



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

Economic Analysis and Tax Research
 1509 West Seventh Street, Suite 404
 Post Office Box 3278
 Little Rock, Arkansas 72203-3278
 Phone: (501) 682-5495
 Fax: (501) 682-1086
www.arkansas.gov/dfa

MEMORANDUM

TO: Jim Hudson, Secretary
 Robert Brech, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research JS

SUBJECT: **General Revenue Report for August (FY 2024)**

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

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$1,070.9 million, \$13.1 million or -1.2 percent below year ago levels. After two months into the fiscal year, net available revenue is above forecast by \$33.2 million or 3.2 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,256.6 million, representing an increase of \$26.0 million or 2.1 percent above last year. Gross general revenues are above forecast by \$55.4 million or 4.6 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$532.8 million, \$14.3 million or 2.8 percent above FY 2023 collections and \$33.8 million or 6.8 percent above forecast.

Year-to-date individual income tax refunds total \$44.5 million, up \$24.3 million or 119.9 percent compared to last year and \$11.4 million or 34.6 percent above forecast.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$574.4 million, an increase of \$13.9 million or 2.5 percent above FY 2023 and \$10.4 million or 1.9 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$40.6 million, a decrease of \$1.5 million from year-to-date FY 2023. Corporate income is above forecast by \$12.9 million or 46.5 percent.

Year-to-date corporate income tax refunds total \$13.7 million, an increase of \$11.7 million compared to the same year-to-date period last year.

AUGUST REVENUE SUMMARY

August Net Available General Revenues total \$517.6 million, \$24.4 million or -4.5 percent below last year and \$17.3 million or 3.5 percent above forecast.

Net Available revenue results were above forecast in all major revenue categories in August. Sales Tax collection growth was driven higher by the motor vehicle sales, retail, and restaurants. Individual Income Tax gains were driven largely by non-Withholding Tax categories, in part from shifted tax filings in tornado-damaged counties. Corporate Income Tax collections were above forecast in a normally light collection month for that category. Income Tax refund claims were above forecast in both Individual and Corporate claims.

Among smaller revenue sources, Tobacco was above forecast by \$0.3 million and below year ago collections. Results in Gaming revenue were above forecast by \$0.1 million.

August Gross General Revenues: August collections total \$613.3 million, a decrease of \$1.5 million or -0.2 percent below last year and \$33.5 million or 5.8 percent above forecast. Gross revenue from collections was below year ago in part from payday timing differences in Payroll Withholding Tax collections.

August Individual Income Tax collections total \$256.6 million. Collections decreased by \$8.7 million, or -3.3 percent compared to last year. With respect to the forecast, collections were \$20.8 million or 8.8 percent above forecast. Individual Withholding Tax revenue decreased -10.5 percent compared to last year, in part from payday timing effects compared to year ago and Withholding Tax rate reductions from Income Tax rate cuts.

August Individual Income Tax Refunds total \$21.5 million, \$12.2 million above last year and \$6.5 million above forecast. Refund claims above forecast subtract from net revenue results.

August Sales and Use Tax Collections: August collections total \$292.1 million, an increase of \$4.0 million or 1.4 percent above last year. Collections were above monthly forecast levels by \$8.6 million or 3.1 percent. Major reporting sectors of Sales Tax displayed mostly higher growth over the prior year, reflecting continuing economic expansion in many sectors. Motor vehicle sales tax collections were up 7.9 percent from year ago August.

August Corporate Income Tax collections total \$9.4 million, an increase of \$2.4 million from year ago, and \$3.9 million above forecast.

August Corporate Income Tax Refunds total \$11.0 million. This amount is \$9.8 million above year ago levels. Refunds were also \$9.7 million above forecast.

August Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$17.0 million. Collections decreased by \$0.3 million from year earlier levels and were above forecast by \$0.3 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 August 2023, \$60.6 million was collected and deposited to the fund. After deductions, the net amount is \$58.8 million. The monthly collection is equivalent to a 3.1 percent increase from prior year collections.

