



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: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

SUBJECT: **General Revenue Report for September (FY 2012)**

DATE: October 4, 2011

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 \$1,213.5 million, \$31.9 million or 2.7 percent above year ago levels. After three months into the fiscal year, net available revenue is above forecast by \$15.8 million or 1.3 percent.

Among major revenue categories, both individual and corporate income taxes are above forecast and sales tax collections (gross receipts) are down relative to forecast. The major components of individual income tax are now ahead of forecast for the year, including withholding tax and estimated payments. The sales tax results include the effects of the sales tax holiday in August with the one month lag in the collections process. This new tax exemption was factored into the forecast. Business transactions in sales and use tax account for much of the weakness relative to forecast and year ago levels in each of the first two reporting months and this was partially reversed with a gain in September collections.

Interpretation of the sales tax results with the sales tax holiday requires several adjustments for comparison to year ago results and the impact estimates. Businesses are only required to report total taxable sales for sales tax purposes and are not required to separately report exemptions. This is to minimize the taxpayer burden of compliance, subject to audit verification. As a result, we do not have an exact figure for

the new back to school holiday exemption. However, we have adjusted the reported taxable sales figures by the amount that we estimated for the exemption, \$2.1 million total and \$1.5 million general revenue. With this adjustment taxable sales had a slow positive growth rate as we estimated. This indicates that our actual experience was in line with our estimate.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$1,384.6 million, representing an increase of \$35.1 million or 2.6 percent above last year. Gross general revenues are above forecast by \$11.5 million or 0.8 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections total \$624.3 million, \$30.4 million or 5.1 percent above FY 2011 collections and \$18.7 million or 3.1 percent above forecast. Collections growth for individual withholding is up 3.9 percent over year ago levels. The year-to-date results include one quarterly estimated payment. This payment for the period exceeds projections by 22.1 percent, a good signal for forecast stability looking ahead.

Year-to-date individual income tax refunds total \$21.1 million, down \$1.4 million or -6.3 percent compared to last year and \$2.1 million or -9.1 percent below forecast. Amounts below forecast in refund categories contributed to higher net available revenue.

Year-to-date Gross Receipts Collections: Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$545.3 million, a decrease of \$2.6 million or -0.5 percent from FY 2011 and \$18.6 million or -3.3 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$102.2 million, an increase of \$5.2 million or 5.3 percent from year-to-date FY 2011. Corporate income is above forecast by \$5.0 million or 5.1 percent.

Year-to-date corporate income tax refunds total \$6.0 million, up \$0.7 million or 13.6 percent compared to the comparable year-to-date period last year.

SEPTEMBER REVENUE SUMMARY

September Net Available General Revenues total \$462.8 million, \$24.3 million or 5.5 percent above last year and \$25.1 million or 5.7 percent above forecast.

Results were positive across all major revenue lines. Individual income exceeded forecast and year ago collections with contributions to growth from better than expected estimated payments and withholding tax exactly meeting expectations. Sales tax (gross

receipts) collections also exceeded forecast and year ago results after two months of skewed results from large business transactions. Corporate income tax was also above forecast and year ago collections.

September Gross General Revenues: September collections total \$522.2 million, an increase of \$29.6 million or 6.0 percent above last year and \$24.4 million or 4.9 percent above forecast.

September Individual Income Tax collections total \$238.8 million. Collections increased by \$15.0 million, or 6.7 percent, compared to last year. With respect to the forecast, collections are \$13.4 million or 5.9 percent above forecast. Individual withholding expanded 3.4 percent compared to last year. The gain above forecast and year ago was led by estimated payments, while withholding matched the forecast target for the month.

September Individual Income Tax Refunds total \$7.2 million, \$0.2 million or 3.6 percent above last year and fractionally above forecast.

September Gross Receipts Collections: September collections total \$181.2 million, an increase of \$9.4 million or 5.5 percent above last year. Collections were above monthly forecast levels by \$5.5 million or 3.1 percent.

September Corporate Income Tax collections total \$71.6 million, an increase of \$3.4 million or 5.0 percent above year earlier levels, and \$3.5 million or 5.2 percent above forecast.

