



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 October (FY 2024)**

DATE: November 2, 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 \$2,289.1 million, \$165.9 million or -6.8 percent below year ago levels. After four months into the fiscal year, net available revenue is above forecast by \$115.8 million or 5.3 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$2,717.7 million, representing a decrease of \$73.1 million or -2.6 percent below last year. Gross general revenues are above forecast by \$148.6 million or 5.8 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$1,188.9 million, \$45.1 million or -3.7 percent below FY 2023 collections and \$80.1 million or 7.2 percent above forecast.

Year-to-date individual income tax refunds total \$142.9 million, up \$67.4 million or 89.3 percent compared to last year and \$20.7 million or 16.9 percent above forecast.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,157.7 million, an increase of \$25.4 million or 2.2 percent above FY 2023 and \$23.6 million or 2.1 percent above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$195.1 million, a decrease of \$50.4 million from year-to-date FY 2023. Corporate income is above forecast by \$47.8 million or 32.4 percent.

Year-to-date corporate income tax refunds total \$19.7 million, an increase of \$15.7 million compared to the same year-to-date period last year.

OCTOBER REVENUE SUMMARY

October Net Available General Revenues total \$512.2 million, \$92.6 million or -15.3 percent below last year and \$7.6 million or 1.5% percent above forecast.

Net Available revenue results were above forecast in Corporate and Individual Income Tax categories and below forecast in Sales Tax collections. Individual Income Tax gains were driven largely by non-Withholding Tax categories. Corporate Income Tax collections were above forecast with higher Estimated Payments and Return payments. Sales Tax collections were below forecast but above year ago levels. Income Tax refund claims were above forecast in Individual claims and below forecast in Corporate claims.

Among smaller revenue sources, Tobacco was below forecast by -\$1.9 million and below year ago collections. Results in Gaming revenues were above forecast by \$0.1 million.

October Gross General Revenues: October collections total \$659.9 million, a decrease of \$50.8 million or -7.1 percent below last year and \$16.3 million or 2.5 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.

October Individual Income Tax collections total \$306.2 million. Collections decreased by \$47.9 million, or -13.5 percent compared to last year. With respect to the forecast, collections were \$7.3 million or 2.4 percent above forecast. Individual Withholding Tax revenue decreased -7.4 percent compared to last year, in part from Withholding Tax rate reductions and a negative payday timing effect compared to year ago.

October Individual Income Tax Refunds total \$77.6 million, \$36.7 million above last year and \$11.7 million above forecast. Refund claims above forecast subtract from net revenue results.

October Sales and Use Tax Collections: October collections total \$286.4 million, an increase of \$3.3 million or 1.2 percent above last year. Collections were below monthly forecast levels by \$4.4 million or -1.5 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 7.2 percent from year ago October.

October Corporate Income Tax collections total \$34.4 million, a decrease of \$4.2 million from year ago, and \$14.4 million above forecast.

October Corporate Income Tax Refunds total \$3.9 million. This amount is \$2.0 million above year ago levels. Refunds were also \$3.8 million below forecast.

October Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$16.3 million. Collections decreased by \$2.6 million from year earlier levels and were below forecast by -\$1.9 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 2023, \$59.7 million was collected and deposited to the fund. After deductions, the net amount is \$58.0 million. The monthly collection is equivalent to a 1.8 percent increase from prior year collections.

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

October 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 |
| | Oct FY23 | Oct FY24 | Oct FY24 | Difference | Difference | Difference | Difference |
| Individual Income | 1,234.0 | 1,108.8 | 1,188.9 | 80.1 | 7.2 | -45.1 | -3.7 |
| Corporate Income | 245.5 | 147.3 | 195.1 | 47.8 | 32.4 | -50.4 | -20.5 |
| Sales & Use | 1,132.3 | 1,134.1 | 1,157.7 | 23.6 | 2.1 | 25.4 | 2.2 |
| Alcohol | 25.2 | 26.6 | 26.0 | -0.6 | -2.2 | 0.8 | 3.1 |
| Tobacco | 71.5 | 68.9 | 66.0 | -2.9 | -4.2 | -5.5 | -7.7 |
| Insurance | 24.6 | 26.5 | 25.8 | -0.7 | -2.7 | 1.2 | 4.7 |
| Racing | 0.4 | 0.4 | 0.3 | -0.1 | -27.7 | -0.1 | -22.6 |
| Gaming | 16.0 | 17.1 | 18.1 | 1.0 | 5.9 | 2.1 | 13.2 |
| Severance | 5.9 | 4.7 | 4.6 | -0.1 | -3.2 | -1.4 | -22.9 |
| Franchise | 3.7 | 3.6 | 4.4 | 0.8 | 22.9 | 0.8 | 20.9 |
| Real Estate Transfer | 2.6 | 2.6 | 2.6 | 0.0 | 0.3 | 0.0 | 0.0 |
| Miscellaneous | 29.2 | 28.5 | 28.2 | -0.3 | -1.0 | -1.0 | -3.3 |
| Total Gross | 2,790.8 | 2,569.1 | 2,717.7 | 148.6 | 5.8 | -73.1 | -2.6 |
| LESS: (SCSF/COF) ¹ | 86.5 | 79.8 | 84.2 | 4.4 | 5.6 | -2.3 | -2.6 |
| Individual Income Refunds | 75.5 | 122.2 | 142.9 | 20.7 | 16.9 | 67.4 | 89.3 |
| Corporate Income Refunds | 3.9 | 12.2 | 19.7 | 7.5 | 61.2 | 15.7 | 400.8 |
| Claims | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Econ Development Incentive | 7.5 | 7.8 | 6.3 | -1.5 | -19.5 | -1.2 | -15.9 |
| 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 | 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 | 144.1 | 154.6 | 156.1 | 1.5 | 1.0 | 12.0 | 8.4 |
| Educational Adequacy | 12.7 | 13.6 | 13.8 | 0.2 | 1.5 | 1.1 | 8.4 |
| Highway Casino Transfer | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Deductions | 335.9 | 395.8 | 428.6 | 32.8 | 8.3 | 92.8 | 27.6 |
| Net Available | 2,455.0 | 2,173.3 | 2,289.1 | 115.8 | 5.3 | -165.9 | -6.8 |

