 million or 1.5 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,695.5 million, \$76.1 million or -4.3 percent below FY 2021 collections and \$16.7 million or 1.0 percent above forecast. Tax due date shift accounts for the disparity against year ago levels while Payroll Withholding collections account for most of the current gains above forecast.

Year-to-date individual income tax refunds total \$101.6 million, down \$25.9 million or -20.3 percent compared to last year and \$0.6 million or 0.6 percent above forecast. Tax due date shifts accounted for differences in refund levels in the year ago comparison.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,555.3 million, an increase of \$162.8 million or 11.7 percent from FY 2021 and \$13.4 million or 0.9 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$372.0 million, an increase of \$108.4 million from year-to-date FY 2021. Corporate income is above forecast by \$24.7 million or 7.1 percent. Corporate Estimated Payments exceeded year ago and forecast levels.

Year-to-date corporate income tax refunds total \$21.2 million, a decrease of \$3.4 million compared to the same year-to-date period last year.

DECEMBER REVENUE SUMMARY

December Net Available General Revenues total \$646.1 million, \$115.8 million or 21.8 percent above last year and \$52.1 million or 8.8 percent above forecast.

Net Available revenue results were above the revised forecast in all major categories in December. Individual Income Tax collections benefited from both Payroll Withholding and Estimated Payments. Corporate Estimated Payments greatly exceeded forecast levels. Sales Tax collection growth was broad based with a mix of rebounding sectors hit harder during Covid19 and sustained growth in early-gaining sectors.

Among smaller revenue sources, Tobacco was above forecast by \$1.8 million and below year ago collections. Results in Gaming revenue were below forecast for the month by \$0.1 million.

December Gross General Revenues: December collections total \$719.6 million, an increase of \$114.4 million or 18.9 percent above last year and \$56.8 million or 8.6 percent above forecast. Gains in Gross revenue from collections were broad-based in December.

December Individual Income Tax collections total \$274.3 million. Collections increased by \$24.5 million or 9.8 percent compared to last year. With respect to the forecast, collections were \$16.7 million or 6.5 percent above forecast. Individual Withholding Tax revenue increased 9.4 percent compared to last year.

December Individual Income Tax Refunds total \$9.8 million, \$8.6 million below last year and \$0.6 million above forecast. Refund claims above forecast reduce net revenue results.

December Sales and Use Tax Collections: December collections total \$274.7 million, an increase of \$44.9 million or 19.6 percent above last year. Collections were above monthly forecast levels by \$13.4 million or 5.1 percent. Major reporting sectors of Sales Tax displayed mixed results compared to year ago, with high growth in sectors that experienced later recovery and lower growth in sectors that rebounded earlier.

December Corporate Income Tax collections total \$136.9 million, an increase of \$46.4 million from year ago, and \$24.7 million above forecast. Most of the gain was concentrated in quarterly Corporate Estimated Payments.

December Corporate Income Tax Refunds total \$3.2 million. This amount is \$0.9 million above year ago levels. Refunds were \$0.5 million below forecast.

December Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.3 million. Collections decreased by \$0.6 million from year earlier levels and were above forecast by \$1.8 million. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

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 December 2021, \$57.6 million was collected and deposited to the fund. After deductions, the net amount is \$55.9 million. The monthly collection is equivalent to a 21.2 percent increase from prior year collections.

December 2021 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 12/16/21

Millions of \$

| | Actual Dec FY21 | Forecast Dec FY22 | Actual Dec FY22 | <u>Change from Forecast</u> | | <u>Change from Last Year</u> | |
|-------------------------------|--------------------|----------------------|--------------------|-----------------------------|-----------------------|------------------------------|-----------------------|
| | | | | Dollar Difference | Percent Difference | Dollar Difference | Percent Difference |
| Individual Income | 1,771.6 | 1,678.8 | 1,695.5 | 16.7 | 1.0 | -76.1 | -4.3 |
| Corporate Income | 263.7 | 347.3 | 372.0 | 24.7 | 7.1 | 108.4 | 41.1 |
| Sales & Use | 1,392.5 | 1,541.9 | 1,555.3 | 13.4 | 0.9 | 162.8 | 11.7 |
| Alcohol | 33.8 | 36.2 | 36.2 | 0.0 | -0.1 | 2.4 | 7.0 |
| Tobacco | 116.3 | 111.7 | 113.5 | 1.8 | 1.7 | -2.8 | -2.4 |
| Insurance | 46.2 | 49.2 | 49.6 | 0.4 | 0.8 | 3.4 | 7.3 |
| Racing | 0.4 | 0.6 | 0.5 | -0.1 | -17.7 | 0.1 | 17.6 |
| Gaming | 15.3 | 20.9 | 20.8 | -0.1 | -0.6 | 5.5 | 36.2 |
| Severance | 3.6 | 6.3 | 6.8 | 0.5 | 7.7 | 3.2 | 87.4 |
| Franchise | 9.0 | 8.0 | 8.0 | 0.0 | 0.0 | -1.0 | -10.7 |
| Real Estate Transfer | 2.6 | 2.6 | 2.6 | 0.0 | 0.3 | 0.0 | 0.0 |
| Miscellaneous | 42.4 | 35.7 | 35.2 | -0.5 | -1.3 | -7.2 | -17.0 |
| Total Gross | 3,697.4 | 3,839.2 | 3,896.0 | 56.8 | 1.5 | 198.6 | 5.4 |
| LESS: (SCSF/COF) ¹ | 114.6 | 116.2 | 120.8 | 4.6 | 3.9 | 6.2 | 5.4 |
| Individual Income Refunds | 127.5 | 101.0 | 101.6 | 0.6 | 0.6 | -25.9 | -20.3 |
| Corporate Income Refunds | 24.6 | 21.7 | 21.2 | -0.5 | -2.4 | -3.4 | -13.8 |
| Claims | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Econ Development Incentive | 5.3 | 6.6 | 6.6 | 0.0 | 0.2 | 1.3 | 25.6 |
| Amendment 82 Bonds | 1.0 | 1.0 | 1.0 | 0.0 | -2.8 | 0.0 | -4.2 |
| Recycling Tax Credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Water / Sewer Bonds | 7.6 | 7.6 | 7.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| College Savings Bonds | 3.0 | 2.7 | 2.7 | 0.0 | 1.8 | -0.2 | -8.3 |
| City & County Tourist | 0.4 | 0.5 | 0.4 | -0.1 | -11.2 | 0.0 | 0.0 |
| Educational Excellence | 174.3 | 197.5 | 197.6 | 0.1 | 0.0 | 23.3 | 13.4 |
| Educational Adequacy | 15.4 | 17.4 | 17.5 | 0.1 | 0.4 | 2.1 | 13.4 |
| Highway Casino Transfer | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Deductions | 473.7 | 472.2 | 476.9 | 4.7 | 1.0 | 3.3 | 0.7 |
| Net Available | 3,223.8 | 3,367.0 | 3,419.1 | 52.1 | 1.5 | 195.3 | 6.1 |