September Corporate Income Tax Refunds total \$3.0 million. This amount is \$0.7 million or 29.3 percent above year ago levels.

September Tobacco Tax collections, a small component of general revenue, total \$21.0 million or 0.5 percent above year earlier levels, and \$1.9 million or 9.8 percent above forecast. Monthly changes in tobacco tax collections can be attributed to uneven patterns of stamp sales to wholesale purchasers.

SPECIAL REVENUES OF NOTE

Year-to-date Medicaid Program Trust Fund: Year-to-date collections of the dedicated soft drink tax total \$12.5 million, a fractional increase of 0.1 percent from last year.

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 September 2011, \$37.2 million was collected and deposited to the fund. After deductions, the net amount is \$36.0 million. The monthly collection is equivalent to a 4.6 percent increase from prior year collections.

C: /FISCNOT/September FY 2012
Attachment (2)

YEAR TO DATE REPORT, SEPTEMBER 2011
(PREPARED BY ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)

THROUGH SEPTEMBER 2011
3 Months YTD
Forecast Date: 04/21/2011

MILLIONS OF DOLLARS

	CURRENT YEAR				CURRENT YEAR TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2011	FORECAST FY 2012	INCREASE AMOUNT PERCENT		ACTUAL FY 2011	ACTUAL FY 2012	INCREASE AMOUNT PERCENT		
INDIVIDUAL INCOME	593.9	605.6	11.7	2.0	593.9	624.3	30.4	5.1	103.1
CORPORATE INCOME	97.0	97.2	0.2	0.2	97.0	102.2	5.2	5.3	105.1
GROSS RECEIPTS ¹	548.0	563.9	15.9	2.9	548.0	545.3	-2.6	-0.5	96.7
ALCOHOLIC BEVERAGE ²	8.6	8.6	0.0	0.2	8.6	8.4	-0.2	-2.2	97.6
TOBACCO	62.5	57.3	-5.2	-8.2	62.5	63.3	0.8	1.3	110.4
INSURANCE	22.9	22.2	-0.7	-3.0	22.9	20.9	-2.0	-8.7	94.1
RACING	0.8	0.8	0.0	-4.5	0.8	0.8	-0.1	-7.1	97.3
GAMES OF SKILL	2.7	3.3	0.6	22.6	2.7	5.8	3.1	113.7	174.3
MISCELLANEOUS ³	13.2	14.2	1.0	8.0	13.2	13.7	0.6	4.4	96.7
TOTAL GROSS	1,349.5	1,373.1	23.6	1.7	1,349.5	1,384.6	35.1	2.6	100.8
LESS: SCSF/COF ⁴	40.5	45.3	4.8	11.9	40.5	45.7	5.2	12.9	100.9
IND INCOME TAX REFUNDS	22.5	23.2	0.7	3.0	22.5	21.1	-1.4	-6.3	90.9
CORP INCOME TAX REFUNDS	5.3	5.5	0.2	4.7	5.3	6.0	0.7	13.6	108.5
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	1.7	6.0	4.3	256.1	1.7	3.8	2.1	126.3	63.5
WATER/SEWER BONDS	3.9	3.9	0.0	0.0	3.9	3.9	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CITY/CO. TOURIST	1.3	1.3	0.0	-1.4	1.3	1.3	0.0	-0.1	101.4
SCHOOL DESEGREGATION	19.2	13.0	-6.2	-32.3	19.2	13.0	-6.2	-32.3	100.0
EDUCATIONAL EXCELLENCE	67.2	70.5	3.3	5.0	67.2	70.0	2.9	4.2	99.3
EDUCATIONAL ADEQUACY	5.9	6.1	0.2	2.8	5.9	6.2	0.3	4.2	101.4
ELDERLY TRANSPORTATION	0.4	0.6	0.2	34.6	0.4	0.2	-0.3	-64.1	26.7
NET AVAILABLE	1,181.6	1,197.7	16.1	1.4	1,181.6	1,213.5	31.9	2.7	101.3

REVENUE FORECAST SUMMARY FOR SEPTEMBER

YEAR-TO-DATE GROSS	\$ 11.5 MILLION OR 0.8% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 1.6 MILLION OR 5.7% BELOW FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 15.8 MILLION OR 1.3% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 11</u> 12.5	<u>YTD FY 12</u> 12.5	<u>% CHANGE</u> 0.1
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 11</u> 109.2	<u>YTD FY 12</u> 108.4	<u>% CHANGE</u> -0.8

- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.

