



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

**OFFICE OF THE DIRECTOR
Economic Analysis & Tax Research**
1509 West Seventh Street, Room 404
Post Office Box 3278
Little Rock, Arkansas 72203-3278
Phone: (501) 682-1688
Fax: (501) 682-1086
<http://www.dfa.arkansas.gov>

MEMORANDUM

TO: Larry Walther, Director
Paul Louthian, Deputy Director

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

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

DATE: June 4, 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 \$4,937.0 million, \$159.9 million or 3.3 percent above year ago levels. After 11 months into the fiscal year, net available revenue is above forecast by \$44.2 million.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$6,067.5 million, representing an increase of \$181.8 million or 3.1 percent above last year. Gross general revenues are above forecast by \$5.4 million or 0.1 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$3,063.5 million, \$125.6 million or 4.3 percent above FY 2017 collections and \$40.7 million or 1.3 percent above forecast.

Year-to-date individual income tax refunds total \$467.7 million, up \$43.0 million or 10.1 percent compared to last year and \$5.2 million or 1.1 percent above forecast. Amounts above forecast in refund categories lower net available revenue results.

Year-to-date Sales and Use Tax Collections: On a year-to-date basis, sales and use taxes total \$2,206.5 million, an increase of \$71.4 million or 3.3 percent from FY 2017 and \$0.5 million or fractionally above forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$343.2 million, a decrease of \$21.9 million from year-to-date FY 2017. Corporate income is below forecast by \$50.2 million or -12.8 percent.

Year-to-date corporate income tax refunds total \$38.5 million, a decrease of \$27.8 million compared to the same year-to-date period last year.

MAY REVENUE SUMMARY

May Net Available General Revenues total \$347.4 million, \$8.1 million or 2.4 percent above last year and \$9.6 million or -2.7 percent below forecast.

Corporate Income Tax collections accounted for most of the shortfall as filings in May were \$26.0 million below forecast and -48.5 percent below last year. The two largest categories of collections, Sales Tax and Individual Income, were fractionally below forecast for the month at -\$0.6 million and -\$0.3 million, respectively. Both of the large categories were above year ago levels by about 4.5 percent. The decline in Corporate Income Tax collections was partly offset by lower than expected Corporate Refunds.

Among smaller revenue sources, Tobacco was above forecast by \$2.3 million. Results in Gaming revenue were above forecast by \$0.1 million.

May Gross General Revenues: May collections total \$473.0 million, an increase of \$4.1 million or 0.9 percent from last year and \$23.6 million or -4.8 percent below forecast.

May Individual Income Tax collections total \$218.8 million. Collections increased by \$9.4 million, or 4.5 percent compared to last year. With respect to the forecast, collections were \$0.3 million or -0.1 percent below forecast. Individual Withholding Tax was up 5.1 percent compared to last year.

May Individual Income Tax Refunds total \$59.2 million, \$4.4 million below last year and \$5.6 million below forecast. Refund amounts below forecast add to Net Available revenue results.

May Sales and Use Tax Collections: May collections total \$201.5 million, an increase of \$9.1 million or 4.7 percent above last year. Collections were fractionally below monthly forecast levels by \$0.6 million or -0.3 percent.

May Corporate Income Tax collections total \$17.2 million, a decrease of \$16.2 million or -48.5 percent from year ago, and \$26.0 million or -60.2 percent below forecast.

May Corporate Income Tax Refunds total \$1.4 million. This amount is \$0.3 million above year ago levels. Refunds were also \$4.5 million below forecast.

May Tobacco Tax collections, a smaller component of general revenue in annual terms, total \$19.7 million. Collections increased by \$1.1 million or 5.7 percent from year earlier levels and were above forecast by \$2.3 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 May 2018, \$50.7 million was collected and deposited to the fund. After deductions, the net amount is \$49.2 million. The monthly collection is equivalent to a 4.8 percent increase from prior year collections.

