



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

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MEMORANDUM

TO: Larry Walther, Secretary
 Paul Louthian, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for October (FY 2023)**

DATE: November 2, 2022 Copy: Governor's Office

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues totaled \$2,455.0 million, \$182.0 million or 8.0 percent above year ago levels. After four months into the fiscal year, net available revenue is above forecast by \$224.0 million or 10.0 percent.

Year-to-date Gross General Revenues totaled \$2,790.8 million, representing an increase of \$201.7 million or 7.8 percent above last year. Gross general revenues are above forecast by \$241.2 million or 9.5 percent.

Year-to-date Individual Income Taxes totaled \$1,234.0 million, \$83.6 million or 7.3 percent above FY 2022 collections and \$76.2 million or 6.6 percent above forecast.

Year-to-date individual income tax refunds totaled \$75.5 million, up \$5.8 million or 8.3 percent compared to last year and \$16.9 million or 28.8 percent above forecast.

Year-to-date Sales and Use Tax totaled \$1,132.3 million, an increase of \$103.1 million or 10.0 percent from FY2022 and \$88.9 million or 8.5 percent above forecast.

Year-to-date Corporate Income Taxes totaled \$245.5 million, an increase of \$18.3 million from year-to-date FY2022 which is above forecast by \$72.1 million or 41.6 percent.

Year-to-date corporate income tax refunds totaled \$3.9 million, a decrease of \$8.9 million compared to the same year-to-date period last year.

OCTOBER REVENUE SUMMARY

October Net Available General Revenues totaled \$604.8 million, \$56.0 million or 10.2 percent above last year and \$49.2 million or 8.9 percent above forecast.

Revenue results were above forecast in all major revenue categories in October. Individual and Corporate Income Tax collections accounted for \$40.3 million of the gain above forecast, largely in Final Return payments tied to extension filers. This gain was partly offset by Income Tax Refunds running \$15.7 million over forecast. Sales Tax collection growth was broad based across reporting sectors.

Among smaller revenue sources, Tobacco was above forecast by \$1.6 million and fractionally above year ago collections. Results in Gaming revenue were above forecast by \$0.2 million.

October Gross General Revenues totaled \$710.7 million, an increase of \$75.7 million or 11.9 percent above last year and \$66.0 million or 10.2 percent above forecast. Gross revenue from collections was broad based with gains in final return filings from estimated tax filers and Sales Tax collections.

October Individual Income Tax totaled \$354.1 million. Collections increased by \$43.4 million, or 14.0 percent compared to last year. With respect to the forecast, collections were \$32.3 million or 10.0 percent above forecast. Individual Withholding Tax revenue increased 8.6 percent compared to last year with a positive payday calendar timing benefit providing temporary gains.

October Individual Income Tax Refunds totaled \$40.9 million, \$14.8 million above last year and \$19.7 million above forecast. Refund claims above forecast subtract from net revenue results.

October Sales and Use Tax totaled \$283.1 million, an increase of \$29.4 million or 11.6 percent above last year. Collections were above monthly forecast levels by \$22.8 million or 8.8 percent. Most major reporting sectors of Sales Tax displayed high growth over the prior year, reflecting continuing economic expansion in many sectors. Motor vehicle sales tax collections were up 4.7 percent from year ago October.

October Corporate Income Tax totaled \$38.6 million, an increase of \$2.5 million from year ago, and \$8.0 million above forecast.

October Corporate Income Tax Refunds totaled \$1.9 million. This amount is -\$1.0 million below year ago levels. Refunds were also -\$4.0 million below forecast.

October Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$18.9 million. Collections were flat compared to year earlier levels and were above forecast by \$1.6 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 October 2022, \$58.7 million was collected and deposited to the fund. After deductions, the net amount is \$57.0 million. The monthly collection is equivalent to a 11.2 percent increase from prior year collections.