Revenue Forecast Summary for the Month

December Year-to-Date Gross: \$ 56.8 Million OR 1.5% Above Forecast
December Year-to-Date Net Available: \$ 52.1 Million OR 1.5% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

December 2021 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 12/16/21

Millions of \$

| | Actual Dec FY21 | Forecast Dec FY22 | Actual Dec FY22 | <u>Change from Forecast</u> | | <u>Change from Last Year</u> | |
|-------------------------------|--------------------|----------------------|--------------------|-----------------------------|-----------------------|------------------------------|-----------------------|
| | | | | Dollar Difference | Percent Difference | Dollar Difference | Percent Difference |
| Individual Income | 249.7 | 257.6 | 274.3 | 16.7 | 6.5 | 24.5 | 9.8 |
| Corporate Income | 90.5 | 112.2 | 136.9 | 24.7 | 22.0 | 46.4 | 51.2 |
| Sales & Use | 229.7 | 261.3 | 274.7 | 13.4 | 5.1 | 44.9 | 19.6 |
| Alcohol | 5.3 | 5.4 | 5.4 | 0.0 | -0.4 | 0.0 | 0.3 |
| Tobacco | 19.9 | 17.5 | 19.3 | 1.8 | 10.6 | -0.6 | -2.8 |
| Insurance | 2.6 | 1.7 | 2.1 | 0.4 | 23.0 | -0.5 | -19.2 |
| Racing | 0.1 | 0.2 | 0.1 | -0.1 | -63.6 | 0.0 | -19.6 |
| Gaming | 2.5 | 3.4 | 3.3 | -0.1 | -3.6 | 0.9 | 34.8 |
| Severance | 0.5 | 0.5 | 1.0 | 0.5 | 98.6 | 0.5 | 91.4 |
| Franchise | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | -1.4 | -100.0 |
| Real Estate Transfer | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Miscellaneous | 3.0 | 3.1 | 2.6 | -0.5 | -15.3 | -0.3 | -10.5 |
| Total Gross | 605.3 | 662.8 | 719.6 | 56.8 | 8.6 | 114.4 | 18.9 |
| LESS: (SCSF/COF) ¹ | 18.8 | 17.7 | 22.3 | 4.6 | 25.8 | 3.5 | 18.9 |
| Individual Income Refunds | 18.4 | 9.3 | 9.8 | 0.6 | 6.0 | -8.6 | -46.7 |
| Corporate Income Refunds | 2.4 | 3.8 | 3.2 | -0.5 | -13.8 | 0.9 | 36.6 |
| Claims | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Econ Development Incentive | 1.5 | 0.1 | 0.1 | 0.0 | 10.4 | -1.4 | -92.2 |
| Amendment 82 Bonds | 1.0 | 1.0 | 1.0 | 0.0 | -2.8 | 0.0 | -4.2 |
| Recycling Tax Credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Water / Sewer Bonds | 1.2 | 1.2 | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| College Savings Bonds | 0.0 | 0.0 | 0.0 | 0.0 | -100.0 | 0.0 | 0.0 |
| City & County Tourist | 0.0 | 0.1 | 0.0 | -0.1 | -100.0 | 0.0 | 0.0 |
| Educational Excellence | 29.0 | 32.9 | 32.9 | 0.1 | 0.2 | 3.9 | 13.4 |
| Educational Adequacy | 2.6 | 2.8 | 2.9 | 0.1 | 2.3 | 0.3 | 13.4 |
| Highway Casino Transfer | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Deductions | 74.9 | 68.8 | 73.5 | 4.7 | 6.9 | -1.4 | -1.9 |
| Net Available | 530.3 | 594.0 | 646.1 | 52.1 | 8.8 | 115.8 | 21.8 |

Revenue Forecast Summary for the Month

December Gross: \$ 56.8 Million OR 8.6% Above Forecast
December Net Available: \$ 52.1 Million OR 8.8% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.