



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

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MEMORANDUM

TO: Larry Walther, Secretary
Robert Brech, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for June and FY 2023 Summary**

DATE: July 5, 2023 Copy: Governor's Office

FISCAL YEAR 2023 REVENUE SUMMARY

Results from collections and distributions for FY 2023 reached \$7.185 billion or \$126.5 million above the forecast of May 17, 2023, and \$1.161 billion in excess of full funding level for the Revenue Stabilization Act representing a surplus as defined by that budget control and allocation process.

The following results are also compared to the Official forecast issued on May 17, 2023, for conformity with prior reports.

Fiscal Year 2023 Net Available General Revenues and Factors for Growth: Fiscal year 2023 net available general revenue collections total \$7,185.4 million. This amount is \$292.0 million or -3.9 percent below prior year results and \$126.5 million or 1.8 percent above forecast.

The fiscal year ended above forecast in all major categories of collections and above year ago levels in Sales Tax collections. This broad-based gain resulted from another year of high growth in Sales Tax collections and less decline in income tax categories than expected from tax rate reductions and adverse comparison to unusually high capital gains, bonuses, and earnings reported in FY 2022.

Fiscal Year 2023 Gross General Revenues: Fiscal year 2023 gross collections total \$8,850 million, representing an increase of \$76.9 million or 0.9 percent above last year. Gross general revenues were \$145.4 million or 1.7 percent above forecast.

Fiscal Year 2023 Individual Income Taxes: Fiscal year 2023 individual income tax collections total \$3,915.9 million, \$255.6 million or -6.1 percent below FY 2022 collections and \$42.4 million or 1.1 percent above forecast.

Fiscal Year 2023 individual income tax refunds total \$768.1 million, \$314.6 million or 69.3 percent above last year and \$36.8 million or 5.0 percent above forecast. Amounts above forecast in refund categories subtract from net general revenue results.

Fiscal Year 2023 Sales and Use Collections: Fiscal year 2023 Sales and Use tax collections total \$3,418.4 million, an increase of \$263.6 million or 8.4 percent over FY 2022 and \$34.1 million or 1.0 percent above forecast.

Fiscal Year 2023 Corporate Income Taxes: Fiscal year corporate collections total \$842.5 million, an increase of \$5.3 million or 0.6 percent above FY 2022. Collections came in \$51.8 million or 6.5 percent above forecast.

Fiscal Year 2023 Corporate income tax refunds total \$60.4 million, \$8.0 million or 15.2 percent above last year and \$3.4 million below the general revenue forecast.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$769.9 million, \$9.1 million or -1.2 percent below last year. Net available general revenues were \$108.0 million or 16.3 percent above forecast for the month.

Revenues in June were above forecast and year ago levels in all major categories of collections. Individual and Corporate Income collections exceeded forecast with gains in Estimated Payments. Sales Tax revenues exceeded forecast and year ago with broad-based gains across reporting sectors.

Among smaller revenue sources, Tobacco revenues exceeded forecast by \$0.2 million. Results in Gaming were also above forecast by \$0.2 million.

June Gross General Revenues: June collections total \$951.2 million, an increase of \$48.0 million or 5.3 percent above last year and \$120.0 million or 14.4 percent above the monthly forecast.

June Individual Income Tax collections total \$313.4 million. Collections decreased by \$25.3 million, or -7.5 percent, compared to last year. Monthly collections were above forecast by \$30.6 million or 10.8 percent. Withholding tax collections from payrolls were up by 1.9 percent from year ago levels, reflecting a mix of effects from income tax reduction and continued growth in payroll earnings.

June Individual Income Tax Refunds total \$80.0 million. This amount is \$52.5 million or 191.7 percent above year ago refunds and \$26.5 million above the monthly forecast. Refund claims are generally higher in Fiscal Year 2023 from recent retroactive tax reductions in Tax Year 2022.

June Sales and Use Collections: June collections total \$312.6 million, an increase of \$26.6 million or 9.3 percent above last year. Collections were above forecast by \$20.3 million or 6.9 percent. Motor vehicle Sales Tax collections were up 7.4 percent from year ago levels, largely from increased production compared to prior year parts shortages and increased fleet sales indicated in national data.

June Corporate Income Tax collections total \$122.3 million, a decrease of \$11.2 million or -8.4 percent from year earlier levels, and \$53.3 million above forecast.

June Corporate Income Tax Refunds total \$3.2 million. This amount is \$0.1 million above refund levels a year ago.

June Tobacco Tax collections, a small component of general revenue, total \$17.9 million or 4.4 percent below 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

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 June 2023, \$65.9 million was collected and deposited to the fund. After deductions, the net amount is \$63.9 million. The monthly collection is equivalent to a 10.3 percent increase from prior year collections. Fiscal year net collections total \$713.3 million, compared to \$662.0 million last year. This represents a 7.7 percent fiscal year increase from prior year collections.

