



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

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MEMORANDUM

TO: Jim Hudson, Secretary
 Robert Brech, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research ^{JS}

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

DATE: October 3, 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 \$1,776.9 million, \$73.3 million or -4.0 percent below year ago levels. After three months into the fiscal year, net available revenue is above forecast by \$108.2 million or 6.5 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$2,057.8 million, representing a decrease of \$22.4 million or -1.1 percent below last year. Gross general revenues are above forecast by \$132.3 million or 6.9 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$882.7 million, \$2.8 million or 0.3 percent above FY 2023 collections and \$72.8 million or 9.0 percent above forecast.

Year-to-date individual income tax refunds total \$65.3 million, up \$30.7 million or 88.6 percent compared to last year and \$9.0 million or 16.0 percent above forecast.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$871.3 million, an increase of \$22.1 million or 2.6 percent above FY 2023 and \$28.0 million or 3.3 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$160.6 million, a decrease of \$46.2 million from year-to-date FY 2023. Corporate income is above forecast by \$33.3 million or 26.2 percent.

Year-to-date corporate income tax refunds total \$15.8 million, an increase of \$13.7 million compared to the same year-to-date period last year.

SEPTEMBER REVENUE SUMMARY

September Net Available General Revenues total \$705.9 million, \$60.2 million or -7.9 percent below last year and \$74.9 million or 11.9 percent above forecast.

Net Available revenue results were above forecast in all major revenue categories in September. Individual Income Tax gains were driven largely by non-Withholding Tax categories. Corporate Income Tax collections were above forecast with higher Estimated Payments. Sales Tax collection growth from year ago September was driven higher by a mix of consumer sectors and business-related sectors. Income Tax refund claims were below forecast in both Individual and Corporate claims.

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

September Gross General Revenues: September collections total \$801.3 million, a decrease of \$48.3 million or -5.7 percent below last year and \$77.0 million or 10.6 percent above forecast. Gross revenue from collections was below year ago in part from tax rate reductions and lower income tax liability in adverse year ago comparisons for business earnings, bonuses, and capital gains.

September Individual Income Tax collections total \$349.9 million. Collections decreased by \$11.5 million, or -3.2 percent compared to last year. With respect to the forecast, collections were \$39.0 million or 12.5 percent above forecast. Individual Withholding Tax revenue increased 0.4 percent compared to last year, in part from Withholding Tax rate reductions from Income Tax rate cuts and minor payday timing benefit compared to year ago.

September Individual Income Tax Refunds total \$20.8 million, \$6.4 million above last year and \$2.4 million below forecast. Refund claims below forecast add to net revenue results.

September Sales and Use Tax Collections: September collections total \$296.9 million, an increase of \$8.2 million or 2.8 percent above last year. Collections were above monthly forecast levels by \$17.6 million or 6.3 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 down 19.7 percent from year ago September, in part from one-time revenue impact from the shift to registration payment deadline extension.

September Corporate Income Tax collections total \$120.0 million, a decrease of \$44.7 million from year ago, and \$20.4 million above forecast.

September Corporate Income Tax Refunds total \$2.1 million. This amount is \$2.1 million above year ago levels. Refunds were also \$0.1 million below forecast.

September Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$15.8 million. Collections decreased by \$0.9 million from year earlier levels and were below 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 September 2023, \$61.0 million was collected and deposited to the fund. After deductions, the net amount is \$59.3 million. The monthly collection is equivalent to a 2.7 percent increase from prior year collections.