C: /FISCNOT/August FY 2024
Attachment (2)

August 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
	Aug FY23	Aug FY24	Aug FY24	Difference	Difference	Difference	Difference
Individual Income	518.5	499.0	532.8	33.8	6.8	14.3	2.8
Corporate Income	42.1	27.7	40.6	12.9	46.5	-1.5	-3.6
Sales & Use	560.5	564.0	574.4	10.4	1.9	13.9	2.5
Alcohol	13.2	13.9	13.6	-0.3	-2.4	0.4	3.1
Tobacco	35.9	34.6	33.9	-0.7	-2.0	-2.0	-5.5
Insurance	21.2	22.8	22.0	-0.8	-3.5	0.8	3.9
Racing	0.2	0.2	0.2	0.0	-23.6	-0.1	-28.9
Gaming	8.7	9.5	10.1	0.6	6.8	1.5	17.1
Severance	3.3	2.6	2.4	-0.2	-6.2	-0.9	-26.2
Franchise	1.7	1.7	1.8	0.1	4.1	0.1	5.5
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	22.8	22.6	22.2	-0.4	-2.0	-0.7	-2.9
Total Gross	1,230.6	1,201.2	1,256.6	55.4	4.6	26.0	2.1
LESS: (SCSF/COF) ¹	38.1	37.3	39.0	1.7	4.4	0.8	2.1
Individual Income Refunds	20.3	33.1	44.5	11.4	34.6	24.3	119.9
Corporate Income Refunds	2.1	2.3	13.7	11.4	497.8	11.7	566.6
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	4.9	3.9	0.6	-3.3	-84.8	-4.3	-87.8
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
Wood Energy Products Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	2.6	2.6	2.6	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	72.0	77.3	78.1	0.8	1.0	6.0	8.4
Educational Adequacy	6.4	6.8	6.9	0.1	1.5	0.5	8.4
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	146.6	163.5	185.6	22.1	13.5	39.0	26.6
Net Available	1,084.0	1,037.7	1,070.9	33.2	3.2	-13.1	-1.2

Revenue Forecast Summary for the Month

August Year-to-Date Gross: \$ 55.4 Million OR 4.6% Above Forecast
 August Year-to-Date Net Available: \$ 33.2 Million OR 3.2% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.

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

Forecast Date: 05/17/23

Millions of \$

	Actual Aug FY23	Forecast Aug FY24	Actual Aug FY24	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	265.4	235.8	256.6	20.8	8.8	-8.7	-3.3
Corporate Income	7.0	5.5	9.4	3.9	70.1	2.4	34.4
Sales & Use	288.1	283.5	292.1	8.6	3.1	4.0	1.4
Alcohol	6.2	6.5	6.1	-0.4	-6.2	-0.1	-0.9
Tobacco	17.3	16.7	17.0	0.3	2.0	-0.3	-1.8
Insurance	20.2	21.7	21.8	0.1	0.3	1.6	7.9
Racing	0.2	0.1	0.1	0.0	-27.4	-0.1	-53.5
Gaming	3.9	4.1	4.2	0.1	3.0	0.4	9.4
Severance	1.2	0.9	0.9	0.0	-4.2	-0.4	-29.1
Franchise	1.7	0.9	1.2	0.3	28.1	-0.5	-31.3
Real Estate Transfer	0.3	0.8	0.8	0.0	0.4	0.5	147.9
Miscellaneous	3.4	3.3	3.1	-0.2	-5.9	-0.3	-7.8
Total Gross	614.7	579.8	613.3	33.5	5.8	-1.5	-0.2
LESS: (SCSF/COF) ¹	19.1	18.0	19.0	1.0	5.6	0.0	-0.2
Individual Income Refunds	9.3	15.0	21.5	6.5	43.6	12.2	131.6
Corporate Income Refunds	1.1	1.3	11.0	9.7	742.5	9.8	886.3
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	2.7	1.9	0.6	-1.3	-68.7	-2.1	-77.9
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
Wood Energy Products 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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Excellence	36.0	38.6	38.8	0.2	0.4	2.7	7.6
Educational Adequacy	3.2	3.4	3.5	0.1	1.5	0.3	8.4
Highway Casino Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Deductions	72.7	79.5	95.6	16.1	20.3	23.0	31.6
Net Available	542.1	500.3	517.6	17.3	3.5	-24.4	-4.5

Revenue Forecast Summary for the Month

August Gross: \$ 33.5 Million OR 5.8% Above Forecast
August Net Available: \$ 17.3 Million OR 3.5% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.