



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

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MEMORANDUM

TO: Larry Walther, Director
Paul Louthian, Deputy Director

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

SUBJECT: **General Revenue Report for May (FY 2019)**

DATE: June 4, 2019

Copy: Governor's Office
Management Services

YEAR-TO-DATE REVENUE SUMMARY

Year-to-date Net Available General Revenues: Year-to-date net available general revenues total \$5,269.3 million, \$332.3 million or 6.7 percent above year ago levels. After eleven months into the fiscal year, net available revenue is above forecast by \$174.4 million or 3.4 percent.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$6,400.9 million, representing an increase of \$333.4 million or 5.5 percent above last year. Gross general revenues are above forecast by \$195.0 million or 3.1 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$3,191.8 million, \$128.3 million or 4.2 percent above year-to-date FY 2018 collections and \$65.6 million or 2.1 percent above forecast.

Year-to-date individual income tax refunds total \$491.9 million, an increase of \$24.3 million or 5.2 percent compared to last year and \$9.1 million or 1.9 percent above forecast. Amounts above forecast in refund categories detract from net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$2,255.9 million, an increase of \$49.4 million or 2.2 percent from year-to-date

FY 2018 and \$27.0 million or -1.2 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$497.0 million, an increase of \$153.7 million from year-to-date FY 2018. Corporate income is above forecast by \$152.6 million or 44.3 percent.

Year-to-date corporate income tax refunds total \$61.1 million, an increase of \$22.6 million compared to the same year-to-date period last year. Corporate Refunds were \$16.4 million above forecast over the period.

MAY REVENUE SUMMARY

May Net Available General Revenues and Summary Results: Net Available general revenues total \$378.6 million, \$31.3 million or 9.0 percent above last year and \$25.5 million or 7.2 percent above the forecast.

All major categories of revenue collections were above forecast in May. Individual Income tax collections exceeded forecast and year ago collections with sustained growth in Payroll Withholding. Sales Tax collections were above forecast with gains in most sectors including Motor Vehicle Sales Tax and restaurant sales. Individual Income Tax Refunds were below forecast for the month after running ahead of forecast in earlier months of the income tax filing season.

Among smaller revenue sources, Tobacco was below forecast by \$0.2 million and below year ago collections. Results in Gaming revenue exceeded forecast by \$0.5 million.

May Gross General Revenues: May collections total \$496.2 million, an increase of \$23.2 million or 4.9 percent above last year and \$11.1 million or 2.3 percent above forecast.

May Individual Income Tax collections total \$232.4 million. Collections increased by \$13.6 million or 6.2 percent compared to last year. With respect to the forecast, collections were \$5.1 million or 2.2 percent above forecast. Individual withholding increased 4.5 percent compared to last year.

May Individual Income Tax Refunds total \$48.8 million, \$10.4 million or -17.6 percent below last year and \$12.6 million or -20.6 percent below forecast. Refund amounts below forecast add to net available fund results.

May Sales and Use Tax Collections: May collections total \$211.6 million, an increase of \$10.1 million or 5.0 percent from last year. Collections were above monthly forecast levels by \$4.5 million or 2.2 percent.

May Corporate Income Tax collections total \$17.1 million, a decrease of \$0.1 million from year ago, and \$0.6 million above forecast. Higher Extension Payments accounted for the gain in this volatile category.

May Corporate Income Tax Refunds total \$2.0 million. This amount is \$0.6 million above year ago levels. Refunds were also \$0.6 million above forecast.

May Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$18.1 million. Collections decreased by \$1.6 million or -8.1 percent from year earlier levels and were below forecast by \$0.2 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 May 2019, \$54.5 million was collected and deposited to the fund. After deductions, the net amount is \$52.9 million. The monthly collection is equivalent to a 7.6 percent increase from prior year collections.

May 2019 Year-to-Date General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 11/14/2018

