



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

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MEMORANDUM

TO: Larry Walther, Director
Paul Louthian, Deputy Director

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

SUBJECT: **General Revenue Report for February (FY 2018)**

DATE: March 2, 2018

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 \$3,590.5 million, \$158.5 million or 4.6 percent above year ago levels. After eight months into the fiscal year, net available revenue is above forecast by \$79.6 million.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$4,233.2 million, representing an increase of \$151.0 million or 3.7 percent above last year. Gross general revenues are above the revised forecast by \$34.8 million or 0.8 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$2,072.0 million, \$105.6 million or 5.4 percent above FY 2017 collections and \$43.9 million or 2.2 percent above forecast.

Year-to-date individual income tax refunds total \$169.2 million, up \$9.8 million or 6.2 percent compared to last year and \$23.0 million or -11.9 percent below forecast. Amounts below forecast in refund categories raise net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$1,596.9 million, an increase of \$38.0 million or 2.4 percent from FY 2017 and \$3.0 million or -0.2 percent below the revised forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$229.7 million, an increase of \$3.7 million from year-to-date FY 2017. Corporate income is below the revised forecast by \$12.9 million or -5.3 percent.

Year-to-date corporate income tax refunds total \$33.7 million, a decrease of \$22.6 million compared to the same year-to-date period last year.

FEBRUARY REVENUE SUMMARY

February Net Available General Revenues total \$313.4 million, \$36.7 million or 13.3 percent above last year and \$14.2 million or 4.7 percent above forecast.

Among the major categories, Individual Income Tax, the largest single category of gross collections exceeded forecast by \$6.9 million, largely due to continued high growth in Withholding payroll tax. Sales tax collection results were above year ago levels but below forecast. Motor Vehicle Sales Tax collections declined in February compared to prior year. Corporate Income Tax collections were below forecast by \$2.0 million but were more than offset by lower Corporate Tax Refunds. Individual Refunds were also below forecast, benefiting Net Available revenues by \$8.2 million.

Among smaller revenue sources, Tobacco was above forecast by \$1.5 million. Results in Gaming revenue exceeded forecast by \$0.1 million.

February Gross General Revenues: February collections total \$457.9 million, an increase of \$25.5 million or 5.9 percent from last year and \$0.8 million or -0.2 percent below forecast.

February Individual Income Tax collections total \$231.9 million. Collections increased by \$16.9 million, or 7.9 percent compared to last year. With respect to the forecast, collections were \$6.9 million or 3.0 percent above forecast. Individual Withholding Tax was up 6.8 percent compared to last year.

February Individual Income Tax Refunds total \$90.2 million, \$6.4 million below last year and \$8.2 million below forecast. Refund amounts below forecast raise Net Available revenue results.

February Sales and Use Tax Collections: February collections total \$190.3 million, an increase of \$7.5 million or 4.1 percent above last year. Collections were below monthly forecast levels by \$7.8 million or -4.0 percent. The Motor Vehicle portion of Sales Tax was down by -4.0 percent for the month.

February Corporate Income Tax collections total \$5.1 million, an increase of \$0.7 million or 16.6 percent from year ago, and \$2.0 million or -27.7 percent below forecast.

February Corporate Income Tax Refunds total \$3.8 million. This amount is -\$4.6 million below year ago levels. Refunds were also \$3.9 million below forecast.

February Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$16.7 million. Collections increased by \$0.1 million or 0.8 percent from year earlier levels and were above forecast by \$1.5 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 February 2018, \$39.3 million was collected and deposited to the fund. After deductions, the net amount is \$38.1 million. The monthly collection is equivalent to a 3.4 percent increase from prior year collections.

C: /FISCNOT/February FY 2018
Attachment (2)

FEBRUARY 2018 YEAR-TO-DATE GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 12/1/2017