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

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

FORECAST DATE: 05/16/2018

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	2,937.9	3,022.8	3,063.5	40.7	1.3	125.6	4.3
CORPORATE INCOME	365.1	393.4	343.2	-50.2	-12.8	-21.9	-6.0
SALES AND USE	2,135.1	2,206.0	2,206.5	0.5	0.0	71.4	3.3
ALCOHOLIC BEVERAGE	50.4	50.9	52.1	1.2	2.4	1.7	3.4
TOBACCO	199.8	194.1	200.9	6.8	3.5	1.1	0.5
INSURANCE	62.9	62.4	63.0	0.6	0.9	0.0	0.1
RACING	2.3	2.2	2.1	-0.1	-6.7	-0.2	-9.5
GAMES OF SKILL	54.9	57.0	58.9	1.9	3.3	4.0	7.3
MISCELLANEOUS ¹	77.3	73.3	77.3	4.0	5.5	0.1	0.1
TOTAL GROSS	5,885.7	6,062.1	6,067.5	5.4	0.1	181.8	3.1
LESS: SCSF/COF ²	188.3	187.9	188.1	0.2	0.1	-0.3	-0.1
INDIV INCOME TAX REFUNDS	424.7	462.5	467.7	5.2	1.1	43.0	10.1
CORP INCOME TAX REFUNDS	66.3	73.4	38.5	-34.9	-47.5	-27.8	-41.9
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	12.0	20.5	12.0	-8.5	-41.5	0.0	-0.1
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	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
SCHOOL DESEGREGATION	65.8	65.8	65.8	0.0	0.0	0.0	0.0
EDUCATIONAL EXCELLENCE	287.3	293.7	293.6	-0.1	0.0	6.3	2.2
EDUCATIONAL ADEQUACY	25.4	25.9	26.0	0.1	0.2	0.6	2.2
TOTAL DEDUCTIONS	1,108.6	1,169.3	1,130.5	-38.8	-3.3	21.8	2.0
NET AVAILABLE	4,777.1	4,892.8	4,937.0	44.2	0.9	159.9	3.3

REVENUE FORECAST SUMMARY FOR MAY

YEAR-TO-DATE GROSS	\$ 5.4 MILLION OR 0.1% ABOVE FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 44.2 MILLION OR 0.9% 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 2018 GENERAL REVENUE REPORT
ECONOMIC ANALYSIS AND TAX RESEARCH, DFA

FORECAST DATE: 05/16/2018

MILLIONS OF \$

	ACTUAL MAY FY17	FORECAST MAY FY18	ACTUAL MAY FY18	CHANGE FROM FORECAST		CHANGE FROM LAST YEAR	
				DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	209.4	219.1	218.8	-0.3	-0.1	9.4	4.5
CORPORATE INCOME	33.4	43.2	17.2	-26.0	-60.2	-16.2	-48.5
SALES AND USE	192.4	202.1	201.5	-0.6	-0.3	9.1	4.7
ALCOHOLIC BEVERAGE	5.9	5.8	6.2	0.4	6.7	0.3	4.8
TOBACCO	18.6	17.4	19.7	2.3	13.1	1.1	5.7
INSURANCE	0.9	0.8	0.8	0.0	-5.4	-0.1	-11.7
RACING	0.1	0.1	0.2	0.1	68.5	0.0	31.5
GAMES OF SKILL	5.4	5.4	5.5	0.1	2.7	0.2	2.9
MISCELLANEOUS ¹	2.8	2.7	3.2	0.5	18.2	0.4	15.0
TOTAL GROSS	468.9	496.6	473.0	-23.6	-4.8	4.1	0.9
LESS: SCSF/COF ²	15.0	15.4	14.7	-0.7	-4.8	-0.3	-2.3
INDIV INCOME TAX REFUNDS	63.6	64.8	59.2	-5.6	-8.7	-4.4	-6.9
CORP INCOME TAX REFUNDS	1.1	5.9	1.4	-4.5	-76.7	0.3	27.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.5	2.9	0.6	-2.3	-81.0	0.1	11.4
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	19.9	20.4	19.6	-0.8	-3.9	-0.3	-1.3
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	26.1	26.7	26.7	0.0	0.0	0.6	2.2
EDUCATIONAL ADEQUACY	2.3	2.3	2.4	0.1	2.6	0.1	2.2
TOTAL DEDUCTIONS	129.6	139.6	125.6	-14.0	-10.0	-4.0	-3.1
NET AVAILABLE	339.2	357.0	347.4	-9.6	-2.7	8.1	2.4

REVENUE FORECAST SUMMARY FOR MAY

MAY GROSS	\$ 23.6 MILLION OR 4.8% BELOW FORECAST
MAY NET AVAILABLE	\$ 9.6 MILLION OR 2.7% BELOW 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.