



STATE OF ARKANSAS
**Department of Finance
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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 June and FY 2018 Summary**

DATE: July 3, 2018

Copy: Governor's Office
Management Services

FISCAL YEAR 2018 REVENUE SUMMARY

Fiscal Year 2018 Net Available General Revenues and Surplus: Fiscal year 2018 net available general revenue collections total \$5,494.9 million. This amount is \$146.2 million or 2.7 percent above prior year results and \$41.7 million or 0.8 percent above forecast.

The fiscal year ended above forecast as a result of sustained growth in Individual Income Tax collections and lower than expected deductions from gross revenue. The two main revenue indicators of the state economy in Sales Tax and Payroll Withholding showed moderate to strong growth of 3.4 percent and 4.6 percent, respectively. Individual Income Tax Refunds increased while Corporate Refunds decreased. Gross revenue collections from Corporate Income Tax filings were below forecast and year ago levels.

Fiscal Year 2018 Gross General Revenues: Fiscal year 2018 gross collections total \$6,726.5 million, representing an increase of \$174.7 million or 2.7 percent above last year. Gross general revenues were \$8.3 million or -0.1 percent below forecast.

Fiscal Year 2018 Individual Income Taxes: Fiscal year 2018 individual income tax collections total \$3,359.6 million, \$144.8 million or 4.5 percent above FY 2017 collections and \$36.5 million or 1.1 percent above forecast.

Fiscal Year 2018 individual income tax refunds total \$493.4 million, \$46.4 million or 10.4 percent above last year and \$8.3 million or 1.7 percent above forecast. Amounts above forecast in refund categories lower net general revenue results.

Fiscal Year 2018 Sales and Use Collections: Fiscal year 2018 Sales and Use tax collections total \$2,417.5 million, an increase of \$79.5 million or 3.4 percent over FY 2017 and \$1.4 million or -0.1 percent below forecast.

Fiscal Year 2018 Corporate Income Taxes: Fiscal year corporate collections total \$406.7 million, a decrease of \$27.2 million or -6.3 percent below FY 2017. Collections came in \$59.0 million or -12.7 percent below forecast.

Fiscal Year 2018 Corporate income tax refunds total \$42.8 million, \$24.6 million or -36.5 percent below last year and \$36.1 million below the general revenue forecast.

JUNE REVENUE SUMMARY

June Net Available General Revenues total \$557.9 million, \$13.8 million or -2.4 percent below last year. Net general revenues were \$2.5 million or -0.4 percent below forecast for the month.

Revenues in June were above year ago in the major categories of Individual Income and Sales Tax but down by small percentages compared to forecast. Revenues were down by a larger percentage in Corporate Income Tax payments. Corporate Refunds were less than expected and Individual Refunds were above forecast. Other deductions from Gross Revenue were below forecast.

Among smaller revenue sources, Tobacco was above forecast by \$0.1 million. Results in Gaming were above forecast by \$0.3 million.

June Gross General Revenues: June collections total \$659.1 million, a decrease of \$7.1 million or -1.1 percent below last year and \$13.6 million or -2.0 percent below the monthly forecast. Year ago comparisons in Gross Revenue are impacted by alternating annual swings in deposits from Insurance Department by State law.

June Individual Income Tax collections total \$296.0 million. Collections increased by \$19.2 million, or 6.9 percent, compared to last year. Monthly collections were below forecast by -1.4 percent. Withholding tax from payrolls increased by 7.6 percent above year ago levels due to payroll timing effects.

June Individual Income Tax Refunds total \$25.7 million. This amount is \$3.4 million or 15.3 percent above year ago refunds and \$3.1 million above the monthly forecast.

June Sales and Use Collections: June collections total \$210.9 million, an increase of \$8.2 million or 4.0 percent above last year. Collections were below forecast by \$2.0 million or -0.9 percent.

June Corporate Income Tax collections total \$63.5 million, a decrease of \$5.3 million or -7.8 percent from year earlier levels, and \$8.8 million or -12.2 percent below forecast.

June Corporate Income Tax Refunds total \$4.3 million. This amount is \$3.2 million above year ago refunds.

June Tobacco Tax collections, a small component of general revenue, total \$19.0 million or -12.8 percent below year earlier levels. 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 June 2018, \$44.8 million was collected and deposited to the fund. After deductions, the net amount is \$43.5 million. The monthly collection is equivalent to a 3.8 percent increase from prior year collections. Fiscal year net collections total \$504.8 million, compared to \$488.7 million last year. This represents a 3.3 percent fiscal year increase from prior year collections.