Revenue Forecast Summary for the Month

| | |
|-------------------------------------|---|
| October Year-to-Date Gross: | \$ 148.6 Million OR 5.8% Above Forecast |
| October Year-to-Date Net Available: | \$ 115.8 Million OR 5.3% Above Forecast |

¹ State Central Services Fund and Constitutional Officers Fund.

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

Forecast Date: 05/17/23

Millions of \$

| | Actual Oct FY23 | Forecast Oct FY24 | Actual Oct FY24 | <u>Change from Forecast</u> | | <u>Change from Last Year</u> | |
|-------------------------------|--------------------|----------------------|--------------------|-----------------------------|------------|------------------------------|--------------|
| | | | | Dollar | Percent | Dollar | Percent |
| | | | | Difference | Difference | Difference | Difference |
| Individual Income | 354.1 | 298.9 | 306.2 | 7.3 | 2.4 | -47.9 | -13.5 |
| Corporate Income | 38.6 | 20.0 | 34.4 | 14.4 | 72.2 | -4.2 | -10.8 |
| Sales & Use | 283.1 | 290.8 | 286.4 | -4.4 | -1.5 | 3.3 | 1.2 |
| Alcohol | 6.0 | 6.3 | 6.1 | -0.2 | -3.2 | 0.1 | 1.8 |
| Tobacco | 18.9 | 18.2 | 16.3 | -1.9 | -10.4 | -2.6 | -13.8 |
| Insurance | 0.7 | 0.8 | 0.6 | -0.2 | -30.4 | -0.2 | -22.5 |
| Racing | 0.1 | 0.1 | 0.1 | 0.0 | -45.8 | 0.0 | -42.7 |
| Gaming | 3.8 | 3.9 | 4.0 | 0.1 | 2.6 | 0.2 | 6.3 |
| Severance | 1.2 | 1.0 | 1.1 | 0.1 | 9.3 | -0.1 | -11.9 |
| Franchise | 0.8 | 0.8 | 1.8 | 1.0 | 122.9 | 0.9 | 111.1 |
| Real Estate Transfer | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Miscellaneous | 3.3 | 2.8 | 2.9 | 0.1 | 4.1 | -0.4 | -11.4 |
| Total Gross | 710.7 | 643.6 | 659.9 | 16.3 | 2.5 | -50.8 | -7.1 |
| LESS: (SCSF/COF) ¹ | 22.0 | 20.0 | 20.5 | 0.5 | 2.3 | -1.6 | -7.1 |
| Individual Income Refunds | 40.9 | 65.9 | 77.6 | 11.7 | 17.7 | 36.7 | 89.9 |
| Corporate Income Refunds | 1.9 | 7.7 | 3.9 | -3.8 | -49.8 | 2.0 | 107.3 |
| Claims | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Econ Development Incentive | 0.3 | 1.9 | 1.8 | -0.1 | -6.7 | 1.4 | 416.1 |
| 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 | 0.2 | 0.2 | 0.2 | 0.0 | 11.0 | 0.0 | 0.0 |
| Educational Excellence | 36.0 | 38.6 | 39.0 | 0.4 | 1.1 | 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 | 105.8 | 139.0 | 147.7 | 8.7 | 6.2 | 41.9 | 39.6 |
| Net Available | 604.8 | 504.6 | 512.2 | 7.6 | 1.5 | -92.6 | -15.3 |

Revenue Forecast Summary for the Month

October Gross: \$ 16.3 Million OR 2.5% Above Forecast
October Net Available: \$ 7.6 Million OR 1.5% Above Forecast

¹ State Central Services Fund and Constitutional Officers Fund.