SEPTEMBER GENERAL REVENUE REPORT
(ECONOMIC ANALYSIS AND TAX RESEARCH, DFA)
(682-1688 for further information)

September 30, 2011
Days Remaining: 0
Forecast date: 04/21/2011

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				
	ACTUAL FY 2011	FORECAST FY 2012	CHANGE AMOUNT	PERCENT	ACTUAL FY 2011	ACTUAL FY 2012	CHANGE AMOUNT	PERCENT	ACTUAL AS % OF FORECAST
INDIVIDUAL INCOME	223.8	225.4	1.6	0.7	223.8	238.8	15.0	6.7	105.9
CORPORATE INCOME	68.2	68.1	-0.1	-0.2	68.2	71.6	3.4	5.0	105.2
GROSS RECEIPTS ¹	171.8	175.7	3.9	2.3	171.8	181.2	9.4	5.5	103.1
ALCOHOLIC BEVERAGE ²	2.4	2.6	0.2	9.9	2.4	2.5	0.1	4.3	94.9
TOBACCO	20.9	19.1	-1.8	-8.5	20.9	21.0	0.1	0.5	109.8
INSURANCE	0.6	0.9	0.3	49.2	0.6	0.7	0.1	22.7	82.2
RACING	0.2	0.2	0.0	10.5	0.2	0.2	0.0	8.5	98.2
GAMES OF SKILL	0.9	1.1	0.2	16.4	0.9	1.9	0.9	98.1	170.2
MISCELLANEOUS ³	3.8	4.7	0.9	22.9	3.8	4.4	0.6	15.0	93.6
TOTAL GROSS	492.6	497.8	5.2	1.1	492.6	522.2	29.6	6.0	104.9
LESS: (SCSF/COF) ⁴	14.8	16.4	1.6	11.0	14.8	17.2	2.5	16.6	105.1
IND INC TAX REFUNDS	7.0	7.2	0.2	3.1	7.0	7.2	0.2	3.6	100.5
CORP INC TAX REFUNDS	2.4	2.4	0.0	2.0	2.4	3.0	0.7	29.3	126.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.2	2.0	1.8	943.8	0.2	0.2	0.0	8.7	10.4
WATER/SEWER BONDS	1.3	1.3	0.0	0.0	1.3	1.3	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	0.0	0.0	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	0.0	0.0
SCHOOL DESEGREGATION	4.0	5.0	1.0	25.0	4.0	5.0	1.0	25.0	100.0
EDUCATIONAL EXCELLENCE	22.4	23.5	1.1	5.0	22.4	23.3	1.0	4.2	99.3
EDUCATIONAL ADEQUACY	2.0	2.1	0.1	6.1	2.0	2.1	0.1	4.2	98.2
ELDERLY TRANSPORTATION	0.1	0.2	0.1	37.1	0.1	0.0	-0.1	-100.0	0.0
NET AVAILABLE	438.5	437.7	-0.8	-0.2	438.5	462.8	24.3	5.5	105.7

REVENUE FORECAST SUMMARY FOR SEPTEMBER

SEPTEMBER GROSS \$ 24.4 MILLION OR 4.9% ABOVE FORECAST.
SEPTEMBER NET AVAILABLE \$ 25.1 MILLION OR 5.7% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Sept 10</u> 34.5	<u>Sept 11</u> 36.0	<u>% CH</u> 4.6
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- 1) Gross Receipts includes the sales, use, 10% mixed drink, 3% beverage excise, vehicle rental, short-term rental, residential moving, and wholesale vending taxes.
- 2) Alcoholic Beverage does not include 10% Mixed Drink and 3% Beverage Excise.
- 3) Miscellaneous includes estate tax, severance, corporate franchise, real estate transfer, dyed diesel, and various other miscellaneous taxes.
- 4) State Central Services Fund and Constitutional Officers Fund.