Millions of \$

	Actual May FY18	Forecast May FY19	Actual May FY19	Change from Forecast		Change from Last Year	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	3,063.5	3,126.2	3,191.8	65.6	2.1	128.3	4.2
Corporate Income	343.2	344.4	497.0	152.6	44.3	153.7	44.8
Sales & Use	2,206.5	2,282.9	2,255.9	-27.0	-1.2	49.4	2.2
Alcohol	52.1	52.4	53.5	1.1	2.2	1.4	2.7
Tobacco	200.9	194.3	195.2	0.9	0.5	-5.7	-2.8
Insurance	63.0	65.8	65.4	-0.4	-0.6	2.4	3.8
Racing	2.1	2.0	1.9	-0.1	-4.2	-0.1	-6.7
Gaming	58.9	61.1	63.5	2.4	3.9	4.6	7.7
Miscellaneous ¹	77.3	76.8	76.7	-0.1	-0.2	-0.7	-0.9
Total Gross	6,067.5	6,205.9	6,400.9	195.0	3.1	333.4	5.5
LESS: (SCSF/COF) ²	188.1	192.4	198.4	6.0	3.1	10.3	5.5
Individual Income Tax Refunds	467.7	482.8	491.9	9.1	1.9	24.3	5.2
Corporate Income Tax Refunds	38.5	44.7	61.1	16.4	36.6	22.6	58.5
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	12.0	21.1	10.9	-10.2	-48.4	-1.1	-9.2
Amendment 82 Bonds	1.1	1.1	1.1	0.0	-1.6	0.0	-2.3
Recycling Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water / Sewer Bonds	13.6	13.6	13.6	0.0	0.0	0.0	0.0
College Savings Bonds	23.2	24.0	23.2	-0.8	-3.5	0.0	-0.2
City & County Tourist	0.9	0.9	0.9	0.0	-1.3	0.0	0.0
School Desegregation	65.8	0.0	0.0	0.0	0.0	-65.8	-100.0
Educational Excellence	293.6	303.6	303.6	0.0	0.0	10.0	3.4
Educational Adequacy	26.0	26.8	26.8	0.0	0.2	0.9	3.4
Total Deductions	1,130.5	1,111.0	1,131.5	20.5	1.8	1.0	0.1
Net Available	4,937.0	5,094.9	5,269.3	174.4	3.4	332.3	6.7

Revenue Forecast Summary for May

Year-to-Date Gross:	\$ 195.0 Million OR 3.1% Above Forecast
Year-to-Date Net Available:	\$ 174.4 Million OR 3.4% Above Forecast

1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.

May 2019 General Revenue Report
Economic Analysis and Tax Research, DFA

Forecast Date: 11/14/2018

Millions of \$

	Actual May FY18	Forecast May FY19	Actual May FY19	Change from Forecast		Change from Last Year	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	218.8	227.3	232.4	5.1	2.2	13.6	6.2
Corporate Income	17.2	16.5	17.1	0.6	3.3	-0.1	-0.7
Sales & Use	201.5	207.1	211.6	4.5	2.2	10.1	5.0
Alcohol	6.2	6.1	6.4	0.3	4.3	0.2	2.8
Tobacco	19.7	18.3	18.1	-0.2	-1.2	-1.6	-8.1
Insurance	0.8	0.8	1.1	0.3	37.2	0.3	45.1
Racing	0.2	0.1	0.1	0.0	40.1	0.0	-16.9
Gaming	5.5	5.7	6.2	0.5	8.8	0.7	11.9
Miscellaneous ¹	3.2	3.2	3.3	0.1	2.5	0.1	2.8
Total Gross	473.0	485.1	496.2	11.1	2.3	23.2	4.9
LESS: (SCSF/COF) ²	14.7	15.0	15.4	0.4	2.5	0.7	4.9
Individual Income Tax Refunds	59.2	61.4	48.8	-12.6	-20.6	-10.4	-17.6
Corporate Income Tax Refunds	1.4	1.4	2.0	0.6	39.8	0.6	42.3
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Economic Development Incentive	0.6	2.4	0.5	-1.9	-80.5	-0.1	-15.0
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
Water / Sewer Bonds	1.2	1.2	1.2	0.0	0.0	0.0	0.0
College Savings Bonds	19.6	20.6	19.8	-0.8	-4.1	0.1	0.7
City & County Tourist	0.0	0.0	0.0	0.0	0.0	0.0	0.0
School Desegregation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Excellence	26.7	27.6	27.6	0.0	0.0	0.9	3.4
Educational Adequacy	2.4	2.4	2.4	0.0	1.7	0.1	3.4
Total Deductions	125.6	132.0	117.6	-14.4	-10.9	-8.1	-6.4
Net Available	347.4	353.1	378.6	25.5	7.2	31.3	9.0

Revenue Forecast Summary for May

May Gross: \$ 11.1 Million OR 2.3% Above Forecast
May Net Available: \$ 25.5 Million OR 7.2% Above Forecast

1) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and other miscellaneous taxes.

2) State Central Services Fund and Constitutional Officers Fund.