C: /FISCNOT/October FY 2023
Attachment (2)

October 2022 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 05/18/22

Millions of \$

	Actual Oct FY22	Forecast Oct FY23	Actual Oct FY23	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	1,150.3	1,157.8	1,234.0	76.2	6.6	83.6	7.3
Corporate Income	227.2	173.4	245.5	72.1	41.6	18.3	8.1
Sales & Use	1,029.2	1,043.4	1,132.3	88.9	8.5	103.1	10.0
Alcohol	25.3	24.9	25.2	0.3	1.3	-0.1	-0.4
Tobacco	75.6	69.0	71.5	2.5	3.6	-4.1	-5.5
Insurance	23.1	27.5	24.6	-2.9	-10.5	1.5	6.6
Racing	0.4	0.4	0.4	0.0	-6.5	0.0	5.9
Gaming	13.8	15.2	16.0	0.8	5.2	2.2	15.6
Severance	4.8	5.5	5.9	0.4	7.3	1.1	22.4
Franchise	7.7	2.6	3.7	1.1	40.8	-4.1	-52.6
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	29.0	27.3	29.2	1.9	7.0	0.2	0.6
Total Gross	2,589.2	2,549.6	2,790.8	241.2	9.5	201.7	7.8
LESS: (SCSF/COF) ¹	80.3	79.1	86.5	7.4	9.4	6.3	7.8
Individual Income Refunds	69.7	58.6	75.5	16.9	28.8	5.8	8.3
Corporate Income Refunds	12.8	12.8	3.9	-8.9	-69.3	-8.9	-69.4
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	4.4	7.8	7.5	-0.3	-4.2	3.1	71.7
Amendment 82 Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	5.2	5.2	5.2	0.0	0.0	0.0	0.0
College Savings Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
City & County Tourist	0.4	0.4	0.4	0.0	11.0	0.0	0.0
Educational Excellence	131.7	142.2	144.1	1.9	1.3	12.4	9.4
Educational Adequacy	11.6	12.5	12.7	0.2	1.9	1.1	9.4
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	316.2	318.6	335.9	17.3	5.4	19.7	6.2
Net Available	2,273.0	2,231.0	2,455.0	224.0	10.0	182.0	8.0

Revenue Forecast Summary for the Month

October Year-to-Date Gross: \$ 241.2 Million OR 9.5% Above Forecast
October Year-to-Date Net Available: \$ 224.0 Million OR 10.0% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

October 2022 General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 05/18/22

Millions of \$

	Actual Oct FY22	Forecast Oct FY23	Actual Oct FY23	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	310.7	321.8	354.1	32.3	10.0	43.4	14.0
Corporate Income	36.1	30.6	38.6	8.0	26.2	2.5	7.1
Sales & Use	253.7	260.3	283.1	22.8	8.8	29.4	11.6
Alcohol	5.8	5.8	6.0	0.2	3.3	0.2	2.6
Tobacco	18.9	17.3	18.9	1.6	9.4	0.0	0.2
Insurance	0.3	0.3	0.7	0.4	139.5	0.4	124.0
Racing	0.1	0.1	0.1	0.0	-5.4	0.0	20.0
Gaming	3.5	3.6	3.8	0.2	4.5	0.3	8.5
Severance	0.9	1.0	1.2	0.2	24.0	0.3	31.6
Franchise	0.9	1.0	0.8	-0.2	-15.5	-0.1	-9.6
Real Estate Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	4.0	2.9	3.3	0.4	13.5	-0.8	-18.7
Total Gross	634.9	644.7	710.7	66.0	10.2	75.7	11.9
LESS: (SCSF/COF) ¹	19.7	20.0	22.0	2.0	10.2	2.3	11.9
Individual Income Refunds	26.1	21.2	40.9	19.7	92.7	14.8	56.5
Corporate Income Refunds	2.8	5.9	1.9	-4.0	-68.4	-1.0	-34.4
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	0.1	1.9	0.3	-1.6	-81.9	0.2	203.4
Amendment 82 Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	1.3	1.3	1.3	0.0	0.0	0.0	0.0
College Savings Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
City & County Tourist	0.2	0.2	0.2	0.0	11.0	0.0	0.0
Educational Excellence	32.9	35.5	36.0	0.5	1.5	3.1	9.4
Educational Adequacy	2.9	3.1	3.2	0.1	2.7	0.3	9.4
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	86.1	89.1	105.8	16.7	18.8	19.7	22.9
Net Available	548.8	555.6	604.8	49.2	8.9	56.0	10.2

Revenue Forecast Summary for the Month

October Gross:	\$ 66.0 Million OR 10.2% Above Forecast
October Net Available:	\$ 49.2 Million OR 8.9% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.