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M E M O R A N D U M

TO: Richard Weiss, Director
Tim Leathers, Deputy Director

FROM: John Shelnett, Economic Analysis & Tax Research

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

DATE: January 4, 2012

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 \$2,339.5 million, \$77.2 million or 3.4 percent above year ago levels. At the midpoint of the fiscal year, net available revenue is above forecast by \$42.2 million or 1.8 percent.

Among major revenue categories, both individual and corporate income taxes are above forecast and sales tax collections (gross receipts) are down year-to-date relative to forecast. The key components of individual income tax are now ahead of forecast for the year, including withholding tax and estimated payments. The sales tax results improved in December, but year-to-date results reflect a combination of generally weak retail sales earlier in the fiscal year and adverse one-time comparisons in business transactions in the first two months of the fiscal year. Lower individual income tax refunds to date also contributed positively to the net revenue results. Offsetting some of the positive factors is a large increase in corporate refunds.

Year-to-date Gross General Revenues: Year-to-date gross collections total \$2,736.2 million, representing an increase of \$98.0 million or 3.7 percent above last year. Gross general revenues are above forecast by \$45.1 million or 1.7 percent.

Year-to-date Individual Income Taxes: Year-to-date individual income tax collections

total \$1,243.7 million, \$66.3 million or 5.6 percent above FY 2011 collections and \$41.0 million or 3.4 percent above forecast. Collections growth for individual withholding is up 4.1 percent over year ago levels.

Year-to-date individual income tax refunds total \$52.6 million, down \$0.3 million or -0.6 percent compared to last year and \$1.8 million or -3.4 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 \$1,067.3 million, an increase of \$3.6 million or 0.3 percent from FY 2011 and \$29.0 million or -2.6 percent below forecast.

Year-to-date Corporate Income Taxes: Year-to-date corporate revenues total \$203.9 million, an increase of \$22.8 million or 12.6 percent from year-to-date FY 2011. Corporate income is above forecast by \$22.8 million or 12.6 percent.

Year-to-date corporate income tax refunds total \$44.4 million, up \$14.1 million compared to the comparable year-to-date period last year. This amount includes large refunds in October.

DECEMBER REVENUE SUMMARY

December Net Available General Revenues total \$418.7 million, \$36.9 million or 9.7 percent above last year and \$31.5 million or 8.1 percent above forecast.

Growth was above forecast among all major revenue categories as good growth in individual and corporate income collections coincided with slightly better than expected growth in gross receipts (sales tax). As indicators of economic conditions in the state, individual withholding was up 6.1 percent and gross receipts were up 4.0 percent compared to year ago. Estimated payments were notably high for both individual income tax and corporate income tax.

Corporate income tax refunds were less than forecast. This contributed to net available revenues.

December Gross General Revenues: December collections total \$481.3 million, an increase of \$41.7 million or 9.5 percent from last year and \$30.4 million or 6.7 percent above forecast.

December Individual Income Tax collections total \$206.9 million. Collections increased by \$19.5 million, or 10.4 percent, compared to last year. With respect to the forecast, collections are \$14.7 million or 7.7 percent above forecast. Individual withholding gained 6.1 percent compared to last year.

December Individual Income Tax Refunds total \$7.5 million, \$4.4 million above last year and also \$4.4 million above forecast.

December Gross Receipts Collections: December collections total \$178.6 million, an increase of \$6.8 million or 4.0 percent from last year. Collections were above monthly forecast levels by \$1.3 million or 0.7 percent.

December Corporate Income Tax collections total \$66.7 million, an increase of \$14.5 million or 27.7 percent above year earlier levels, and \$13.2 million or 24.7 percent above forecast.

December Corporate Income Tax Refunds total \$6.1 million. This amount is \$4.4 million below year ago levels and \$5.1 million below forecast for this subtraction from gross general revenues.

December Tobacco Tax collections, a small component of general revenue, total \$20.3 million or 1.4 percent above year earlier levels, and \$1.2 million or 6.1 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 \$24.0 million, an increase of 0.3 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 December 2011, \$36.8 million was collected and deposited to the fund. After deductions, the net amount is \$35.7 million. The monthly collection is equivalent to a 3.9 percent increase from prior year collections.

