



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

**Economic Analysis and Tax Research**

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**MEMORANDUM**

TO: Larry Walther, Secretary  
 Paul Louthian, Deputy Director

FROM: John Shelnutt, Economic Analysis & Tax Research *JS*

SUBJECT: **General Revenue Report for May (FY 2021)**

DATE: June 2, 2021 Copy: Governor's Office

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**YEAR-TO-DATE REVENUE SUMMARY**

**Year-to-date Net Available General Revenues:** Year-to-date net available general revenues total \$6,104.7 million, \$941.0 million or 18.2 percent above year ago levels. After 11 months into the fiscal year, net available revenue is above forecast by \$980.0 million or 19.1 percent. The results include net collection increases tied to the two income tax due dates falling in FY 2021, with the shift from April in the prior fiscal year to July at the start of this fiscal year and the tax due date shift to May from April in the latter part of this fiscal year.

**Year-to-date Gross General Revenues:** Year-to-date gross collections total \$7,253.4 million, representing an increase of \$981.6 million or 15.7 percent above last year. Gross general revenues are above forecast by \$1.038 billion or 16.7 percent.

**Year-to-date Individual Income Taxes:** Year-to-date individual income tax collections total \$3,640.5 million, \$524.1 million or 16.8 percent above FY 2020 collections and \$539.2 million or 17.4 percent above forecast.

**Year-to-date individual income tax refunds** total \$460.0 million, down \$13.9 million or -2.9 percent compared to last year and \$28.7 million or 6.7 percent above forecast. Amounts above forecast in refund categories subtract from net available revenue results. Returns with refund claims remained slightly below normal in May, after being further behind normal pattern in earlier months.

**Year-to-date Sales and Use Tax Collections:** On a year-to-date basis, sales and use taxes total \$2,627.0 million, an increase of \$310.7 million or 13.4 percent from FY 2020 and \$295.6 million or 12.7 percent above forecast.

**Year-to-date Corporate Income Taxes:** Year-to-date corporate revenues total \$536.9 million, an increase of \$118.1 million from year-to-date FY 2020. Corporate income is above forecast by \$157.6 million or 41.6 percent.

**Year-to-date corporate income tax refunds** total \$64.5 million, an increase of \$16.2 million compared to the same year-to-date period last year.

## **MAY REVENUE SUMMARY**

**May Net Available General Revenues** total \$655.2 million, \$289.3 million or 79.1 percent above last year and \$263.2 million or 67.1 percent above forecast.

Net Available revenue results were above forecast in all major categories in May. Sales Tax collection growth was broad based. Individual Income Tax gains partly reflect the recent filing date change and continued economic growth. Payroll Withholding Tax collections also exceeded forecast reflecting underlying economic growth. Corporate Income Tax collections also exceeded forecast with gains in returns with payments and estimated tax payments.

Individual Income Tax refund claims exceeded forecast in May and mostly caught up to tax filing seasonal averages. This resulted from Returns with refund claims filed in the shifted due date month of May and re-processing of claims with exempted unemployment benefit income.

Among smaller revenue sources, Tobacco was above forecast by \$2.7 million and above year ago collections. Results in Gaming revenue were above forecast by \$3.4 million. The annual cap on the general revenue portion of casino revenues was reached. The first transfer of casino revenue collections for the Arkansas Department of Transportation occurred in May with \$1.4 million deducted from collections to be transferred to the department at the end of the fiscal year.

**May Gross General Revenues:** May collections total \$822.8 million, an increase of \$341.0 million or 70.8 percent above last year and \$327.8 million or 66.2 percent above forecast. Tax filing due date changes compared to last year account for part of the growth in the year ago comparison.

**May Individual Income Tax** collections total \$471.7 million. Collections increased by \$236.3 million or 100.4 percent compared to last year, reflecting the income tax due date change to May this year. With respect to the forecast, collections were \$247.4 million or 110.3 percent above forecast. The monthly forecast was not updated for the tax filing shift during the fiscal year. Individual withholding revenue increased 17.8

percent compared to last year, reflecting in part the payday timing differences compared to last year and economic growth.