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

June 2023 Year-to-Date General Revenue Report

Economic Analysis and Tax Research, DFA

Forecast Date: 05/17/23

Millions of \$

				<u>Change from Forecast</u>		<u>Change from Last Year</u>	
	Actual	Forecast	Actual	Dollar	Percent	Dollar	Percent
	June FY22	June FY23	June FY23	Difference	Difference	Difference	Difference
Individual Income	4,171.5	3,873.5	3,915.9	42.4	1.1	-255.6	-6.1
Corporate Income	837.2	790.7	842.5	51.8	6.5	5.3	0.6
Sales & Use	3,154.7	3,384.3	3,418.4	34.1	1.0	263.6	8.4
Alcohol	75.1	76.5	76.6	0.1	0.1	1.5	2.0
Tobacco	215.5	205.0	205.8	0.8	0.4	-9.8	-4.5
Insurance	175.3	224.5	238.5	14.0	6.2	63.2	36.1
Racing	1.8	1.6	1.6	0.0	-2.2	-0.2	-12.7
Gaming	46.0	53.8	54.3	0.5	0.9	8.3	18.0
Severance	13.6	13.2	13.1	-0.1	-1.1	-0.6	-4.2
Franchise	8.0	8.0	8.0	0.0	0.0	0.0	0.0
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	71.8	70.9	73.0	2.1	2.9	1.1	1.6
Total Gross	8,773.1	8,704.6	8,850.0	145.4	1.7	76.9	0.9
LESS: (SCSF/COF) ¹	271.6	269.8	272.3	2.5	0.9	0.6	0.2
Individual Income Refunds	453.6	731.3	768.1	36.8	5.0	314.6	69.3
Corporate Income Refunds	52.4	63.8	60.4	-3.4	-5.4	8.0	15.2
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Econ Development Incentive	17.5	23.4	12.8	-10.6	-45.2	-4.6	-26.5
Amendment 82 Bonds	5.3	5.3	5.3	0.0	-0.2	0.0	0.0
Recycling Tax Credit	16.0	16.0	16.0	0.0	0.0	0.0	0.0
Wood Energy Products Credit	0.0	4.0	4.0	0.0	0.0	4.0	0.0
Water / Sewer Bonds	14.8	14.8	14.8	0.0	0.0	0.0	0.0
College Savings Bonds	20.4	18.3	18.3	0.0	-0.1	-2.2	-10.6
City & County Tourist	0.9	0.9	0.9	0.0	-1.3	0.0	0.0
Educational Excellence	395.1	432.3	432.3	0.0	0.0	37.1	9.4
Educational Adequacy	34.9	38.2	38.2	0.0	0.0	3.3	9.4
Highway Casino Transfer	13.2	17.6	21.3	3.7	20.9	8.1	61.8
Total Deductions	1,295.7	1,645.7	1,664.6	18.9	1.1	368.9	28.5
Net Available	7,477.4	7,058.9	7,185.4	126.5	1.8	-292.0	-3.9
LESS: Surplus	1,628.2	1,034.6	1,161.1				
Net AVAILABLE Distribution	5,849.2	6,024.3	6,024.3	0.0	0.0	175.1	3.0

Revenue Forecast Summary for the Month

June Year-to-Date Gross:	\$ 145.4 Million OR 1.7% Above Forecast
June Year-to-Date Net Available:	\$ 126.5 Million OR 1.8% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

June 2023 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 05/17/23

Millions of \$

	Actual June FY22	Forecast June FY23	Actual June FY23	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	338.7	282.8	313.4	30.6	10.8	-25.3	-7.5
Corporate Income	133.5	69.0	122.3	53.3	77.2	-11.2	-8.4
Sales & Use	285.9	292.3	312.6	20.3	6.9	26.6	9.3
Alcohol	8.8	8.9	9.0	0.1	0.6	0.2	2.1
Tobacco	18.7	17.7	17.9	0.2	0.9	-0.8	-4.4
Insurance	97.1	141.2	155.4	14.2	10.1	58.4	60.1
Racing	0.1	0.1	0.1	0.0	-5.8	0.0	-24.6
Gaming	4.7	5.3	5.5	0.2	3.3	0.8	16.9
Severance	1.4	1.0	1.0	0.0	1.0	-0.4	-28.8
Franchise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	14.3	12.9	14.1	1.2	9.0	-0.2	-1.6
Total Gross	903.2	831.2	951.2	120.0	14.4	48.0	5.3
LESS: (SCSF/COF) ¹	27.7	25.8	27.6	1.8	6.9	-0.1	-0.3
Individual Income Refunds	27.4	53.5	80.0	26.5	49.4	52.5	191.7
Corporate Income Refunds	3.0	5.9	3.2	-2.7	-46.3	0.1	4.1
Claims	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
Econ Development Incentive	4.1	5.7	0.4	-5.3	-92.3	-3.7	-89.3
Amendment 82 Bonds	4.3	4.4	4.4	0.0	-0.8	0.0	1.1
Recycling Tax Credit	16.0	16.0	16.0	0.0	0.0	0.0	0.0
Wood Energy Products Credit	0.0	4.0	4.0	0.0	0.0	4.0	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	0.0	0.0	0.0
City & County Tourist	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Excellence	32.9	36.1	36.0	-0.1	-0.2	3.1	9.4
Educational Adequacy	2.9	3.2	3.2	0.0	-0.5	0.3	9.4
Highway Casino Transfer	4.5	3.5	5.3	1.8	51.6	0.8	16.9
Total Deductions	124.1	169.3	181.2	11.9	7.0	57.1	46.0
Net Available	779.0	661.9	769.9	108.0	16.3	-9.1	-1.2

Revenue Forecast Summary for the Month

June Gross: \$ 120.0 Million OR 14.4% Above Forecast
June Net Available: \$ 108.0 Million OR 16.3% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.