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

September 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 |
| | Sept FY23 | Sept FY24 | Sept FY24 | Difference | Difference | Difference | Difference |
| Individual Income | 879.9 | 809.9 | 882.7 | 72.8 | 9.0 | 2.8 | 0.3 |
| Corporate Income | 206.9 | 127.3 | 160.6 | 33.3 | 26.2 | -46.2 | -22.4 |
| Sales & Use | 849.2 | 843.3 | 871.3 | 28.0 | 3.3 | 22.1 | 2.6 |
| Alcohol | 19.2 | 20.3 | 19.9 | -0.4 | -1.9 | 0.7 | 3.5 |
| Tobacco | 52.6 | 50.7 | 49.7 | -1.0 | -2.0 | -2.9 | -5.5 |
| Insurance | 23.9 | 25.7 | 25.2 | -0.5 | -1.8 | 1.3 | 5.6 |
| Racing | 0.3 | 0.3 | 0.2 | -0.1 | -21.6 | 0.0 | -15.8 |
| Gaming | 12.2 | 13.2 | 14.1 | 0.9 | 6.8 | 1.9 | 15.3 |
| Severance | 4.7 | 3.7 | 3.5 | -0.2 | -6.5 | -1.2 | -25.8 |
| Franchise | 2.8 | 2.8 | 2.6 | -0.2 | -5.6 | -0.2 | -6.2 |
| Real Estate Transfer | 2.6 | 2.6 | 2.6 | 0.0 | 0.3 | 0.0 | 0.0 |
| Miscellaneous | 25.9 | 25.7 | 25.3 | -0.4 | -1.5 | -0.6 | -2.3 |
| Total Gross | 2,080.2 | 1,925.5 | 2,057.8 | 132.3 | 6.9 | -22.4 | -1.1 |
| LESS: (SCSF/COF) ¹ | 64.5 | 59.8 | 63.8 | 4.0 | 6.7 | -0.7 | -1.1 |
| Individual Income Refunds | 34.6 | 56.3 | 65.3 | 9.0 | 16.0 | 30.7 | 88.6 |
| Corporate Income Refunds | 2.1 | 4.5 | 15.8 | 11.3 | 251.2 | 13.7 | 666.2 |
| Claims | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Econ Development Incentive | 7.1 | 5.9 | 4.5 | -1.4 | -23.6 | -2.6 | -36.8 |
| 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 | 3.9 | 3.9 | 3.9 | 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 | 108.1 | 116.0 | 117.1 | 1.1 | 0.9 | 9.0 | 8.4 |
| Educational Adequacy | 9.6 | 10.2 | 10.4 | 0.2 | 1.5 | 0.8 | 8.4 |
| Highway Casino Transfer | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Deductions | 230.0 | 256.8 | 281.0 | 24.2 | 9.4 | 50.9 | 22.1 |
| Net Available | 1,850.2 | 1,668.7 | 1,776.9 | 108.2 | 6.5 | -73.3 | -4.0 |

Revenue Forecast Summary for the Month

| | |
|---------------------------------------|---|
| September Year-to-Date Gross: | \$ 132.3 Million OR 6.9% Above Forecast |
| September Year-to-Date Net Available: | \$ 108.2 Million OR 6.5% Above Forecast |

¹ State Central Services Fund and Constitutional Officers Fund.

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

Forecast Date: 05/17/23

Millions of \$

| | Actual Sept FY23 | Forecast Sept FY24 | Actual Sept FY24 | <u>Change from Forecast</u> | | <u>Change from Last Year</u> | |
|-------------------------------|---------------------|-----------------------|---------------------|-----------------------------|-----------------------|------------------------------|-----------------------|
| | | | | Dollar Difference | Percent Difference | Dollar Difference | Percent Difference |
| Individual Income | 361.4 | 310.9 | 349.9 | 39.0 | 12.5 | -11.5 | -3.2 |
| Corporate Income | 164.8 | 99.6 | 120.0 | 20.4 | 20.5 | -44.7 | -27.1 |
| Sales & Use | 288.7 | 279.3 | 296.9 | 17.6 | 6.3 | 8.2 | 2.8 |
| Alcohol | 6.1 | 6.4 | 6.3 | -0.1 | -0.9 | 0.3 | 4.5 |
| Tobacco | 16.7 | 16.1 | 15.8 | -0.3 | -2.0 | -0.9 | -5.5 |
| Insurance | 2.7 | 2.9 | 3.2 | 0.3 | 11.5 | 0.5 | 18.0 |
| Racing | 0.1 | 0.1 | 0.1 | 0.0 | -17.7 | 0.0 | 28.3 |
| Gaming | 3.6 | 3.7 | 4.0 | 0.3 | 6.9 | 0.4 | 10.9 |
| Severance | 1.4 | 1.1 | 1.0 | -0.1 | -7.3 | -0.3 | -24.9 |
| Franchise | 1.1 | 1.1 | 0.9 | -0.2 | -20.7 | -0.3 | -23.5 |
| Real Estate Transfer | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Miscellaneous | 3.1 | 3.1 | 3.2 | 0.1 | 1.9 | 0.1 | 2.2 |
| Total Gross | 849.6 | 724.3 | 801.3 | 77.0 | 10.6 | -48.3 | -5.7 |
| LESS: (SCSF/COF) ¹ | 26.3 | 22.5 | 24.8 | 2.3 | 10.4 | -1.5 | -5.7 |
| Individual Income Refunds | 14.4 | 23.2 | 20.8 | -2.4 | -10.5 | 6.4 | 44.5 |
| Corporate Income Refunds | 0.0 | 2.2 | 2.1 | -0.1 | -6.6 | 2.1 | 0.0 |
| Claims | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Econ Development Incentive | 2.2 | 2.0 | 3.9 | 1.9 | 95.6 | 1.7 | 74.0 |
| 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 | 38.7 | 39.0 | 0.3 | 0.9 | 3.0 | 8.4 |
| 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 | 83.5 | 93.3 | 95.3 | 2.0 | 2.2 | 11.9 | 14.2 |
| Net Available | 766.1 | 631.0 | 705.9 | 74.9 | 11.9 | -60.2 | -7.9 |

Revenue Forecast Summary for the Month

September Gross: \$ 77.0 Million OR 10.6% Above Forecast
September Net Available: \$ 74.9 Million OR 11.9% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.