**May Individual Income Tax Refunds** total \$82.1 million, \$35.6 million above last year and \$52.1 million above forecast. Refund amounts are above last year due to changes in the tax filing deadline to May from April and re-processing of returns with now-exempt unemployment benefits reported as income.

**May Sales and Use Tax Collections:** May collections total \$274.2 million, an increase of \$68.5 million or 33.3 percent above last year. Collections were above monthly forecast levels by \$49.8 million or 22.2 percent. Most major reporting sectors of Sales Tax displayed double-digit percentage growth over the prior year, reflecting continuing economic expansion with stimulus payments in recent months. Motor vehicle sales tax collections were up 26.0 percent from year ago May.

**May Corporate Income Tax** collections total \$40.6 million, an increase of \$25.6 million from year ago, and \$22.0 million above forecast.

**May Corporate Income Tax Refunds** total \$2.8 million. This amount is \$1.6 million above year ago levels. Refunds were also \$0.5 million above forecast.

**May Tobacco Tax** collections, a smaller component of general revenue in annual terms, total \$19.3 million. Collections increased by \$1.4 million from year earlier levels and were above forecast by \$2.7 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 2021, \$62.0 million was collected and deposited to the fund. After deductions, the net amount is \$60.1 million. The monthly collection is equivalent to a 22.2 percent increase from prior year collections.



## May 2021 Year-to-Date General Revenue Report

### Economic Analysis and Tax Research, DFA

Forecast Date: 04/02/20

Millions of \$

	Actual May FY20	Forecast May FY21	Actual May FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	3,116.3	3,101.3	3,640.5	539.2	17.4	524.1	16.8
Corporate Income	418.8	379.3	536.9	157.6	41.6	118.1	28.2
Sales & Use	2,316.3	2,331.4	2,627.0	295.6	12.7	310.7	13.4
Alcohol	54.7	57.3	61.2	3.9	6.8	6.5	11.9
Tobacco	200.6	180.4	206.3	25.9	14.3	5.6	2.8
Insurance	61.5	66.5	67.1	0.6	0.9	5.6	9.1
Racing	1.6	1.9	1.5	-0.4	-19.1	-0.1	-4.0
Gaming	31.2	31.2	34.5	3.3	10.6	3.3	10.7
Severance	7.3	5.4	6.4	1.0	18.6	-0.9	-11.7
Franchise	8.0	8.0	8.0	0.0	0.0	0.0	0.0
Real Estate Transfer	2.6	2.6	2.6	0.0	0.3	0.0	0.0
Miscellaneous	52.8	49.2	61.4	12.2	24.9	8.6	16.3
<b>Total Gross</b>	<b>6,271.7</b>	<b>6,214.5</b>	<b>7,253.4</b>	<b>1,038.9</b>	<b>16.7</b>	<b>981.6</b>	<b>15.7</b>
LESS: (SCSF/COF) <sup>1</sup>	194.4	192.6	224.9	32.3	16.7	30.4	15.7
Individual Income Refunds	474.0	431.3	460.0	28.7	6.7	-13.9	-2.9
Corporate Income Refunds	48.3	61.1	64.5	3.4	5.6	16.2	33.6
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	15.7	21.5	11.4	-10.1	-46.8	-4.2	-27.1
Amendment 82 Bonds	1.1	1.0	1.0	0.0	1.5	0.0	-3.5
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	-3.3	0.0	0.0
City & County Tourist	0.9	0.9	0.9	0.0	-1.3	0.0	0.0
Educational Excellence	309.6	315.8	319.5	3.7	1.2	9.9	3.2
Educational Adequacy	27.4	28.0	28.2	0.2	0.9	0.9	3.2
Highway Casino Transfer	0.0	0.0	1.4	1.4	0.0	1.4	0.0
<b>Total Deductions</b>	<b>1,108.1</b>	<b>1,089.8</b>	<b>1,148.7</b>	<b>58.9</b>	<b>5.4</b>	<b>40.6</b>	<b>3.7</b>
<b>Net Available</b>	<b>5,163.7</b>	<b>5,124.7</b>	<b>6,104.7</b>	<b>980.0</b>	<b>19.1</b>	<b>941.0</b>	<b>18.2</b>