JUNE 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	3,214.7	3,323.1	3,359.6	36.5	1.1	144.8	4.5
CORPORATE INCOME	433.8	465.7	406.7	-59.0	-12.7	-27.2	-6.3
SALES AND USE	2,337.9	2,418.9	2,417.5	-1.4	-0.1	79.5	3.4
ALCOHOLIC BEVERAGE	57.5	57.8	59.4	1.6	2.7	1.9	3.3
TOBACCO	221.6	213.0	219.9	6.9	3.2	-1.7	-0.8
INSURANCE	141.9	114.4	114.9	0.5	0.5	-26.9	-19.0
RACING	2.4	2.3	2.2	-0.1	-5.2	-0.2	-9.3
GAMES OF SKILL	60.3	62.3	64.5	2.2	3.5	4.2	7.0
MISCELLANEOUS ¹	81.7	77.3	82.1	4.8	6.2	0.3	0.4
TOTAL GROSS	6,551.8	6,734.8	6,726.5	-8.3	-0.1	174.7	2.7
LESS: SCSF/COF ²	208.6	208.8	208.4	-0.4	-0.2	-0.2	-0.1
INDIV INCOME TAX REFUNDS	447.0	485.1	493.4	8.3	1.7	46.4	10.4
CORP INCOME TAX REFUNDS	67.4	78.9	42.8	-36.1	-45.7	-24.6	-36.5
CLAIMS	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	13.0	23.4	12.4	-11.0	-47.0	-0.6	-4.5
AMENDMENT 82 BONDS	5.3	5.3	5.3	0.0	-0.2	0.0	0.0
RECYCLING EQUIP CREDIT	16.0	16.0	16.0	0.0	0.0	0.0	0.0
WATER/SEWER BONDS	14.8	14.8	14.8	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	313.4	320.3	320.3	0.0	0.0	6.9	2.2
EDUCATIONAL ADEQUACY	27.7	28.3	28.3	0.0	0.1	0.6	2.2
TOTAL DEDUCTIONS	1,203.1	1,281.6	1,231.6	-50.0	-3.9	28.6	2.4
NET AVAILABLE	5,348.8	5,453.2	5,494.9	41.7	0.8	146.2	2.7

REVENUE FORECAST SUMMARY FOR JUNE

YEAR-TO-DATE GROSS	\$ 8.3 MILLION OR 0.1% BELOW FORECAST
YEAR-TO-DATE NET AVAILABLE	\$ 41.7 MILLION OR 0.8% 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.

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

FORECAST DATE: 05/16/2018

MILLIONS OF \$

	CHANGE FROM FORECAST				CHANGE FROM LAST YEAR		
	ACTUAL JUNE FY17	FORECAST JUNE FY18	ACTUAL JUNE FY18	DOLLAR DIFFERENCE	PERCENT DIFFERENCE	DOLLAR DIFFERENCE	PERCENT DIFFERENCE
INDIVIDUAL INCOME	276.8	300.3	296.0	-4.3	-1.4	19.2	6.9
CORPORATE INCOME	68.8	72.3	63.5	-8.8	-12.2	-5.3	-7.8
SALES AND USE	202.8	212.9	210.9	-2.0	-0.9	8.2	4.0
ALCOHOLIC BEVERAGE	7.1	6.9	7.2	0.3	5.0	0.2	2.7
TOBACCO	21.8	18.9	19.0	0.1	0.6	-2.8	-12.8
INSURANCE	78.9	52.0	52.0	0.0	0.0	-27.0	-34.2
RACING	0.1	0.1	0.1	0.0	27.8	0.0	-6.6
GAMES OF SKILL	5.4	5.3	5.6	0.3	5.1	0.2	3.6
MISCELLANEOUS ¹	4.5	4.0	4.7	0.7	18.4	0.3	6.1
TOTAL GROSS	666.1	672.7	659.1	-13.6	-2.0	-7.1	-1.1
LESS: SCSF/COF ²	20.2	20.9	20.3	-0.6	-2.8	0.1	0.3
INDIV INCOME TAX REFUNDS	22.3	22.6	25.7	3.1	13.8	3.4	15.3
CORP INCOME TAX REFUNDS	1.1	5.5	4.3	-1.2	-22.1	3.2	290.1
CLAIMS	0.0	10.0	0.0	-10.0	-100.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.0	2.9	0.4	-2.5	-85.7	-0.6	-58.2
AMENDMENT 82 BONDS	4.2	4.2	4.2	0.0	-0.4	0.0	0.4
RECYCLING EQUIP CREDIT	16.0	16.0	16.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EDUCATIONAL EXCELLENCE	26.1	26.6	26.7	0.1	0.4	0.6	2.2
EDUCATIONAL ADEQUACY	2.3	2.4	2.4	0.0	-1.7	0.1	2.2
TOTAL DEDUCTIONS	94.4	112.3	101.2	-11.1	-9.9	6.7	7.1
NET AVAILABLE	571.7	560.4	557.9	-2.5	-0.4	-13.8	-2.4

REVENUE FORECAST SUMMARY FOR JUNE

JUNE GROSS	\$ 13.6 MILLION OR 2.0% BELOW FORECAST
JUNE NET AVAILABLE	\$ 2.5 MILLION OR 0.4% 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.