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

THROUGH DECEMBER 2011
6 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	1,177.3	1,202.7	25.4	2.2	1,177.3	1,243.7	66.3	5.6	103.4
CORPORATE INCOME	181.1	181.1	0.0	0.0	181.1	203.9	22.8	12.6	112.6
GROSS RECEIPTS ¹	1,063.7	1,096.3	32.6	3.1	1,063.7	1,067.3	3.6	0.3	97.4
ALCOHOLIC BEVERAGE ²	16.2	16.5	0.3	1.6	16.2	16.0	-0.3	-1.7	96.8
TOBACCO	123.0	114.6	-8.4	-6.8	123.0	124.4	1.4	1.2	108.6
INSURANCE	45.5	45.1	-0.4	-0.8	45.5	42.9	-2.6	-5.7	95.1
RACING	1.7	1.6	-0.1	-8.4	1.7	1.5	-0.2	-14.0	93.8
GAMES OF SKILL	5.6	6.6	1.0	18.8	5.6	11.7	6.1	110.6	177.3
MISCELLANEOUS ³	24.1	26.6	2.5	10.4	24.1	24.8	0.7	3.0	93.2
TOTAL GROSS	2,638.2	2,691.1	52.9	2.0	2,638.2	2,736.2	98.0	3.7	101.7
LESS: SCSF/COF ⁴	79.1	88.8	9.7	12.2	79.1	90.3	11.1	14.1	101.7
IND INCOME TAX REFUNDS	52.9	54.4	1.5	2.9	52.9	52.6	-0.3	-0.6	96.6
CORP INCOME TAX REFUNDS	30.3	32.1	1.8	5.9	30.3	44.4	14.1	46.5	138.4
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	9.4	12.0	2.6	27.4	9.4	8.2	-1.2	-12.9	68.4
WATER/SEWER BONDS	7.7	7.7	0.0	0.0	7.7	7.7	0.0	0.0	100.0
COLLEGE SAVINGS BONDS	5.7	5.6	-0.1	-2.1	5.7	2.1	-3.6	-63.6	37.1
CITY/CO. TOURIST	2.6	2.6	0.0	-1.4	2.6	2.6	0.0	-0.1	101.4
SCHOOL DESEGREGATION	41.0	36.2	-4.8	-11.7	41.0	36.2	-4.8	-11.7	100.0
EDUCATIONAL EXCELLENCE	134.3	141.0	6.7	5.0	134.3	140.0	5.7	4.2	99.3
EDUCATIONAL ADEQUACY	11.9	12.4	0.5	4.4	11.9	12.4	0.5	4.2	99.8
ELDERLY TRANSPORTATION	0.9	1.0	0.1	13.7	0.9	0.2	-0.7	-81.8	16.0
NET AVAILABLE	2,262.3	2,297.3	35.0	1.5	2,262.3	2,339.5	77.2	3.4	101.8

REVENUE FORECAST SUMMARY FOR DECEMBER

YEAR-TO-DATE GROSS	\$ 45.1 MILLION OR 1.7% ABOVE FORECAST.
YEAR-TO-DATE REFUNDS	\$ 10.5 MILLION OR 12.1% ABOVE FORECAST.
YEAR-TO-DATE NET AVAILABLE	\$ 42.2 MILLION OR 1.8% ABOVE FORECAST

SOFT DRINK EXCISE TAX (MEDICAID PROGRAM TRUST FUND)	<u>YTD FY 11</u> 23.9	<u>YTD FY 12</u> 24.0	<u>% CHANGE</u> 0.3
EDUCATIONAL ADEQUACY FUND (NET COLLECTIONS)	<u>YTD FY 11</u> 212.6	<u>YTD FY 12</u> 212.5	<u>% CHANGE</u> 0.0

- 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.

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

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

MILLIONS OF \$

	CURRENT MONTH				CURRENT MONTH TO DATE				ACTUAL AS % OF FORECAST
	ACTUAL FY 2011	FORECAST FY 2012	CHANGE AMOUNT	PERCENT	ACTUAL FY 2011	ACTUAL FY 2012	CHANGE AMOUNT	PERCENT	
INDIVIDUAL INCOME	187.5	192.2	4.7	2.5	187.5	206.9	19.5	10.4	107.7
CORPORATE INCOME	52.3	53.5	1.2	2.4	52.3	66.7	14.5	27.7	124.7
GROSS RECEIPTS ¹	171.8	177.3	5.5	3.2	171.8	178.6	6.8	4.0	100.7
ALCOHOLIC BEVERAGE ²	2.6	2.7	0.1	2.8	2.6	2.6	0.0	0.2	97.5
TOBACCO	20.0	19.1	-0.9	-4.5	20.0	20.3	0.3	1.4	106.1
INSURANCE	1.0	1.0	0.0	-1.1	1.0	0.4	-0.6	-58.9	41.5
RACING	0.2	0.2	0.0	6.3	0.2	0.2	0.0	-3.8	90.5
GAMES OF SKILL	1.0	1.1	0.1	14.1	1.0	2.0	1.0	106.3	180.9
MISCELLANEOUS ³	3.2	3.8	0.6	16.9	3.2	3.6	0.3	9.5	93.7
TOTAL GROSS	439.5	450.9	11.4	2.6	439.5	481.3	41.7	9.5	106.7
LESS: (SCSF/COF) ⁴	13.2	14.9	1.7	13.0	13.2	15.9	2.7	20.4	106.6
IND INC TAX REFUNDS	3.0	3.1	0.1	2.3	3.0	7.5	4.4	146.6	241.2
CORP INC TAX REFUNDS	10.6	11.2	0.6	6.0	10.6	6.1	-4.4	-42.0	54.8
CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ECON DEVEL INCENTIVE FUND	0.1	2.0	1.9	1618.8	0.1	0.9	0.8	666.8	44.6
WATER/SEWER BONDS	1.2	1.2	0.0	0.0	1.2	1.2	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	5.1	5.6	0.5	9.8	5.1	5.6	0.5	9.8	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	0.1	0.0	-32.8	0.1	0.0	-0.1	-100.0	0.0
NET AVAILABLE	381.8	387.2	5.4	1.4	381.8	418.7	36.9	9.7	108.1

REVENUE FORECAST SUMMARY FOR DECEMBER

DECEMBER GROSS \$ 30.4 MILLION OR 6.7% ABOVE FORECAST.
DECEMBER NET AVAILABLE \$ 31.5 MILLION OR 8.1% ABOVE FORECAST

EDUCATIONAL ADEQUACY FUND (NET DEPOSIT, MONTH-TO-DATE)	<u>Dec 10</u> 34.3	<u>Dec 11</u> 35.7	<u>% CH</u> 3.9
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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.