#### Revenue Forecast Summary for the Month

May Year-to-Date Gross:	\$ 1038.9 Million OR 16.7% Above Forecast
May Year-to-Date Net Available:	\$ 980.0 Million OR 19.1% Above Forecast

<sup>1</sup> State Central Services Fund and Constitutional Officers Fund.

# **May 2021 General Revenue Report** **Economic Analysis and Tax Research, DFA**

Forecast Date: 04/02/20

Millions of \$

	Actual May FY20	Forecast May FY21	Actual May FY21	<u>Change from Forecast</u>		<u>Change from Last Year</u>	
				Dollar Difference	Percent Difference	Dollar Difference	Percent Difference
Individual Income	235.4	224.3	471.7	247.4	110.3	236.3	100.4
Corporate Income	15.1	18.6	40.6	22.0	118.5	25.6	169.3
Sales & Use	205.7	224.4	274.2	49.8	22.2	68.5	33.3
Alcohol	5.4	5.7	6.8	1.1	20.1	1.4	26.0
Tobacco	17.9	16.6	19.3	2.7	16.1	1.4	7.7
Insurance	0.6	1.1	1.4	0.3	28.2	0.8	119.2
Racing	0.1	0.2	0.3	0.1	66.1	0.3	346.2
Gaming	0.0	2.1	5.5	3.4	161.2	5.5	119,011.2
Severance	-0.2	0.1	0.3	0.2	180.4	0.4	-278.4
Franchise	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate Transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	1.8	1.9	2.6	0.7	38.6	0.8	45.7
<b>Total Gross</b>	<b>481.9</b>	<b>495.0</b>	<b>822.8</b>	<b>327.8</b>	<b>66.2</b>	<b>341.0</b>	<b>70.8</b>
LESS: (SCSF/COF) <sup>1</sup>	14.9	15.3	25.5	10.2	66.7	10.6	70.8
Individual Income Refunds	46.4	30.0	82.1	52.1	173.6	35.6	76.8
Corporate Income Refunds	1.2	2.3	2.8	0.5	23.1	1.6	129.4
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Econ Development Incentive	1.6	2.0	2.8	0.8	39.3	1.2	71.8
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
Water / Sewer Bonds	1.2	1.2	1.2	0.0	0.0	0.0	0.0
College Savings Bonds	20.0	21.0	20.2	-0.8	-3.8	0.2	1.3
City & County Tourist	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Educational Excellence	28.1	28.7	29.0	0.3	1.2	0.9	3.2
Educational Adequacy	2.5	2.5	2.6	0.1	2.7	0.1	3.2
Highway Casino Transfer	0.0	0.0	1.4	1.4	0.0	1.4	0.0
<b>Total Deductions</b>	<b>116.0</b>	<b>103.0</b>	<b>167.7</b>	<b>64.7</b>	<b>62.8</b>	<b>51.6</b>	<b>44.5</b>
<b>Net Available</b>	<b>365.8</b>	<b>392.0</b>	<b>655.2</b>	<b>263.2</b>	<b>67.1</b>	<b>289.3</b>	<b>79.1</b>

## Revenue Forecast Summary for the Month

May Gross: \$ 327.8 Million OR 66.2% Above Forecast  
May Net Available: \$ 263.2 Million OR 67.1% Above Forecast

<sup>1</sup> State Central Services Fund and Constitutional Officers Fund.