MILLIONS OF \$

	ACTUAL FY17	FORECAST FY18	ACTUAL FY18	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	1,966.3	2,028.1	2,072.0	43.9	2.2	105.6	5.4
CORPORATE INCOME	226.1	242.6	229.7	-12.9	-5.3	3.7	1.6
SALES AND USE	1,558.9	1,599.9	1,596.9	-3.0	-0.2	38.0	2.4
ALCOHOLIC BEVERAGE	35.8	36.5	36.8	0.3	0.8	1.0	2.7
TOBACCO	144.8	142.5	145.5	3.0	2.1	0.7	0.5
INSURANCE	45.1	44.6	45.2	0.6	1.2	0.1	0.2
RACING	1.6	1.5	1.3	-0.2	-15.0	-0.3	-18.7
GAMES OF SKILL	37.5	39.8	40.8	1.0	2.5	3.3	8.8
MISCELLANEOUS ¹	66.2	62.9	65.1	2.2	3.5	-1.1	-1.6
TOTAL GROSS	4,082.2	4,198.4	4,233.2	34.8	0.8	151.0	3.7
LESS: SCSF/COF ²	130.6	130.1	131.2	1.1	0.9	0.6	0.5
INDIV INCOME TAX REFUNDS	159.4	192.2	169.2	-23.0	-11.9	9.8	6.2
CORP INCOME TAX REFUNDS	56.3	51.7	33.7	-18.0	-34.8	-22.6	-40.1
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	7.5	11.8	6.9	-4.9	-41.3	-0.6	-7.8
AMENDMENT 82 BONDS	1.1	1.1	1.1	0.0	0.7	0.0	-1.6
RECYCLING EQUIP CREDIT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	10.0	10.0	10.0	0.0	0.0	0.0	0.0
COLLEGE SAVINGS BONDS	3.4	3.6	3.6	0.0	0.1	0.2	7.4
CITY & COUNTY TOURIST	0.7	0.6	0.7	0.1	11.0	0.0	0.0
SCHOOL DESEGREGATION	53.8	53.9	53.8	-0.1	-0.1	0.0	0.0
EDUCATIONAL EXCELLENCE	209.0	213.6	213.6	0.0	0.0	4.6	2.2
EDUCATIONAL ADEQUACY	18.5	18.9	18.9	0.0	-0.1	0.4	2.2
TOTAL DEDUCTIONS	650.3	687.5	642.7	-44.8	-6.5	-7.5	-1.2
NET AVAILABLE	3,432.0	3,510.9	3,590.5	79.6	2.3	158.5	4.6

REVENUE FORECAST SUMMARY FOR FEBRUARY

YEAR-TO-DATE GROSS	\$ 34.8 MILLION OR 0.8% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 79.6 MILLION OR 2.3% 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.

FEBRUARY 2018 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 12/1/2017

MILLIONS OF \$

	ACTUAL FEB FY17	FORECAST FEB FY18	ACTUAL FEB FY18	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	214.9	225.0	231.9	6.9	3.0	16.9	7.9
CORPORATE INCOME	4.4	7.1	5.1	-2.0	-27.7	0.7	16.6
SALES AND USE	182.7	198.1	190.3	-7.8	-4.0	7.5	4.1
ALCOHOLIC BEVERAGE	3.9	3.9	3.8	-0.1	-1.7	-0.1	-1.7
TOBACCO	16.6	15.2	16.7	1.5	10.0	0.1	0.8
INSURANCE	0.5	0.6	0.8	0.2	30.2	0.2	42.1
RACING	0.4	0.3	0.4	0.1	20.0	-0.1	-14.7
GAMES OF SKILL	4.7	4.7	4.8	0.1	2.4	0.1	2.9
MISCELLANEOUS ¹	4.2	3.8	4.2	0.4	10.4	0.0	-1.0
TOTAL GROSS	432.4	458.7	457.9	-0.8	-0.2	25.5	5.9
LESS: SCSF/COF ²	13.8	14.2	14.2	0.0	0.0	0.4	2.6
INDIV INCOME TAX REFUNDS	96.6	98.4	90.2	-8.2	-8.4	-6.4	-6.7
CORP INCOME TAX REFUNDS	8.4	7.7	3.8	-3.9	-50.4	-4.6	-54.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.3	2.9	0.2	-2.7	-93.7	-1.1	-86.3
AMENDMENT 82 BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RECYCLING EQUIP 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	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
SCHOOL DESEGREGATION	6.0	6.0	6.0	0.0	-0.3	0.0	0.0
EDUCATIONAL EXCELLENCE	26.1	26.7	26.7	0.0	0.0	0.6	2.2
EDUCATIONAL ADEQUACY	2.3	2.4	2.4	0.0	-1.7	0.1	2.2
TOTAL DEDUCTIONS	155.8	159.5	144.6	-14.9	-9.3	-11.2	-7.2
NET AVAILABLE	276.7	299.2	313.4	14.2	4.7	36.7	13.3

REVENUE FORECAST SUMMARY FOR FEBRUARY

FEBRUARY GROSS	\$ 0.8 MILLION OR 0.2% BELOW FORECAST
FEBRUARY NET AVAILABLE	\$ 14.2 MILLION OR 4.7% 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.